
Part I

Item 1. Business.

1(a) General Development of Business.

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

In 2001, Stanley had net sales of \$2.624 billion and employed approximately 14,400 people worldwide. The company's principal executive office is located at 1000 Stanley Drive, New Britain, Connecticut 06053 and its telephone number is (860) 225-5111.

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

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

1(c) Narrative Description of Business. The company's operations are classified into two business segments: Tools and Doors.

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

Mechanics tools include consumer, industrial and professional

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

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

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

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

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

The company encounters active competition in all of its businesses from both larger and smaller companies that offer the same or similar products and services or that produce different products appropriate for the same uses. The company has a large number of competitors; however, aside from a small number of competitors in the consumer hand tool and consumer hardware business, who produce a range of products somewhat comparable to the company's, the majority of its competitors compete only with respect to one or more individual products within a particular line. The company believes that it is one of the largest

manufacturers of hand tools in the world featuring a broader line than any other toolmaker. The company also believes that it is a leader in the manufacture and sale of pneumatic fastening tools and related fasteners to the construction, furniture and pallet industries as well as a leading manufacturer of hand-held hydraulic tools used for heavy construction, railroads, utilities and public works. In the Doors segment, the company believes that it is a U.S. leader in the manufacture and sale of insulated steel residential entrance doors, commercial hardware products, mirrored closet doors and hardware for sliding, folding and pocket doors and the U.S. leader in the manufacture, sale and installation of automatic sliding and swing powered doors.

Customers. A substantial portion of the company's products are sold through home centers and mass merchant distribution channels in the U.S. In 2001, approximately 18% of the company's consolidated sales in the Tools and Doors segments collectively were to one customer. Because a consolidation of retailers in the home center and mass merchant distribution channel is occurring, these customers constitute a growing percent of the company's sales and are important to the company's operating results. While this consolidation and the domestic and international expansion of these large retailers provide the company with opportunities for growth, the increasing size and importance of individual customers creates a certain degree of exposure to potential volume loss. The loss of this one customer as well as certain of the other larger home centers as customers would have a material adverse effect on each of the company's business segments until either such customers are replaced or the company makes the necessary adjustments to compensate for the loss of business.

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

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

Backlog. At December 29, 2001, the company had \$125 million in unfilled orders compared with approximately \$148 million in unfilled orders at February 3, 2001. All of these orders are reasonably expected to be filled within the current fiscal year. Most customers place orders for immediate shipment and as a

result, the company produces primarily for inventory, rather than to fill specific orders.

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

The company has numerous trademarks that are utilized in its businesses worldwide. The STANLEY(R) and STANLEY (in a notched rectangle)(R) trademarks are material to both business segments. These well-known trademarks enjoy a reputation for quality and value and are among the world's most trusted brand names. The company's tagline, "Make Something Great(TM)" is the centerpiece of the company's brand strategy for both segments. In the Tools segment, the Bostitch(R), Powerlock(R), Tape Rule Case Design (Powerlock)(R), LaBounty(R), MAC(R), Proto(R), Jensen(R), Goldblatt(R), Husky(R), Vidmar(R) and Zag(R) trademarks are also 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 a party to a number of proceedings before federal and state regulatory agencies relating to environmental remediation. Additionally, the company, along with many other parties, has been named as a potentially responsible party ("PRP") in a number of administrative or judicial proceedings for the remediation of various waste sites, including ten (10) active Superfund sites. Current laws potentially impose joint and several liabilities upon each PRP. In assessing its potential liability at these sites, the company has considered the following: the solvency of the other PRP's, whether responsibility is being disputed, the terms of existing agreements, experience at similar sites, and the fact that its volumetric contribution at these sites is relatively small.

The company's policy is to accrue environmental investigatory and

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

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

Employees. At December 29, 2001, the company had approximately 14,400 employees, approximately 7,000 of whom were employed in the U.S. Of these 7,000 U.S. employees, approximately 11.2% are covered by collective bargaining agreements negotiated with 15 different local labor unions who are, in turn, affiliated with approximately 7 different international labor unions. The majority of the company's hourly-paid and weekly-paid employees outside the U.S. are not covered by collective bargaining agreements. The company's labor agreements in the U.S. expire in 2002, 2003, 2004 and 2005. There have been no significant interruptions or curtailments of the company's operations in recent years due to labor disputes. The company believes that its relationship with its employees is good.

1(d) Financial Information About Geographic Areas. Financial information regarding the company's geographic areas is incorporated herein by reference to Note 0 of the Notes to Consolidated Financial Statements in Item 8.

1(e) Cautionary Statements. The company incorporates

by reference the material captioned "Cautionary Statements" in Item 7.

Item 2. Properties.

As of December 29, 2001, the company and its subsidiaries owned or leased facilities for manufacturing, distribution and sales offices in 28 states and 31 foreign countries. The company believes that its facilities are suitable and adequate for its business.

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

Tools.

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

Doors.

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

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

Tools.

New Britain, Connecticut; Miramar, Florida; Covington, Georgia; Kannapolis, North Carolina; Cleveland and Columbus, Ohio; Milwaukie, Oregon; Carrollton, Texas; Burlington and Smiths Falls, Canada; Ecclesfield, Worsley and Northampton, England; Biassono, Italy; Heidelberg West, Australia and Izraelim, Israel.

Doors.

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

Item 3. Legal Proceedings.

In the normal course of business, the company is involved in various lawsuits, claims, including product liability, environmental and distributor claims, and administrative proceedings. The company does not expect that the resolution of these matters will have a materially adverse effect on the company's consolidated financial position, results of operations or liquidity.

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

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

Executive Officers. The following is a list of the executive officers of the company as of December 29, 2001:

Name, Age (as of 12/29/01) Birth date -----	Office -----	Elected to Office -----
J.M. Trani(56) (3/15/45)	Chairman and Chief Executive Officer. Joined Stanley December 1996; 1986 President and Chief Executive Officer of GE Medical Systems.	12/31/96
B.H. Beatt (49) (07/24/52)	Vice President, General Counsel and Secretary. Joined Stanley October 2000; 1991 Vice President, General Counsel and Secretary, Dexter Corporation.	10/09/00
W.D. Hill (52) (9/18/49)	Vice President, Engineering. Joined Stanley August 1997; 1996 Director Product Management-Tool Group, Danaher Tool; 1994 Vice President, Product Development Global Accessories, The Black & Decker Corporation; 1992 Vice President Product Development-N.A. Power Tools, The Black & Decker Corporation.	09/17/97
P.M.Isabella (46) (10/14/55)	Vice President, Operations. Joined Stanley May 1999; January 1998, Vice President Operations, GE Industrial Systems; January 1995, General Manager Switchgear/Busway Operation.	10/18/01
K.O. Lewis (48) (5/28/53)	Vice President, Marketing and Brand Management. Joined Stanley November 1997; 1996 Executive Vice President Strategic Alliances, Marvel Entertainment Group; 1986 Director	11/03/97

Participant Marketing,
Walt Disney Attractions.

J.M. Loree (43) (6/14/58)	Vice President, Finance and Chief Financial Officer. Joined Stanley July 1999; 1997 Vice President, Finance & Strategic Planning, GE Capital Auto Financial Services; 1995 President & Chief Executive Officer, GE Capital Modular Space.	07/19/99
M.J. Mathieu (49) (2/20/52)	Vice President, Human Resources. Joined Stanley September 1997; 1996 Manager-Human Resources, GE Motors & Industrial Systems; 1994 Consultant-Executive Staffing, General Electric Company; 1989 Consultant-Union Relations, General Electric Company.	09/17/97
D.R. McIlroy (51) (6/11/50)	President, Consumer Sales Americas. Joined Stanley October 1999; 1997 President & Chief Executive Officer, The Gibson-Homans Company; 1993 President, Levolor Home Fashions, a Newell company.	10/04/99
P.W. Russo (48) (5/23/53)	Vice President, Strategy and Development. Joined Stanley in 1995; 1991 Co-Chairman and Co-Chief Executive Officer, SV Corp. (formerly Smith Valve Corp.); 1988 Co-founder and Managing Director, Cornerstone Partners Limited.	09/18/95

Part II

Item 5. Market for the Registrant's Common Stock and Related

Stockholder Matters.

The company's Common Stock is listed and traded on the New York and Pacific Stock Exchanges under the abbreviated ticker symbol "SWK", and is a component of the S&P 500 Composite Stock Price Index. The following table shows the quarterly high and low sales price on the NYSE for a share of the company's Common Stock for each quarter in the years ended December 29, 2001 and December 30, 2000:

DOLLARS PER SHARE:	2001			2000		
	Market Price Range		Dividend per common share	Market Price Range		Dividend per common share
	HIGH	LOW		HIGH	LOW	
QUARTER:						
First	38.35	28.06	0.23	30.125	22.250	0.22
Second	41.99	31.60	0.23	30.375	23.000	0.22
Third	45.80	32.64	0.24	28.438	22.250	0.23

Fourth	46.85	34.60	0.24	31.875	18.438	0.23
Total			0.94			0.90

As of December 29, 2001 there were 15,290 holders of record of the company's Common Stock.

Item 6. Selected Financial Data.

The following selected financial information should be read in conjunction with the Consolidated Financial Statements and related Notes appearing elsewhere in this Form 10-K:

(Millions of Dollars, except per share amounts)	2001(A)	2000	1999(B)	1998(C)	1997(D)
STATEMENTS OF OPERATIONS DATA:					
Net sales	\$ 2,624	\$ 2,749	\$ 2,752	\$ 2,729	\$ 2,670
Net earnings (loss)	\$ 158	\$ 194	\$ 150	\$ 138	\$ (42)
Net earnings (loss) per share					
Basic	\$ 1.85	\$ 2.22	\$ 1.67	\$ 1.54	\$ (.47)
Diluted	\$ 1.81	\$ 2.22	\$ 1.67	\$ 1.53	\$ (.47)
Percent of net sales:					
Cost of sales	64.8%	63.7%	65.9%	65.7%	66.8%
Selling, general and administrative	22.6%	23.9%	25.5%	25.1%	23.5%
Interest-net	1.0%	1.0%	1.0%	.8%	.6%
Other-net	(.2%)	.7%	(.1%)	.5%	.8%
Earnings (loss) before income taxes	9.0%	10.7%	8.4%	7.9%	(.7%)
Net earnings (loss)	6.0%	7.1%	5.5%	5.1%	(1.6%)
BALANCE SHEET DATA:					
Total assets	\$ 2,056	\$ 1,885	\$ 1,891	\$ 1,933	\$ 1,759
Long-term debt	\$ 197	\$ 249	\$ 290	\$ 345	\$ 284
Shareowners' equity	\$ 832	\$ 737	\$ 735	\$ 669	\$ 608
RATIOS:					
Current ratio	1.4	1.5	1.6	1.5	1.6
Total debt to total capital	37.3%	38.6%	37.8%	45.8%	40.5%
Income tax rate	33.1%	34.0%	35.0%	36.0%	(125.4%)
Return on average equity	20.2%	26.4%	21.4%	21.6%	(6.0%)
COMMON STOCK DATA:					
Dividends per share	\$.94	\$.90	\$.87	\$.83	\$.77
Equity per share at year-end	\$ 9.83	\$ 8.65	\$ 8.27	\$ 7.54	\$ 6.85
Market price-high	\$ 46.85	\$31 7/8	\$ 35	\$57 1/4	\$ 47 3/8
-low	\$ 28.06	\$18 7/16	\$ 22	\$23 1/2	\$ 28
Average shares outstanding (in thousands)					
Basic	85,761	87,407	89,626	89,408	89,470
Diluted	87,467	87,668	89,887	90,193	89,470
OTHER INFORMATION:					
Average number of employees	14,514	16,297	16,890	18,319	18,377
Shareowners of record at end of year	15,290	16,014	16,947	17,963	18,503

(A) Includes restructuring-related charges and asset impairments of \$72.4 million, or \$.58 per share; a pension curtailment gain of \$29.3 million, or \$.22 per share; \$11.2 million in special charges for business repositionings and initiatives at Mac Tools, or \$.09 per share; \$4.8 million, or \$.04 per share, in special severance charges; \$3.4 million, or \$.04 per share, in special credits for tax benefits; and \$6.4 million, or \$.05 per share, in special inventory charges.

(B) Includes restructuring-related transition and other non-recurring costs of \$54.9 million, or \$.40 per share; a one-time net restructuring credit of \$21.3 million, or \$.15 per share; a Mechanics Tools' special charge of \$20.1 million, or \$.14 per share; and a gain realized upon the termination of a cross-currency financial instrument of \$11.4 million, or \$.08 per share.

(C) Includes restructuring-related transition and other non-recurring costs of \$85.9 million, or \$.61 per share.

(D) Includes charges for restructuring and asset impairments of \$238.5 million, or \$2.00 per share; related transition costs of \$71.0 million, or \$.49 per share; and a non-cash charge of \$10.6 million, or \$.07 per share, for a stock option grant as specified in the company's employment contract with its Chief Executive Officer.

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

Item 7. Management's Discussion and Analysis of Financial Condition

and Results of Operations.

RESULTS OF OPERATIONS

Results of Operations. Net sales were \$2,624 million for 2001, as compared to \$2,749 million in 2000, a 5% decrease. The company experienced sales volume declines in the Tools segment due to softness in the commercial and industrial markets. Sales in 2001 were also negatively impacted (approximately 1%) from the translation of foreign currency as these currencies, primarily in Europe and Asia, continue to weaken against the U.S. dollar.

Net sales in 2000 of \$2,749 million were relatively flat as compared to 1999. Overall unit volume growth was completely offset by a reduction from the net effect of foreign currency translation, primarily in Europe. The company experienced sales volume growth in the Tools segment which was partially offset by the effects of weakening markets on the Doors segment.

During 2001, the company recorded charges related to restructuring initiatives totaling \$72 million (\$18 incurred in the first quarter and \$54 incurred in the fourth quarter). These costs consisted primarily of severance and asset impairments as the company continues to rationalize its cost structure and headcount. In addition, the company incurred certain credits and charges during 2001 that were determined by management to be special, or non-recurring. In the first quarter, the company recorded a pre-tax \$29 million pension curtailment gain pertaining to its U.S. pension plan. Also in the first quarter, the company recorded \$11 million of special charges related to several business repositionings. The repositionings were principally in the Tools segment and included continuing movement of production, permanent reduction of the overhead cost structure of its manufacturing system, and a series of initiatives at Mac Tools. In the third quarter, the company recorded a special charge of \$5 million for severance costs incurred due to lower sales volumes and the continuing weakness in the industrial markets. Also in the third quarter, the company recorded \$3 million in special credits for tax benefits. In the fourth quarter, the company recorded a special charge of \$6 million for the disposition of inventories associated principally with discontinued manufacturing plants and SKU's. These special credits and charges were classified as period

income and expenses and were specifically classified within the Consolidated Statement of Operations as follows: (i) sales - \$1 million charge, (ii) cost of sales - \$12 million charge, (iii) SG&A expenses - \$8 million charge, (iv) interest-net - \$0.2 million credit, (v) Other-net - \$28 million credit, and (vi) income taxes - \$3 million credit. The tax benefit of the restructuring charges and the special charges and credits amounted to \$18 million.

Financial results for the first six months of 1999 include transition expenses related to the company's restructuring initiatives. These costs were classified as period operating expenses within cost of sales (\$20 million) and SG&A expenses (\$35 million). They included the costs of moving production equipment, operating duplicate facilities while transferring production or distribution, consulting costs incurred in planning and implementing changes, recruiting and relocation of employees, the cost of transition employees involved in reorganizing the functions, and other types of costs that were incurred to facilitate restructuring. In addition, the company incurred costs to remediate its computer and related systems so that these systems would function properly with regard to date issues pertaining to the Year 2000 ("Y2K").

Results in 1999 also included a \$20 million special charge in the fourth quarter as the company recorded higher estimates for certain loss provisions related to its mechanics tools businesses, principally MacDirect. The changes in estimates were based on the company's evolving experience in managing a direct mobile sales force in the automotive channel as well as inefficiencies in operating mechanisms and systems. Of the total \$20 million special charges to income: \$3 million was included in net sales, \$11 million was included in cost of sales, \$11 million was included in SG&A expenses and a credit of \$5 million was included in Other-net.

Because the presence of restructuring charges and asset impairments, special credits and charges, restructuring-related transition costs and non-recurring Y2K remediation costs obscure the underlying trends within the company's business, the narrative regarding results of operations and business segments has been expanded to provide information as to the effects of these items on each financial statement category.

In 2001, the company reported gross profit of \$923 million, or 35.2% of net sales compared to \$997 million or 36.3% of net sales in 2000. Included in gross profit for 2001 were \$13 million of special charges taken in the first and fourth quarters related to business repositioning initiatives within the Tools segment and the disposition of inventories principally with discontinued manufacturing plants and SKU's.

Gross profit excluding these costs amounted to \$936 million or 35.6% of net sales. The reduction in gross profit was a result of a shift in sales mix to retail and independent Mac sales channels versus industrial and direct Mac sales channels, partially offset by \$80 million in productivity improvements. The company also experienced a decrease in cost of sales as a result of Last-in, First-Out (LIFO) reserve decreases as the company continues to reduce its cost of manufacturing and product costs by moving operations to low-cost countries. These LIFO benefits were offset by increases in transportation costs and other inventory valuation reserves.

In 2000, the company reported gross profit of \$997 million, or 36.3% of net sales compared to 34.1% in 1999. Included in cost of sales for 1999 were \$20 million of restructuring-related transition costs, primarily for plant rationalization activities, and a portion of the mechanic tools' special charges of \$11 million. Gross profit in 1999, excluding these restructuring-related and special charges was 35.3% of net sales. This significant improvement in gross profit was attributable to a combination of the company's improved ability to adjust employment and production plans as market demand fluctuated, improved cost controls in operations, the benefits of the company's restructuring programs, and continued progress on purchased material costs despite inflationary pressures.

Selling, general and administrative ("SG&A") expenses were \$594 million for 2001. Excluding the impact of \$8 million in special charges (\$3 million in the first quarter and \$5 million in the third quarter) from business repositionings and additional severance charges apart from the restructuring initiatives, SG&A expenses amounted to \$586 million, or 22.3% of net sales, as compared to \$657 million for 2000, or 23.9% of net sales. Improvements in SG&A expenses are attributable to continued cost reductions achieved from changes made within the information management infrastructure, downward adjustments to employment levels in response to weak economic markets and the benefits attained from the company's restructuring and repositioning efforts.

SG&A expenses were \$657 million, or 23.9% of net sales, in 2000, as compared with \$703 million, or 25.5% of net sales in 1999. Included in 1999 were \$35 million of restructuring-related transition and other non-recurring costs and fourth quarter special charges related to mechanics' tools of \$11 million. Excluding these costs, SG&A expenses were \$657 million in 1999, or 23.9% of net sales. The company made significant strides in the latter half of 2000 in its continual effort to reduce SG&A expenses. In the first half of 2000, the company's expenses were 6% higher than 1999 expenses for the same period, primarily the

result of increased distribution costs, information management infrastructure costs, and selling and administrative costs related to an increased number of sales representatives in the MacDirect program. However, in the second half of 2000, the company's expenses were 6% lower than 1999 expenses for the same period. Significant cost reductions were achieved pertaining to information management infrastructure, distribution, and administrative activities. In 2000, SG&A expenses were also favorably impacted as compared to 1999 as a result of an increase in income related to U.S. pension plans.

Interest-net was \$26 million in 2001 as compared to \$27 million in 2000. The decrease was a result of a decline in interest rates partially offset by an increase in weighted average debt levels in 2001.

Interest-net of \$27 million in 2000 represented a slight decrease from \$28 million in 1999 as debt levels were relatively consistent from year to year.

Other-net for 2001 represents income of \$5 million. Excluding the gain recorded in conjunction with the company's curtailment of a U.S. pension plan of \$29 million and a special charge of \$2 million, both occurring in the first quarter of 2001, Other-net amounted to expense of \$22 million as compared to expense of \$20 million in 2000.

Other-net was \$20 million of expense in 2000 compared with \$3 million in income for 1999. The company experienced lower gains from asset sales in 2000 and incurred a write-off of the remaining interest in a previously disposed equipment rental business. Additionally, included in 1999 results were non-recurring currency related gains of \$11 million realized upon the termination of a cross-currency financial instrument.

The company's effective income tax rate for 2001 was 33% as compared to 34% for 2000 and 35% for 1999. The tax rate decreases reflect the continued benefit of organizational and operational changes during recent years that have generated a higher percentage of taxable income in countries with lower statutory rates, primarily in Europe, Israel, and the Far East.

In addition, the company recorded special credits in the third quarter of 2001 for tax benefits of \$3 million. These special credits were entirely offset by reduced tax benefits related to the restructuring charges and special charges.

Business Segment Results. The Tools segment includes carpenters, mechanics, pneumatic and hydraulic tools, as well as tool sets. The Doors segment includes commercial and residential

doors, both automatic and manual, as well as closet doors and systems, home decor and door and consumer hardware. The information presented below excludes restructuring-related transition costs for the first half of 1999. Segment eliminations are also excluded. Special fourth quarter 1999 charges related to Mechanics' Tools of \$25 million are reflected in Tools 1999 segment results.

TOOLS			
(Millions of Dollars)	2001	2000	1999
	----	----	----
Net sales	\$ 2,022	\$ 2,143	\$ 2,116
Operating profit	\$ 266	\$ 286	\$ 248
% of Net sales	13.2%	13.3%	11.7%

Tools sales declined in 2001 as compared to 2000 by 6%. The sales decrease is primarily the result of unit volume declines from the Mac Tools repositioning in the first quarter of 2001 and weak industrial markets in North America. Also contributing to the sales decline was the effect of foreign currency translation as European currencies continued to decline against the US dollar. Despite lower sales, Tools operating profit as a percentage of net sales remained fairly static as compared to 2000. Excluding the net impact of special credits and charges allocated to the Tools segment totaling \$15 million, operating profit totaled \$281 million, or 13.9% of net sales. The improvements in operating margin, exclusive of special credits and charges, are primarily a result of SG&A reductions.

Tools sales increased 1% in 2000 as compared to 1999 primarily from unit volume improvements. A 3% unit volume increase was almost completely offset by a 2% reduction in sales from the net effect of foreign currency translation, primarily due to weaker European currencies. Operating profit in 2000 for the tools segment was 13.3% of net sales compared to 1999, excluding special charges, of 12.9% of net sales. The increase from prior year is due to improved cost controls in operations, the benefits of the company's restructuring initiatives, and higher unit volumes.

DOORS			
(Millions of Dollars)	2001	2000	1999
	----	----	----
Net sales	\$ 602	\$ 606	\$ 636
Operating profit	\$ 64	\$ 55	\$ 42
% of Net sales	10.6%	9.1%	6.6%

Doors sales were fairly static in 2001, representing a decrease of less than 1%. Net sales in the Doors segment reflect strong sales attributable to a new program launch with a significant customer, offset by certain sluggish market conditions in the Americas. Operating profit for Doors totaled 10.6% of net sales in 2001 as compared to 9.1% for 2000. Excluding the impact of

net special credits and charges allocated to the Doors segment totaling \$5 million, operating profit totaled \$69 million, or 11.4% of net sales. The improvements in operating profit, as a percentage of sales, is a result of improved productivity in the hardware business as the company shifted the production base to low-cost countries, and the continued reduction of SG&A expenses.

Net sales decreased by 5% in 2000 as compared to 1999, driven by declining hardware sales. This decline was partially offset by sales unit volume growth in automated door products. Operating profit in 2000 was 9.1% of net sales compared to operating profit of 6.6% for 1999. This increase is due primarily to realization of benefits associated with various productivity programs.

Restructuring Activities. In 2001, the company undertook new initiatives to reduce its cost structure and executed several business repositionings intended to improve its competitiveness. These actions have or will result in the closure of thirteen facilities and a net employment reduction of approximately 2,100 production, selling and administrative people. As a result, the company recorded \$18 million and \$54 million of restructuring and asset impairment charges in the first and fourth quarters, respectively. Reserves were established for these initiatives consisting of \$55 million for severance, \$10 million for asset impairment charges and \$7 million for other exit costs. These initiatives are expected to be substantially completed by the middle of 2003.

In 1999, the company completed an evaluation of the remaining reserves that were established in 1997 for restructuring initiatives and determined that certain projects would be cancelled in order to reapply company resources to higher payback areas. Accordingly, in the fourth quarter of 1999, the company reversed \$62 million of reserves established for such actions.

Also in 1999, new projects were approved to achieve improved cost productivity. These new initiatives included facility closures and the related relocation of production, a reduction in work force in administrative functions and the outsourcing of non-core activities as well as related asset impairments. The company recorded restructuring and asset impairments charges related to these new initiatives of \$40 million, of which \$30 million related to severance, \$8 million related to asset impairment charges, and \$2 million related to other exit costs.

In 2000, the company completed the restructuring initiatives announced in 1997 and 1999 and will be incurring run-off expenditures of \$2 million over the next two years.

To date the company has closed 66 facilities and reduced

employment by approximately 8,300 people related to all restructuring initiatives.

FINANCIAL CONDITION

Liquidity, Sources and Uses of Capital. The company's primary sources of liquidity are cash flows from operations and borrowings under various credit facilities. The company has historically generated strong cash flows from operations. In 2001, cash flows from operations were \$222 million as compared to \$236 million in 2000. The decline in operating cash flow was primarily the result of an increase in cash payments for restructuring in 2001 of \$45 million as compared with \$32 million in 2000, partially offset by an increase in non-cash earnings.

During 2000 the company generated \$236 million in operating cash flow, versus \$222 million in 1999. This increase resulted primarily from a significant reduction in restructuring-related transition costs, which were offset partially by higher working capital requirements. In 2000, the company's receivables decreased by \$14 million, inventory increased by \$17 million, and accounts payable increased by \$15 million. The receivables decrease was primarily attributed to the doors segment as volume declined. The increased inventory was in the tools segment. The accounts payable increase resulted from renegotiation of vendor terms and increased attention to payment management. The company made cash payments of \$32 million for its restructuring activities, primarily severance.

Capital expenditures in 2001 were \$73 million as compared to \$64 million in 2000 driven by an increase in costs for software development and acquisition as the company expands the infrastructure of its systems as well as the addition of "The Stanley Learning Center" (a major addition at World Headquarters for the training and development of employees). Capital expenditures were \$64 million in 2000 down from \$103 million in 1999. Investment in capital for 2000 was lower than traditional levels as a result of facility consolidations, continued outsourcing and the Stanley Production System.

The company has unused short and long-term credit arrangements with several banks to borrow up to \$350 million at the lower of prime or money market rates. Of this amount, \$100 million is long-term. The company has short-term lines of credit with numerous foreign banks aggregating \$113 million, of which \$96 million was available at December 29, 2001. Short-term arrangements are reviewed annually for renewal. Of the long-term and short-term lines, \$350 million is available to support the company's commercial paper program. On February 7, 2002 the

company refinanced \$75 million of commercial paper through the issuance of 5 year notes payable at a fixed interest rate of 4.5%. This \$75 million obligation is classified under long-term debt at December 29, 2001. In addition to these lines of credit, the company maintains a facility designed for the securitization of certain trade accounts receivable for purposes of additional liquidity. As of December 29, 2001, the company's maximum available funds under this arrangement were \$106 million, of which the company had utilized \$22 million.

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

CONTRACTUAL OBLIGATIONS (in millions)	PAYMENTS DUE BY PERIOD				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Short-Term Borrowings	\$177.3	\$177.3	\$ -	\$ -	\$ -
Long-term Debt	316.9	120.1	108.1	3.4	85.3
Operating Leases	74.9	13.6	42.0	8.1	11.2
Other Commercial Commitments	61.6	12.9	17.6	15.4	15.7
TOTAL CONTRACTUAL CASH OBLIGATIONS	\$630.7	\$323.9	\$167.7	\$ 26.9	\$ 112.2

OTHER COMMERCIAL COMMITMENTS (in millions)	AMOUNTS OF COMMITMENTS EXPIRATION PER PERIOD				
	Total Amounts Committed	Less than 1 year	1-3 years	4-5 years	After 5 years
U.S. Lines of Credit	\$350.0	\$250.0	\$ -	\$100.0	\$ -
International Lines of Credit	\$ 95.5	\$ 95.5	\$ -	\$ -	\$ -
TOTAL COMMERCIAL COMMITMENTS	\$445.5	\$345.5	\$ -	\$100.0	\$ -

Short-term borrowings, long-term debt and lines of credit are explained in detail within Note H of the Notes to Consolidated Financial Statements in Item 8. Operating leases and other commercial commitments are explained in detail in Note Q of the Notes to Consolidated Financial Statements in Item 8.

The company's desired objective is to increase dividends by at least one-half the company's earnings growth rate, ultimately reaching a dividend payout ratio of 25%. Dividends increased 4.4% in 2001, 3.5% in 2000 and 5% in 1999.

The company repurchased 4.3 million shares of its common stock in 2000. The net effect was a decrease in equity of \$111 million. These repurchases were funded primarily by cash flow from operations. The company has indicated that it may continue to repurchase its shares when deemed appropriate.

Market Risk. Market risk is the potential economic loss that may result from adverse changes in the fair value of financial instruments. The company is exposed to market risk from changes in foreign currency exchange rates and interest rates. Exposure to foreign currency risk results because the company, through its global businesses, enters into transactions and makes investments denominated in multiple currencies. The company's predominant exposures are in European, Canadian and Asian currencies. Certain cross-currency trade flows arising from sales and procurement activities are consolidated prior to obtaining risk protection, primarily purchased options. The company is thus able to capitalize on its global positioning by taking advantage of naturally offsetting exposures to reduce the cost of purchasing protection. At times, the company also enters into forward exchange contracts and purchased options to reduce the earnings and cash flow impact of non-functional currency denominated receivables and payables, predominately intercompany transactions. Gains and losses from these hedging instruments offset the gains or losses on the underlying net exposures, assets and liabilities being hedged. Management determines the nature and extent of currency hedging activities, and in certain cases, may elect to allow certain currency exposures to remain unhedged. The company has also entered into several cross-currency interest rate swaps, primarily to reduce overall borrowing costs, but also to provide a partial hedge of the net investments in certain subsidiaries. Sensitivity to foreign currency exposure risk from these financial instruments at the end of 2001 would have been immaterial based on the potential loss in fair value from a hypothetical 10% adverse movement in all currencies.

The company's exposure to interest rate risk results from its outstanding debt obligations, short-term investments and derivative financial instruments employed in the management of its debt portfolio. The debt portfolio is managed to achieve capital structure targets and reduce the overall cost of borrowing by using a combination of fixed and floating rate debt as well as interest rate swaps, caps and cross-currency interest rate swaps. The company's primary exposure to interest risk comes from its floating rate debt in the US, Canada and Europe and is fairly represented by changes in LIBOR rates. At December 29, 2001, the result of a hypothetical one percentage point increase in short term LIBOR rates would not have resulted in a material impact on the pretax profit of the company.

The company has access to financial resources and borrowing capabilities around the world. The company believes that its strong financial position, operating cash flows and borrowing capacity provide the financial flexibility necessary to continue its record of annual dividend payments, to invest in the routine needs of its businesses, to make strategic acquisitions and to fund the restructuring and other initiatives encompassed by its growth strategy.

OTHER MATTERS

- - - - -

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

The company accrues for anticipated costs associated with investigatory and remediation efforts in accordance with appropriate accounting guidelines which address probability and the ability to reasonably estimate future costs. The liabilities are reassessed whenever circumstances become better defined or remediation efforts and their costs can be better estimated. Subject to the imprecision in estimating future environmental costs, the company believes that any sum it may pay in connection with environmental matters in excess of the amounts recorded will not have a materially adverse effect on its consolidated financial position, results of operations or liquidity.

New Accounting Standards. Refer to Note A of the Notes to Consolidated Financial Statements in Item 8. for a discussion of new accounting pronouncements and the potential impact to the company's consolidated results of operations and consolidated financial position.

Critical Accounting Policies. The company has determined that the following accounting policies are critical due to the amount of estimation required:

Allowance for doubtful accounts. The company's estimate for its allowance for doubtful accounts related to trade receivables is based on two methods. The amounts calculated from each of these methods are combined to determine the total amount reserved. First, the company evaluates specific accounts where we have information that the customer may have an inability to meet its financial obligations (bankruptcy, etc.). In these

cases, the company uses its judgment, based on the best available facts and circumstances, and records a specific reserve for that customer against amounts due to reduce the receivable to the amount that is expected to be collected. These specific reserves are reevaluated and adjusted as additional information is received that impacts the amount reserved. Second, a general reserve is established for all customers based on a range of percentages applied to aging categories. These percentages are based on historical collection and write-off experience. If circumstances change (i.e. higher than expected defaults or an unexpected material adverse change in a major customer's ability to meet its financial obligation to the company), the company's estimates of the recoverability of amounts due the company could be reduced by a material amount.

Inventories - lower of cost or market, slow moving and obsolete. The company ensures inventory is valued at the lower of cost or market, and continually reviews the book value of discontinued product lines and SKU's to determine if these items are properly valued. The company identifies these items and assesses the ability to dispose of them at a price greater than cost. If it is determined that cost is less than market value, then cost is used for inventory valuation. If market value is less than cost, then the company writes down the related inventory to that value. If a write down to the current market value is necessary, the market value cannot be greater than the net realizable value, or ceiling, (defined as selling price less costs to complete and dispose) and cannot be lower than the net realizable value less a normal profit margin, also called the floor. The company also continually evaluates the composition of its inventory and identifies slow-moving inventories. Inventory items identified as slow-moving are evaluated to determine if reserves are required. Generally, the company does not experience issues with obsolete inventory due to the nature of its products. If the company is not able to achieve its expectations of the net realizable value of the inventory at its current value, the company would have to adjust its reserves accordingly.

Off-Balance Sheet Arrangements. The company's off-balance sheet arrangements include the following:

The company has agreements to sell, on a revolving basis, pools of accounts and notes receivables to two Qualified Special Purpose Entities, which qualify to be accounted for as unconsolidated subsidiaries ("QSPE's"). The entities are designed to facilitate the securitization of certain trade accounts receivable and are used to fund the Mac Advantage financing program and as an additional source of liquidity. Assets and related debt off-balance sheet were \$82 and \$64

million at December 29, 2001 and \$69 and \$66 million at December 30, 2000, respectively. The company is responsible for servicing these accounts and receives a servicing fee, while the QSPE's bear the risk of noncollection.

The company has \$212 million in equity forward contracts, maturing December 31, 2002, with major U.S. financial institutions. The equity forwards on Stanley common shares are designed to partially hedge the dilutive effect on earnings per share of "in-the-money" stock options as the stock price fluctuates. The structure requires net share settlement, and is accounted for within equity. Cash settlements may be elected at the option of the company. The company has made no cash settlement elections during the contract period.

The equity forward contracts contain registration and unwind triggers in the event the company's stock price declines below \$19 per share, or its credit rating is downgraded to below investment grade. If the stock price declines, the company may issue shares to the counterparties that exceed the favorable offset of stock options coming "out-of-the-money" which could cause dilution of earnings per share. The company received 1,432,264 shares valued at \$67 million from quarterly net share settlements in fiscal 2001.

The company is a party to synthetic leasing programs for two of its major distribution centers. The leases are designed and qualify as operating leases for accounting purposes, where only the monthly lease amount is recorded in the income statement and the liability and value of underlying asset is off-balance sheet. The company also has numerous synthetic leases on personal property. The company does not anticipate any material liabilities associated with these transactions.

Cautionary Statements. The statements contained in this Annual Report (Form 10-K) to shareowners regarding the company's ability (i) reduce its cost structure, including the reduction of facilities and employees, and improve competitiveness, (ii) broaden its customer base further in each business segment, (iii) to increase dividends, and (iv) invest in its businesses and to fund acquisitions and other initiatives are forward looking and inherently subject to risk and uncertainty.

The company's ability to lower its overall cost structure is dependent on the success of various initiatives to improve manufacturing operations and to implement related cost control systems and to source from and manufacture a higher percentage of the company's products in low-cost countries. The success of these initiatives is dependent on the company's ability to increase the efficiency of its routine business processes, to

develop and implement process control systems, to develop and execute comprehensive plans for facility consolidations, the availability of vendors to perform outsourced functions, the availability of lower cost raw material of suitable quality from foreign countries, the successful recruitment and training of new employees, the resolution of any labor issues related to closing facilities, the need to respond to significant changes in product demand while any facility consolidation is in process and other unforeseen events. In addition, the company's ability to leverage the benefits of gross margin improvements is dependent upon maintaining selling, general and administrative expense at 2001 levels. The company's ability to maintain the level of selling, general and administrative expenses is dependent upon various process improvement activities, the successful implementation of changes to the sales organization, the recruitment and retention of manufacturers sales representatives and the reduction of transaction costs.

The company's ability to broaden its customer base in each business segment is dependent on a number of factors including, the success of the company's sales and marketing programs and its ability to attract new customers.

The company's ability to increase dividends and invest in its businesses and to fund acquisitions and other initiatives is dependent on its ability to generate adequate cash flows and is dependent on all the factors discussed above.

The company's ability to achieve the objectives discussed above will also be affected by external factors. These external factors include pricing pressure and other changes within competitive markets, the continued consolidation of customers in consumer channels, increasing competition, changes in trade, monetary, fiscal and tax policies and laws, inflation, currency exchange fluctuations, the impact of dollar/foreign currency exchange rates on the competitiveness of products and recessionary or expansive trends in the economies of the world in which the company operates.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The company incorporates by reference the material captioned "Market Risk" in Item 7. and Note I of the Notes to Consolidated Financial Statements in Item 8.

Item 8. Financial Statements and Supplementary Data.

See Item 14. for an index to Financial Statements and Financial Statement Schedules. Such Financial Statements and Financial Statement Schedules are incorporated herein by reference.

Item 9. Changes in and Disagreements With Accountants on

Accounting and Financial Disclosure. None.

Part III

Item 10. Directors and Executive Officers of the Registrant.

Information regarding the company's Executive Officers appears in the "Executive Officers" section in Item 4. In addition, the company incorporates by reference pages 43 through 46 of its Form S-4 Registration Statement, dated February 8, 2002.

Item 11. Executive Compensation. The company incorporates by

reference the paragraph "Board Information-Compensation" on pages 45 and 46 and the material captioned "Executive Compensation" on pages 47 through 53 of its Form S-4 Registration Statement, dated February 8, 2002.

Item 12. Security Ownership of Certain Beneficial Owners and

Management. The company incorporates by reference the material captioned

"Security Ownership" on pages 46 and 47 of its Form S-4 Registration Statement, dated February 8, 2002.

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 -----
October 17, 2001	Press Release dated October 18, 2001 announcing third quarter 2001 results and Kampouris to the Board of Directors.

14(c) See Exhibit Index on page E-1.

14(d) The response to this portion of Item 14 is submitted as a separate

section of this report (see page F-1).

SIGNATURES

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

THE STANLEY WORKS

By /s/ John M. Trani

John M. Trani, Chairman
and Chief Executive Officer

February 22, 2002

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

/s/ John M. Trani

John M. Trani, Chairman, Chief
Executive Officer and Director

/s/ Donald Allan Jr.

Donald Allan Jr., Corporate
Controller

*

Robert G. Britz, Director

*

Emmanuel A. Kampouris, Director

*

John D. Opie, Director

*

Kathryn D. Wriston, Director

/s/ James M. Loree

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

*

John G. Breen, Director

*

Stillman B. Brown, Director

*

Eileen S. Kraus, Director

*

Derek V. Smith, Director

*By: /s/ Bruce H. Beatt

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

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

Report of Independent Auditors

Consolidated Statements of Operations--fiscal years ended December 29, 2001, December 30, 2000, and January 1, 2000.

Consolidated Balance Sheets--December 29, 2001 and December 30, 2000.

Consolidated Statements of Cash Flows--fiscal years ended December 29, 2001, December 30, 2000, and January 1, 2000.

Consolidated Statements of Changes in Shareowners' Equity-- fiscal years ended December 29, 2001, December 30, 2000, and January 1, 2000.

Notes to Consolidated Financial Statements.

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

F-3 Schedule II--Valuation and Qualifying Accounts

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

Consent of Independent Auditors

We consent to the incorporation by reference in the following registration statements of The Stanley Works of our report dated January 24, 2002, except for Note H and Note S, as to which the date is February 8, 2002, with respect to the consolidated financial statements and schedule of The Stanley Works included in this Annual Report (Form 10-K) for the year ended December 29, 2001.

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

/s/ ERNST & YOUNG LLP

Hartford, Connecticut
February 18, 2002

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
THE STANLEY WORKS AND SUBSIDIARIES
Fiscal years ended December 29, 2001, December 30, 2000 and January 1, 2000
(In Millions of Dollars)

COL. A	COL. B	COL. C	
Description	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts-Describe

ADDITIONS			

Fiscal year ended December 29, 2001			
Reserves and allowances deducted from asset accounts:			
Allowance for doubtful accounts:			
Current	\$41.9	\$18.0	(\$3.5)(B)
Noncurrent	0.6	-	1.0 (B)
Fiscal year ended December 30, 2000			
Reserves and allowances deducted from asset accounts:			
Allowance for doubtful accounts:			
Current	\$43.4	\$24.3	\$2.2 (B)
Noncurrent	0.7	-	(0.1)(B)
Fiscal year ended January 1, 2000			
Reserves and allowances deducted from asset accounts:			
Allowance for doubtful accounts:			
Current	\$26.7	\$31.3	\$3.1 (B)
Noncurrent	0.6	-	0.1 (B)

	COL. D	COL. E	
		Deductions-Describe	Balance at End of Period

Fiscal year ended December 29, 2001			
Reserves and allowances deducted from asset accounts:			
Allowance for doubtful accounts:			
Current	\$24.1 (A)	\$32.3	
Noncurrent	0.2	1.4	
Fiscal year ended December 30, 2000			
Reserves and allowances deducted from asset accounts:			
Allowance for doubtful accounts:			
Current	\$28.0 (A)	\$41.9	
Noncurrent	-	0.6	
Fiscal year ended January 1, 2000			
Reserves and allowances deducted from asset accounts:			
Allowance for doubtful accounts:			
Current	\$17.7 (A)	\$43.4	
Noncurrent	-	0.7	

Notes: (A) Represents doubtful accounts charged off, less recoveries of accounts previously charged off.
(B) Represents net transfers to/from other accounts, foreign currency translation adjustments and acquisitions/divestitures.

Report of Independent Auditors

The Shareowners
The Stanley Works

We have audited the accompanying consolidated balance sheets of The Stanley Works and subsidiaries as of December 29, 2001 and December 30, 2000, and the related consolidated statements of operations, changes in shareowners' equity, and cash flows for each of the three fiscal years in the period ended December 29, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Stanley Works and subsidiaries at December 29, 2001 and December 30, 2000, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended December 29, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Hartford, Connecticut
January 24, 2002, except for Note H and Note S, as to
which the date is February 8, 2002

CONSOLIDATED STATEMENTS OF OPERATIONS

Fiscal years ended December 29, 2001, December 30, 2000 and January 1, 2000

(Millions of Dollars, except per share amounts)	2001	2000	1999
	----	----	----
NET SALES	\$ 2,624.4	\$ 2,748.9	\$ 2,751.8
COSTS AND EXPENSES			
Cost of sales	1,701.3	1,751.5	1,813.9
Selling, general and administrative	593.7	656.6	703.0
Interest-net	25.6	27.1	27.9
Other-net	(5.3)	20.0	(2.5)
Restructuring charges and asset impairments	72.4	-	(21.3)
	-----	-----	-----
	2,387.7	2,455.2	2,521.0
	-----	-----	-----
EARNINGS BEFORE INCOME TAXES	236.7	293.7	230.8
INCOME TAXES	78.4	99.3	80.8
	-----	-----	-----
NET EARNINGS	\$ 158.3	\$ 194.4	\$ 150.0
	=====	=====	=====
NET EARNINGS PER SHARE OF COMMON STOCK			
BASIC	\$ 1.85	\$ 2.22	\$ 1.67
DILUTED	\$ 1.81	\$ 2.22	\$ 1.67

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

December 29, 2001 and December 30, 2000

(Millions of Dollars)

	2001	2000
	----	----
ASSETS		

CURRENT ASSETS		
Cash and cash equivalents	\$ 115.2	\$ 93.6
Accounts and notes receivable	551.3	531.9
Inventories	410.1	398.1
Deferred taxes	4.7	29.6
Other current assets	60.1	41.1
	-----	-----
TOTAL CURRENT ASSETS	1,141.4	1,094.3
PROPERTY, PLANT AND EQUIPMENT	494.3	503.7
GOODWILL AND OTHER INTANGIBLES	236.1	175.9
OTHER ASSETS	183.9	110.9
	-----	-----
TOTAL ASSETS	\$ 2,055.7	\$ 1,884.8
	=====	=====
LIABILITIES AND SHAREOWNERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	\$ 177.3	\$ 207.6
Current maturities of long-term debt	120.1	6.1
Accounts payable	247.7	239.8
Accrued expenses	280.4	253.8
	-----	-----
TOTAL CURRENT LIABILITIES	825.5	707.3
LONG-TERM DEBT	196.8	248.7
RESTRUCTURING RESERVES	11.5	1.3
OTHER LIABILITIES	189.6	191.0
SHAREOWNERS' EQUITY		
Preferred stock, without par value:		
Authorized and unissued 10,000,000 shares		
Common stock, par value \$2.50 per share:		
Authorized 200,000,000 shares;		
issued 92,343,410 shares		
in 2001 and 2000		
	230.9	230.9
Retained earnings	1,184.9	1,039.6
Accumulated other comprehensive loss	(138.9)	(124.5)
ESOP debt	(187.7)	(194.8)
	-----	-----
	1,089.2	951.2
Less: cost of common stock in treasury		
(7,684,663 shares in 2001 and 7,155,158 shares in 2000)	256.9	214.7
	-----	-----
TOTAL SHAREOWNERS' EQUITY	832.3	736.5
	-----	-----
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	\$ 2,055.7	\$ 1,884.8
	=====	=====

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal years ended December 29, 2001, December 30, 2000 and January 1, 2000

(Millions of Dollars)	2001	2000	1999
	----	----	----
OPERATING ACTIVITIES:			
Net earnings	\$158.3	\$194.4	\$150.0
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	82.9	83.3	85.6
Provision for bad debts	17.2	24.3	31.3
Restructuring and asset impairments	72.4	-	(21.3)
Other non-cash items	0.1	17.9	26.4
Changes in operating assets and liabilities:			
Accounts and notes receivable	(32.6)	(15.8)	(66.9)
Inventories	(14.6)	(29.2)	(12.5)
Accounts payable and accrued expenses	(66.8)	(42.0)	18.1
Income taxes	25.7	9.8	19.8
Other	(21.0)	(6.5)	(8.2)
	-----	-----	-----
Net cash provided by operating activities	221.6	236.2	222.3
	-----	-----	-----
INVESTING ACTIVITIES:			
Capital expenditures	(55.7)	(59.8)	(77.9)
Capitalized software	(17.4)	(4.6)	(25.0)
Proceeds from sales of assets	9.8	14.1	35.1
Business acquisitions	(79.3)	-	-
Other	(27.2)	(19.7)	(0.1)
	-----	-----	-----
Net cash used by investing activities	(169.8)	(70.0)	(67.9)
	-----	-----	-----
FINANCING ACTIVITIES:			
Payments on long-term debt	(2.4)	(32.7)	(156.7)
Proceeds from long-term borrowings	75.0	-	121.3
Net short-term financing	(29.3)	59.7	(61.1)
Proceeds from swap terminations	-	-	13.9
Proceeds from issuance of common stock	25.4	8.9	10.0
Purchase of common stock for treasury	(11.0)	(108.6)	(21.4)
Cash dividends on common stock	(80.5)	(78.3)	(77.5)
	-----	-----	-----
Net cash used by financing activities	(22.9)	(151.0)	(171.5)
	-----	-----	-----
Effect of exchange rate changes on cash	(7.4)	(9.6)	(5.0)
	-----	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21.6	5.6	(22.1)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	93.6	88.0	110.1
	-----	-----	-----
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 115.2	\$ 93.6	\$ 88.0
	=====	=====	=====

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREOWNERS' EQUITY

Fiscal years ended December 29, 2001, December 30, 2000 and January 1, 2000

	COMMON STOCK	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	ESOP DEBT	TREASURY STOCK	SHAREOWNERS' EQUITY
(Millions of Dollars, except per share amounts)						
BALANCE JANUARY 2, 1999	\$ 230.9	\$ 867.2	\$ (84.6)	\$ (213.2)	\$(130.9)	\$ 669.4
Comprehensive income:						
Net earnings		150.0				150.0
Currency translation adjustment			(15.6)			(15.6)
Minimum pension liability			1.0			1.0
Total comprehensive income						135.4
Cash dividends declared-\$.87 per share		(77.5)				(77.5)
Issuance of common stock		(8.3)			21.4	13.1
Purchase of common stock					(19.5)	(19.5)
Equity hedge shares delivered		(8.0)			8.0	-
Tax benefit related to stock options		.8				.8
ESOP debt and tax benefit		2.7		11.0		13.7
	-----	-----	-----	-----	-----	-----
BALANCE JANUARY 1, 2000	230.9	926.9	(99.2)	(202.2)	(121.0)	735.4
Comprehensive income:						
Net earnings		194.4				194.4
Currency translation adjustment			(24.6)			(24.6)
Minimum pension liability			(.7)			(.7)
Total comprehensive income						169.1
Cash dividends declared-\$.90 per share		(78.3)				(78.3)
Issuance of common stock		(6.5)			17.5	11.0
Purchase of common stock					(111.5)	(111.5)
Equity hedge shares delivered		(.3)			.3	-
Tax benefit related to stock options		.8				.8
ESOP debt and tax benefit		2.6		7.4		10.0
	-----	-----	-----	-----	-----	-----
BALANCE DECEMBER 30, 2000	230.9	1,039.6	(124.5)	(194.8)	(214.7)	736.5
Comprehensive income:						
Net earnings		158.3				158.3
Currency translation adjustment and other			(12.6)			(12.6)
Minimum pension liability			(1.8)			(1.8)
Total comprehensive income						143.9
Cash dividends declared-\$.94 per share		(80.5)				(80.5)
Issuance of common stock		(9.0)			35.6	26.6
Purchase of common stock					(10.8)	(10.8)
Equity hedge shares received		67.0			(67.0)	-
Tax benefit related to stock options		3.7				3.7
ESOP debt and tax benefit		5.8		7.1		12.9
	-----	-----	-----	-----	-----	-----
BALANCE DECEMBER 29, 2001	\$ 230.9	\$1,184.9	\$(138.9)	\$ (187.7)	\$ (256.9)	\$ 832.3
	=====	=====	=====	=====	=====	=====

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the company and its majority-owned subsidiaries which require consolidation, after the elimination of intercompany accounts and transactions. The company's fiscal year ends on the Saturday nearest to December 31. There were 52 weeks in fiscal years 2001, 2000 and 1999.

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

Foreign Currency Translation

For foreign operations with functional currencies other than the U.S. dollar, asset and liability accounts are translated at current exchange rates; income and expenses are translated using weighted average exchange rates. Resulting translation adjustments, as well as gains and losses from certain intercompany transactions, are reported in a separate component of shareowners' equity. Translation adjustments for operations in highly inflationary economies and exchange gains and losses on transactions are included in earnings, and amounted to net losses for 2001, 2000 and 1999 of \$0.1 million, \$2.3 million and \$4.8 million, respectively.

Cash Equivalents

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

Inventories

U.S. inventories are valued at the lower of last-in, first-out (LIFO) cost or market. Other inventories are valued generally at the lower of first-in, first-out (FIFO) cost or market.

Long-Lived Assets

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

Goodwill is amortized on a straight-line basis over periods not

exceeding forty years. The company periodically evaluates the existence of goodwill impairment on the basis of whether amounts recorded are recoverable from projected undiscounted cash flows of related businesses. Impairment losses are valued by comparing the carrying value of the goodwill to its fair value, determined by the discounted cash flow method.

Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Impairment losses were charged to operations in 2001 and 1999 and were included in "Restructuring and Asset Impairments" in the Consolidated Statements of Operations.

Financial Instruments

The company adopted Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", an amendment of SFAS Statement No. 133, on December 31, 2000. As a result of adoption of SFAS 133 and 138, the company recognizes all derivative financial instruments, such as interest rate swap agreements, foreign currency options, and foreign exchange contracts, in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. The effect of the adoption of SFAS 133 and 138 did not have a material impact on the company's consolidated balance sheet, operating results or cash flows. Subsequent to adoption, changes in the fair value of derivative financial instruments are either recognized periodically in income or in shareowners' equity as a component of comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income along with the portions of the changes in the fair values of the hedged items that relate to the hedged risk. Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in other comprehensive income. Changes in fair value of derivatives used as hedges of the net investment in foreign operations are reported in other comprehensive income as part of the cumulative translation adjustment. Changes in fair values of derivatives not qualifying as hedges are reported in income. Hedge ineffectiveness expense of \$2.0 million for fiscal 2001 was recorded in cost of sales.

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

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

Revenue Recognition

Revenue is recognized when the earning process is complete and the risks and rewards of ownership have transferred to the customer, which is generally considered to have occurred upon shipment of the finished product.

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

Income Taxes

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

Earnings per Share

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

Stock-Based Compensation

The company accounts for its employee stock compensation plans under Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, no compensation cost is recognized for stock-based compensation unless the quoted market price of the stock at the grant date is in excess of the amount the employee must pay to acquire the stock. Pro forma disclosures of net earnings and earnings per share, as if the fair value based method of accounting had been applied, are presented in Note J.

Shipping and Handling Fees and Costs

It is the general practice of the company to not bill customers for freight. Shipping and handling costs associated with inbound freight are included in cost of sales. Shipping costs associated with outbound freight are included as a reduction in net sales and amounted to \$136 million, \$132 million and \$123 million in 2001, 2000 and 1999, respectively. The company records distribution costs in SG&A expenses and amounted to \$75 million, \$82 million and \$85 million in 2001, 2000 and 1999, respectively.

New Accounting Standards

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which supersedes both SFAS No. 121 and the accounting and reporting provisions of APB Opinion No. 30, ("APB 30"), for the disposal of a segment of a business (as previously defined in APB 30). SFAS No. 144 retains the fundamental provisions in SFAS No. 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with SFAS No. 121. SFAS No. 144 retains the basic provisions of APB 30 on how to present discontinued operations in the income statement but broadens that presentation to include a component of an entity (rather than a segment of a business). The company will adopt SFAS 144 effective in fiscal year 2002. Upon adoption, management does not expect SFAS No. 144 to have a material impact on the company's financial statements.

In June 2001, the FASB issued SFAS 142, "Goodwill and Other Intangibles". Under SFAS 142, goodwill is no longer amortized over its estimated useful life but is subject to at least an annual assessment for impairment applying a fair-value based test. Additionally, an acquired intangible asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights or if the intangible asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so. The

statements are effective for the company's fiscal year 2002. The company does not expect any impairment of goodwill upon adoption. Goodwill amortization was \$7.6 million in 2001, \$5.3 million in 2000 and \$5.5 million in 1999.

In June 2001, the FASB issued SFAS 141, "Business Combinations". SFAS 141 supercedes APB Opinion No. 16 by requiring that all business combinations initiated after June 30, 2001 be accounted for using the purchase method of accounting. SFAS 141 also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill. The issuance of SFAS 141 had no impact on the company during 2001 as no business combinations were initiated after June 30, 2001.

In April 2001, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 00-25, "Vendor Income Statement Characterization of Consideration to a Purchaser of the Vendor's Products or Services ("EITF 00-25"). This issue addresses the income statement classification of "slotting fees", cooperative advertising arrangements and "buydowns". The consensus will require that certain customer promotional payments that are currently classified as marketing expenses within selling, general and administrative expense on the statement of operations be classified as a reduction of revenue. The impact of EITF 00-25 on the consolidated financial statements is expected to result in an adjustment to net sales of less than 1% of the amounts already reported. The offset to this reclassification is primarily within advertising expense. The adoption of EITF 00-25 will have no impact on profit from operations, net income or earnings per share. The company will adopt EITF 00-25, effective January 1, 2002.

Reclassifications

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

B. ACQUISITION

In April 2001, the company acquired Contact East, a leading business to business distributor of mission critical tools and supplies for assembly, testing, and repair electronics in the United States for \$79.3 million. The purchase price was allocated to the fair market value of the assets acquired and liabilities assumed and resulted in goodwill of \$65.1 million, which was being amortized over a 20 year period.

The aforementioned acquisition was accounted for as a purchase transaction and, accordingly, the operating results have been included in the company's consolidated financial statements since

the date of acquisition. The acquisition did not have a material pro forma impact on 2001 operations.

C. ACCOUNTS AND NOTES RECEIVABLE

Trade receivables are dispersed among a large number of retailers, distributors and industrial accounts in many countries. Adequate provisions have been established to cover anticipated credit losses. At December 29, 2001 and December 30, 2000, allowances for doubtful receivables of \$32.3 million and \$41.9 million, respectively, were applied as a reduction of current accounts and notes receivable. As of December 29, 2001, the company had one customer that accounted for approximately 10% of its trade receivables.

The company has agreements to sell, on a revolving basis, undivided interests in defined pools of accounts and notes receivable. At December 29, 2001, the defined pools of receivables amounted to \$271.7 million. The proceeds from sales of such eligible receivables, primarily to Qualifying Special Purpose Entities (QSPE's), in revolving-period securitizations were \$81.4 million in 2001 and \$86.7 million in 2000, and these amounts have been deducted from receivables in the December 29, 2001 and December 30, 2000 consolidated balance sheets. There were no gains or losses on these sales. The company is responsible for servicing and collecting the receivables sold and held in the QSPE's. Any incremental additional costs related to such servicing and collection efforts are not significant.

D. INVENTORIES

(Millions of Dollars)	2001	2000
	----	----
Finished products	\$308.0	\$281.4
Work in process	49.1	53.8
Raw materials	53.0	62.9
	-----	-----
	\$410.1	\$398.1
	=====	=====

Inventories in the amount of \$277.0 million at December 29, 2001 and \$252.5 million at December 30, 2000 were valued at the lower of LIFO cost or market. If the LIFO method had not been used, inventories would have been \$49.9 million and \$84.0 million higher than reported at December 29, 2001 and December 30, 2000, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

(Millions of Dollars)	2001	2000
	----	----

Land	\$ 24.6	\$ 25.4
Buildings	224.5	218.3
Machinery and equipment	904.2	913.8
Computer software	76.4	74.7
	-----	-----
	1,229.7	1,232.2
Less: accumulated depreciation and amortization	735.4	728.5
	-----	-----
	\$ 494.3	\$ 503.7
	=====	=====

Depreciation and amortization expense for 2001, 2000 and 1999 was \$71.5, \$75.9 and \$75.6 million, respectively. The company currently has two properties identified as held for sale with a book value of \$3.0 million as of December 29, 2001.

F. GOODWILL AND OTHER INTANGIBLES

Goodwill and other intangibles at the end of each fiscal year, net of accumulated amortization of \$88.2 million and \$79.0 million, were as follows:

(Millions of Dollars)	2001	2000
	----	----
Goodwill	\$ 216.2	\$ 160.4
Other	19.9	15.5
	-----	-----
	\$ 236.1	\$ 175.9
	=====	=====

The increase in intangibles is primarily a result of the acquisition of Contact East during 2001.

G. ACCRUED EXPENSES

(Millions of Dollars)	2001	2000
	----	----
Payroll and related taxes	\$ 30.3	\$ 29.7
Insurance	27.2	31.3
Restructuring	21.2	12.1
Income taxes	77.2	54.8
Other	124.5	125.9
	-----	-----
	\$ 280.4	\$253.8
	=====	=====

H. LONG-TERM DEBT AND FINANCING ARRANGEMENTS

(Millions of Dollars)	2001	2000
	----	----
Notes payable in 2002	7.4% \$ 100.0	\$ 100.0

Notes payable in 2004	5.8%	120.0	120.0
Notes payable in 2007	4.5%	75.0	-
Industrial Revenue Bonds due in varying amounts to 2010	5.8-6.8%	19.6	19.6
ESOP loan guarantees, payable in varying monthly installments through 2009	6.1%	22.5	27.9
Other, including net swap receivables		(20.2)	(12.7)
		-----	-----
		316.9	254.8
Less: current maturities		120.1	6.1
		-----	-----
		\$ 196.8	\$ 248.7
		=====	=====

The company has unused short and long-term credit arrangements with several banks to borrow up to \$350.0 million at the lower of prime or money market rates. Of this amount, \$100.0 million is long-term. Commitment fees range from .06% to .08%. In addition, the company has short-term lines of credit with numerous foreign banks aggregating \$112.8 million, of which \$95.5 million was available at December 29, 2001. Short-term arrangements are reviewed annually for renewal. Of the long-term and short-term lines, \$350.0 million is available to support the company's commercial paper program. The weighted average interest rates on short-term borrowings at December 29, 2001 and December 30, 2000 were 2.3% and 6.5%, respectively.

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

Aggregate annual maturities of long-term debt for the years 2003 to 2006 are \$7.1 million, \$101.0 million, \$2.8 million and \$0.6 million, respectively, and \$85.3 million thereafter. Interest paid during 2001, 2000 and 1999 amounted to \$33.4 million, \$36.1 million and \$30.8 million, respectively.

Commercial paper and Extendible Commercial Notes utilized to support working capital requirements, were \$160.0 million and \$187.8 million, as of December 29, 2001 and December 30, 2000, respectively.

On February 7, 2002 the company refinanced \$75.0 million of commercial paper through the issuance of 5 year notes payable at a fixed interest rate of 4.5%. This \$75.0 million obligation is classified under long-term debt at December 29, 2001.

I. FINANCIAL INSTRUMENTS

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

(Millions of Dollars)	2001	2000
	----	----
Currency swaps	\$105.3	\$112.0
pay rate	4.1%	4.6%
receive rate	4.6%	6.0%
maturity dates	2004-2005	2004-2005

The company uses purchased currency options and forward exchange contracts to reduce exchange risks arising from cross-border cash flows expected to occur over the next one year period. In addition, the company enters into forward exchange contracts to hedge intercompany loans and royalty payments. The objective of these practices is to minimize the impact of foreign currency fluctuations on operating results. At December 29, 2001 and December 30, 2000, the company had forward contracts hedging intercompany loans and royalty payments totaling \$20.3 million and \$11.3 million, respectively. At December 29, 2001 and December 30, 2000, currency options hedged anticipated transactions totaling \$136.5 million and \$174.7 million, respectively. The forward contracts and options are primarily denominated in Canadian dollars, Australian dollars, Taiwanese dollars, Israeli Shekels and major European currencies and generally mature within the next one year period.

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

A summary of the carrying values and fair values of the company's financial instruments at December 29, 2001 and December 30, 2000 is as follows:

(Millions of Dollars)

	2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current portion	\$341.0	\$346.8	\$272.2	\$270.5
Currency and interest rate swaps	(24.1)	(27.6)	(17.4)	(19.5)
	<u>\$316.9</u>	<u>\$319.2</u>	<u>\$254.8</u>	<u>\$251.0</u>

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

J. CAPITAL STOCK

Earnings per Share Computation

The following table reconciles the weighted average shares outstanding used to calculate basic and diluted earnings per share.

(Millions of Dollars, except per share amounts)	2001	2000	1999
Net earnings	\$158.3	\$194.4	\$150.0
Basic earnings per share-weighted average shares	85,761,275	87,407,282	89,626,424
Dilutive effect of employee stock options	1,706,074	260,499	260,177
Diluted earnings per share-weighted average shares	<u>87,467,349</u>	<u>87,667,781</u>	<u>89,886,601</u>
Earnings per share:			
Basic	\$ 1.85	\$ 2.22	\$ 1.67
Diluted	\$ 1.81	\$ 2.22	\$ 1.67

Common Stock Share Activity

The activity in common shares for each year, net of treasury stock, was as follows:

	2001 -----	2000 -----	1999 -----
Outstanding, beginning of year	85,188,252	88,945,175	88,771,928
Issued	1,170,480	557,490	1,139,671
Purchased	(1,699,985)	(4,314,413)	(966,424)
	-----	-----	-----
Outstanding, end of year	84,658,747 =====	85,188,252 =====	88,945,175 =====

Common Stock Reserved

At December 29, 2001 and December 30, 2000, the number of shares of common stock reserved for future issuance under various employee and director stock plans was as follows:

	2001 -----	2000 -----
Employee Stock Purchase Plan	3,797,153	4,070,937
Stock Option Plans	22,284,943	13,129,214
	-----	-----
	26,082,096 =====	17,200,151 =====

Preferred Stock Purchase Rights

Each outstanding share of common stock has one half of a share purchase right. Each purchase right may be exercised to purchase one two-hundredth of a share of Series A Junior Participating Preferred Stock at an exercise price of \$220.00, subject to adjustment. The rights, which do not have voting rights, expire on March 10, 2006, and may be redeemed by the company at a price of \$.01 per right at any time prior to the tenth day following the public announcement that a person has acquired beneficial ownership of 10% or more of the outstanding shares of common stock.

In the event that the company is acquired in a merger or other business combination transaction, provision shall be made so that each holder of a right (other than a holder who is a 10%-or-more shareowner) shall have the right to receive, upon exercise thereof, that number of shares of common stock of the surviving company having a market value equal to two times the exercise price of the right. Similarly, if anyone becomes the beneficial owner of more than 10% of the then outstanding shares of common stock (except pursuant to an offer for all outstanding shares of common stock which the independent directors have deemed to be fair and in the best interest of the company), provision will be made so that each holder of a right (other than a holder who is a 10%-or-more shareowner) shall thereafter have the right to receive, upon exercise thereof, common stock (or, in certain circumstances, cash, property or other securities of the company) having a market value equal to two times the exercise price of the right. At December 29, 2001, there were 42,329,374 outstanding rights. There are 250,000 shares of Series A Junior

Participating Preferred Stock reserved for issuance in connection with the rights.

Stock Options and Awards

The company has stock option plans for salaried employees, key executives and outside directors of the company. The plans primarily provide for the grant of stock options, but also permit grants of restricted stock and other awards. Options are granted at the market price of the company's stock on the date of grant and have a term of 10 years. Generally, stock options are 50% exercisable between one and three years from the anniversary of the grant and the remaining 50% are exercisable between two and five years from the anniversary of the grant.

Information regarding the company's stock option plans is summarized below:

	2001 ----		2000 ----		1999 ----	
	Options -----	Weighted Average Exercise Price -----	Options -----	Weighted Average Exercise Price -----	Options -----	Weighted Average Exercise Price -----
Outstanding, beginning of year	9,989,441	\$27.19	6,413,578	\$28.89	4,824,891	\$29.56
Granted	1,967,352	38.30	4,142,650	23.89	2,158,350	27.12
Exercised	(833,529)	25.19	(356,160)	20.12	(341,263)	21.58
Forfeited	(1,267,380)	30.38	(210,627)	22.97	(228,400)	37.15
	-----	-----	-----	-----	-----	-----
Outstanding, end of year	9,855,884	\$29.17	9,989,441	\$27.19	6,413,578	\$28.89
	=====	=====	=====	=====	=====	=====
Options exercisable, end of year	6,382,194	\$27.71	6,192,691	\$27.28	3,608,261	\$29.06
	=====	=====	=====	=====	=====	=====

Options outstanding as of December 29, 2001 had exercise prices as follows: 3,312,359 options ranging from \$18.56 to \$24.97, 4,221,173 options ranging from \$25.13 to \$34.62 and 2,322,352 options ranging from \$35.23 to \$55.98. The weighted average remaining contractual life of these options is 7.7 years.

Stanley Common Stock Equity Hedge

The company enters into equity hedges, in the form of equity forwards on Stanley common shares, to offset the dilutive effect on earnings per share of in-the-money stock options and to reduce potential cash outflow for the repurchase of the company's stock to offset stock option exercises. The counterparties to these

forward contracts are major U.S. financial institutions with whom the risk of non-performance is remote. Interim quarterly settlements are in shares of stock, not cash, and are accounted for within equity. When the price of Stanley stock has appreciated since the last quarterly interim settlement, the company receives Stanley common shares from the counterparties. When the price of Stanley stock has depreciated since the last quarterly interim settlement, the company delivers Stanley common stock from treasury shares to the counterparties.

The notional amount of the equity forward contracts at December 29, 2001 is \$212 million. For the years ended December 29, 2001, December 30, 2000, and January 1, 2000 the company received 1,432,264 shares of common stock valued at \$67.0 million, delivered 25,166 shares of common stock valued at \$.3 million, and delivered 227,710 shares of common stock valued at \$8.0 million, respectively, under the equity hedge program.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan enables substantially all employees in the United States, Canada and Belgium to subscribe at any time to purchase shares of common stock on a monthly basis at the lower of 85% of the fair market value of the shares on the first day of the plan year (\$17.32 per share for fiscal year 2001 purchases) or 85% of the fair market value of the shares on the last business day of each month. A maximum of 6,000,000 shares are authorized for subscription. During 2001, 2000 and 1999 shares totaling 273,784, 100,369, and 127,447, respectively, were issued under the plan at average prices of \$17.32, \$20.82 and \$22.85 per share, respectively.

Long-Term Stock Incentive Plan

The Long-Term Stock Incentive Plan (LTSIP) provides for the granting of awards to senior management employees for achieving company performance measures. The Plan is administered by the Compensation and Organization Committee of the Board of Directors consisting of non-employee directors. Awards are generally payable in shares of common stock as directed by the Committee. Shares totaling 10,742, 41,532, and 46,746 were issued in 2001, 2000 and 1999, respectively. LTSIP expense was \$.1 million in 2001, \$.8 million in 2000 and \$.3 million in 1999.

Stock Compensation Plan

The company accounts for stock option grants under its stock-based compensation plans and stock purchases under the Employee Stock Purchase Plan in accordance with APB No. 25. Accordingly, no compensation cost has been recognized for stock option grants since the options have exercise prices equal to the market value of the company's common stock at the date of grant. If compensation cost for the company's stock-based compensation

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

	2001	2000	1999
	----	----	----
Pro forma net earnings (in millions)	\$154.5	\$173.2	\$141.4
Pro forma earnings per share:			
Basic	\$ 1.80	\$ 1.98	\$ 1.58
Diluted	\$ 1.77	\$ 1.97	\$ 1.57

Pro forma compensation cost relating to the stock options is recognized over the six month vesting period for 2000 and prior grants and over the 3.6 year weighted average vesting period for 2001 grants. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2001, 2000 and 1999, respectively: dividend yield of 2.6%, 3.8% and 3.5%; expected volatility of 40% for 2001, 2000 and 1999; risk-free interest rates of 4.8%, 6.1% and 7.0%, and expected lives of 7 years. The weighted average fair value of stock options granted in 2001, 2000 and 1999 was \$14.31, \$8.15 and \$9.92, respectively. As discussed previously under the caption "Stanley Common Stock Equity Hedge", the impact of the equity forward contract has been included in the basic shares outstanding calculation.

Employee Stock Purchase Plan compensation cost is recognized in the fourth quarter when the purchase price for the following fiscal year is established. The fair value of the employees' purchase rights under the Employee Stock Purchase Plan was estimated using the following assumptions for 2001, 2000 and 1999, respectively: dividend yield of 3.0%, 5.2% and 3.5%, expected volatility of 40% for 2001, 2000 and 1999; risk-free interest rates of 2.0%, 6.0% and 6.4%, and expected lives of one year. The weighted average fair value of those purchase rights granted in 2001, 2000 and 1999 was \$8.48, \$5.68 and \$10.09, respectively.

K. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated Other Comprehensive Loss at the end of each fiscal year was as follows:

(Millions of Dollars)	2001	2000	1999
	----	----	----
Currency translation adjustment	(\$136.3)	(\$123.4)	(\$98.8)
Minimum pension liability	(2.9)	(1.1)	(0.4)
Cash flow hedge effectiveness	0.3	-	-
	-----	-----	-----
	(\$138.9)	(\$124.5)	(\$99.2)
	=====	=====	=====

L. EMPLOYEE BENEFIT PLANS

Employee Stock Ownership Plan (ESOP)

Substantially all U.S. employees may contribute from 1% to 15% of their salary to a tax deferred savings plan. Employees elect where to invest their own contributions. The company contributes an amount equal to one-half of the employee contribution up to the first 7% of their salary, all of which is invested in the company's common stock. The amounts in 2001, 2000 and 1999 under this matching arrangement were \$5.8 million, \$7.0 million and \$7.1 million, respectively.

The company also provides a non-contributory benefit for U.S. salaried and non-union hourly employees, called the Cornerstone plan. Under this benefit arrangement, the company contributes amounts ranging from 3% to 9% of employee compensation based on age. Approximately 3,000 U.S. employees receive an additional average 1.5% contribution actuarially designed to replace the pension benefits curtailed in 2001. Contributions under the Cornerstone plan were \$12.7 million in 2001, \$13.0 million in 2000, and \$13.9 million in 1999. Assets of the Cornerstone defined contribution plan are invested in equity securities and bonds.

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

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

Net ESOP activity recognized is based on total debt service and share purchase requirements less employee contributions and dividends on ESOP shares. The company's net ESOP activity resulted in expense of \$0.1 million in 2001, \$8.6 million in 2000 and \$10.7 million in 1999.

Dividends on ESOP shares, which are charged to shareowners' equity as declared, were \$13.6 million in 2001, \$14.2 million in 2000 and \$14.7 million in 1999. Interest costs incurred by the ESOP on external debt for 2001, 2000 and 1999 were \$1.5 million, \$1.9 million and \$2.2 million, respectively. Both allocated and unallocated ESOP shares are treated as outstanding for purposes of computing earnings per share. As of December 29, 2001 the number of ESOP shares allocated to participant accounts was 6,001,410 and the number of unallocated shares was 7,637,039. The fair value of the unallocated ESOP shares at December 29, 2001 was \$355.3 million.

Pension And Other Benefit Plans

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

In 2001, the company curtailed the U.S. salaried and non-union hourly plan with respect to eliminating the impact from future salary increases on benefits, resulting in a curtailment gain of \$29.3 million. The company expects to settle the pension obligations to participants in 2002.

The company's funding policy for its defined benefit plans is to contribute amounts determined annually on an actuarial basis to provide for current and future benefits in accordance with federal law and other regulations. Plan assets are invested in equity securities, bonds, real estate and money market instruments. 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 contributes to multi-employer plans for certain collective bargaining U.S. employees. In addition, various other defined contribution plans are sponsored worldwide.

(Millions of Dollars)	2001	2000	1999
	----	----	----
Multi-employer plan expense	\$.5	\$.5	\$.2
Defined contribution plan expense	\$ 3.3	\$ 2.3	\$ 1.9

The components of net periodic pension cost are as follows:

(Millions of Dollars)	U.S. Plans			Non-U.S. Plans		
	2001	2000	1999	2001	2000	1999
Service cost	\$ 2.6	\$ 3.0	\$ 3.8	\$ 4.7	\$ 5.6	\$ 4.6
Interest cost	19.4	20.8	21.8	7.5	7.3	7.6
Expected return on plan assets	(34.0)	(36.8)	(33.8)	(10.9)	(11.7)	(12.0)
Amortization of transition asset	(.6)	(.6)	(.6)	(.1)	(.1)	(.1)
Amortization of prior service cost	1.0	.9	.8	.3	.3	.3
Actuarial (gain) loss	(3.7)	(4.2)	.2	-	(.8)	1.5
Curtailement gain	(29.3)	-	-	-	(1.4)	(.5)
Net periodic pension (income) expense	<u>\$ (44.6)</u>	<u>\$(16.9)</u>	<u>\$(7.8)</u>	<u>\$ 1.5</u>	<u>(.8)</u>	<u>\$ 1.4</u>

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. Net periodic postretirement benefit expense was \$1.8 million in 2001, \$1.7 million in 2000 and \$2.3 million in 1999.

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

(Millions of Dollars)	Pension Benefits				Other Benefits	
	U.S. Plans		Non-U.S. Plans		U.S. Plans	
	2001	2000	2001	2000	2001	2000
CHANGE IN BENEFIT OBLIGATION:						
Benefit obligation at end of prior year	\$ 262.6	\$ 291.7	\$ 120.1	\$ 134.6	\$ 14.4	\$ 16.3
Service cost	2.6	3.0	4.7	5.6	.6	.7
Interest cost	19.4	20.8	7.5	7.3	1.2	1.0
Curtailement gain	(29.7)	-	-	-	-	-
Change in discount rate	14.8	-	2.1	-	.7	-
Actuarial (gain) loss	17.4	(8.5)	4.5	(4.6)	2.7	(1.9)
Plan amendments	1.6	1.9	1.5	.7	-	-
Foreign currency exchange rates	-	-	(4.6)	(9.3)	-	-
Benefits paid	(39.2)	(46.3)	(5.5)	(14.2)	(1.7)	(1.7)
Benefit obligation at end of year	<u>\$ 249.5</u>	<u>\$ 262.6</u>	<u>\$ 130.3</u>	<u>\$ 120.1</u>	<u>\$ 17.9</u>	<u>\$ 14.4</u>
CHANGE IN PLAN ASSETS:						
Fair value of plan assets at end of prior year	\$ 406.8	\$ 416.2	\$ 142.9	\$ 167.0	\$ -	\$ -
Actual return on plan assets	28.6	35.8	(15.2)	.4	-	-
Foreign currency exchange rate changes	-	-	(5.2)	(11.9)	-	-
Employer contribution	.7	1.1	2.6	1.6	1.7	1.7

(Millions of Dollars)	Pension Benefits				Other Benefits	
	U.S. Plans		Non-U.S. Plans		U.S. Plans	
	2001	2000	2001	2000	2001	2000
Benefits paid	(39.2)	(46.3)	(5.5)	(14.2)	(1.7)	(1.7)
Fair value of plan assets at end of plan year	\$ 396.9	\$ 406.8	\$ 119.6	\$ 142.9	\$ -	\$ -
Funded status-assets in excess (less than) benefit obligation	\$ 147.4	\$ 144.2	\$ (10.7)	\$ 22.8	\$ (17.9)	\$ (14.4)
Unrecognized prior service cost	7.1	6.5	4.8	4.1	.1	.2
Unrecognized net actuarial (gain) loss	(90.8)	(131.6)	24.4	(7.2)	1.8	(1.7)
Unrecognized net asset at transition	(.6)	(1.3)	-	(.7)	-	-
Net amount recognized	\$ 63.1	\$ 17.8	\$ 18.5	\$ 19.0	\$ (16.0)	\$ (15.9)
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET:						
Prepaid benefit cost	\$ 75.9	\$ 28.9	\$ 23.9	\$ 23.2	\$ -	\$ -
Accrued benefit liability	(19.3)	(13.5)	(5.9)	(4.3)	(16.0)	(15.9)
Intangible asset	3.6	1.3	.5	.1	-	-
Accumulated other comprehensive loss	2.9	1.1	-	-	-	-
Net amount recognized	\$ 63.1	\$ 17.8	\$ 18.5	\$ 19.0	\$ (16.0)	\$ (15.9)
WEIGHTED AVERAGE ASSUMPTIONS USED:						
Discount rate	7.0%	7.5%	6.0%	6.25%	7.0%	7.5%
Average wage increase	4.0%	4.0%	3.5%	3.5%	-	-
Expected return on plan assets	9.0%	9.0%	8.5%	8.5%	-	-
PENSION PLANS IN WHICH ACCUMULATED BENEFIT OBLIGATION EXCEEDS PLAN ASSETS AT YEAR END:						
Projected benefit obligation	\$ 21.1	\$ 15.6	\$ 30.3	\$ 6.2		
Accumulated benefit obligation	\$ 18.8	\$ 13.8	\$ 24.2	\$ 4.3		
Fair value of plan assets	\$ -	\$ -	\$ 19.0	\$ 1.5		

The weighted average annual assumed rate of increase in the per-capita cost of covered benefits (i.e., health care cost trend rate) is assumed to be 12.0% for 2002 reducing gradually to 6% by 2012 and remaining at that level thereafter. A one percentage point increase in the assumed health care cost trend rate would have increased the accumulated postretirement benefit obligation by \$.6 million at December 29, 2001 and net periodic postretirement benefit cost for fiscal 2001 by \$.1 million.

M. OTHER COSTS AND EXPENSES

Interest-net for 2001, 2000 and 1999 included interest income of \$6.7, \$7.5 and \$5.4 million, respectively.

Other-net in 2001 includes a pre-tax nonrecurring pension curtailment gain of \$29.3 million, or \$0.22 per share, net of taxes. Other-net in 1999 includes a gain on the termination of a cross-currency financial instrument of \$11.4 million (\$.08 per share).

Advertising costs are expensed as incurred and amounted to \$43.3 million in 2001, \$48.7 million in 2000 and \$50.2 million in 1999.

N. RESTRUCTURING AND ASSET IMPAIRMENTS

In 2001, the company undertook new initiatives to reduce its cost structure and executed several business repositionings intended to improve its competitiveness. These actions have or will result in the closure of thirteen facilities and a net employment reduction of approximately 2,200 production, selling and administrative people. As a result, the company recorded \$18.3 million and \$54.1 million of restructuring and asset impairment charges in the first and fourth quarters, respectively. Reserves were established for these initiatives consisting of \$54.8 million for severance, \$10.4 million for asset impairment charges and \$7.2 million for other exit costs. These initiatives are expected to be significantly completed by the middle of 2003.

In 1999, the company completed an evaluation of the remaining reserves that were established in 1997 for restructuring initiatives and determined that certain projects would be cancelled in order to reapply company resources to higher payback areas. Accordingly, in the fourth quarter of 1999, the company reversed \$62 million of reserves established for such actions.

Also in 1999, new projects were approved to achieve improved cost productivity. These new initiatives included facility closures and the related relocation of production, a reduction in force in administrative functions and the outsourcing of non-core activities as well as the related asset impairments. The company recorded restructuring charges related to these new initiatives of \$40 million, of which \$30 million related to severance, \$8 million related to asset write-downs and \$2 million related to other exit costs.

In 2000, the company completed the restructuring initiatives announced in 1997 and 1999 and will be incurring \$2.0 million of certain run-off expenditures, primarily related to non-cancelable

leases over the next two years.

At December 29, 2001 and December 30, 2000, restructuring and asset impairment reserve balances were \$38.5 million and \$19.1 million, of which \$5.8 million and \$3.3 million relates to the impairment of assets, respectively. The December 29, 2001 balance relates primarily to 2001 fourth quarter initiatives.

As of December 29, 2001, 66 manufacturing and distribution facilities have been closed as a result of the restructuring initiatives since 1997. In 2001, 2000, and 1999, approximately 2,100, 900, and 2,300 employees have been terminated as a result of restructuring initiatives, respectively. Severance payments of \$41.7 million, \$29.1 million, and \$44.4 million and other exit payments of \$3.4 million, \$3.1 million, and \$17.0 million were made in 2001, 2000, and 1999, respectively. Write-offs of impaired assets were \$7.9 million, \$7.0 million, and \$13.2 million in 2001, 2000, and 1999, respectively.

0. BUSINESS SEGMENT AND GEOGRAPHIC AREA

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

BUSINESS SEGMENTS (Millions of Dollars)	2001	2000	1999
	----	----	----
NET SALES			
Tools	\$ 2,022.1	\$ 2,142.5	\$ 2,116.2
Doors	602.3	606.4	635.6
	-----	-----	-----
Consolidated	\$ 2,624.4	\$ 2,748.9	\$ 2,751.8
	=====	=====	=====
OPERATING PROFIT			
Tools	\$ 265.6	\$ 285.7	\$ 248.1
Doors	63.8	55.1	41.7
	-----	-----	-----
	329.4	340.8	289.8
Restructuring charges, asset Impairments, and transition and other costs	(72.4)	-	(33.6)
Interest-net	(25.6)	(27.1)	(27.9)
Other-net	5.3	(20.0)	2.5
	-----	-----	-----
Earnings before income taxes	\$ 236.7	\$ 293.7	\$ 230.8
	=====	=====	=====

SEGMENT ASSETS

(Millions of Dollars)	2001	2000	1999
Tools	\$ 1,615.8	\$ 1,502.4	\$ 1,455.1
Doors	318.0	260.3	306.4
	-----	-----	-----
	1,933.8	1,762.7	1,761.5
Corporate assets	121.9	122.1	129.1
	-----	-----	-----
Consolidated	\$ 2,055.7	\$ 1,884.8	\$ 1,890.6
	=====	=====	=====
CAPITAL EXPENDITURES			
Tools	\$ 59.8	\$ 44.5	\$ 90.2
Doors	13.3	19.9	12.7
	-----	-----	-----
Consolidated	\$ 73.1	\$ 64.4	\$ 102.9
	=====	=====	=====
DEPRECIATION AND AMORTIZATION			
Tools	\$ 69.0	\$ 66.2	\$ 70.1
Doors	13.9	17.1	15.5
	-----	-----	-----
Consolidated	\$ 82.9	\$ 83.3	\$ 85.6
	=====	=====	=====

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

Sales to one customer in both the Tools and Doors segments were approximately 18%, 17% and 15% of consolidated net sales in 2001, 2000 and 1999, respectively.

GEOGRAPHIC AREAS (Millions of Dollars)	2001	2000	1999
NET SALES			
United States	\$ 1,885.2	\$ 1,984.0	\$ 1,962.5

(Millions of Dollars)	2001	2000	1999
	----	----	----
Other Americas	185.4	203.3	199.0
Europe	456.7	459.3	493.2
Asia	97.1	102.3	97.1
	-----	-----	-----
Consolidated	\$ 2,624.4	\$ 2,748.9	\$ 2,751.8
	=====	=====	=====
LONG-LIVED ASSETS			
United States	\$ 593.5	\$ 458.3	\$ 442.1
Other Americas	28.5	31.3	28.1
Europe	254.1	266.7	286.3
Asia	38.2	34.2	36.7
Other	-	-	6.4
	-----	-----	-----
Consolidated	\$ 914.3	\$ 790.5	\$ 799.6
	=====	=====	=====

P. 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)	2001	2000
	----	----
Deferred tax liabilities:		
Depreciation	\$ 78.0	\$ 82.4
Other	5.8	16.4
	-----	-----
Total deferred tax liabilities	83.8	98.8
	-----	-----
Deferred tax assets:		
Employee benefit plans	16.5	26.4
Doubtful accounts	10.8	16.1
Inventories	7.7	13.8
Amortization of intangibles	14.7	16.4
Accruals	12.8	13.9
Restructuring charges	14.9	20.7
Foreign and state operating loss carryforwards	21.0	16.1
Other	0.8	6.9
	-----	-----
Valuation allowance	(21.0)	(16.1)
	-----	-----
Total deferred tax assets	78.2	114.2
	-----	-----
Net deferred tax (liabilities) asset	\$ (5.6)	\$ 15.4
	=====	=====

Valuation allowances reduced the deferred tax asset attributable to foreign and state loss carryforwards to the amount that, based upon all available evidence, is more likely than not to be

realized. Reversal of the valuation allowance is contingent upon the recognition of future taxable income and capital gains in specific foreign countries and specific states, or changes in circumstances which cause the recognition of the benefits to become more likely than not.

Income tax expense consisted of the following:

(Millions of Dollars)	2001	2000	1999
	----	----	----
Current:			
Federal	\$ 24.1	\$ 40.1	\$ 25.3
Foreign	19.6	16.7	13.7
State	5.9	7.0	5.6
	-----	-----	-----
Total current	49.6	63.8	44.6
	-----	-----	-----
Deferred (benefit):			
Federal	33.4	34.7	32.1
Foreign	(7.0)	(2.9)	.8
State	2.4	3.7	3.3
	-----	-----	-----
Total deferred (benefit)	28.8	35.5	36.2
	-----	-----	-----
Total	\$ 78.4	\$ 99.3	\$ 80.8
	=====	=====	=====

Income taxes paid during 2001, 2000 and 1999 were \$41.4 million and \$59.7 million and \$22.4 million, respectively.

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

(Millions of Dollars)	2001	2000	1999
	----	----	----
Tax at statutory rate	\$ 82.8	\$ 102.8	\$ 80.8
State income taxes, net of federal benefits	5.4	6.7	5.8
Difference between foreign and federal income tax	(15.9)	(7.0)	(4.5)
Other-net	6.1	(3.2)	(1.3)
	-----	-----	-----
Income taxes	\$ 78.4	\$ 99.3	\$ 80.8
	=====	=====	=====

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

(Millions of Dollars)	2001	2000	1999
	----	----	----
United States	\$212.9	\$267.5	\$201.0
Foreign	23.8	26.2	29.8
	-----	-----	-----

(Millions of Dollars)	2001	2000	1999
	----	----	----
Total pretax earnings	\$236.7	\$293.7	\$230.8
	=====	=====	=====

Undistributed foreign earnings of \$62.2 million at December 29, 2001 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.

Q. COMMITMENTS

Future minimum lease payments under noncancelable operating leases, principally related to facilities, vehicles, machinery and equipment, in millions of dollars, as of December 29, 2001 were \$13.6 in 2002, \$21.6 in 2003, \$20.4 in 2004, \$4.9 in 2005, \$3.2 in 2006 and \$11.2 thereafter. Minimum payments have not been reduced by minimum sublease rentals of \$4.1 million due in the future under noncancelable subleases. Rental expense for operating leases amounted to \$36.8 million in 2001, \$46.3 million in 2000 and \$42.7 million in 1999.

The company has entered into certain outsourcing arrangements, principally related to information systems, telecommunications and freight administration, which expire at various dates through 2009. The future estimated minimum payments under these commitments, in millions of dollars, as of December 29, 2001 were \$12.9 in 2002, \$9.6 in 2003, \$8.0 in 2004, \$7.7 in 2005, \$7.7 in 2006 and \$15.7 thereafter.

R. CONTINGENCIES

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

The company's policy is to accrue environmental investigatory and remediation costs for identified sites when it is probable that a

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

The environmental liability for certain sites that have cash payments that are fixed or reliably determinable have been discounted at a rate of 6%. As of December 29, 2001, the discounted and undiscounted amount of the liability relative to these sites is \$8,228,000 and \$6,332,000, respectively. The payments relative to these sites are expected to be \$4,919,000 in 2002, \$1,956,000 in 2003, \$439,000 in 2004, \$429,000 in 2005, \$424,000 in 2006 and \$4,576,000 thereafter.

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

S. SUBSEQUENT EVENT

On February 8, 2002, the company filed a Form S-4 Registration Statement with the U.S. Securities and Exchange Commission for approval of a reorganization to reincorporate the company in Bermuda.

SUPPLEMENTARY DATA

Quarterly Results of Operations (Unaudited)

(Millions of Dollars, except per share amounts)

	QUARTER				YEAR
	FIRST(A)	SECOND	THIRD(B)	FOURTH(C)	2001
NET SALES	\$ 626.2	\$ 676.5	\$ 676.1	645.6	\$ 2,624.4
GROSS PROFIT	227.7	239.2	239.3	216.9	923.1
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	153.5	151.0	152.1	137.1	593.7
RESTRUCTURING AND ASSET IMPAIRMENT CHARGE	18.3	0.0	0.0	54.1	72.4
NET EARNINGS	46.6	50.7	54.5	6.5	158.3
NET EARNINGS PER SHARE:					
BASIC	\$.54	\$.59	\$.64	\$.08	\$ 1.85
DILUTED	\$.54	\$.58	\$.62	\$.07	\$ 1.81
2000					
Net sales	\$695.4	\$702.8	\$684.4	\$ 666.3	\$ 2,748.9
Gross profit	257.4	255.7	245.0	239.3	997.4
Selling, general and administrative expenses	171.9	168.1	162.2	154.4	656.6
Net earnings	48.2	50.6	48.7	46.9	194.4
Net earnings per share:					
Basic	\$.54	\$.58	\$.56	\$.54	\$ 2.22
Diluted	\$.54	\$.58	\$.56	\$.54	\$ 2.22

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

(B) Third quarter results include \$5 million of special charges for non-recurring severance recorded in selling, general and administrative expenses offset by \$5 million in special credits for one-time tax benefits.

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

EXHIBIT INDEX
THE STANLEY WORKS

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

(ii) The Stanley Works By-laws as amended October 17, 2001.

(4) (i) Indenture, dated as of April 1, 1986 between the company and State Street Bank and Trust Company, as successor trustee, defining the rights of holders of 7-3/8% Notes Due December 15, 2002 and 5.75% Notes due March 1, 2004 (incorporated by reference to Exhibit 4(a) to Registration Statement No. 33-4344 filed March 27, 1986)

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

(a) Certificate of Designated Officers establishing Terms of 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)

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

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

(iv) Facility A (364 Day) Credit Agreement, dated as of October 17, 2001, with the banks named therein and Citibank, N.A. as administrative agent.

(v) Facility B (Five Year) Credit Agreement, dated as of October 17, 2001, with the banks named therein and Citibank, N.A. as administrative agent.

(10) (i) Executive Agreements (incorporated by reference to Exhibit 10(i) to the Annual Report on Form 10-K for the year ended January 3, 1987). Omitted pursuant to the Instruction to item 601(10)(iii) of Regulation S-K and Rule 12b-31 under the Securities Exchange Act of 1934 are copies of ten other agreements between the registrant and the following named officers, each of which agreement is substantially identical to Exhibit 10(i) in all material respects except as to the individual party thereto and the identification of his position with the registrant: John Aden, Bruce H. Beatt, Hubert J. Davis, Jr., James E. Finley, William D. Hill, Kenneth O. Lewis, James M. Loree,

Mark J. Mathieu, Donald R. McIlnay and Paul W. Russo.*

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

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

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

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

(vi) Supplemental Retirement and Account Value Plan for Salaried Employees of The Stanley Works amended and restated as of June 30, 2001*

(vii) Note Purchase Agreement, dated as of June 30, 1998, between the Stanley Account Value Plan Trust, acting by and through Citibank, N.A. as trustee under the trust agreement for the Stanley Account Value Plan, for \$41,050,763 aggregate principal amount of 6.07% Senior ESOP Guaranteed Notes Due December 31, 2009 (incorporated by reference to Exhibit 10(i) to the Quarterly Report on Form 10-Q for the quarter ended July 4, 1998)

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

(ix) (a) Supplemental Executive Retirement Program amended and restated and effective September 19, 2001 *

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

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

December 29, 1990)

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

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

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

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

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

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

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

(xvii) Agreement, dated May 7, 1999 between The Stanley Works and Ron Newcomb (incorporated by reference to Exhibit 10(i) to the Quarterly Report on Form 10-Q for the quarter ended July 3, 1999)*

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

(xix) Engagement Letter, dated January 2, 2001 between The Stanley Works and Paul Isabella *

(xx) Agreement, dated September 12, 2000 between The Stanley Works and Bruce H. Beatt (incorporated by reference to Exhibit 10 (xxii) of the Annual Report on Form 10-K for the year ended December 30, 2000).*

(xxi) Agreement, dated October 6, 2000 between Stanley Works Inc., Stanley Europe BVBA, Stanley Atlantic Inc. and Mr. Stef

G.H. Kranendijk (incorporated by reference to Exhibit 10 (xxiii) of the Annual Report on Form 10-K for the year ended December 30, 2000).*

(xxii) (a) Note Purchase Agreement, dated February 7, 2002, by and between The Stanley Works and BNP Paribas.

(b) Auction Market Preferred Stock Procurement Agreement, dated February 7, 2002 by and between The Stanley Works and BNP Paribas.

(c) Auction Market Preferred Stock Voting Agreement, dated February 7, 2002, by and between The Stanley Works and BNP Paribas.

(d) Auction Market Preferred Stock Subscription Agreement, dated February 4, 2002 by and between Stanley Logistics, Inc. and The Stanley Works.

(e) Auction Market Preferred Stock Investment Agreement, dated February 7, 2002 by and among The Stanley Works and Stanley Logistics, Inc. for the benefit of BNP Paribas.

(11) Statement re: computation of per share earnings (the information required to be presented in this exhibit appears in Note J to the company's Consolidated Financial Statements set forth in the Annual Report to Shareowners for the year ended December 29, 2001)

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

(21) Subsidiaries of Registrant

(23) Consent of Independent Auditors

(24) Power of Attorney

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

* Management contract or compensation plan or arrangement

As amended October 17, 2001

THE STANLEY WORKS
BYLAWS

ARTICLE I

SHAREHOLDERS' MEETINGS

1. ANNUAL MEETING. The Annual Meeting of the shareholders shall be held at such time in the month of February, March or April in each year and at such place within or without the State of Connecticut as the Board of Directors may determine. Notice thereof shall be mailed to each shareholder to his or her last known post office address not less than ten days nor more than sixty days before such Meeting.
2. SPECIAL MEETINGS. Special Meetings of the shareholders shall be called by the Chairman, or the President or Secretary, or by the Chairman, or the President or Secretary upon the written request of the holders of not less than 35% of the voting power of all shares entitled to vote on any issue proposed to be considered at such Meeting by mailing a notice thereof to each shareholder to his or her last known post office address not less than twenty-five days nor more than fifty days before such Meeting.
3. QUORUM. At any Meeting of shareholders the holders of not less than a majority of the shares outstanding and entitled to vote present in person or by proxy shall constitute a quorum. The Directors may establish a record date for voting or other purposes in accordance with law.
4. BUSINESS TO BE CONDUCTED AT ANNUAL MEETING. No business may be transacted at an Annual Meeting of shareholders (including any adjournment thereof), other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the Annual Meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the Annual Meeting by any shareholder (i) who is a shareholder of record on the date of the giving of the notice provided for in this Section 4 and on the record date for the determination of shareholders entitled to vote at such Annual Meeting and (ii) who complies with the notice procedures set forth in this Section 4.

In addition to any other applicable requirements, for business to be properly brought before an Annual Meeting by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary.

To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the anniversary of the date on which the immediately preceding Annual Meeting of shareholders was convened; provided, however, that in the event that the Annual Meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs.

To be in proper written form, a shareholder's notice to the Secretary must set forth as to each matter such shareholder proposes to bring before the Annual Meeting (i) a brief description of the business desired to be brought before the Annual Meeting and the reasons for conducting such business at the Annual Meeting, (ii) the name and record address of such shareholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such shareholder, (iv) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder in such business and (v) a representation that such shareholder intends to appear in person or by proxy at the Annual Meeting to bring such business before the meeting.

No business shall be conducted at the Annual Meeting of shareholders except business brought before the Annual Meeting in accordance with the procedures set forth in this Section 4, provided, however, that, once business has been properly brought before the Annual Meeting in accordance with such procedures, nothing in this Section 4 shall be deemed to preclude discussion by any shareholder of any such business. If the Chairman of an Annual Meeting determines that business was not properly brought before the Annual Meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

ARTICLE II

NOMINATIONS OF DIRECTOR CANDIDATES

1. ELIGIBILITY TO MAKE NOMINATIONS. Nominations of candidates for election as directors of the Corporation at any meeting of shareholders called for election of directors (an "Election Meeting") may be made by the Board of Directors or by any shareholder entitled to vote at such Election Meeting.
2. PROCEDURE FOR NOMINATIONS BY THE BOARD OF DIRECTORS. Nominations made by the Board of Directors shall be made at a meeting of the Board of Directors, or by written consent of directors in lieu of a meeting, not less than 30 days prior to the date of the

Election Meeting, and such nominations shall be reflected in the minute books for the Corporation as of the date made. At the request of the Secretary of the Corporation each proposed nominee shall provide the Corporation with such information concerning himself or herself as is required, under the rules of the Securities and Exchange Commission, to be included in the Corporation's proxy statement soliciting proxies for his or her election as a director.

3. PROCEDURE FOR NOMINATIONS BY SHAREHOLDERS. Not less than 30 days prior to the date of the Election Meeting, any shareholder who intends to make a nomination at the Election Meeting shall deliver a notice to the Secretary of the Corporation setting forth (i) the name, age, business address and residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of capital stock of the Corporation which are beneficially owned by each such nominee and (iv) such other information concerning each such nominee as would be required, under the rules of the Securities and Exchange Commission, in a proxy statement soliciting proxies for the election of such nominees.

4. SUBSTITUTION OF NOMINEES. In the event that a person is validly designated as a nominee in accordance with section 2 or 3 hereof and shall thereafter become unable or unwilling to stand for election to the Board of Directors, a substitute nominee may be designated as follows:

- (a) by those named as proxies in proxies solicited on behalf of the Board of Directors if the person was designated as nominee in accordance with section 2 hereof
- (b) by the shareholder who proposed such nominee if the person was designated as a nominee in accordance with section 3 hereof.

5. DETERMINATION OF COMPLIANCE WITH PROCEDURE.

If the chairman of the Election Meeting determines that a nomination was not in accordance with the foregoing procedures, such nomination shall be void.

ARTICLE III

DIRECTORS AND COMMITTEES

1. DIRECTORS. The business, property and affairs of this Corporation shall be managed by or under the direction of the Board of Directors consisting of not less than nine nor more than eighteen Directors, the exact number to be determined by the Board of Directors from time to time. All Directors shall be shareholders of record. The Directors shall be divided into three classes designated Class I, Class II and Class III. Such classes shall be as nearly equal in number as the total number of Directors constituting the entire Board of Directors permits. One class shall be chosen annually at the Annual Meeting of shareholders and the members of such class shall hold office until their successors be

elected and qualified. The Directors may increase the prescribed number of Directors by the concurring vote of a majority of the prescribed number of Directors. Any increase or decrease in the prescribed number of Directors shall be so apportioned among the classes of Directors as to make all the classes as nearly equal in number as possible. No reduction of the number of Directors shall remove or shorten the term of any Director in office. A majority of the number of Directors prescribed shall constitute a quorum for the transaction of business.

2. MEETINGS. The Chairman or the President or any Vice Chairman may and upon written application of any three Directors shall call a meeting of the Board of Directors to be held at such time and place as may be determined by the person calling said meeting and shall cause notice thereof to be given. Unless waived in writing, three days verbal or written (mail) notice shall be required provided, however, that if in the judgment of any two officers an emergency exists, a meeting may be called forthwith by telephone or facsimile or verbal notice and such notice shall be deemed sufficient notice notwithstanding that some of the Directors may not have actual notice.

The Annual Meeting of the Directors for the election of officers shall be held without notice, immediately after the Annual Meeting of shareholders. Regular meetings of the Directors shall be held at least on a quarterly basis.

3. WRITTEN CONSENT. If all the Directors, or all members of a committee of the Board of Directors, as the case may be, severally or collectively consent in writing to any action taken or to be taken by the Corporation, and the number of such Directors or members constitutes a quorum for such action, such action shall be a valid corporate action as though it had been authorized at a meeting of the Board of Directors or committee, as the case may be. The Secretary shall file such consents with the minutes of the Board of Directors or of the committee, as the case may be.
4. PARTICIPATION BY TELEPHONE. A Director may participate in a meeting of the Board of Directors or of a committee by any means of communication by which all Directors participating in the meeting may simultaneously hear one another during the meeting, and participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.
5. VACANCIES. In case any vacancy or vacancies shall exist in the Board of Directors at any time the remaining members of the Board by majority action may fill the vacancy or vacancies. The term of a Director elected to fill a vacancy expires at the next shareholders meeting at which Directors are elected.
6. COMMITTEES. The Board of Directors may from time to time appoint from its membership such committees as it may deem necessary or desirable for the best interests of the Corporation and may delegate to any committee all needful authority to the extent permitted by law. The meetings of all committees are open to all directors.

Each committee shall fix its own rules as to procedure and calling of meetings. It shall appoint a Secretary, who need not be a member of the committee. Such Secretary shall call meetings of the committee on the request of the Chair of the committee or any two members and shall keep permanent record of all of its proceedings. A majority of the members of any committee shall constitute a quorum.

7. EXECUTIVE COMMITTEE. The Directors shall appoint an Executive Committee consisting of the Chairman, if any, the President and at least three other Directors, but in no event shall the Committee consist of less than five members. The Board of Directors may at any time decrease (subject to the provisions of the preceding paragraph) or increase the size of said Committee, may change the membership thereof and may fill vacancies therein.

During intervals between meetings of the Board of Directors, the Executive Committee shall possess and may exercise all the powers of the Board of Directors in the management of the business and affairs of the Corporation, but the Committee shall have no power to declare dividends or do other things specially reserved by law to the Directors. The Executive Committee shall have power to appoint such subcommittees as it may deem necessary to report and make recommendations to the Executive Committee. Any action taken by the Executive Committee shall be subject to change, alteration and revision by the Board of Directors, provided that no rights or acts of others shall be affected by any such alteration or revision.

8. FINANCE AND PENSION COMMITTEE. A Finance and Pension Committee consisting of at least three Directors shall be appointed by the Board of Directors. The Committee shall advise and assist the Chief Financial Officer and the Treasurer in major matters concerning the finances of the Corporation and in matters of major policy decisions in the purchase and sale of securities. In performance of this the Committee shall regularly review the financial condition of the Corporation so as to counsel these officers and the Board on the total financial resources, strength and capabilities of the Corporation. In this connection, the Committee shall analyze and advise on fundamental corporate changes in capital structure (both debt and equity); review the capital structure of the Corporation and make recommendations with respect to management proposals concerning financing, purchases of treasury stock, investments, and dividend actions; review periodically the Corporation's risk management program and its adequacy to safeguard the Corporation against extraordinary liabilities or losses; and advise and assist in matters such as short-term investments, credit liabilities, financings, and hedges of foreign currency exposures.

The Committee shall oversee the Corporation's administration of its pension plans and of the pension plans of its subsidiaries. The Committee shall be responsible for setting (subject to the approval of the Board of Directors) the retirement policies of the Corporation and its subsidiaries; for amending pension plans, savings and retirement plans, stock ownership plans or any similar plans or related trust agreements; and for

approving actuarial assumptions and investment policies for the Corporation's pension plans. It shall report at least annually to the Board of Directors. The Committee may delegate any or all of these functions to such employees as it, in its judgment, deems appropriate.

Specifically, the Committee shall approve retaining or terminating the services of actuaries, lawyers, accountants or other professionals for the plans; shall approve annually the amount of the contributions to be made by the Corporation to the respective plans; and shall approve appointing and terminating trustees and investment managers and determine the allocation of the assets of the plans among one or more trustees or investment managers.

9. AUDIT COMMITTEE. An Audit Committee consisting of at least three Directors shall be appointed by the Board of Directors. Except as permitted by the independence requirements of the New York Stock Exchange, none of the Audit Committee members shall be officers or employees of the Corporation or any of its affiliates. Audit Committee members shall have no relationship to the Corporation that may interfere with the exercise of their independence from management and the Corporation. Each member of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise, as such qualifications are interpreted by the Corporation's Board of Directors in its business judgment.

The responsibilities of the Audit Committee shall be to:

- (a) Meet with the independent auditor prior to the audit to review the plan and scope of the audit; meet with management and the independent auditor to review the audited financial statements, including major issues and developments regarding financial reporting and accounting matters; and review the management letter prepared by the independent auditor and management's responses.
- (b) Discuss with the independent auditor the matters required to be discussed on an annual or quarterly basis, as the case may be, under generally accepted auditing standards and any other applicable laws or regulations relating to the conduct of the audit.
- (c) Meet periodically with management and the independent and internal auditors to review the adequacy of the Corporation's system of internal controls over financial reporting and the safeguarding of assets and review significant risk and control exposures and the steps being taken by management to monitor such exposures.
- (d) Recommend to the Board of Directors the appointment of the independent auditor, subject to shareholder approval, which firm is ultimately accountable to the Audit Committee and the Board of Directors; approve the fees to be paid to the independent auditor; receive and review with the

independent auditor periodic reports regarding the auditor's independence and if so determined by the Audit Committee, recommend that the Board of Directors take appropriate action to satisfy itself of the independence of the auditor; and evaluate the performance of the independent auditor and, if so determined by the Audit Committee, recommend that the Board of Directors replace the independent auditor.

- (e) Periodically review the audit plan, the internal audit department responsibilities, budget, resources, skills and staffing; concur in the appointment or replacement of the Director of Internal Audit; review at least annually a summary of audit findings prepared by the internal auditing department and management's responses.
- (f) Review with the Corporation's General Counsel the Corporation's legal compliance, including the Business Conduct Guidelines and legal, regulatory or compliance matters that may have a material impact on the financial statements.
- (g) Evaluate the adequacy of the Corporation's Audit Committee Charter annually and recommend any changes to the Board of Directors for adoption.
- (h) Perform any other oversight functions as requested by the Board of Directors.

10. **COMPENSATION AND ORGANIZATION COMMITTEE.** A Compensation and Organization Committee consisting of at least three Directors, none of whom shall be employees of the Corporation or any of its subsidiaries, shall be appointed by the Board of Directors. The Committee shall review and approve major organization and compensation structure changes as recommended by Management. Although the Board, itself, will review the performance of the chief executive officer and fix his or her salary, the Committee shall approve the performance and determine the salaries of the other executive officers of the Corporation and of other senior executives whose base salary exceeds an amount fixed by the Board of Directors; shall determine the compensation of all executive officers and such senior executives under the Corporation's senior executive compensation plans; shall administer all of the Corporation's senior executive compensation plans; and shall assure that there is a succession plan in place.

11. **BOARD AFFAIRS COMMITTEE.** A Board Affairs Committee consisting of at least three directors, none of whom shall be employees of the Corporation or any of its subsidiaries, shall be appointed by the Board of Directors. The Committee shall consider and make recommendations to the Board of Directors as to Board of Director membership with respect to names generated by the Committee itself or submitted by shareholders. The Committee shall consider and make recommendations to the Board of Directors with

respect to Board of Director committee membership and chair assignments. (These will normally be acted upon by the Board of Directors at its Annual Meeting held immediately after the Annual Meeting of shareholders.) The Committee shall consider and make recommendations to the Board of Directors with respect to the number of members of the Board of Directors. (The Charter and Bylaws provide for not less than eight nor more than eighteen as may be determined by the Board). Annually, the Committee shall consider and recommend to the Board of Directors the persons whom the Committee proposes that the Board of Directors nominate for election as directors at the Annual Meeting of shareholders. The Committee shall consider and make recommendations to the Board of Directors with respect to remuneration of directors.

The Committee shall provide guidance to the Management on major issues in areas of corporate social responsibility, including environmental issues and public affairs. The Committee shall review and approve policy guidelines to be used by Management in making charitable contributions and shall annually review all charitable contributions made by the Corporation during the previous twelve months and recommend to the Board the level of contributions to be set for the ensuing year.

12. In the absence of any one or more members from a meeting of any of the committees provided for in these Bylaws, the Chairman, or the President, may in his or her discretion invite any member or members of the Board (otherwise qualified to serve) to attend such meeting. Temporary members thus appointed to attend for absentees shall act as regular members and shall have the right to vote.
13. POWERS OF ALL COMMITTEES. The powers of all committees are at all times subject to the control of the Directors, and any member of any committee may be removed at any time at the pleasure of the Board.

ARTICLE IV

----- OFFICERS -----

1. ELECTION OF OFFICERS. The Board of Directors shall have power to elect from its own members or otherwise a Chairman, a President, one or more Vice Chairmen and Vice Presidents, a Secretary, a Treasurer, one or more Assistant Treasurers and Assistant Secretaries, and such other officers, agents and employees as it may deem expedient, and to define the duties and authority of all officers, employees and agents and to delegate to them such lawful powers as may be deemed advisable.

The officers shall respectively perform all acts and duties required of such officers by law, by the Charter and Bylaws of this Corporation, or by the Board of Directors.

2. CHAIRMAN OF THE BOARD. If the Directors have elected a Chairman, the Chairman shall preside at all meetings of the Board except that in the Chairman's absence the Directors present shall designate a person to preside. The Chairman shall have such additional duties as the Board of Directors or the Executive Committee may assign.

3. PRESIDENT. The President shall be elected by the Directors and shall have such duties as the Board of Directors or the Executive Committee may assign.
4. CHIEF EXECUTIVE OFFICER. One of the officers shall be appointed Chief Executive Officer of the Corporation by the Board of Directors. Subject to the Board of Directors and the Executive Committee, the Chief Executive Officer shall have general supervision and control of the policies, business and affairs of the Corporation.
5. VICE CHAIRMEN. Each Vice Chairman shall have such powers and perform such duties as may be conferred upon him or her or determined by the Chief Executive Officer.
6. VICE PRESIDENTS. Each Vice President shall have such powers and perform such duties as may be conferred upon him or her or determined by the Chief Executive Officer.
7. TREASURER. The Treasurer shall have the oversight and control of the funds of the Corporation and shall have the power and authority to make and endorse notes, drafts and checks and other obligations necessary for the transaction of the business of the Corporation except as herein otherwise provided.
8. CONTROLLER. The Controller shall have the oversight and control of the accounting records of the Corporation and shall prepare such accounting reports and recommendations as shall be appropriate for the operation of the Corporation.
9. SECRETARY. It shall be the duty of the Secretary to make and keep records of the votes, doings and proceedings of all meetings of the shareholders and Board of Directors of the Corporation, and of its Committees, and to authenticate records of the Corporation.
10. ASSISTANT TREASURERS. The Assistant Treasurers shall have such duties as the Treasurer shall determine.
11. ASSISTANT SECRETARIES. The Assistant Secretaries shall have such duties as the Secretary shall determine.
12. POWERS OF ALL OFFICERS. The powers of all officers are at all times subject to the control of the Directors, and any officer may be removed at any time at the pleasure of the Board.

ARTICLE V

INDEMNIFICATION

To the extent properly permitted by law the Board of Directors shall provide for the indemnification and reimbursement of, and advances of expenses to, any person made a party to any action, suit or proceeding by reason of the fact that he or she, or a person whose legal representative or successor he or she is,

- (a) is or was a Director, officer, employee or agent of the Corporation, or
- (b) served at the Corporation's request as a director, officer, employee or agent of another corporation,

for expenses, including attorney's fees, and such amount of any judgment, money decree, fine, penalty or settlement for which he or she may have become liable as the Board of Directors deems reasonable, actually incurred by him or her in connection with the defense or reasonable settlement of any such action, suit or proceeding or any appeal therein.

This provision of indemnification shall be in addition to any other right or remedy which such person may have. The Corporation shall have the right to intervene in and defend all such actions, suits or proceedings brought against any such person.

ARTICLE VI

CORPORATE SEAL

The corporate seal shall be in the custody of the Secretary and either the Secretary or any other officer shall have the power to affix the same for the Corporation.

ARTICLE VII

STOCK CERTIFICATES

1. SIGNATURES. Certificates of stock shall be signed by the Chairman, the President or a Vice President and by the Secretary or the Treasurer (except that where any such certificate is signed by a transfer agent or transfer clerk and by the registrar, the signatures of any such Chairman, President, Vice President, Secretary or Treasurer may be facsimiles, engraved or printed) and shall be sealed with the seal of the corporation (or shall bear a facsimile of such seal).
2. LOST CERTIFICATES. No certificate for shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, stolen or destroyed except upon production of such evidence of such loss, theft or destruction as the Board of Directors in its discretion may require and upon delivery to the Corporation of a bond of indemnity in form and, unless such requirement is waived by Resolution of the Board, with one or more sureties, satisfactory to the Board in at least double the value of the stock represented by said Certificate.

ARTICLE VIII

FISCAL YEAR

The Corporation's fiscal year shall close on the Saturday nearest December 31st of each year.

ARTICLE IX

INDEPENDENT AUDIT

The Board of Directors shall provide for a yearly independent audit, the form and scope of which shall be determined by the Board from time to time.

ARTICLE X

AMENDMENTS

The Board of Directors of the Corporation may adopt, amend or repeal the Bylaws of the Corporation, subject, however, to the power of the shareholders to adopt, amend or repeal the same, provided that any notice of a meeting of shareholders or of the Board of Directors at which Bylaws are to be adopted, amended or repealed, shall include notice of such proposed action.

ARTICLE XI

ACQUISITIONS OF STOCK

- (a) Except as set forth in subsection (b) hereof, the Corporation shall not acquire any of its voting equity securities (as defined below) at a price per share above the market price per share (as defined below) of such securities on the date of such acquisition from any person actually known by the Corporation to be the beneficial owner (as determined pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended, or any successor rule or regulation) of more than three percent of the Corporation's voting equity securities who has been the beneficial owner of the Corporation's voting equity securities for less than two years prior to the date of the Corporation's acquisition thereof, unless such acquisition (i) has been approved by a vote of a majority of the shares entitled to vote, excluding shares owned by any beneficial owner any of whose shares are proposed to be acquired pursuant to the proposed acquisition that is the subject of such vote or (ii) is pursuant to an offer made on the same terms to all holders of securities of such class. The determination of the Board of Directors shall be conclusive in determining the price paid per share for acquired voting equity securities if the Corporation acquires such securities for consideration other than cash.
- (b) This provision shall not restrict the Corporation from: (i) acquiring shares in the open market in transactions in which there has been no prior arrangement with, or

solicitation of (other than a solicitation publicly made to all holders), any selling holder of voting equity securities or in which all shareholders desiring to sell their shares have an equal chance to sell their shares; (ii) offering to acquire shares of shareholders owning less than 100 shares of any class of voting equity securities; (iii) acquiring shares pursuant to the terms of a stock option or similar plan that has been approved by a vote of a majority of the Corporation's common shares represented at a meeting of shareholders and entitled to vote thereon; (iv) acquiring shares from, or on behalf of, any employee benefit plan maintained by the Corporation or any subsidiary or any trustee of, or fiduciary with respect to, any such plan when acting in such capacity; or (v) acquiring shares pursuant to a statutory appraisal right or otherwise as required by law.

- (c) Market price per share on a particular day means the highest sale price on that day or during the period of five trading days immediately preceding that day of a share of such voting equity security on the Composite Tape for New York Stock Exchange-Listed Stocks, or if such voting equity security is not quoted on the Composite Tape on the New York Stock Exchange or listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such voting equity security is listed, or, if such voting equity security is not listed on any such exchange, the highest sales price or, if sales price is not reported, the highest closing bid quotation with respect to a share of such voting equity security on that day or during the period of five trading days immediately preceding that day on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such voting equity security as determined by a majority of the Board of Directors.
- (d) Voting equity securities of the Corporation means equity securities issued from time to time by the Corporation which by their terms are entitled to be voted generally in the election of the directors of the Corporation.
- (e) The Board of Directors shall have the power to interpret the terms and provisions of, and make any determinations with respect to, this Article XI, which interpretations and determinations shall be conclusive.

\$250,000,000

FACILITY A (364 DAY) CREDIT AGREEMENT

dated as of October 17, 2001

between

THE STANLEY WORKS

as Borrower

and

THE INITIAL LENDERS NAMED HEREIN

as Initial Lenders

and

CITIBANK, N.A.

as Administrative Agent

SALOMON SMITH BARNEY INC.

as Lead Arranger and Book Runner

and

FLEET NATIONAL BANK

MELLON BANK, N.A.

BNP PARIBAS

as Co-syndication Agents

364-DAY CREDIT AGREEMENT

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FACILITY A (364 DAY) CREDIT AGREEMENT

This Facility A (364 Day) Credit Agreement (as amended, supplemented or otherwise modified from time to time, the "Agreement") is made as of this 17th day of October, 2001 between THE STANLEY WORKS, a Connecticut corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, and CITIBANK, N.A. ("Citibank"), as administrative agent (the "Administrative Agent") for the Lenders (as hereinafter defined).

The Borrower has requested the Lenders to make advances to the Borrower in an aggregate principal amount at any one time outstanding up to but not exceeding \$250,000,000 to refinance certain outstanding indebtedness of the Borrower under the Borrower's existing credit arrangements and for the general corporate purposes of the Borrower, and the Lenders are prepared to make such advances on and subject to the terms and conditions of this Agreement.

Accordingly, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Acquiring Person" means any person (other than the ESOP) who is or becomes the beneficial owner, directly or indirectly, of 10% or more of the Borrower's outstanding common stock.

"Advance" means a Committed Advance or an Uncommitted Advance.

"Administrative Agent's Account" means the account of the Administrative Agent maintained by the Administrative Agent at Citibank with its office at 2 Penns Way, Suite 200, New Castle, Delaware 19720, Attention: Bank Loans Syndication.

"Applicable Eurodollar Margin" means, on any date for each Eurodollar Rate Advance, (i) 0.1500% if on such date the Borrower's outstanding Long-Term Indebtedness is rated A+ or higher by Standard & Poor's and A1 or higher by Moody's, (ii) 0.1900% if on such date clause (i) is inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated A or higher by Standard & Poor's and A2 or higher by Moody's, (iii) 0.2800% if on such date clauses (i) and (ii) are inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated A- or higher by Standard & Poor's and A3 or higher by Moody's, (iv) 0.4000% if on such date clauses (i), (ii) and (iii) are inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated BBB+ or higher by Standard & Poor's and Baa1 or higher by Moody's, (v) 0.6250% if on such date clauses (i), (ii), (iii) and (iv) are inapplicable (including if such Long-Term Indebtedness is no longer rated by either agency); provided that if the maturity of any

Eurodollar Rate Advance has been extended pursuant to Section 2.07(c), the Applicable Eurodollar Margin shall mean, with respect to any Interest Period for each Eurodollar Rate Advance from and after the Termination Date, the sum of (x) the rate determined according to the foregoing provisions plus (y) 0.2500%; provided, further, that if the respective levels of the Borrower's outstanding Long-Term Indebtedness credit ratings differ, the "Applicable Eurodollar Margin" will be determined based on the level one above that level applicable to the lower of said credit ratings.

"Applicable Facility Fee Rate" means, on any date, a rate per annum equal to (i) 0.0500% if on such date the Borrower's outstanding Long-Term Indebtedness is rated A+ or higher by Standard & Poor's and A1 or higher by Moody's, (ii) 0.0600% if on such date clause (i) is inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated A or higher by Standard & Poor's and A2 or higher by Moody's, (iii) 0.0700% if on such date clauses (i) and (ii) are inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated A- or higher by Standard & Poor's and A3 or higher by Moody's, (iv) 0.1000% if on such date clauses (i), (ii) and (iii) are inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated BBB+ or higher by Standard & Poor's and Baa1 or higher by Moody's, and (v) 0.1250% if on such date clauses (i), (ii), (iii) and (iv) are inapplicable (including if such Long-Term Indebtedness is no longer rated by either agency); provided that if the respective levels of the Borrower's outstanding Long-Term Indebtedness credit ratings differ, the "Applicable Facility Fee Rate" will be determined based on the level one above that level applicable to the lower of said credit ratings.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance and, in the case of an Uncommitted Advance, the office of such Lender notified by such Lender to the Administrative Agent and the Borrower as its Applicable Lending Office with respect to such Uncommitted Advance.

"Applicable Utilization Fee Rate" means, for each day on which the Utilization Ratio exceeds 0.50 and (if the maturity of the Committed Advances has been extended as provided in Section 2.07(c)) for each day after the Termination Date regardless of the Utilization Ratio, a rate per annum equal to (i) 0.1000% if on such date the Borrower's outstanding Long-Term Indebtedness is rated A- or higher by Standard & Poor's and A3 or higher by Moody's, and (ii) 0.1250% if on such date clause (i) is inapplicable (including if such Long-Term Indebtedness is no longer rated by either agency); provided that if the respective levels of the Borrower's outstanding Long-Term Indebtedness credit ratings differ, the "Applicable Utilization Fee Rate" will be determined based on the level one above that level applicable to the lower of said credit ratings.

"Assignment and Acceptance" means an assignment and acceptance accepted by the Administrative Agent in substantially the form of Exhibit G hereto.

"Base Rate" means a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall at all times be equal to the highest of:

- (a) the rate of interest announced publicly by the Reference Bank in New York, New York, from time to time, as its base rate;

(b) 1/2 of one percent per annum above the secondary market morning offering rate in the United States for three-month certificates of deposit of major United States money market banks, determined by the Reference Bank, such rate being determined by the Reference Bank on the basis of quotations for such rates received by the Reference Bank from three New York certificate of deposit dealers of recognized standing selected by the Reference Bank adjusted to the nearest 1/4 of one percent or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent; or

Rate. (c) 1/2 of one percent per annum above the Federal Funds

"Base Rate Advance" means a Committed Advance that bears interest as provided in Section 2.05(a).

"Borrower" has the meaning specified in the first paragraph of this Agreement.

"Borrowing" means a Committed Borrowing or an Uncommitted Borrowing.

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advances, on which dealings in Dollars are carried on in the London interbank market.

"Capital Lease" means any lease of property, real or personal, the obligations under which are capitalized on the consolidated balance sheet of the Borrower and its Subsidiaries.

"Change of Control" means, with respect to the Borrower, the occurrence of any event, act or condition which results in either (i) any Person other than the ESOP becoming the beneficial owner, directly or indirectly, of 30% or more of the outstanding common stock of the Borrower or (ii) individuals who constitute the Continuing Directors ceasing for any reason to constitute at least the majority of the Board of Directors of the Borrower.

"Citibank" has the meaning specified in the first paragraph of this Agreement.

"Commitment" means, with respect to any Lender, the amount specified opposite such Lender's name on Schedule I hereto or, if such Lender has entered into any Assignment and Acceptance, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 8.07(d), as such amount may be reduced pursuant to Section 2.01(b). The aggregate amount of the Commitments on the date hereof is \$250,000,000.

"Committed Advance" means an advance by a Lender to the Borrower as part of a Committed Borrowing and refers to a Base Rate Advance or a Eurodollar Rate Advance, each of which shall be a "Type" of Committed Advance.

"Committed Borrowing" means a borrowing consisting of simultaneous Committed Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

"Committed Note" has the meaning provided in Section 2.11.

"Consolidated Net Tangible Assets" means the excess over current liabilities of all assets properly appearing on a consolidated balance sheet of the Borrower and its Subsidiaries after deducting goodwill, trademarks, patents, other like intangibles and the minority interests of others in Subsidiaries.

"Consolidated Subsidiary" means at any date any Subsidiary or other entity the financial statements of which would, under GAAP, be consolidated with those of the Borrower in its consolidated financial statements as of such date.

"Contingent Obligation" as to any Person means any obligation of such Person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"Continuing Director" means any member of the Board of Directors of the Borrower who is not affiliated with an Acquiring Person and who is a member of the Board of Directors of the Borrower immediately prior to the time that the Acquiring Person became an Acquiring Person and any successor to a Continuing Director who is not affiliated with the Acquiring Person and is recommended to succeed a Continuing Director by a majority of Continuing Directors who are then members of the Board of Directors of the Borrower.

"Default" means an event which would constitute an Event of Default but for the giving of notice, the lapse of time or both.

"Dollars" and "\$" mean lawful money of the United States of America.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify in writing to the Borrower and the Administrative Agent.

"EBITDA" means, for any period, the sum (without duplication) for the Borrower and its Consolidated Subsidiaries on a consolidated basis of the following: (a) net income for such period plus (b) to the extent deducted in determining net income for such period, the sum of

(i) depreciation and amortization for such period, (ii) Interest Expense for such period and (iii) taxes for such period.

"Effective Date" has the meaning provided in Section 3.01.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successors thereto, and the regulations promulgated and the rulings found thereunder.

"ERISA Controlled Group" means a group consisting of any ERISA Person and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control with such Person that, together with such Person, are treated as a single employer under regulations promulgated under ERISA.

"ERISA Person" has the meaning provided in Section 3(9) of ERISA for the term "person."

"ERISA Plan" means (i) any Plan that (x) is not a Multiemployer Plan and (y) has Unfunded Benefit Liabilities in excess of \$20,000,000 and (ii) any Plan that is a Multiemployer Plan.

"ESOP" means Stanley Account Value Plan or any successor plan.

"Eurocurrency Liabilities" has the meaning provided in Regulation D of the Federal Reserve Board, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office of such Lender is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify in writing to the Borrower and the Administrative Agent.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar Rate Advance comprising part of the same Committed Borrowing, an interest rate per annum equal to the offered rate for deposits in Dollars as quoted by the British Bankers' Association on Telerate page 3750 (or on any successor or substitute page) at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the Reference Bank's Eurodollar Rate Advance comprising part of such Committed Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period.

"Eurodollar Rate Advance" means a Committed Advance that bears interest as provided in Section 2.05(b).

"Eurodollar Rate Reserve Percentage" for any Lender for any Eurodollar Rate Advances owing to such Lender means the reserve percentage applicable two Business Days before the first day of the applicable Interest Period under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such

Lender with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to the applicable Interest Period.

"Events of Default" has the meaning provided in Section 6.01.

"Existing Credit Agreements" means (i) the Credit Agreement dated as of October 21, 1998 between the Borrower, the lenders parties thereto and Citibank, N.A., as Administrative Agent, as amended by the Amendment and Restatement dated as of October 20, 1999, the Second Amended and Restated Credit Agreement dated as of October 18, 2000 and as otherwise amended prior to the date hereof, and (ii) the Amended and Restated Facility B (Five Year) Credit Agreement dated as of October 23, 1996 between the Borrower, the lenders parties thereto and Citibank, N.A., as Administrative Agent, as amended by the First Amendment Agreement dated as of September 12, 1997 and as otherwise amended prior to the date hereof.

"Excluded Representation" means the representation and warranty set forth in Section 4.01(g).

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy", as amended from time to time, or any successor thereto.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve Board arranged by Federal fund brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Reference Bank from three Federal funds brokers of recognized standing selected by the Reference Bank.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System as constituted from time to time.

"Fixed Rate" has the meaning provided in Section 2.13(c)(ii)(C).

"Fixed Rate Advance" means an Advance which bears interest as provided in Section 2.05(d).

"Fixed Rate Auction" means a solicitation of Quotes setting forth Fixed Rates pursuant to Section 2.13.

"Floating Rate" means, for any Interest Period for a Floating Rate Advance, an interest rate per annum equal to the Base Rate in effect from time to time minus the Floating Rate Margin for such Advance and Interest Period.

"Floating Rate Advance" means an Advance which bears interest as provided in Section 2.05(c).

"Floating Rate Auction" means a solicitation of Quotes setting forth Floating Rate Margins based on the Base Rate pursuant to Section 2.13.

"Floating Rate Margin" has the meaning provided in Section 2.13(c)(ii)(B).

"GAAP" means United States generally accepted accounting principles as in effect from time to time.

"Hedge Agreements" means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

"Indebtedness" of any Person means, without duplication, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of business of such Person), (ii) all indebtedness of such Person evidenced by a note, bond, debenture or similar instrument, (iii) the principal component of all Capital Lease obligations of such Person, (iv) the face amount of all letters of credit issued for the account of such Person and, without duplication, all unreimbursed amounts drawn thereunder, (v) all indebtedness of any other Person secured by any Lien on any property owned by such Person, whether or not such indebtedness has been assumed, (vi) all Contingent Obligations of such Person, and (vii) all indebtedness of such Person in respect of Hedge Agreements.

"Initial Lenders" has the meaning specified in the first paragraph of this Agreement.

"Interest Coverage Ratio" means, for any period, the ratio of (a) EBITDA for such period of four consecutive fiscal quarters ending on or most recently ended prior to such date to (b) Interest Expense for such period.

"Interest Expense" means, for any period, the sum (determined without duplication) of the aggregate amount of interest reported in respect of such period on the Indebtedness of the Borrower and its Consolidated Subsidiaries on a consolidated basis, including, without limitation, the interest portion of payments under Capital Lease obligations and any capitalized interest, minus (i) interest income of the Borrower and its Consolidated Subsidiaries on a consolidated basis reported in respect of such period and (ii) interest on deferred compensation reported in respect of such period.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Committed Borrowing, each Floating Rate Advance comprising part of the same Uncommitted Borrowing and each Fixed Rate Advance comprising part of the same Uncommitted Borrowing, the period commencing on the date of such Advance or the date of the continuation of such Eurodollar Rate Advance or the date of the conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be (a) in the case of a Eurodollar Rate Advance, one, two, three or six months, (b) in the case of a Fixed Rate Advance, from 14 to 180 days, and (c) in the case of a Floating Rate Advance, from 30 to 180 days, in each case as the Borrower may select in the Notice of Borrowing, Quote Request or Notice of Conversion or Continuation for such Advance, as the case may be; provided that:

(i) the Borrower may not select any Interest Period which ends after the Termination Date or (if the maturity of the Committed Advances has been extended as provided in Section 2.07(c)) the Term Date;

(ii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day; provided that if, in the case of any Interest Period with respect to any Eurodollar Rate Advance, such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day;

(iii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iv) below, end on the last Business Day of a calendar month;

(iv) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date and any Interest Period which would otherwise end after the Term Date shall end on the Term Date;

(v) if, upon the expiration of any Interest Period with respect to a Committed Borrowing consisting of Eurodollar Rate Advances, the Borrower has failed to elect a new Interest Period to be applicable to such Advances as provided above, the Borrower shall be deemed to have elected to convert such Advances into a Base Rate Advance effective as of the expiration date of such current Interest Period; and

(vi) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Committed Borrowing or for Fixed Rate Advances or Floating Rate Advances comprising part of the same Uncommitted Borrowing shall be of the same duration.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto.

"Lenders" means the Initial Lenders and each Person that shall become a party hereto pursuant to Section 8.07.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preferential payment arrangement, priority or other security agreement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same effect as any of the foregoing and the filing of any financing statement or similar instrument under the Uniform Commercial Code or comparable law of any jurisdiction, domestic or foreign.

"Long-Term Indebtedness" means the long-term Senior Unsecured Indebtedness of the Borrower.

"Margin Stock" has the meaning provided in Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

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

"Moody's" means Moody's Investors Service, Inc. and any successor or successors thereto.

"Multiemployer Plan" means a Plan which is a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA.

"Note" means a Committed Note or an Uncommitted Note

"Notice of Borrowing" has the meaning provided in Section 2.02(b).

"Notice of Conversion or Continuation" has the meaning provided in Section 2.04(b).

"Notice of Extension" has the meaning provided in Section 2.07(c).

"Other Taxes" has the meaning provided in Section 2.10(b).

"PBGC" means the Pension Benefit Guaranty Corporation established under ERISA, or any successor thereto.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means any employee benefit plan covered by Title IV of ERISA, the funding requirements of which:

(i) were the responsibility of the Borrower or a member of its ERISA Controlled Group at any time within the five years immediately preceding the date hereof,

(ii) are currently the responsibility of the Borrower or a member of its ERISA Controlled Group, or

(iii) hereafter become the responsibility of the Borrower or a member of its ERISA Controlled Group, including any such plans as may have been, or may hereafter be, terminated for whatever reason.

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

States, or any political subdivision or instrumentality of the foregoing, on which the interest cannot, in the opinion of tax counsel of recognized standing or in accordance with a ruling issued by the Internal Revenue Service, be included in gross income of the holder under Section 103(a)(1) of the Internal Revenue Code (or any successor to such provision) as in effect at the time of the issuance of such obligations, (iv) any real property held for development or sale, or (v) any property and equipment included therein without deduction of any depreciation reserves which is less than 10% of Consolidated Net Tangible Assets or which the Board of Directors of the Borrower determines is not material to the operation of the business of the Borrower and its Subsidiaries taken as a whole.

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

"Pro Rata Share" means, with respect to any Lender, the percentage corresponding to the fraction the numerator of which shall be the amount of the Commitment of such Lender and the denominator of which shall be the aggregate amount of the Commitments of all Lenders.

"Quote" means an offer by any Lender to make an advance under Section 2.13.

"Quote Request" has the meaning provided in Section 2.13(b).

"Rate Notification" has the meaning provided in Section 2.02(a).

"Rate Request" has the meaning provided in Section 2.02(a).

"Reference Bank" means Citibank or, if Citibank is no longer the Administrative Agent, such Person (which shall be a Lender or the Administrative Agent) as shall be designated by the Borrower with the consent of the Required Lenders, which consent shall not be unreasonably withheld.

"Register" has the meaning provided in Section 8.07(d).

"Reportable Event" has the meaning provided in Section 4043(b) of ERISA (other than a Reportable Event as to which the provision of 30 days notice to the PBGC is waived under applicable regulations).

"Required Lenders" means at any time Lenders representing in the aggregate at least 51% of the Commitments or, if the Commitments shall have terminated, Lenders representing in the aggregate at least 51% of the sum of the Advances owing to Lenders hereunder.

"Senior Unsecured Indebtedness" means Indebtedness that is not subordinated to any other Indebtedness and is not secured or supported by a guarantee, letter of credit or other form of credit enhancement.

"Standard & Poor's" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor or successors thereto.

"Subsidiary" of any Person means (i) any corporation 50% or more of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries and (ii) any partnership, association, joint venture, limited liability company or other entity in which such Person, directly or indirectly through Subsidiaries, is either a general partner or has a 50% or more equity interest at the time.

"Taxes" has the meaning provided in Section 2.10(a).

"Term Date" means the date one year after the Termination Date; provided that if such date is not a Business Day the Term Date shall be the immediately preceding Business Day.

"Termination Date" means the earlier of (a) October 16, 2002 or (b) the date of termination in whole of the Commitments pursuant to Section 2.01(b) or 6.01.

"Termination Event" means (i) a Reportable Event, or (ii) the initiation of any action by the Borrower, any member of the Borrower's ERISA Controlled Group or any ERISA Plan fiduciary to terminate an ERISA Plan or the treatment of an amendment to an ERISA Plan as a termination under ERISA, or (iii) the institution of proceedings by the PBGC under Section 4042 of ERISA to terminate an ERISA Plan or to appoint a trustee to administer any ERISA Plan.

"Type" has the meaning provided in the definitions of Committed Advance and Uncommitted Advance.

"Uncommitted Advance" means an advance by a Lender to the Borrower as part of an Uncommitted Borrowing resulting from the auction bidding procedure described in Section 2.13 and refers to a Floating Rate Advance or a Fixed Rate Advance, each of which shall be a "Type" of Uncommitted Advance.

"Uncommitted Borrowing" means a borrowing consisting of simultaneous Uncommitted Advances from each of the Lenders whose offer to make one or more Uncommitted Advances as part of such borrowing has been accepted under the auction bidding procedure described in Section 2.13.

"Uncommitted Note" has the meaning provided in Section 2.11.

"Unfunded Benefit Liabilities" means with respect to any Plan at any time, the amount (if any) by which (i) the present value of all benefit liabilities under such Plan as defined in Section 4001(a)(16) of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan (on the basis of assumptions prescribed by the PBGC for the purpose of Section 4044 of ERISA).

"Utilization Ratio" means, at any time, the ratio of (i) the aggregate outstanding principal amount of the Advances at such time to (ii) the aggregate amount of the Commitments at such time.

SECTION 1.02. Computation of Time Periods; Terms Generally. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding". The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Commitment. (a) The Committed Advances. Each Lender agrees, on the terms and conditions hereinafter set forth, to make Committed Advances to the Borrower from time to time on any Business Day during the period from the date hereof until the Termination Date in an aggregate amount not to exceed at any time outstanding (i) such Lender's Commitment minus (ii) such Lender's Pro Rata Share of the aggregate principal amount of all Uncommitted Advances then outstanding. Within the limits of each Lender's Commitment, the Borrower may borrow, repay, prepay (as provided in Section 2.07) and reborrow such amount or any portion thereof. Each Committed Borrowing shall be in an aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof or, if less, the aggregate amount of the unused Commitments and shall consist of Committed Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Notwithstanding the foregoing restriction with respect to the minimum amount of each Committed Borrowing, the Borrower may borrow Committed Borrowings in an aggregate amount equal to the amount by which the aggregate amount of a proposed Uncommitted Borrowing requested by the Borrower exceeds the aggregate amount of Uncommitted Advances offered to be made by the Lenders and accepted by the Borrower in respect of such Uncommitted Borrowing, if such Uncommitted Borrowing is made on the same date as such Committed Borrowing.

(b) Termination and Reduction. The Borrower shall have the right, upon at least two Business Days' notice to the Administrative Agent, to terminate in whole or reduce each Lender's Pro Rata Share of the unused Commitments, provided that the aggregate amount of the Commitments of the Lenders shall not be reduced to an amount that is less than the aggregate principal amount of the Uncommitted Advances then outstanding. Each partial reduction of the Commitments shall be in the aggregate amount of at least \$10,000,000 or a larger whole multiple of \$1,000,000.

SECTION 2.02. Making the Committed Advances. (a) Determination of Eurodollar Rate. The Borrower may request the Reference Bank, no earlier than 9:00 A.M. (New York City time) and no later than 11:00 A.M. (New York City time) on the third Business Day before a proposed Eurodollar Rate Advance, to notify the Borrower of the Eurodollar Rate

that would be applicable to a Committed Advance in the principal amount and with the Interest Period as described by the Borrower in such request, which request shall be substantially in the form of Exhibit A-1 hereto (a "Rate Request"). Upon such request, the Reference Bank shall furnish such interest rate to the Borrower no later than noon (New York City time) on the second Business Day before the proposed Eurodollar Rate Advance by delivering to the Borrower a copy of the related Rate Request setting forth such rate and executed by an authorized officer of the Reference Bank in the space provided therefor (a "Rate Notification"). The Borrower shall be entitled to rely on any such notification and such rate shall be conclusive and binding on the Lenders absent manifest error.

(b) Notice of Borrowing. Each Committed Borrowing shall be made on notice by the Borrower to the Administrative Agent, which shall give to each Lender prompt notice thereof by telecopier, given not later than 11:00 A.M. (New York City time) on the date of the proposed Committed Borrowing if such Committed Borrowing is to be comprised of Base Rate Advances and no earlier than 9:00 A.M. (New York City time) and no later than 4:00 P.M. (New York City time) on the third Business Day prior to such date if such Committed Borrowing is to be comprised of Eurodollar Rate Advances. Each such notice of a Committed Borrowing (a "Notice of Borrowing") shall be by telecopier, or by telephone confirmed immediately in writing, in substantially the form of Exhibit A-2 hereto, specifying therein the requested (i) date of such Committed Borrowing, (ii) Type of Advances comprising such Committed Borrowing, (iii) aggregate amount of such Committed Borrowing and (iv) in the case of a Committed Borrowing consisting of Eurodollar Rate Advances, the initial Interest Period for each such Committed Advance. Each Lender shall, before 1:00 P.M. (New York City time) on the date of such Committed Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's Account, in same day funds, such Lender's Pro Rata Share of the requested amount of such Committed Borrowing. Promptly after the Administrative Agent's receipt of such funds (and in any event by the close of business New York City time on the date of such Borrowing) and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make the funds so received available to the Borrower by depositing the same in immediately available funds into such account as the Borrower shall have specified in the related Notice of Borrowing.

(c) Illegality, Etc. Anything in subsection (a) or (b) above to the contrary notwithstanding,

(i) if any Lender shall, at least one Business Day before the date of any requested Advance or the date of any conversion to or continuation of a Eurodollar Rate Advance, notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or that any central bank or other governmental authority asserts that it is unlawful, for such Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, the Administrative Agent shall forthwith give notice thereof to the other Lenders and the Borrower, whereupon (A) such Lender shall have no obligation to make Eurodollar Rate Advances, or to convert Advances into Eurodollar Rate Advances, until such Lender notifies the Borrower and the Administrative Agent that the circumstances causing such suspension no longer exist and (B) the Borrower shall be deemed to have converted all Eurodollar Rate Advances of such Lender then outstanding into Base Rate Advances in accordance with Section 2.04 on and as of the date of the Administrative Agent's receipt of such notice, unless and to

the extent such notice directs that one or more Eurodollar Rate Advances shall be so converted on the last day of the applicable Interest Period, provided that (w) before giving any such notice, such Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such a designation would avoid the need for such suspension and conversion and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender, (x) any request by the Borrower for Eurodollar Rate Advances during a time when a Lender's obligation to make, or convert Advances into, Eurodollar Rate Advances shall be suspended hereunder shall be deemed to be a request for, or for conversion into, Base Rate Advances from such Lender, (y) all Advances that would otherwise be made by such Lender as Eurodollar Rate Advances during any such suspension shall instead be made as Base Rate Advances, and (z) in the event any Lender shall notify the Administrative Agent and the Borrower of the occurrence of the circumstances causing such suspension under this Section 2.02(c), all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Rate Advances that would have been made by such Lender or the converted Eurodollar Rate Advances shall instead be applied to repay the Base Rate Advances made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Rate Advances;

(ii) if the Reference Bank cannot furnish the Eurodollar Rate for any Committed Borrowing consisting of Eurodollar Rate Advances because of conditions existing in the London interbank market, the right of the Borrower to select Eurodollar Rate Advances shall be suspended until the Reference Bank shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist; and

(iii) if the Required Lenders shall, at least one Business Day before the date of any requested Eurodollar Rate Advance, notify the Administrative Agent that the Eurodollar Rate for any Interest Period will not adequately reflect the cost to the Required Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period, the Administrative Agent shall forthwith so notify the Borrower and the Lenders, whereupon the Lenders shall have no obligation to make, or convert Committed Advances into, Eurodollar Rate Advances until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(d) Effect of Failure to Fulfill Conditions. Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Committed Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, and in the case of the extension of maturity provided for in Section 2.07(c), the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Committed Borrowing the applicable conditions set forth in Article III, or, in the case of such extension, the failure to fulfill the conditions thereto specified in Section 2.07(c), including, without limitation, any loss (excluding anticipated profits), cost or expense reasonably incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Committed Advance to be made by such Lender as part of such Committed Borrowing when such Advance, as a result of such failure, is not made on such date, such indemnity to be paid

promptly upon receipt by the Borrower of a certificate of such Lender setting forth the calculation of the amount of the indemnity claimed by such Lender.

(e) Funds Available. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Committed Borrowing that such Lender will not make available to the Administrative Agent such Lender's ratable portion of such Committed Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Committed Borrowing in accordance with subsection (a) of this Section 2.02 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Committed Advances comprising such Committed Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Committed Advance as part of such Committed Borrowing for purposes of this Agreement.

(f) Failure to Make Advances. The failure of any Lender to make the Committed Advance to be made by it as part of any Committed Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Committed Advance on the date of such Committed Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Committed Advance to be made by such other Lender on the date of any Committed Borrowing.

SECTION 2.03. Fees. (a) Facility Fee. The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee on the aggregate amount of such Lender's Commitment (whether or not utilized and, after the Termination Date, on the aggregate outstanding principal amount of the Advances of such Lender, if any) from the date hereof in the case of each Lender and, in the case of each Person which becomes a Lender, pursuant to Section 8.07, from the effective date specified in the Assignment and Acceptance pursuant to which it became a Lender until the Termination Date or (if the maturity of the Committed Advances has been extended as provided in Section 2.07(c)) the Term Date at the Applicable Facility Fee Rate, payable quarterly in arrears on the last day of each March, June, September and December during the term hereof and on the Termination Date and (if the maturity of the Committed Advances has been extended as provided in Section 2.07(c)) the Term Date. All computations of the facility fee shall be based on a year of 365 or 366 days, as the case may be.

(b) Administrative Agent's Fees. The Borrower shall pay to the Administrative Agent for its own account such fees as may from time to time be agreed between the Borrower and the Administrative Agent.

(c) Utilization Fee. The Borrower shall pay to the Administrative Agent for the pro rata account of the Lenders a utilization fee on the outstanding principal amount of the Advances, for each day on which the Utilization Ratio exceeds 0.50 and (if the maturity of the

Committed Advances has been extended as provided in Section 2.07(c)) for each day after the Termination Date regardless of the Utilization Ratio, at a rate per annum equal to the Applicable Utilization Fee Rate, payable on each day on which a payment of interest is due under Section 2.05.

SECTION 2.04. Continuation and Conversion. (a) General.

Subject to the other provisions hereof, the Borrower shall have the option (i) to convert all or any part of an outstanding Committed Borrowing consisting of Base Rate Advances to a Committed Borrowing consisting of Eurodollar Rate Advances, (ii) to convert all or any part of an outstanding Committed Borrowing consisting of Eurodollar Rate Advances to a Committed Borrowing consisting of Base Rate Advances, or (iii) to continue all or any part of an outstanding Committed Borrowing consisting of Eurodollar Rate Advances as a Committed Borrowing consisting of Eurodollar Rate Advances for an additional Interest Period; provided that no Committed Borrowing consisting of Eurodollar Rate Advances shall be so converted other than as contemplated by Section 2.02(c) or continued, until the expiration of the Interest Period applicable thereto.

(b) Notice of Conversion or Continuation. In order to elect to convert or continue a Committed Borrowing hereunder, the Borrower shall deliver an irrevocable notice thereof (a "Notice of Conversion or Continuation") to the Administrative Agent by telecopier or by telephone confirmed immediately in writing, no later than (i) 11:00 A.M., (New York City time) on the proposed conversion date in the case of a conversion to Base Rate Advances and (ii) no earlier than 9:00 A.M. (New York City time) and no later than 4:00 P.M. (New York City time) on the third Business Day in advance of the proposed conversion or continuation date in the case of a conversion to, or a continuation of, Eurodollar Rate Advances, substantially in the form of Exhibit B hereto. A Notice of Conversion or Continuation shall specify (w) the requested conversion or continuation date (which shall be a Business Day), (x) the amount and Type of the Advances to be converted or continued, (y) whether a conversion or continuation is requested, and (z) in the case of a conversion to, or a continuation of, Eurodollar Rate Advances, the requested Interest Period. The relevant Eurodollar Rate for such Interest Period in the case of a conversion to, or a continuation of, Eurodollar Rate Advances shall be determined in the manner provided in Section 2.02(a) as if such conversion or continuation is instead new Eurodollar Rate Advances in such amount, on such date and for such Interest Period. If the Borrower fails to give a Notice of Conversion or Continuation with respect to an outstanding Committed Borrowing consisting of Eurodollar Rate Advances as provided in clause (ii) above, the Borrower shall be deemed to have converted such Eurodollar Rate Advances into Base Rate Advances in accordance with this Section 2.04 if such Advances are outstanding after the last day of the Interest Period with respect thereto.

SECTION 2.05. Interest on Advances. The Borrower shall pay interest on the unpaid principal amount of each Advance owing to each Lender from the date the proceeds of such Advance are made available to the Borrower until such principal amount shall be paid in full, at the following rates per annum:

(a) Base Rate Advances. If such Advance is a Base Rate Advance, a rate per annum equal to the Base Rate in effect from time to time, payable in arrears quarterly on the last Business Day of each fiscal quarter during the period such Base Rate Advance remains outstanding and on the date such Base Rate Advance shall be paid in full;

(b) Eurodollar Rate Advances. If such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during the Interest Period for such Advance to the sum of the Eurodollar Rate for such Interest Period plus the Applicable Eurodollar Margin for such Advance, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day which occurs during such Interest Period every three months from the first day of such Interest Period;

(c) Floating Rate Advances. If such Advance is a Floating Rate Advance, a rate per annum equal at all times during the Interest Period for such Advance to the Floating Rate for such Interest Period quoted by such Lender in accordance with Section 2.13, payable in arrears on the last Business Day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day which occurs during such Interest Period every three months from the first day of such Interest Period;

(d) Fixed Rate Advances. If such Advance is a Fixed Rate Advance, a rate per annum equal at all times during the Interest Period for such Advance to the Fixed Rate for such Interest Period quoted by such Lender in accordance with Section 2.13, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day which occurs during such Interest Period every three months from the first day of such Interest Period; and

(e) Default Rate. In the event that, and for so long as, any Event of Default shall have occurred and be continuing, the outstanding principal amount of all Advances and, to the extent permitted by law, overdue interest in respect of all Advances, shall bear interest at a rate per annum equal to the sum of two percent (2%) plus the interest rate otherwise applicable hereunder to such principal amount in effect from time to time. In the event that, and for so long as, any Default under Section 6.01(a) shall have occurred and be continuing, the outstanding principal amount of the Advance with respect to which such Default has occurred and is continuing shall bear interest at a rate per annum equal to the sum of two percent (2%) plus the interest rate otherwise applicable hereunder to such principal amount in effect from time to time.

SECTION 2.06. Additional Interest on Eurodollar Rate Advances.

The Borrower shall pay to each Lender, during each period as such Lender shall be required under regulations of the Federal Reserve Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar Rate Advance of such Lender outstanding during such period, from the later of the date such reserves are required and the making of such Advance until the earlier of the date such reserves are no longer required and such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the Interest Period applicable to such Advance from (ii) the rates obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the average Eurodollar Rate Reserve Percentage of such Lender during such period, payable on each date on which interest is payable on such Advance. Such Lender shall determine the amount of such additional interest, if any, and promptly notify the Borrower through the Administrative Agent of the amount thereof.

SECTION 2.07. Repayment and Prepayment of Advances. (a) The

Borrower shall repay to the Administrative Agent for the ratable account of the Lenders on the Termination Date or, in the case of extension pursuant to Section 2.07(c), on the Term Date, the aggregate

principal amount of the Committed Advances then outstanding and the Borrower shall repay to the Administrative Agent for the account of the Lenders to which Uncommitted Advances comprising part of the same Borrowing are owing the aggregate principal amount of such Uncommitted Advances then outstanding on the last day of the Interest Period with respect thereto. The Borrower shall have no right to prepay any principal amount of any Advances other than as provided in this Section 2.07. The Borrower may, upon notice no later than 11:00 A.M. (New York City time) on the second Business Day before the prepayment of Eurodollar Rate Advances, and no later than 11:00 A.M. (New York City time) on the day of the prepayment in the case of Base Rate Advances, in either case to the Administrative Agent and stating the proposed date and principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amount of the Committed Advances comprising part of the same Committed Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that each partial prepayment shall be in the aggregate principal amount of at least \$10,000,000 or a larger whole multiple of \$1,000,000 and, in the case of a payment or prepayment of a Eurodollar Rate Advance other than on the last day of the Interest Period for such Advance as provided herein, shall have the consequences set forth in Section 8.04(b).

(b) The Borrower shall notify the Administrative Agent immediately upon becoming aware of any Change of Control. Upon receipt of such notice and for a period of 90 days thereafter, the Required Lenders shall be entitled, by written notice to the Borrower received within such period, to terminate the Commitments in whole and require the Borrower to prepay all outstanding Advances within 5 Business Days of its receipt of such notice, together with any accrued and unpaid interest thereon to the date of such prepayment and any other amounts due hereunder. Notwithstanding any other provision contained herein, a Change of Control shall not, in and of itself, constitute a Default hereunder.

(c) The Borrower may, by notice in substantially the form of Exhibit A-3 hereto (a "Notice of Extension") to the Administrative Agent not less than 15 days prior to the Termination Date, elect that the maturity of all Committed Advances outstanding as of the close of business New York time on the Termination Date be extended to the Term Date; provided that the extension provided for in this clause (c) shall be subject to the condition that, both on the date of the Notice of Extension and on the Termination Date, no Default shall have occurred and be continuing; and provided, further, that after giving effect to such extension each reference in this Agreement to "Eurodollar Rate Advances", "Base Rate Advances" and "Advances" shall be deemed to include the Advances referred to in this Section 2.07(c) (but the Lenders shall have no further obligation to make any additional Committed Advances after the Termination Date); and provided, further, that the outstanding principal amount of any Committed Advances whose maturity has been extended to the Term Date pursuant to this Section 2.07(c) shall, as provided in the definition of Applicable Margin (without duplication), bear interest at a rate per annum equal to the sum of 0.2500% plus the interest rate otherwise applicable hereunder to such principal amount in effect from time to time, payable on each day on which a payment of interest is otherwise due hereunder.

SECTION 2.08. Increased Costs. (a) Changes in Law, Etc. If, due to (i) the introduction of or any change in or in the interpretation of any law or regulation on or after the date of this Agreement, or (ii) the compliance with any guideline or request not applicable on the date of this Agreement from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to

make or making, funding or maintaining Eurodollar Rate Advances, then the Borrower shall from time to time, promptly upon demand by such Lender (with a copy of such demand to the Administrative Agent) accompanied by the certificate described in the next sentence, pay to the Administrative Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to the Borrower and the Administrative Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) Capital Adequacy. If, due to (i) the introduction of or any change in or in the official interpretation of any law or regulation on or after the date of this Agreement, or (ii) the compliance with any guideline or request not applicable on the date of this Agreement from any central bank or other governmental authority (whether or not having the force of law), any Lender determines that the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender has been or would be affected and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender received by the Borrower within such time from the relevant change or introduction described above as is reasonably required in order to determine the effect thereof (with a copy of such demand to the Administrative Agent) accompanied by a certificate of such Lender as to the amounts demanded, the Borrower shall pay to the Administrative Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation, as the case may be, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder, such amounts to be due and payable within two days of such Lender's invoice therefor. A certificate as to such amounts submitted to the Borrower and the Administrative Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error.

SECTION 2.09. Payments and Computations. (a) Manner of Payment. The Borrower shall make each payment hereunder and under the Notes not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Administrative Agent at the Administrative Agent's Account in same day funds. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.02(d), 2.06, 2.08, 2.10, 2.13(f) or 8.04(b)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(c), from and after the effective date specified in such Assignment and Acceptance, the Administrative Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves. The making by the Borrower of any payment to the Administrative Agent for the account of any Lender as herein provided shall pro tanto discharge the relevant obligation of the Borrower to such Lender.

(b) Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by

law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement and the Notes held by such Lender, although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

(c) Interest. All computations of interest based on the Base Rate shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate or with respect to Uncommitted Advances and all computations of interest pursuant to Section 2.06 shall be made by the Administrative Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable. Each determination by the Reference Bank of an interest rate for any Committed Advance hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Business Days. Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or facility fee, as the case may be; provided that if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) Assumption of Payment. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

(f) Rate Information. The Reference Bank shall notify the Borrower and the Administrative Agent of the Base Rate in effect on the first Business Day on which a Base Rate or Floating Rate Advance is outstanding and each day on which a change in the Base Rate occurs, each in sufficient detail to enable the Borrower to calculate interest payments hereunder with respect to Base Rate Advances and Floating Rate Advances, and shall provide such information to any Lender promptly upon its request. The Borrower will provide to the Administrative Agent (i) promptly upon receipt thereof copies of the information received by the Borrower pursuant to the immediately preceding sentence or any Rate Notification received pursuant to Section 2.02(a), (ii) promptly upon the making of any interest payment with respect to a Base Rate Advance or a Floating Rate Advance hereunder a schedule based on such information setting forth the Base Rate for each day in the period in which such Advance was outstanding, and (iii) promptly upon obtaining knowledge thereof, notice of any change in the

rating assigned by Standard & Poor's or Moody's to the Borrower's Long-Term Indebtedness and the date of such change, provided that the Borrower's failure to provide any of the foregoing information shall be deemed not to be a Default or Event of Default hereunder.

SECTION 2.10. Taxes. (a) General. Any and all payments by the Borrower hereunder or under the Notes shall be made in accordance with Section 2.09, free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, not in effect or not imposed on the date of this Agreement; excluding, in the case of each Lender and the Administrative Agent, taxes imposed on its income, and franchise taxes imposed on it by the jurisdiction under the laws of which such Lender or the Administrative Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes").

(b) Other Taxes. In addition, the Borrower agrees to pay any stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, or otherwise with respect to, this Agreement not in effect or not imposed on the date of this Agreement or the Notes (hereinafter referred to as "Other Taxes") upon notice from the Lender.

(c) Tax Indemnity. The Borrower will indemnify each Lender and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.10) paid by such Lender or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Lender or the Administrative Agent (as the case may be) makes written demand therefor.

(d) Receipt. Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Administrative Agent, at its address referred to in Section 8.02, the original or a certified copy of a receipt evidencing payment thereof.

(e) Survival. Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.10 shall survive the payment in full of principal and interest hereunder.

SECTION 2.11. Promissory Notes. Any Lender may request that Advances of any Type made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to such Lender (or, if requested by such Lender, to such Lender and its registered assigns) substantially in the form of Exhibit H-1 (a "Committed Note") in the case of the Committed Advances and substantially in the form of Exhibit H-2 (an "Uncommitted Note"), in the case of the Uncommitted Advances. Thereafter, such Advances evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 8.07) be represented by one or more promissory notes in such form payable to the payee named therein (or, if such promissory note is

a registered note, to such payee and its registered assigns).

SECTION 2.12. Use of Proceeds of Advances. The Borrower will use the proceeds of the Advances for general corporate purposes, including, without limitation, for the acquisition of Margin Stock.

SECTION 2.13. Uncommitted Advances. (a) The Uncommitted Advances Option. In addition to Committed Advances pursuant to Section 2.01, the Borrower may, as set forth in this Section 2.13, request the Lenders to make offers to make Uncommitted Advances to the Borrower. Each Lender may, but shall have no obligation to, make such offers and the Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in this Section 2.13; provided that, following the making of each Uncommitted Borrowing, the aggregate amount of the Advances then outstanding shall not exceed the aggregate amount of the Commitments of the Lenders. The Uncommitted Advances may be Floating Rate Advances or Fixed Rate Advances.

(b) Quote Request. When the Borrower wishes to request offers to make Uncommitted Advances as part of an Uncommitted Borrowing, it shall transmit to the Administrative Agent, by telecopier, a quote request substantially in the form of Exhibit C hereto (a "Quote Request") so as to be received (x) no earlier than 9:00 A.M. (New York City time) and no later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of Borrowing proposed therein, in the case of a Fixed Rate Auction, or (y) no later than 11:00 A.M. (New York City time) on the Business Day immediately preceding the proposed date of Borrowing proposed therein, in the case of a Floating Rate Auction, specifying:

- (i) the proposed date of Borrowing, which shall be a Business Day;
- (ii) the proposed aggregate amount of such Borrowing, which shall be \$10,000,000 or a larger whole multiple of \$1,000,000; and
- (iii) the duration of the proposed Interest Period applicable thereto subject to the provisions of the definition of Interest Period.

The Administrative Agent shall in turn promptly notify each Lender of each request for an Uncommitted Borrowing received by it from the Borrower by sending such Lender a copy of the related Quote Request. The Borrower may request offers to make Uncommitted Advances for more than one Interest Period in a single Quote Request. No Quote Request shall be given within five Business Days of any other Quote Request.

(c) Submission and Contents of Quotes. (i) Each Lender may but shall not be required to submit a Quote containing an offer or offers to make an Uncommitted Advance as part of a proposed Uncommitted Borrowing in response to any Quote Request. Each Quote must comply with the requirements of this Section 2.13(c) and must be submitted to the Administrative Agent (which shall give prompt notice thereof to the Borrower) in writing (including by telecopy) no later than (A) 11:00 A.M. (New York City time) on the third Business Day prior to the proposed date of borrowing in the case of a Fixed Rate Auction or (B) 11:00 A.M. (New York City time) on the Business Day immediately preceding the proposed date of borrowing, in the case of a Floating Rate Auction; provided that if the Administrative Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify

the Borrower of such offer at least 30 minutes before the time and on the date on which notice of such election is to be given to the Administrative Agent by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Administrative Agent, before 11:00 A.M. (New York City time) on the date on which notice of such election is to be given to the Administrative Agent by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Uncommitted Advance as part of such Uncommitted Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Uncommitted Advance as part of such proposed Uncommitted Borrowing. Any Quote so made shall be irrevocable except with the written consent of the Borrower.

(ii) A Quote may set forth each separate offer by a Lender with respect to each Interest Period specified in the related Quote Request. Each Quote shall be in substantially the form of Exhibit D hereto, and shall in any case specify:

(A) the principal amount of the Uncommitted Advance for each such offer, which principal amount (1) may be greater than or less than the Commitment of such Lender, (2) must be a whole multiple of \$1,000,000, (3) may not exceed (but may be less than) the proposed principal amount of the proposed Uncommitted Borrowing set forth in the related Quote Request, and (4) may be subject to an aggregate limitation as to the principal amount of Uncommitted Advances for which offers being made by such Lender may be accepted;

(B) in the case of a Floating Rate Auction, the margin below the Base Rate (the "Floating Rate Margin") offered for each such Uncommitted Advance expressed as a percentage (specified to the nearest 1/1,000th of 1%) to be subtracted from such Base Rate; and

(C) in the case of a Fixed Rate Auction, the rate of interest per annum (specified to the nearest 1/1,000th of 1%) (the "Fixed Rate") offered for each such Uncommitted Advance.

(iii) Any Quote shall be disregarded if it:

(A) is not substantially in conformity with the format described in the relevant Quote Request or does not specify all of the information required by Section 2.13(c)(ii);

(B) contains qualifying, conditional or similar language;

(C) proposes terms other than or in addition to those set forth in the applicable Quote Request; or

(D) is received by the Administrative Agent after the time set forth in Section 2.13(c)(i).

(d) Acceptance and Notice by Borrower. Not later than (i) 1:00 P.M. (New York City time) on the third Business Day prior to the proposed date of borrowing, in the case of a Fixed Rate Auction or (ii) 1:00 P.M. (New York City time) on the Business Day immediately preceding the proposed date of borrowing, in the case of a Floating Rate Auction, the Borrower shall notify the Administrative Agent (which shall give prompt notice thereof to the Lenders) of

its acceptance or nonacceptance of the offers so notified to it pursuant to Section 2.13(c) substantially in the form of Exhibit E hereto; provided that if the Borrower shall fail to so notify the Administrative Agent by the times set forth above, the Borrower shall be deemed to have notified the Administrative Agent of its nonacceptance of each such offer. In the case of acceptance, each such notice shall specify the aggregate principal amount of offers that are accepted. The Borrower may accept any such offer in whole or in part; provided that:

(i) the aggregate principal amount of each Uncommitted Borrowing may not exceed the applicable amount set forth in the related Quote Request;

(ii) the principal amount of each Uncommitted Borrowing must be \$10,000,000 or a larger whole multiple of \$1,000,000;

(iii) acceptance of offers from the Lenders may only be made on the basis of ascending Floating Rate Margins or Fixed Rates, as the case may be; and

(iv) the Borrower may not accept any offer that is described in Section 2.13(c)(iii) or that otherwise fails to comply with the requirements of this Agreement.

(e) Allocation. If offers are made by more than one Lender with the same Floating Rate Margins or Fixed Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which such offers are accepted, the principal amount of Uncommitted Advances in respect of which such offers are accepted shall be allocated by the Administrative Agent among such Lenders as nearly as possible (in such multiples, not less than \$1,000,000, as it may deem appropriate) in proportion to the aggregate principal amounts of such offers. Determinations by the Administrative Agent of the allocations of Uncommitted Advances shall be binding and conclusive in the absence of manifest error. The Administrative Agent shall promptly notify the Borrower and the Lenders of any allocation pursuant to this Section 2.13(e).

(f) Funding. In the case of an Uncommitted Borrowing as to which the Borrower has accepted the offer of one or more Lenders to make an Uncommitted Advance under clause (d) above, before 12:00 noon (New York City time) on the date of such Uncommitted Borrowing, each such Lender shall make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's Account, in same day funds, such Lender's portion of such Uncommitted Borrowing. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Administrative Agent of such funds, the Administrative Agent will promptly (and in any event by the close of business New York City time on the date of such Borrowing) make such funds available to the Borrower by depositing the same in immediately available funds into such account as the Borrower shall have specified in the related notice of acceptance (in substantially the form of Exhibit E hereto). Promptly after each Uncommitted Borrowing the Administrative Agent will notify each Lender of the amount of the Uncommitted Borrowing, the aggregate principal amount of the Uncommitted Advances then outstanding and the dates upon which such Uncommitted Advances commenced and will mature.

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Condition Precedent to Effectiveness of Sections 2.01 and 2.13. Sections 2.01 and 2.13 of this Agreement shall become effective on the date (the "Effective Date"), which shall be on or before October 17, 2001, as of which the Administrative Agent shall confirm to the Borrower that it has received the following, each dated such day, in form and substance satisfactory to the Administrative Agent and (except for the Notes) in sufficient copies for each Lender:

(a) Executed Counterparts. From each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page to this Agreement) that such party has signed a counterpart of this Agreement;

(b) Authority and Approvals. Certified copies of the resolutions of the Board of Directors of the Borrower (or equivalent documents) authorizing and approving this Agreement, authorizing Borrowings hereunder in an aggregate principal amount up to but not exceeding \$250,000,000 at any one time outstanding, and certified copies of all documents evidencing all necessary corporate action and all other necessary action (corporate, partnership or otherwise) and governmental approvals, if any, with respect to this Agreement;

(c) Secretary's or Assistant Secretary's Certificate. A certificate of the Secretary or an Assistant Secretary of the Borrower, dated the Effective Date, certifying the names and true signatures of the officers of the Borrower authorized to execute and deliver this Agreement, the Notes, and the other documents to be delivered hereunder;

(d) Legal Opinion. An opinion of counsel to the Borrower, dated the Effective Date, substantially in the form of Exhibit F hereto;

(e) Closing Certificate. A certificate of a senior financial officer of the Borrower, dated the Effective Date, certifying that the representations and warranties set forth in Article IV are true on such date as if made on and as of such date and that no Default shall have occurred and be continuing on such date; and

(f) Termination of Commitments; Fees and Expenses. Evidence satisfactory to the Administrative Agent that (i) the commitments under the Existing Credit Agreements have been terminated and all accrued fees, expenses, interest, principal and other amounts thereunder have been paid, and (ii) the Borrower shall have paid to the Administrative Agent for account of the Lenders such up-front fees in connection with the execution of this Agreement as the Borrower and the Administrative Agent shall have agreed upon.

SECTION 3.02. Conditions Precedent to Each Advance. The obligation of each Lender to make each Advance (including the initial Advance) as part of a Borrowing shall be subject to the further conditions precedent that (i) on the date of such Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Borrowing or the

notice of acceptance under Section 2.13(d), as the case may be, and the acceptance by the Borrower of the proceeds of such Advance shall constitute a representation and warranty by the Borrower that on the date of such Advance the following statements shall be true: (x) the representations and warranties contained in Section 4.01 (other than the Excluded Representation) are correct in all material respects on and as of the date of such Borrowing, before and after giving effect to such Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and (y) no event has occurred and is continuing, or would result from such Borrowing or from the application of the proceeds therefrom, that would constitute an Event of Default, or would constitute an Event of Default but for the requirement that notice be given or time elapse or both; and (ii) in the case of a requested Borrowing the proceeds of which are to be used to purchase or carry any Margin Stock, the Borrower shall deliver to the Administrative Agent a certificate of the chief financial officer of the Borrower accompanying the relevant Notice of Borrowing setting forth in reasonable detail the basis upon which the Borrower has made the representation set forth in the third sentence of Section 4.01(l) on and as of the date of such Borrowing, before and after giving effect to such Borrowing and to the application of the proceeds therefrom, together with (if so requested by the Administrative Agent) a duly completed Form U-1 satisfactory to the Administrative Agent.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Corporate Existence. The Borrower is a corporation duly organized and validly existing under the laws of the State of Connecticut.

(b) Corporate Authorization, Etc. The execution, delivery and performance by the Borrower of this Agreement and the Notes are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action and do not contravene (i) the Borrower's charter or bylaws or (ii) any law or contractual restriction binding on or affecting the Borrower or any of its Subsidiaries.

(c) No Approvals. No authorization, approval or action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Agreement or the Notes.

(d) Enforceability. This Agreement is and upon issuance and delivery thereof in accordance with this Agreement each Note will be the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms.

(e) Financial Information. The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2000 and the related statements of income and retained earnings of the Borrower and its Consolidated Subsidiaries for the

fiscal year then ended, copies of which have been furnished to the Lenders, fairly present in all material respects the financial condition of the Borrower and its Consolidated Subsidiaries as of such date and the results of the operations of the Borrower and its Consolidated Subsidiaries for the period ended on such date, all in accordance with GAAP consistently applied.

(f) No Litigation. Except as disclosed or otherwise reflected in the Borrower's Annual Report on Form 10-K for the year ended December 31, 2000, as updated by the Borrower's Form 10-Q for the period ending July 1, 2001, there is no pending or (to the best of the Borrower's knowledge) threatened action or proceeding against the Borrower or any of its Subsidiaries or relating to any of their respective properties before any court, governmental agency or arbitrator, which could reasonably be expected to have a Material Adverse Effect or which purports to affect the legality, validity or enforceability of this Agreement or any Note.

(g) No Material Adverse Effect. Since December 31, 2000, there has been no event, act or condition which has had a Material Adverse Effect.

(h) Environmental Matters. Except as disclosed or otherwise reflected in the Borrower's Annual Report on Form 10-K for the year ended December 31, 2000, as updated by the Borrower's Form 10-Q for the period ending July 1, 2001, neither the Borrower nor any of its Subsidiaries 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 which could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect arising in connection with (i) any non-compliance with or violation of the requirements of any applicable federal, state or local environmental health or safety statutes or regulations, or (ii) the release or threatened release of any toxic or hazardous waste, substance or constituent into the environment.

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

(j) Disclosure. The information furnished in writing by or on behalf of the Borrower to the Lenders in connection with the negotiation, execution and delivery of this Agreement does not contain any material misstatements of fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(k) No Defaults. The Borrower (i) is not in default under or with respect to this Agreement or any Note, and (ii) is not in default under or with respect to any other agreement, instrument or undertaking to which it is a party or by which it or any of its property is bound in any respect which could reasonably be expected to result in a Material Adverse Effect.

(l) Use of Proceeds, Etc. All proceeds of each Advance will be used by the Borrower only in accordance with the provisions of Section 2.12. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock and no proceeds of any Advance will be used to extend credit to others for

the purpose of purchasing or carrying any Margin Stock. Neither the making of any Advance nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulations U or X issued by the Board of Governors of the Federal Reserve System.

ARTICLE V

COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as any Advance or any other amount owing hereunder shall remain unpaid or any Lender shall have any Commitment hereunder:

(a) Financial Information. The Borrower will furnish to the Lenders:

(i) Quarterly Financial Statements. Within 50 days after the close of each quarterly accounting period in each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at the end of such quarterly period and the related consolidated and consolidating statements of income, retained earnings and cash flows for such quarterly period and for the elapsed portion of the fiscal year ended with the last day of such quarterly period, in each case setting forth comparative figures for the related periods in the prior fiscal year.

(ii) Annual Financial Statements. Within 95 days after the close of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at the end of such fiscal year and the related consolidated statement of income, retained earnings and cash flows for such fiscal year, setting forth comparative figures for the preceding fiscal year and reported on without qualification by independent certified public accountants of recognized national standing, in each case together with a report of such accounting firm stating that in the course of its regular audit of the consolidated financial statements of the Borrower, which audit was conducted in accordance with generally accepted auditing standards, such accounting firm has obtained no knowledge of any Default or Event of Default relating to accounting matters (including, without limitation, in respect of Section 5.01(f)), or if in the opinion of such accounting firm such a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof.

(iii) Officer's Certificates. At the time of the delivery of the financial statements under clauses (i) and (ii) above, a certificate of the chief financial officer of the Borrower which certifies (x) that such financial statements fairly present the financial condition and the results of operations of the Borrower 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 the Borrower and its Consolidated Subsidiaries during the accounting period covered by such financial statements, and that as a result of such review such officer has concluded that no Default or Event of Default 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 Default or Event of Default has occurred, specifying the nature and extent thereof and, if continuing, the action the Borrower proposes to take in respect thereof. Such certificate shall set forth the calculations required to establish whether the Borrower was in compliance with the provisions of Section 5.01(f) for the twelve-month period ending as at the end of the accounting period covered by the financial statements accompanied by such certificate.

(iv) Notice of Default or Litigation. Promptly after the Borrower obtains knowledge thereof, notice of (i) the occurrence of any Default or Event of Default, or (ii) any litigation or governmental proceeding pending or threatened against the Borrower or other event, act or condition which could reasonably be expected to result in a Material Adverse Effect.

(v) SEC Filings. Promptly upon transmission thereof, copies of all regular and periodic financial information, proxy materials and other information and reports, if any, which the Borrower shall file with the Securities and Exchange Commission or any governmental agencies substituted therefor or which the Borrower shall send to its stockholders.

(vi) Other Information. From time to time, and as soon as reasonably practicable, such other information or documents (financial or otherwise) as any Lender through the Administrative Agent may from time to time reasonably request.

Reports and financial statements required to be delivered by the Borrower pursuant clauses (i), (ii) and (v) of this Section 5.01 (a) shall be deemed to have been delivered on the date on which it posts such reports, or reports containing such financial statements, on its website on the Internet at www.stanleyworks.com, or when such reports, or reports containing such financial statements are posted on the website of the Securities and Exchange Commission at www.sec.gov; provided that it shall deliver such paper copies of the reports and financial statements referred to in Clauses (i), (ii) and (v) of this Section 5.01(a) to the Administrative Agent or any Lender who request it to deliver such paper copies until written notice to cease delivering paper copies is given by the Administrative Agent or such Lender.

(b) Compliance with Law. The Borrower shall, and shall cause each of its Subsidiaries to, comply with all applicable laws, rules, statutes, regulations, decrees and orders of all governmental bodies, domestic or foreign, in respect of the conduct of their business and the ownership of their property, except such non-compliance as could not reasonably be expected to result in a Material Adverse Effect at the time of such noncompliance or in the foreseeable future.

(c) Payment of Taxes. The Borrower shall pay or cause to be paid, and shall cause each of 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 the Borrower or such Subsidiaries, except (x) as contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves have been established with respect thereto in accordance with GAAP and (y) where such nonpayment could not reasonably be expected to result in a Material Adverse Effect.

(d) Preservation of Corporate Existence. The Borrower shall, and shall cause each of its Subsidiaries to, do all things necessary to preserve, renew and keep in full force and effect its corporate existence and the licenses, permits, rights and franchises necessary to the proper conduct of its business, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any of its Subsidiaries will 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 the Borrower and its Subsidiaries would be substantially changed from the general nature of the business engaged in by the Borrower and its Subsidiaries on the date of this Agreement.

(e) Maintenance of Books and Records. The Borrower will maintain financial records in accordance with GAAP, consistently applied. The representatives of the Administrative Agent or any of the Lenders shall have the right to visit and inspect any of the properties of the Borrower and of any of its Subsidiaries, to examine their books of account and records and take notes and make transcripts therefrom, and to discuss their affairs, finances and accounts with, and be advised as to the same by, their officers upon reasonable prior notice at such reasonable times and intervals as may be requested (subject to the standard policies of the Borrower and its Subsidiaries as to access, safety and, without prejudice to the reasonable requirements of lending institutions and their regulatory supervisors, confidentiality).

(f) Interest Coverage Ratio. The Borrower shall maintain, for each period of four consecutive fiscal quarters of the Borrower, an Interest Coverage Ratio of not less than 5.00 to 1.00.

SECTION 5.02. Negative Covenants. So long as any Advance or any other amount owing hereunder shall remain unpaid or any Lender shall have any Commitment hereunder:

(a) No Liens. The Borrower shall not, and shall not permit any of its Subsidiaries to, create, incur, assume or suffer to exist, directly or indirectly, any Lien on any Principal Property now owned or hereafter acquired (unless the Borrower secures the Advances made hereunder equally and ratably with such Lien), other than:

(i) Liens existing and disclosed to the Lenders in writing prior to the date hereof;

(ii) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves are being maintained in accordance with GAAP;

(iii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other Liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate bonds have been posted;

(iv) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money

bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(v) easements, rights-of-way, zoning and similar restrictions and other similar charges or encumbrances not interfering with the ordinary conduct of the business of the Borrower or any of its Subsidiaries and which do not detract materially from the value of the property to which they attach or impair materially the use thereof by the Borrower or any of its Subsidiaries;

(vi) Liens on property of any Person existing at the time such Person becomes a Subsidiary of the Borrower;

(vii) Liens securing Indebtedness owed by a Subsidiary of the Borrower to the Borrower or another Subsidiary of the Borrower;

(viii) 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;

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

(x) any Lien 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 Lien attaches only to such revenues or assets (including any improvements) and the Indebtedness thereby secured does not exceed the lesser of the fair market value or the purchase price of the revenues or assets (including any improvements) as purchased;

(xi) any other Liens on Principal Properties securing Indebtedness which in the aggregate does not exceed 10% of Consolidated Net Tangible Assets at any time outstanding; and

(xii) any extension, renewal or replacement of any of the Liens referred to above; provided that the Indebtedness secured by any such extension, renewal or replacement does not exceed the sum of the principal amount of the Indebtedness originally secured thereby and any fee incurred in connection with such transaction.

(b) Merger, Etc. The Borrower shall not (i) 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, or (ii) permit any of its Subsidiaries to do so, if such action could reasonably be expected to have a Material Adverse Effect, except that any wholly-owned Subsidiary of the Borrower may merge into or convey, sell, lease or transfer all or substantially all of its assets to, the Borrower or any other wholly-owned Subsidiary of the Borrower and the Borrower or any of its Subsidiaries may enter into any merger or consolidation so long as in the case of a transaction involving the Borrower, the Borrower, or in the case of any other

transaction, a Subsidiary of the Borrower, is the surviving entity in such transaction and, after giving effect thereto, no Default or Event of Default shall have occurred or be continuing.

(c) Sale-Leasebacks. The Borrower shall not, and shall not permit any of its Subsidiaries to, become liable, directly or indirectly, with respect to any lease, whether an operating lease or a Capital Lease, of any property (whether real or personal or mixed) whether now owned or hereafter acquired (except for property the aggregate value of which at the time such lease is entered into is less than 10% of Consolidated Net Tangible Assets), (i) which the Borrower or such Subsidiary has sold or transferred or is to sell or transfer to any other Person, or (ii) which the Borrower or such Subsidiary intends to use for substantially the same purposes as any other property which has been or is to be sold or transferred by the Borrower or such Subsidiary to any other Person in connection with such lease.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrower shall fail to pay when due any principal of any Advance (or, if any such failure is due solely to technical or administrative difficulties relating to the transfer of such amounts, within two Business Days after its due date) or the Borrower shall fail to pay when due any interest on any Advance, any fee (other than the fees referenced in Section 2.03) or any other amount payable by it hereunder or under any Note and five (5) days shall have elapsed from the date such interest, fees or other amounts were due; or with respect to the fees payable pursuant to Section 2.03, the Borrower shall fail to pay any such fee when due and two Business Days shall have elapsed from the Borrower's receipt of notice of such nonpayment from the Administrative Agent or any Lender; or

(b) Any representation or warranty made by the Borrower herein or pursuant to this Agreement or any Note (including without limitation in any certificate of the Borrower delivered pursuant hereto) shall prove to have been incorrect in any material respect when made or deemed made; or

(c) The Borrower shall fail to perform any term, covenant or agreement contained in the first sentence of Section 2.07(b), Section 5.01(a)(iv), 5.01(f) or 5.02 on its part to be performed or observed; or

(d) The Borrower shall fail to perform any term, covenant or agreement contained in this Agreement (except those described in clauses (a) and (c) above) and such failure shall continue for 30 days; or

(e) A court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Borrower or any of its Principal Subsidiaries 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 the Borrower 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

(f) The Borrower or any of its Principal Subsidiaries 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 the Borrower 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

(g) (A) The Borrower shall fail to make any payment in respect of Indebtedness when due (whether by scheduled maturity, required prepayment, acceleration or otherwise) if the aggregate amount of such payment is \$5,000,000 or more, or (B) any breach, default or event of default shall occur and be continuing (and applicable grace and notice periods shall have expired) under any agreement or indenture relating to any Indebtedness in an aggregate amount of \$5,000,000 or more, and, except in the case of financial covenant defaults, the maturity of any such Indebtedness has been accelerated in accordance with the terms thereof; or

(h) (A) Any Termination Event shall occur, or (B) any Plan shall incur an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived, or (C) the Borrower or any member of its ERISA Controlled Group shall fail to pay when due an amount which it shall have become liable to pay to the PBGC, any Plan or a trust established under Title IV of ERISA, or (D) a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that an ERISA Plan must be terminated or have a trustee appointed to administer any ERISA Plan, or (E) the Borrower or a member of its ERISA Controlled Group suffers a partial or complete withdrawal from a Multiemployer Plan or is in "default" (as defined in Section 4219(c)(5) of ERISA) with respect to payments to a Multiemployer Plan, or (F) a proceeding shall be instituted against the Borrower or any member of its ERISA Controlled Group to enforce Section 515 of ERISA, or (G) any other event or condition shall occur or exist with respect to any Plan, if such events, transactions or conditions set forth in clauses (A) through (G) above could singly or in the aggregate be reasonably expected to have a Material Adverse Effect; or

(i) If there shall remain in force, undischarged, unsatisfied and unstayed, for more than 30 days, whether or not consecutive, any final judgment against the Borrower or any of its Principal Subsidiaries which, when added to any other outstanding final judgments which remain undischarged, unsatisfied and unstayed for more than 30 days against the Borrower or any such Principal Subsidiary, exceeds \$25,000,000;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the

Borrower, declare all Advances, the Notes, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon all Advances, the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the case of any of the Events of Default specified in clauses (e) or (f) above with respect to the Borrower, (A) the obligation of each Lender to make Advances shall automatically be terminated and (B) the Advances, the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VII

THE ADMINISTRATIVE AGENT

SECTION 7.01. Authorization and Action. Each Lender hereby appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Administrative Agent shall not be required to take any action that exposes the Administrative Agent to personal liability or that is contrary to this Agreement or applicable law. The Administrative Agent agrees to give to each Lender prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 7.02. Administrative Agent's Reliance, Etc. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Administrative Agent: (i) may treat the payee of any Note as the holder thereof until the Administrative Agent receives and accepts an Assignment and Acceptance entered into by the Lender that is the payee of such Note, as assignor, and an assignee, as provided in Section 8.07; (ii) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (vi) shall incur

no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier) believed by it to be genuine and signed or sent by the proper party or parties; and (vii) shall be deemed not to have knowledge of any Default (other than a failure to pay any principal or interest on the due date therefor) unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender.

SECTION 7.03. Citibank and Affiliates. With respect to its Commitment, the Advances made by it and the Note or Notes issued to it, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Administrative Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Borrower, any of its Subsidiaries and any Person who may do business with or own securities of the Borrower or any such Subsidiary, all as if Citibank were not the Administrative Agent and without any duty to account therefor to the Lenders.

SECTION 7.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05. Indemnification. The Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of their Commitments, as then or most recently in effect, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement and the Notes, or any action taken or omitted by the Administrative Agent under this Agreement and the Notes, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the Administrative Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Administrative Agent is not reimbursed for such expenses by the Borrower.

SECTION 7.06. Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower and may be removed at any time with or without cause by the Required Lenders. Upon any such

resignation or removal, the Required Lenders shall have the right to appoint a successor Administrative Agent, which shall be (i) a Lender or (ii) if no Lender shall accept appointment as the Administrative Agent within 30 days after such resignation or removal, any other Person, which Person, so long as no Default shall have occurred and be continuing, shall be reasonably acceptable to the Borrower. If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be (i) a Lender or (ii) any other Person, which Person, so long as no Default shall have occurred and be continuing, shall be reasonably acceptable to the Borrower. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Notes, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower and the Required Lenders, or in the case of Section 2.13 and any Uncommitted Note, the Borrower and the Lender to which such Note is payable, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that the written consent of the Borrower and all the Lenders shall be required in order to amend or waive any provision of the Agreement or the Notes other than Section 2.13 which would have the effect of (a) a reduction in principal, interest or fees payable to the Lenders under this Agreement or the Committed Notes, (b) the postponement of any date fixed for the payment of any principal, interest or fees under this Agreement or the Committed Notes, (c) an increase in the Commitments, (d) amending or waiving compliance with the last sentence of Section 2.01(a), Section 2.08, Section 8.05 or this Section 8.01, or (e) amending the definition of Required Lenders; and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement, and provided, further, that the Commitment of any Lender shall not be extended without the prior written consent of such Lender.

SECTION 8.02. Notices, etc. All notices and other communications provided for hereunder shall be in writing (including telecopier communication) and mailed, telecopied or delivered, if to the Borrower, at its address at 1000 Stanley Drive, New Britain, Connecticut 06053, Attention: Secretary, telecopy no. 860-827-3911, with a copy to Craig A. Douglas, Treasurer, at the same address and telecopy no. 860-827-3886; if to any Initial Lender, at its

Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender; and if to the Administrative Agent, at its address at 2 Penns Way, Suite 200, New Castle, Delaware 19720, Attention: Bank Loans Syndication, teletype no. 302-894-6120; or, as to the Borrower or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

SECTION 8.03. No Waiver; Remedies. No failure on the part of any Lender or the Administrative Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs and Expenses; Breakage Indemnification.
 (a) The Borrower agrees to pay on demand all reasonable costs and expenses, if any (including, without limitation, counsel fees and expenses reasonably incurred), of the Administrative Agent and each Lender in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable counsel fees and expenses in connection with the enforcement of rights under this Section 8.04(a).

(b) If any payment, prepayment or conversion of any Eurodollar Rate Advance or a Fixed Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of acceleration of the maturity of the Advances and the Notes pursuant to Section 6.01 or for any other reason other than in connection with Section 2.02(c), the Borrower shall, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain such Advance.

(c) The Borrower agrees to indemnify and hold harmless the Administrative Agent and each Lender and each of their affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with the actual or proposed use of the proceeds of the Advances in connection with any acquisition or proposed acquisition by the Borrower or any Subsidiary of the Borrower of another Person or one or more businesses of another Person (whether by means of a stock purchase, asset acquisition or otherwise), whether or not such investigation, litigation or

proceeding is brought by the Borrower, its directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct.

SECTION 8.05. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of the Committed Advances owing to it (other than pursuant to Section 2.02(d), 2.06, 2.08, 2.10 or 8.04(b)) in excess of its ratable share of payments on account of the Committed Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Committed Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 8.05 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 8.06. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent and the Lenders and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights or obligations hereunder or under any Note or any interest herein or therein (other than as permitted by Section 5.02(b)) without the prior written consent of the Lenders.

SECTION 8.07. Assignments and Participations. (a) Each Lender may assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, and the Committed Advances owing to it and the Committed Note or Notes held by it); provided, however, that (i) each such assignment (other than assignment to an affiliate of such Lender) shall require the prior written consent of the Borrower, which consent shall not be unreasonably withheld, (ii) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Uncommitted Advances, Uncommitted Advances owing to it and Uncommitted Notes), (iii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof, and (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance (which shall include the agreement of the assignee party to such assignment, for the benefit of the Borrower, to be bound by the terms

and provisions of this Agreement to the same extent as if it were an original party hereto), together with any Committed Note subject to such assignment and the assignor or assignee shall pay to the Administrative Agent a processing and recordation fee of \$3,000. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee, together with any Committed Note or Notes subject to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit G hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. In the case of any Lender that holds a Committed Note, within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent in simultaneous exchange for the surrendered Committed Note a new Committed Note to the order of such assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a Commitment hereunder, a new Committed Note to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Committed Note or

Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Committed Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit H-2. Such Assignment and Acceptance shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Person as a Lender and the resulting adjustment of the Commitments, if any, arising from such assignment of Commitments to such Person.

(d) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other financial institutions, or other entities engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of their business, in all or a portion of its rights and/or obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advances owing to it and the Note or Notes held by it); provided that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment) shall remain unchanged, (ii) such Lender shall remain solely responsible to the Borrower for the performance of such obligations, (iii) the Borrower shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (iv) such participant's right to consent to any modification, waiver or release of any of the provisions of this Agreement shall be limited to the right to consent to (A) any reduction in principal, interest or fees payable to such Lender under this Agreement, (B) the postponement of any date fixed for the payment of any principal, interest or fees under this Agreement and (C) any amendments to the foregoing clauses (A) and (B).

SECTION 8.08. Limitation on Assignments and Participations.

(a) Any Lender may, in connection with any actual or proposed assignment or participation pursuant to Section 8.07, disclose to the actual or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that the actual or proposed assignee or participant shall have agreed prior to any such disclosure to preserve the confidentiality of any confidential information relating to the Borrower received by it from such Lender or the Borrower.

(b) Notwithstanding anything in Section 8.07 to the contrary, no Lender shall have the right to assign its rights and obligations hereunder or any interest therein or to sell participations to one or more banks or other financial institutions in all or a portion of its rights hereunder or any interest therein where the result of such assignment or participation would be reasonably expected to entitle the Lender to claim additional amounts pursuant to Section 2.02(d), 2.06, 2.08, 2.10, 2.13(f) or 8.04 or would otherwise result in an increase in the Borrower's obligations.

(c) Anything in this Section 8.08 to the contrary notwithstanding, any Lender may assign and pledge all or any portion of its rights to payment of the Advances owing to it hereunder to any Federal Reserve Bank (and its transferees) as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any applicable Operating Circular issued by such Federal Reserve Bank. No such assignment shall have the effect of releasing such Lender from its obligations hereunder.

SECTION 8.09. Withholding. If any Lender, or any Person that becomes a party to this Agreement pursuant to Section 8.07, is not incorporated under the laws of the United States of America or a state thereof, such Person agrees that, prior to the first date on which any payment is due to it hereunder, it will deliver to each of the Borrower and the Administrative Agent (i) two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI or successor applicable form, as the case may be, certifying in each case that such Person is entitled to receive payments under this Agreement, without deduction or withholding of any United States federal income taxes, and (ii) an Internal Revenue Service Form W-8BEN or successor applicable form, as the case may be, to establish an exemption from United States backup withholding tax. Each Person which delivers to the Borrower a Form W-8BEN or W-8ECI pursuant to the preceding sentence further undertakes to deliver to each of the Borrower and the Administrative Agent two further copies of Form W-8BEN or W-8ECI, or successor applicable forms, or other manner of certification, as the case may be, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower and the Administrative Agent, and such extensions or renewals thereof as may reasonably be requested by the Borrower or the Administrative Agent, certifying in the case of a Form W-8BEN or W-8ECI that such Person is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Person from duly completing and delivering any such form with respect to it and such Person advises the Borrower and the Administrative Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax, and in the case of a Form W-8BEN, establishing an exemption from United States backup withholding tax.

SECTION 8.10. Mitigation. In the event that any Lender claims any amounts under Sections 2.02(d), 2.06, 2.08, 2.10 or 8.04(b), it shall use all reasonable efforts (consistent with its internal policies and legal and regulatory restrictions) to take actions (including, without limitation, changing the jurisdiction of its Applicable Lending Office) so as to eliminate such additional amounts; provided that such Lender shall not be required to take any action if, in its reasonable judgment, such action would be materially disadvantageous to it.

SECTION 8.11. Governing Law; Waiver of Jury Trial. THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 8.12. Execution in Counterparts. This Agreement may be executed in any number of counterparts each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 8.13. Submission to Jurisdiction. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement and the Notes. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and a claim that such proceeding brought in such a court has been brought in an inconvenient forum.

364-DAY CREDIT AGREEMENT

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective signatories thereunto duly authorized, as of the date first above written.

THE STANLEY WORKS

By _____
Name:
Title:

364-DAY CREDIT AGREEMENT

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

By _____
Name:
Title:

364-DAY CREDIT AGREEMENT

FLEET NATIONAL BANK

By _____
Name:
Title:

364-DAY CREDIT AGREEMENT

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BNP Paribas

By _____
Name:
Title:

364-DAY CREDIT AGREEMENT

Mellon Bank, N.A.

By _____
Name:
Title:

364-DAY CREDIT AGREEMENT

The Chase Manhattan Bank

By _____

Name:

Title:

364-DAY CREDIT AGREEMENT

Barclays Bank PLC

By _____

Name:

Title:

364-DAY CREDIT AGREEMENT

Centura Bank

By _____

Name:

Title:

364-DAY CREDIT AGREEMENT

Deutsche Bank AG, New York Branch
and/or Cayman Islands

By _____
Name:
Title:

364-DAY CREDIT AGREEMENT

The Northern Trust Company

By _____

Name:

Title:

364-DAY CREDIT AGREEMENT

SCHEDULE I
ADDRESS AND APPLICABLE LENDING OFFICES

Name of Lenders and Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
Mellon Bank, N.A. 3 Mellon Bank Center, 12th Floor Pittsburgh, PA 15259 Telecopy: 412-209-6118 Telephone: 412-234-8285 Attn: Sannford M. Richards	Mellon Bank, N.A. 3 Mellon Bank Center, 12th Floor Pittsburgh, PA 15259	Mellon Bank, N.A. 3 Mellon Bank Center, 12th Floor Pittsburgh, PA 15259
BNP Paribas 787 Seventh Avenue New York, NY 10019 Telecopy: 212-841-3049 Telephone: 212-841-3404 Attn: Christopher Criswell	BNP Paribas 787 Seventh Avenue New York, NY 10019	BNP Paribas 787 Seventh Avenue New York, NY 10019
Centura Bank 3201 Beechleaf Court, Suite 700 Raleigh, NC 27604-1051 Telecopy: 919-788-5515 Telephone: 919-788-5413 Attn: William W. Newell	Centura Bank 3201 Beechleaf Court, Suite 700 Raleigh, NC 27604-1051	Centura Bank 3201 Beechleaf Court, Suite 700 Raleigh, NC 27604-1051
Deutsche Bank AG, New York Branch and/or Cayman Islands 31 West 52nd Street New York, NY 10019 Telecopy: 212-469-8115 Telephone: 212-469-8121 Attn: Barbara Hoeltz	Deutsche Bank AG, New York Branch and/or Cayman Islands 31 West 52nd Street New York, NY 10019	Deutsche Bank AG, New York Branch and/or Cayman Islands 31 West 52nd Street New York, NY 10019

364-DAY CREDIT AGREEMENT

Name of Lenders and Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
Barclays Bank PLC P.O. Box 544 34 Lombard Street London EC3V 9EX Telecopy: 171-699-2298 Contacts: Jonathan Gray Tel. No. 171-699-2301	Barclays Bank PLC London c/o Barclays Bank PLC 75 Wall Street New York, N.Y. 10265 Ref: Stanley Works Base Rate Advances Telecopy: 212-412-5002 Contacts: Kevin Jones 212-412-5022	Barclays Bank PLC Central Loan Admin. Dept., 5th Floor St. Swithins House 11/12 St. Swithins Lane London EC4N 8AS Ref: Stanley Works Eurodollar Rate Advances Telecopy: 171-621-4583 Telex: 895-0821 Contacts: Tanya Bond 171-621-4599
Citibank, N.A. 2 Penns Way, Suite 200, New Castle, Delaware 19720 Telecopy no. 302-894-6120 Attention: Bank Loans Syndication	Citibank, N.A. 2 Penns Way, Suite 200, New Castle, Delaware 19720 Telecopy no. 302-894-6120 Attention: Bank Loans Syndication	Citibank, N.A. 2 Penns Way, Suite 200, New Castle, Delaware 19720 Telecopy no. 302-894-6120 Attention: Bank Loans Syndication
The Chase Manhattan Bank 1 Chase Manhattan Plaza, 8th floor, New York, NY 10081 Attention: Primary contact - Vito Cipriano Tel(212) -552-7402 Fax(212)-552-5662 Secondary Contact - Patricia Ciocco Tel(212) -552-4599 Fax(212)-552-5662	The Chase Manhattan Bank 1 Chase Manhattan Plaza, 8th floor, New York, NY 10081 Attention: Primary contact - Vito Cipriano Tel(212) -552-7402 Fax(212)-552-5662 Secondary Contact - Patricia Ciocco Tel(212) -552-4599 Fax(212)-552-5662	The Chase Manhattan Bank 1 Chase Manhattan Plaza, 8th floor, New York, NY 10081 Attention: Primary contact - Vito Cipriano Tel(212) -552-7402 Fax(212)-552-5662 Secondary Contact - Patricia Ciocco Tel(212) -552-4599 Fax(212)-552-5662

364-DAY CREDIT AGREEMENT

Name of Lenders and Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
The Northern Trust Company 50 South La Salle Street Chicago, Illinois 60675 Attn: Russ Rockenbach (312) 630-6414	The Northern Trust Company 50 South La Salle Street Chicago, Illinois 60675 Attn: Russ Rockenbach (312) 630-6414	The Northern Trust Company 50 South La Salle Street Chicago, Illinois 60675 Attn: Russ Rockenbach (312) 630-6414
Fleet National Bank 777 Main Street Hartford, Ct. 06115 Telecopy: 860-986-9378 Telephone: 860-986-4426 Attn: Paul Veiga	Fleet National Bank 777 Main Street Hartford, Ct. 06115 Telecopy: 860-986-9378 Telephone: 860-986-7098 Attn: Zoraida Sanchez	Fleet National Bank 777 Main Street Hartford, Ct. 06115 Telecopy: 860-986-9378 Telephone: 860-986-7098 Attn: Zoraida Sanchez

364-DAY CREDIT AGREEMENT

Schedule I

Lenders and Commitments

Lenders	Commitment
Citibank, N.A.	40,178,571.43
Fleet National Bank	36,607,142.86
BNP Paribas	36,607,142.86
Mellon Bank, N.A.	36,607,142.86
The Chase Manhattan Bank	28,571,428.57
Barclays Bank PLC	17,857,142.86
Centura Bank	17,857,142.86
Deutsche Bank AG, New York Branch and/or Cayman Islands	17,857,142.86
The Northern Trust Company	17,857,142.86

EXHIBIT A-1

RATE REQUEST

Citibank, N.A., as Reference Bank
under the Credit Agreement
referred to below
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: [_____]

[Date]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility A (364 Day) Credit Agreement, dated as of October 17, 2001 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined) among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Administrative Agent for said Lenders and hereby requests notification from you pursuant to Section 2.02(a) thereof of the Eurodollar Rate which is applicable to the Committed Advance to be made (or converted or continued) on _____, 2000 in the principal amount of \$ _____ with the Interest Period of _____ months.

Very truly yours,

The Stanley Works

By _____
Name:
Title:

TO BE COMPLETED AND RETURNED BY
REFERENCE BANK:

The rate requested above,
determined as required by
the Credit Agreement, is _____ .

CITIBANK, N.A., as Reference Bank

By _____
Authorized Officer

EXHIBIT A-2

NOTICE OF BORROWING

Citibank, N.A., as Administrative Agent
for the Lenders parties
to the Credit Agreement
referred to below
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: [_____]

[Date]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility A (364 Day) Credit Agreement, dated as of October 17, 2001 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Administrative Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Committed Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Committed Borrowing (the "Proposed Committed Borrowing ") as required by Section 2.02(b) of the Credit Agreement:

(i) The Business Day of the Proposed Committed Borrowing is _____, 200_.

(ii) The Type of Advances comprising the Proposed Committed Borrowing is [Base Rate] [Eurodollar Rate].

(iii) The aggregate amount of the Proposed Committed Borrowing is \$_____ .

[(iv)] The Initial Interest Period for each Eurodollar Rate Advance made as part of the Proposed Committed Borrowing is month[s]].

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Committed Borrowing:

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement (other than the Excluded Representation) are correct in all material respects, before and after giving effect to the Proposed Committed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date; and

(B) no event has occurred and is continuing, or would result from such Proposed Committed Borrowing or from the application of the proceeds therefrom, which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

Very truly yours,
The Stanley Works

By _____
Name:
Title:

A2-2

EXHIBIT A-3

NOTICE OF EXTENSION

Citibank, N.A., as Administrative Agent
for the Lenders parties
to the Credit Agreement
referred to below
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: [_____]

[Date]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility A (364 Day) Credit Agreement, dated as of October 17, 2001 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Administrative Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.07(c) of the Credit Agreement that the undersigned hereby elects that the maturity of all Committed Advances outstanding as of the close of business New York time on the day immediately preceding the Termination Date be extended to the Term Date.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the Termination Date:

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement are correct in all material respects as though made on and as of such date; and

(B) no event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

Very truly yours,

The Stanley Works

By _____
Name:
Title:

EXHIBIT B

NOTICE OF CONVERSION OR CONTINUATION

[Date]

Citibank, N.A., as Administrative Agent
for the Lenders parties
to the Credit Agreement
referred to below
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: [_____]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility A (364 Day) Credit Agreement, dated as of October 17, 2001 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Administrative Agent for said Lenders, and hereby gives you notice, pursuant to Section 2.04(b) of the Credit Agreement that the undersigned hereby elects to [convert][continue] the Committed Borrowing consisting of [Base Rate][Eurodollar Rate] Advances:

(i) which is in the amount of \$_____L

(ii) which, in the case of a Committed Borrowing consisting of Eurodollar Rate Advances, has an Interest Period of ___ month(s);(1) and

(iii) which was borrowed (or previously converted or continued) on _____, 200_.

Such [conversion][continuation] shall become effective on _____, 200_, at which time such Advances shall be [converted into][continued as] [Base Rate][Eurodollar Rate] Advances:

(i) which is in the amount of \$_____;(2)

- - - - -
Omit clause (ii) if Committed Borrowing consisted of Base Rate Advances.

(2) Omit clause (i) if conversion or continuation is for entire amount of Committed Borrowing.
- --- (continued)

and

(ii) which has an Interest Period of ___ month(s)(3).

Very truly yours,

The Stanley Works

By _____

Name:

Title:

- - - - -
...(continued)

(3) Omit clause (ii) if conversion is into Base Rate Advance.

EXHIBIT C

FORM OF QUOTE REQUEST

[Date]

Citibank, N.A., as Administrative Agent
for the Lenders parties
to the Credit Agreement
referred to below
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: [_____]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility A (364 Day) Credit Agreement, dated as of October 17, 2001 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Administrative Agent for said Lenders, and hereby gives you notice pursuant to Section 2.13 of the Credit Agreement that the undersigned hereby requests offers to make an Uncommitted Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Borrowing (the "Proposed Uncommitted Borrowing") is requested to be made(4):

(i) The Business Day of the Proposed Uncommitted Borrowing is _____, 2000_____.

(ii) The proposed aggregate amount of the Proposed Uncommitted Borrowing is \$_____ .

(iii) The duration of the proposed Interest Period for the Proposed Uncommitted Borrowing is _____ .

(iv) The Type of Proposed Uncommitted Borrowing is [Fixed Rate] [Floating Rate].

- -----
(4) Information required for a Borrowing may be repeated as necessary if more than one Borrowing is being requested in one Form of Quote Request.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Uncommitted Borrowing:

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement (other than the Excluded Representation) are correct in all material respects, before and after giving effect to the Proposed Uncommitted Borrowing on the same day and to the application of the proceeds therefrom, as though made on and as of such date; and

(B) no event has occurred and is continuing, or would result from such Proposed Uncommitted Borrowing or from the application of the proceeds therefrom, which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

Very truly yours,

The Stanley Works

By _____

Name:

Title:

EXHIBIT D
FORM OF QUOTE

[Date]

THE STANLEY WORKS
1000 Stanley Drive
New Britain, CT 06050

Re: Facility A (364 Day) Credit Agreement dated as of October 17, 2001
among The Stanley Works, certain Lenders parties thereto, and Citibank,
N.A., as Administrative Agent for said Lenders (as amended, modified or
supplemented from time to time, the "Credit Agreement")

Ladies and Gentlemen:

The undersigned, [Name of Lender], refers to the above
referenced Credit Agreement. Capitalized terms used herein and not otherwise
defined herein shall have the meanings assigned to such terms in the Credit
Agreement. The undersigned hereby makes [a] Quote[s] pursuant to Section 2.13 of
the Credit Agreement, in response to the Quote Request made by the Borrower on
, and in response thereto, sets forth below the terms on which such
Quote[s] [is] [are] made:

(i) The principal amount of the Uncommitted Advance is \$___.

(ii) The Type of Uncommitted Advance is [Fixed Rate]
[Floating Rate].

(iii) The Floating Rate Margin in the case of a Floating
Rate Advance, or the Fixed Rate in the case of a
Fixed Rate Advance, is .(5)

The undersigned hereby confirms that it is prepared, subject
to the conditions set forth in the Credit Agreement, to extend credit to the
Borrower upon acceptance by the Borrower of this Quote in accordance with
Section 2.13(d) of the Credit Agreement.

Very truly yours,

[NAME OF LENDER]

By _____
Name:
Title:

(5) Clauses (i) through (iii) should be repeated as to each additional
offer being made.

EXHIBIT E
FORM OF ACCEPTANCE

[Date]

Citibank, N.A., as Administrative Agent
for the Lenders parties
to the Credit Agreement
referred to below
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: [_____]

Re: Facility A (364 Day) Credit Agreement, dated as of October 17, 2001 (as amended, modified or supplemented from time to time, the "Credit Agreement") among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Administrative Agent for said Lenders

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the above referenced Credit Agreement. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. In accordance with Section 2.13 of the Credit Agreements, we have received [a] Quote/Quotes in connection with our Quote Request, dated _____, for [an] Uncommitted Borrowing[s] to occur on _____, and in accordance with Section 2.13(d) of the Credit Agreement, we hereby accept the following offer/offers for the Interest Period of []:

Principal Amount	Fixed Rate/Floating Rate	Lender
-----	-----	-----

Very truly yours,

The Stanley Works

By _____
Name:
Title:

EXHIBIT F

FORM OF OPINION OF COUNSEL TO THE BORROWER

October 17, 2001

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

Re: The Facility A (364 Day) Credit Agreement among
The Stanley Works, the Lenders party thereto and

Citibank, N.A., as Administrative Agent

Ladies and Gentlemen:

We have acted as special counsel to The Stanley Works, a Connecticut corporation (the "Borrower"), in connection with the Facility A (364 Day) Credit Agreement dated as of even date herewith, among the Borrower, the lenders party thereto (the "Lenders") and Citibank, N.A., as administrative agent (in such capacity, the "Administrative Agent") for the Lenders. This opinion is being delivered pursuant to Section 3.01(d) of the Credit Agreement. Capitalized terms used herein but not otherwise defined shall have the meaning set forth in the Credit Agreement.

In rendering the opinions set forth herein, we have examined and relied on originals or copies of (i) the Credit Agreement, (ii) the certificate executed by the General Counsel of the Borrower dated as of the date hereof, a copy of which is attached hereto as Exhibit A (the "Borrower's Certificate"), (iii) a copy of the Borrower's Annual Report on Form 10-K for the year ended January 1, 2001 (the "Form 10-K") filed with the Securities and Exchange Commission, (iv) a copy of the Borrower's Quarterly Report on Form 10-Q for the period ended July 1, 2001 filed with the Securities and Exchange Commission, (v) the Restated Certificate of Incorporation of the Borrower dated September 11, 1998, filed with the Connecticut Secretary of the State's office on September 15, 1998, (vi) the Bylaws of the Borrower as amended through May 24, 2001, (vii) Resolutions of the Board of Directors of the Borrower adopted on September 19, 2001, and (viii) a Certificate of Legal Existence of the Borrower dated October 9, 2001 issued by the Connecticut Secretary of the State. Furthermore, in rendering the opinions set forth herein we have, with your consent, relied only upon examination of the documents described above and upon statements and representations of the Borrower and its officers and other representatives, including the facts and conclusions set forth in the

Borrower's Certificate and we have made no independent verification or investigation of the factual matters set forth therein.

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

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

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

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

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

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

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

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

6. Based upon our review of Applicable Laws, but without our having made any special investigation concerning any other law, rule or regulation, no Governmental Approval which has not been obtained or taken and is not in full force and effect is

required to authorize or is required in connection with the execution, delivery or performance of the Credit Agreement by the Borrower.

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

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

Our opinions are subject to the following assumptions and qualifications:

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

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

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

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

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

(f) we express no opinion with respect to any provision of the Credit Agreement to the extent it authorizes or permits any purchaser of a participation interest to set-off or apply any deposit, property or indebtedness with respect to any participation interest.

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

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

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

Very truly yours,

Tyler Cooper & Alcorn, LLP

By: _____
A Partner

SCHEDULE I

Lenders

Citibank, N.A.

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

BORROWER'S CERTIFICATE

I, Bruce H. Beatt, am General Counsel of The Stanley Works (the "Borrower"). I understand that pursuant to Section 3.01(d) of that certain Facility A (364 Day) Credit Agreement dated as of October 17, 2001 (the "Credit Agreement"), among the Borrower, the lenders party thereto (the "Lenders") and Citibank, N.A. as administrative agent for the Lenders, Tyler Cooper & Alcorn, LLP is relying on this certificate and the statements made herein in rendering certain legal opinions. Capitalized terms used herein but not otherwise defined shall have the meaning set forth in the Credit Agreement.

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

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

1. The value of all securities owned by the Borrower (excluding those issued by majority-owned Subsidiaries of the Borrower) does not exceed 10% of the value of the Borrower's total assets;
2. Less than 25 percent of the assets of the Borrower on a consolidated basis and on an unconsolidated basis consist of the margin stock (as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System);
3. The Borrower (a) is primarily engaged, directly or through a wholly-owned subsidiary or subsidiaries, in a business or businesses other than that of investing, reinvesting, owning holding or trading in securities and (b) is not engaged and does not propose to engage in the business of investing, reinvesting, owning, holding or trading in securities, and does not own or propose to acquire investment securities having a value exceeding 40 percent of the value of the Borrower's total assets (exclusive of government securities and cash items) on an unconsolidated basis; and

B. Based solely and exclusively on a certain Statement by Holding Company Claiming Exemption Under Rule U-3A-2 from the Provisions of the Public Utility Holding Company Act of 1935 (the "Act"), filed by Borrower with the United States Securities and Exchange Commission on February 29, 2000 (Accession Number 0000093556-00-000003), Borrower is exempt from the provisions of the Act.

C. Based solely and exclusively on interviews of the officers of the Borrower responsible for its financing activities and the lawyers under my supervision, the execution, delivery and performance by the Borrower of any of its obligations under the Credit Agreement

does not and will not conflict with, contravene, violate or constitute a default under (i) any provision of any Applicable Contract or any other agreement or instrument to which the Borrower or the Borrower's property is subject, or (ii) any judicial or administrative order or decree of any Governmental Authority.

IN WITNESS WHEREOF, I have executed this certificate this ___ day of October, 2001.

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

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EXHIBIT G
ASSIGNMENT AND ACCEPTANCE

Reference is made to the Facility A (364 Day) Credit Agreement dated as of October 17, 2001 (as amended or modified from time to time, the "Credit Agreement") among The Stanley Works, a Connecticut corporation (the "Borrower"), the Lenders (as defined in the Credit Agreement) and Citibank, N.A., as administrative agent for the Lenders (the "Administrative Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

The "Assignor" and the "Assignee" referred to on Schedule I hereto agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof (other than in respect of Uncommitted Advances and Uncommitted Notes) equal to the percentage interest specified on Schedule 1 hereto of all outstanding rights and obligations under the Credit Agreement (other than in respect of Uncommitted Advances and Uncommitted Notes). After giving effect to such sale and assignment, the Assignee's Commitment and the amount of the Committed Advances owing to the Assignee will be as set forth on Schedule 1 hereto.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iv) attaches the Committed Note held by the Assignor and requests that the Administrative Agent exchange such Committed Note for a new Committed Note payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto or new Committed Notes payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto and the Assignor in an amount equal to the Commitment retained by the Assignor under the Credit Agreement, respectively, as specified on Schedule 1 hereto.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Administrative Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Administrative

Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (iv) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; (v) agrees, for the benefit of the Borrower, that it will be bound by the terms and provisions of the Credit Agreement to the same extent as if it were an original party thereto; and (vi) attaches any U.S. Internal Revenue Service forms required under Section 8.09 of the Credit Agreement.

4. Following the execution of this Assignment and Acceptance, it will be delivered to the Administrative Agent for acceptance and recording by the Administrative Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by the Administrative Agent, unless otherwise specified on Schedule 1 hereto.

5. Upon such acceptance and recording by the Administrative Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording by the Administrative Agent, from and after the Effective Date, the Administrative Agent shall make all payments under the Credit Agreement and the Committed Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and facility fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Committed Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

By _____
Name:
Title:

By _____
Name:
Title:

By _____
Name:
Title:

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Schedule 1
to
Assignment and Acceptance

Percentage interest assigned:	_____ %
Assignee's Commitment:	\$ _____
Aggregate outstanding principal amount of Committed Advances assigned:	\$ _____
Principal amount of Committed Note payable to Assignee:	\$ _____
Principal amount of Committed Note payable to Assignor:	\$ _____
Effective Date(6):	_____, 200_

[NAME OF ASSIGNOR],
as Assignor

By _____

Name:
Title:

Dated: _____, 200_

[NAME OF ASSIGNEE],
as Assignee

By _____

Name:
Title:

Dated: _____, 200_

(6) This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to the Agent.

Domestic Lending Office:
[Address]

Eurodollar Lending Office:
[Address]

Accepted this _____ day
of _____, 200_

Citibank, N.A., as Administrative Agent

By _____
Name:
Title:

[Approved this _____ day
of _____, 200_

The Stanley Works

By _____
Name:
Title:

EXHIBIT H-1
PROMISSORY NOTE
(Committed Advances)

\$ _____

Dated: _____

xxx

FOR VALUE RECEIVED, the undersigned, The Stanley Works, a Connecticut corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of [NAME OF LENDER] (the "Lender") the principal sum of \$ _____ or, if less, the aggregate principal amount of all Committed Advances made by the Lender to the Borrower pursuant to the Credit Agreement referred to below outstanding on the Termination Date, and such amount shall be paid on or prior to the Termination Date as provided in the Credit Agreement referred to below or, in the event of an election pursuant to Section 2.07(c) of said Credit Agreement, on the Term Date as provided therein.

Capitalized terms used herein and not defined herein shall have the meanings provided in the Credit Agreement referred to below.

The Borrower promises to pay interest on the principal amount of each Committed Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement referred to below.

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Administrative Agent, at 2 Penns Way, Suite 200, New Castle, Delaware 19720, in same day funds. Each Committed Advance made by the Lender to the Borrower and the maturity thereof, and all payments made on account of the principal amount thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is a part of this Promissory Note, which recordation shall be conclusive and binding absent manifest error but the failure to make such recording shall not have any effect on the Lender's rights hereunder.

This Promissory Note is one of the Committed Notes referred to in, and is entitled to the benefits of, the Facility A (364 Day) Credit Agreement dated as of October 17, 2001 (as amended, modified or supplemented from time to time, the "Credit Agreement"), among the Borrower, the Lender and certain other lenders parties thereto, and Citibank, N.A., as Administrative Agent for the Lender and such other lenders. The Credit Agreement, among other things, (i) provides for the making of Committed Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Committed Advance being evidenced by this Promissory Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for

prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

THE STANLEY WORKS

By _____
Name:
Title:

By _____
Name:
Title:

EXHIBIT H-2

PROMISSORY NOTE
(Uncommitted Advances)

\$ _____

Dated: _____

FOR VALUE RECEIVED, the undersigned, The Stanley Works, a Connecticut corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of [NAME OF LENDER] (the "Lender") the aggregate principal amount of all Uncommitted Advances made by the Lender to the Borrower pursuant to the Credit Agreement referred to below and such amount shall be paid in the amounts and on the dates provided in the Credit Agreement referred to below.

Capitalized terms used herein and not defined herein shall have the meanings provided in the Credit Agreement referred to below.

The Borrower promises to pay interest on the principal amount of each Uncommitted Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement referred to below.

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Administrative Agent, for the account of the Lender, at 2 Penns Way, Suite 200, New Castle, Delaware 19720, in same day funds. Each Uncommitted Advance made by the Lender to the Borrower and the maturity thereof, and all payments made on account of the principal amount thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is a part of this Promissory Note, which recordation shall be conclusive and binding absent manifest error but the failure to make such recording shall not have any effect on the Lender's rights hereunder.

This Promissory Note is one of the Uncommitted Notes referred to in, and is entitled to the benefits of, the Facility A (364 Day) Credit Agreement dated as of October 17, 2001 (as amended, modified or supplemented from time to time, the "Credit Agreement"), among the Borrower, the Lender and certain other lenders parties thereto, and Citibank, N.A., as Administrative Agent for the Lender and such other Lenders. The Credit Agreement, among other things, (i) provides for the making of Uncommitted Advances by the Lender to the Borrower from time to time, the indebtedness of the Borrower resulting from each such Uncommitted Advance being evidenced by this Promissory Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

THE STANLEY WORKS

By _____
Name:
Title:

By _____
Name:
Title:

\$100,000,000
FACILITY B (FIVE YEAR) CREDIT AGREEMENT

dated as of October 17, 2001

between

THE STANLEY WORKS

as Borrower

and

THE INITIAL LENDERS NAMED HEREIN

as Initial Lenders

and

CITIBANK, N.A.

as Administrative Agent

SALOMON SMITH BARNEY INC

as Lead Arranger and Book Runner

and

FLEET NATIONAL BANK

MELLON BANK, N.A.

BNP PARIBAS

as Co-syndication Agents

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FACILITY B (FIVE YEAR) CREDIT AGREEMENT

This Facility B (Five Year) Credit Agreement (as amended, supplemented or otherwise modified from time to time, the "Agreement") is made as of this 17th day of October, 2001 between THE STANLEY WORKS, a Connecticut corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, and CITIBANK, N.A. ("Citibank"), as administrative agent (the "Administrative Agent") for the Lenders (as hereinafter defined).

The Borrower has requested the Lenders to make advances to the Borrower in an aggregate principal amount at any one time outstanding up to but not exceeding \$100,000,000 to refinance certain outstanding indebtedness of the Borrower under the Borrower's existing credit arrangements and for the general corporate purposes of the Borrower, and the Lenders are prepared to make such advances on and subject to the terms and conditions of this Agreement.

Accordingly, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Acquiring Person" means any person (other than the ESOP) who is or becomes the beneficial owner, directly or indirectly, of 10% or more of the Borrower's outstanding common stock.

"Advance" means a Committed Advance or an Uncommitted Advance.

"Administrative Agent's Account" means the account of the Administrative Agent maintained by the Administrative Agent at Citibank with its office at 2 Penns Way, Suite 200, New Castle, Delaware 19720, Attention: Bank Loans Syndication.

"Applicable Eurodollar Margin" means, on any date, for each Eurodollar Rate Advance, (i) 0.1300% if on such date the Borrower's outstanding Long-Term Indebtedness is rated A+ or higher by Standard & Poor's and A1 or higher by Moody's (ii) 0.1700% if on such date clause (i) is inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated A or higher by Standard & Poor's and A2 or higher by Moody's, (iii) 0.2600% if on such date clauses (i) and (ii) are inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated A- or higher by Standard & Poor's and A3 or higher by Moody's, (iv) 0.3750% if on such date clauses (i), (ii) and (iii) are inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated BBB+ or higher by Standard & Poor's and Baa1 or higher by Moody's, and (v) 0.5750% if on such date clauses (i), (ii), (iii) and (iv) are inapplicable (including if such Long-Term Indebtedness is no longer rated by either agency); provided that if the respective

levels of the Borrower's outstanding Long-Term Indebtedness credit ratings differ, the "Applicable Eurodollar Margin" will be determined based on the level one above that level applicable to the lower of said credit ratings.

"Applicable Facility Fee Rate" means, on any date, (i) a rate per annum equal to 0.0700% if on such date the Borrower's outstanding Long-Term Indebtedness is rated A+ or higher by Standard & Poor's and A1 or higher by Moody's, (ii) a rate per annum equal to 0.0800% if on such date clause (i) is inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated A or higher by Standard & Poor's and A2 or higher by Moody's, (iii) a rate per annum equal to 0.0900% if on such date clauses (i) and (ii) are inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated A- or higher by Standard & Poor's and A3 or higher by Moody's, (iv) a rate per annum equal to 0.1250% if on such date clauses (i), (ii) and (iii) are inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated BBB+ or higher by Standard & Poor's and Baa1 or higher by Moody's, and (v) a rate per annum equal to 0.1750% if on such date clauses (i), (ii), (iii) and (iv) are inapplicable (including if such Long-Term Indebtedness is no longer rated by either agency) provided, that if the respective levels of the Borrower's outstanding Long-Term Indebtedness credit ratings differ, the "Applicable Facility Fee Rate" will be determined based on the level one above that level applicable to the lower of said credit ratings..

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance and, in the case of an Uncommitted Advance, the office of such Lender notified by such Lender to the Administrative Agent and the Borrower as its Applicable Lending Office with respect to such Uncommitted Advance.

"Applicable Utilization Fee Rate" means, for each day on which the Utilization Ratio exceeds 0.50, a rate per annum equal to (i) 0.1000% if on such date the Borrower's outstanding Long-Term Indebtedness is rated A- or higher by Standard & Poor's and A3 or higher by Moody's, and (ii) 0.1250% if on such date clause (i) is inapplicable (including if such Long-Term Indebtedness is no longer rated by either agency); provided that if the respective levels of the Borrower's outstanding Long-Term Indebtedness credit ratings differ, the "Applicable Utilization Fee Rate" will be determined based on the level one above that level applicable to the lower of said credit ratings.

"Assignment and Acceptance" means an assignment and acceptance accepted by the Administrative Agent, in substantially the form of Exhibit G hereto.

"Base Rate" means a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by the Reference Bank in New York, New York, from time to time, as its base rate;

(b) 1/2 of one percent per annum above the secondary market morning offering rate in the United States for three-month certificates of deposit of major United States money market banks, determined by the Reference Bank, such rate being determined by the Reference Bank on the basis of quotations for such rates received by the Reference Bank from three New York certificate of deposit dealers of recognized standing selected

by the Reference Bank adjusted to the nearest 1/4 of one percent or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent; or

(c) 1/2 of one percent per annum above the Federal Funds Rate.

"Base Rate Advance" means a Committed Advance that bears interest as provided in Section 2.05(a).

"Borrower" has the meaning specified in the first paragraph of this Agreement.

"Borrowing" means a Committed Borrowing or an Uncommitted Borrowing.

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advances, on which dealings in Dollars are carried on in the London interbank market.

"Capital Lease" means any lease of property, real or personal, the obligations under which are capitalized on the consolidated balance sheet of the Borrower and its Subsidiaries.

"Change of Control" means, with respect to the Borrower, the occurrence of any event, act or condition which results in either (i) any Person other than the ESOP becoming the beneficial owner, directly or indirectly, of 30% or more of the outstanding common stock of the Borrower or (ii) individuals who constitute the Continuing Directors ceasing for any reason to constitute at least the majority of the Board of Directors of the Borrower.

"Citibank" has the meaning specified in the first paragraph of this Agreement.

"Commitment" means, with respect to any Lender, the amount specified opposite such Lender's name on Schedule I hereto or, if such Lender has entered into any Assignment and Acceptance, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 8.07(d), as such amount may be reduced pursuant to Section 2.01(b). The aggregate amount of the Commitments on the date hereof is \$100,000,000.

"Committed Advance" means an advance by a Lender to the Borrower as part of a Committed Borrowing and refers to a Base Rate Advance or a Eurodollar Rate Advance, each of which shall be a "Type" of Committed Advance.

"Committed Borrowing" means a borrowing consisting of simultaneous Committed Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

"Committed Note" has the meaning provided in Section 2.11.

"Consolidated Net Tangible Assets" means the excess over current liabilities of all assets properly appearing on a consolidated balance sheet of the Borrower and its Subsidiaries after deducting goodwill, trademarks, patents, other like intangibles and the minority interests of others in Subsidiaries.

"Consolidated Subsidiary" means at any date any Subsidiary or other entity the financial statements of which would, under GAAP, be consolidated with those of the Borrower in its consolidated financial statements as of such date.

"Contingent Obligation" as to any Person means any obligation of such Person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"Continuing Director" means any member of the Board of Directors of the Borrower who is not affiliated with an Acquiring Person and who is a member of the Board of Directors of the Borrower immediately prior to the time that the Acquiring Person became an Acquiring Person and any successor to a Continuing Director who is not affiliated with the Acquiring Person and is recommended to succeed a Continuing Director by a majority of Continuing Directors who are then members of the Board of Directors of the Borrower.

"Default" means an event which would constitute an Event of Default but for the giving of notice, the lapse of time or both.

"Dollars" and "\$" mean lawful money of the United States of America.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify in writing to the Borrower and the Administrative Agent.

"EBITDA" means, for any period, the sum (without duplication) for the Borrower and its Consolidated Subsidiaries on a consolidated basis of the following: (a) net income for such period plus (b) to the extent deducted in determining net income for such period, the sum of (i) depreciation and amortization for such period, (ii) Interest Expense for such period and (iii) taxes for such period.

"Effective Date" has the meaning provided in Section 3.01.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successors thereto, and the regulations promulgated and the rulings found thereunder.

"ERISA Controlled Group" means a group consisting of any ERISA Person and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control with such Person that, together with such Person, are treated as a single employer under regulations promulgated under ERISA.

"ERISA Person" has the meaning provided in Section 3(9) of ERISA for the term "person."

"ERISA Plan" means (i) any Plan that (x) is not a Multiemployer Plan and (y) has Unfunded Benefit Liabilities in excess of \$20,000,000 and (ii) any Plan that is a Multiemployer Plan.

"ESOP" means Stanley Account Value Plan or any successor plan.

"Eurocurrency Liabilities" has the meaning provided in Regulation D of the Federal Reserve Board, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office of such Lender is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify in writing to the Borrower and the Administrative Agent.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar Rate Advance comprising part of the same Committed Borrowing, an interest rate per annum equal to the offered rate for deposits in Dollars as quoted by the British Banker's Association on Telerate page 3750 (or any successor or substitute page) at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the Reference Bank's Eurodollar Rate Advance comprising part of such Committed Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period.

"Eurodollar Rate Advance" means a Committed Advance that bears interest as provided in Section 2.05(b).

"Eurodollar Rate Reserve Percentage" for any Lender for any Eurodollar Rate Advances owing to such Lender means the reserve percentage applicable two Business Days before the first day of the applicable Interest Period under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Lender with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to the applicable Interest Period.

"Events of Default" has the meaning provided in Section 6.01.

"Existing Credit Agreements" means (i) the Credit Agreement dated as of October 21, 1998 between the Borrower, the lenders parties thereto and Citibank, N.A., as Administrative Agent, as amended by the Amendment and Restatement dated as of October 20, 1999, the Second Amended and Restated Credit Agreement dated as of October 18, 2000 and as otherwise amended prior to the date hereof, and (ii) the Amended and Restated Facility B (Five Year) Credit Agreement dated as of October 23, 1996 between the Borrower, the lenders parties thereto and Citibank, N.A., as Administrative Agent, as amended by the First Amendment Agreement dated as of September 12, 1997 and as otherwise amended prior to the date hereof.

"Excluded Representation" means the representation and warranty set forth in Section 4.01(g).

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy", as amended from time to time, or any successor thereto.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve Board arranged by Federal fund brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Reference Bank from three Federal funds brokers of recognized standing selected by the Reference Bank.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System as constituted from time to time.

"Fixed Rate" has the meaning provided in Section 2.13(c)(ii)(C).

"Fixed Rate Advance" means an Advance which bears interest as provided in Section 2.05(d).

"Fixed Rate Auction" means a solicitation of Quotes setting forth Fixed Rates pursuant to Section 2.13.

"Floating Rate" means, for any Interest Period for a Floating Rate Advance, an interest rate per annum equal to the Base Rate in effect from time to time minus the Floating Rate Margin for such Advance and Interest Period.

"Floating Rate Advance" means an Advance which bears interest as provided in Section 2.05(c).

"Floating Rate Auction" means a solicitation of Quotes setting forth Floating Rate Margins based on the Base Rate pursuant to Section 2.13.

"Floating Rate Margin" has the meaning provided in Section 2.13(c)(ii)(B).

"GAAP" means United States generally accepted accounting principles as in effect from time to time.

"Hedge Agreements" means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

"Indebtedness" of any Person means, without duplication, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of business of such Person), (ii) all indebtedness of such Person evidenced by a note, bond, debenture or similar instrument, (iii) the principal component of all Capital Lease obligations of such Person, (iv) the face amount of all letters of credit issued for the account of such Person and, without duplication, all unreimbursed amounts drawn thereunder, (v) all indebtedness of any other Person secured by any Lien on any property owned by such Person, whether or not such indebtedness has been assumed, (vi) all Contingent Obligations of such Person, and (vii) all indebtedness of such Person in respect of Hedge Agreements.

"Initial Lenders" has the meaning specified in the first paragraph of this Agreement.

"Interest Coverage Ratio" means, for any period, the ratio of (a) EBITDA for such period of four consecutive fiscal quarters ending on or most recently ended prior to such date to (b) Interest Expense for such period.

"Interest Expense" means, for any period, the sum (determined without duplication) of the aggregate amount of interest reported in respect of such period on the Indebtedness of the Borrower and its Consolidated Subsidiaries on a consolidated basis, including, without limitation, the interest portion of payments under Capital Lease obligations and any capitalized interest, minus (i) interest income of the Borrower and its Consolidated Subsidiaries on a consolidated basis reported in respect of such period and (ii) interest on deferred compensation reported in respect of such period.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Committed Borrowing, each Floating Rate Advance comprising part of the same Uncommitted Borrowing and each Fixed Rate Advance comprising part of the same Uncommitted Borrowing, the period commencing on the date of such Advance or the date of the continuation of such Eurodollar Rate Advance or the date of the conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be (a) in the case of a Eurodollar Rate Advance, one, two, three or six months, (b) in the case of a Fixed Rate Advance, from 14 to 180 days, and (c) in the case of a Floating Rate Advance, from 30 to 180 days, in each case as the Borrower may select in the Notice of Borrowing, Quote Request or Notice of Conversion or Continuation for such Advance, as the case may be; provided that:

(i) the Borrower may not select any Interest Period which ends after the Termination Date;

(ii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur

on the next succeeding Business Day; provided that if, in the case of any Interest Period with respect to any Eurodollar Rate Advance, such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day;

(iii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iv) below, end on the last Business Day of a calendar month;

(iv) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date;

(v) if, upon the expiration of any Interest Period with respect to a Committed Borrowing consisting of Eurodollar Rate Advances, the Borrower has failed to elect a new Interest Period to be applicable to such Advances as provided above, the Borrower shall be deemed to have elected to convert such Advances into a Base Rate Advance effective as of the expiration date of such current Interest Period; and

(vi) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Committed Borrowing or for Fixed Rate Advances or Floating Rate Advances comprising part of the same Uncommitted Borrowing shall be of the same duration.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto.

"Lenders" means the Initial Lenders and each Person that shall become a party hereto pursuant to Section 8.07.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preferential payment arrangement, priority or other security agreement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same effect as any of the foregoing and the filing of any financing statement or similar instrument under the Uniform Commercial Code or comparable law of any jurisdiction, domestic or foreign.

"Long-Term Indebtedness" means the long-term Senior Unsecured Indebtedness of the Borrower.

"Margin Stock" has the meaning provided in Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

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

"Moody's" means Moody's Investors Service, Inc. and any successor or successors thereto.

"Multiemployer Plan" means a Plan which is a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA.

"Note" means a Committed Note or an Uncommitted Note.

"Notice of Borrowing" has the meaning provided in Section 2.02(b).

"Notice of Conversion or Continuation" has the meaning provided in Section 2.04(b).

"Other Taxes" has the meaning provided in Section 2.10(b).

"PBGC" means the Pension Benefit Guaranty Corporation established under ERISA, or any successor thereto.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means any employee benefit plan covered by Title IV of ERISA, the funding requirements of which:

(i) were the responsibility of the Borrower or a member of its ERISA Controlled Group at any time within the five years immediately preceding the date hereof,

(ii) are currently the responsibility of the Borrower or a member of its ERISA Controlled Group, or

(iii) hereafter become the responsibility of the Borrower or a member of its ERISA Controlled Group, including any such plans as may have been, or may hereafter be, terminated for whatever reason.

"Principal Property" means all real property and tangible personal property constituting a manufacturing plant owned by the Borrower or any of its Subsidiaries, exclusive of (i) motor vehicles, mobile materials handling equipment and other rolling stock, (ii) office furnishings and equipment, information and electronic data processing equipment, (iii) any property financed through obligations issued by a state, territory or possession of the United States, or any political subdivision or instrumentality of the foregoing, on which the interest cannot, in the opinion of tax counsel of recognized standing or in accordance with a ruling issued by the Internal Revenue Service, be included in gross income of the holder under Section 103(a)(1) of the Internal Revenue Code (or any successor to such provision) as in effect at the time of the issuance of such obligations, (iv) any real property held for development or sale, or (v) any property and equipment included therein without deduction of any depreciation reserves which is less than 10% of Consolidated Net Tangible Assets or which the Board of Directors of the Borrower determines is not material to the operation of the business of the Borrower and its Subsidiaries taken as a whole.

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

"Pro Rata Share" means, with respect to any Lender, the percentage corresponding to the fraction the numerator of which shall be the amount of the Commitment of such Lender and the denominator of which shall be the aggregate amount of the Commitments of all Lenders.

"Quote" means an offer by any Lender to make an advance under Section 2.13.

"Quote Request" has the meaning provided in Section 2.13(b).

"Rate Notification" has the meaning provided in Section 2.02(a).

"Rate Request" has the meaning provided in Section 2.02(a).

"Reference Bank" means Citibank or, if Citibank is no longer the Administrative Agent, such Person (which shall be a Lender or the Administrative Agent) as shall be designated by the Borrower with the consent of the Required Lenders, which consent shall not be unreasonably withheld.

"Register" has the meaning provided in Section 8.07(d).

"Reportable Event" has the meaning provided in Section 4043(b) of ERISA (other than a Reportable Event as to which the provision of 30 days notice to the PBGC is waived under applicable regulations).

"Required Lenders" means at any time Lenders representing in the aggregate at least 51% of the Commitments or, if the Commitments shall have terminated, Lenders representing in the aggregate at least 51% of the sum of the Advances owing to Lenders hereunder.

"Senior Unsecured Indebtedness" means Indebtedness that is not subordinated to any other Indebtedness and is not secured or supported by a guarantee, letter of credit or other form of credit enhancement.

"Standard & Poor's" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor or successors thereto.

"Subsidiary" of any Person means (i) any corporation 50% or more of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries and (ii) any partnership, association, joint venture, limited liability company or other entity in which such Person, directly or indirectly through Subsidiaries, is either a general partner or has a 50% or more equity interest at the time.

"Taxes" has the meaning provided in Section 2.10(a).

"Termination Date" means the earlier of (i) October 17, 2006 or (ii) the date of termination in whole of the Commitments pursuant to Section 2.01(b) or 6.01.

"Termination Event" means (i) a Reportable Event, or (ii) the initiation of any action by the Borrower, any member of the Borrower's ERISA Controlled Group or any ERISA Plan fiduciary to terminate an ERISA Plan or the treatment of an amendment to an ERISA Plan as a termination under ERISA, or (iii) the institution of proceedings by the PBGC under Section 4042 of ERISA to terminate an ERISA Plan or to appoint a trustee to administer any ERISA Plan.

"Type" has the meaning provided in the definitions of Committed Advance and Uncommitted Advance.

"Uncommitted Advance" means an advance by a Lender to the Borrower as part of an Uncommitted Borrowing resulting from the auction bidding procedure described in Section 2.13 and refers to a Floating Rate Advance or a Fixed Rate Advance, each of which shall be a "Type" of Uncommitted Advance.

"Uncommitted Borrowing" means a borrowing consisting of simultaneous Uncommitted Advances from each of the Lenders whose offer to make one or more Uncommitted Advances as part of such borrowing has been accepted under the auction bidding procedure described in Section 2.13.

"Uncommitted Note" has the meaning provided in Section 2.11.

"Unfunded Benefit Liabilities" means with respect to any Plan at any time, the amount (if any) by which (i) the present value of all benefit liabilities under such Plan as defined in Section 4001(a)(16) of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan (on the basis of assumptions prescribed by the PBGC for the purpose of Section 4044 of ERISA).

"Utilization Ratio" means, at any time, the ratio of (i) the aggregate outstanding principal amount of the Advances at such time to (ii) the aggregate amount of the Commitments at such time.

SECTION 1.02. Computation of Time Periods; Terms Generally. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding". The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

5-YEAR CREDIT AGREEMENT

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Commitment. (a) The Committed Advances. Each Lender agrees, on the terms and conditions hereinafter set forth, to make Committed Advances to the Borrower from time to time on any Business Day during the period from the date hereof until the Termination Date in an aggregate amount not to exceed at any time outstanding (i) such Lender's Commitment minus (ii) such Lender's Pro Rata Share of the aggregate principal amount of all Uncommitted Advances then outstanding. Within the limits of each Lender's Commitment, the Borrower may borrow, repay, prepay (as provided in Section 2.07) and reborrow such amount or any portion thereof. Each Committed Borrowing shall be in an aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof or, if less, the aggregate amount of the unused Commitments and shall consist of Committed Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Notwithstanding the foregoing restriction with respect to the minimum amount of each Committed Borrowing, the Borrower may borrow Committed Borrowings in an aggregate amount equal to the amount by which the aggregate amount of a proposed Uncommitted Borrowing requested by the Borrower exceeds the aggregate amount of Uncommitted Advances offered to be made by the Lenders and accepted by the Borrower in respect of such Uncommitted Borrowing, if such Uncommitted Borrowing is made on the same date as such Committed Borrowing.

(b) Termination and Reduction. The Borrower shall have the right, upon at least two Business Days' notice to the Administrative Agent, to terminate in whole or reduce each Lender's Pro Rata Share of the unused Commitments, provided that the aggregate amount of the Commitments of the Lenders shall not be reduced to an amount that is less than the aggregate principal amount of the Uncommitted Advances then outstanding. Each partial reduction of the Commitments shall be in the aggregate amount of at least \$10,000,000 or a larger whole multiple of \$1,000,000.

SECTION 2.02. Making the Committed Advances. (a) Determination of Eurodollar Rate. The Borrower may request the Reference Bank, no earlier than 9:00 A.M. (New York City time) and no later than 11:00 A.M. (New York City time) on the third Business Day before a proposed Eurodollar Rate Advance, to notify the Borrower of the Eurodollar Rate that would be applicable to a Committed Advance in the principal amount and with the Interest Period as described by the Borrower in such request, which request shall be substantially in the form of Exhibit A-1 hereto (a "Rate Request"). Upon such request, the Reference Bank shall furnish such interest rate to the Borrower no later than noon (New York City time) on the second Business Day before the proposed Eurodollar Rate Advance by delivering to the Borrower a copy of the related Rate Request setting forth such rate and executed by an authorized officer of the Reference Bank in the space provided therefor (a "Rate Notification"). The Borrower shall be entitled to rely on any such notification and such rate shall be conclusive and binding on the Lenders absent manifest error.

(b) Notice of Borrowing. Each Committed Borrowing shall be made on notice by the Borrower to the Administrative Agent, which shall give to each Lender prompt notice

thereof by telecopier, given not later than 11:00 A.M. (New York City time) on the date of the proposed Committed Borrowing if such Committed Borrowing is to be comprised of Base Rate Advances and no earlier than 9:00 A.M. (New York City time) and no later than 4:00 P.M. (New York City time) on the third Business Day prior to such date if such Committed Borrowing is to be comprised of Eurodollar Rate Advances. Each such notice of a Committed Borrowing (a "Notice of Borrowing") shall be by telecopier, or by telephone confirmed immediately in writing, in substantially the form of Exhibit A-2 hereto, specifying therein the requested (i) date of such Committed Borrowing, (ii) Type of Advances comprising such Committed Borrowing, (iii) aggregate amount of such Committed Borrowing and (iv) in the case of a Committed Borrowing consisting of Eurodollar Rate Advances, the initial Interest Period for each such Committed Advance. Each Lender shall, before 1:00 P.M. (New York City time) on the date of such Committed Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's Account, in same day funds, such Lender's Pro Rata Share of the requested amount of such Committed Borrowing. Promptly after the Administrative Agent's receipt of such funds (and in any event by the close of business New York City time on the date of such Borrowing) and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make the funds so received available to the Borrower by depositing the same in immediately available funds into such account as the Borrower shall have specified in the related Notice of Borrowing.

(c) Illegality, Etc. Anything in subsection (a) or (b) above to the contrary notwithstanding,

(i) if any Lender shall, at least one Business Day before the date of any requested Advance or the date of any conversion to or continuation of a Eurodollar Rate Advance, notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or that any central bank or other governmental authority asserts that it is unlawful, for such Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, the Administrative Agent shall forthwith give notice thereof to the other Lenders and the Borrower, whereupon (A) such Lender shall have no obligation to make Eurodollar Rate Advances, or to convert Advances into Eurodollar Rate Advances, until such Lender notifies the Borrower and the Administrative Agent that the circumstances causing such suspension no longer exist and (B) the Borrower shall be deemed to have converted all Eurodollar Rate Advances of such Lender then outstanding into Base Rate Advances in accordance with Section 2.04 on and as of the date of the Administrative Agent's receipt of such notice, unless and to the extent such notice directs that one or more Eurodollar Rate Advances shall be so converted on the last day of the applicable Interest Period, provided that (w) before giving any such notice, such Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such a designation would avoid the need for such suspension and conversion and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender, (x) any request by the Borrower for Eurodollar Rate Advances during a time when a Lender's obligation to make, or convert Advances into, Eurodollar Rate Advances shall be suspended hereunder shall be deemed to be a request for, or for conversion into, Base Rate Advances from such Lender, (y) all Advances that would otherwise be made by such Lender as Eurodollar Rate Advances during any such suspension shall instead be made as Base Rate Advances, and (z) in the

event any Lender shall notify the Administrative Agent and the Borrower of the occurrence of the circumstances causing such suspension under this Section 2.02(c), all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Rate Advances that would have been made by such Lender or the converted Eurodollar Rate Advances shall instead be applied to repay the Base Rate Advances made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Rate Advances;

(ii) if the Reference Bank cannot furnish the Eurodollar Rate for any Committed Borrowing consisting of Eurodollar Rate Advances because of conditions existing in the London interbank market, the right of the Borrower to select Eurodollar Rate Advances shall be suspended until the Reference Bank shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist; and

(iii) if the Required Lenders shall, at least one Business Day before the date of any requested Eurodollar Rate Advance, notify the Administrative Agent that the Eurodollar Rate for any Interest Period will not adequately reflect the cost to the Required Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period, the Administrative Agent shall forthwith so notify the Borrower and the Lenders, whereupon the Lenders shall have no obligation to make, or convert Committed Advances into, Eurodollar Rate Advances until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(d) Effect of Failure to Fulfill Conditions. Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Committed Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Committed Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding anticipated profits), cost or expense reasonably incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Committed Advance to be made by such Lender as part of such Committed Borrowing when such Advance, as a result of such failure, is not made on such date, such indemnity to be paid promptly upon receipt by the Borrower of a certificate of such Lender setting forth the calculation of the amount of the indemnity claimed by such Lender.

(e) Funds Available. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Committed Borrowing that such Lender will not make available to the Administrative Agent such Lender's ratable portion of such Committed Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Committed Borrowing in accordance with subsection (a) of this Section 2.02 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, the interest

rate applicable at the time to Committed Advances comprising such Committed Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Committed Advance as part of such Committed Borrowing for purposes of this Agreement.

(f) Failure to Make Advances. The failure of any Lender to make the Committed Advance to be made by it as part of any Committed Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Committed Advance on the date of such Committed Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Committed Advance to be made by such other Lender on the date of any Committed Borrowing.

SECTION 2.03. Fees. (a) Facility Fee. The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee on the aggregate amount of such Lender's Commitment (whether or not utilized) from the date hereof in the case of each Lender and, in the case of each Person which becomes a Lender, pursuant to Section 8.07, from the effective date specified in the Assignment and Acceptance pursuant to which it became a Lender until the Termination Date at the Applicable Facility Fee Rate, payable quarterly in arrears on the last day of each March, June, September and December during the term hereof and on the Termination Date. All computations of the facility fee shall be based on a year of 365 or 366 days, as the case may be.

(b) Administrative Agent's Fees. The Borrower shall pay to the Administrative Agent for its own account such fees as may from time to time be agreed between the Borrower and the Administrative Agent.

(c) Utilization Fee. The Borrower shall pay to the Administrative Agent for the pro rata account of the Lenders a utilization fee on the outstanding principal amount of the Advances, for each day on which the Utilization Ratio exceeds 0.50, at a rate per annum equal to the Applicable Utilization Fee Rate, payable on each day on which a payment of interest is due under Section 2.05.

SECTION 2.04. Continuation and Conversion. (a) General. Subject to the other provisions hereof, the Borrower shall have the option (i) to convert all or any part of an outstanding Committed Borrowing consisting of Base Rate Advances to a Committed Borrowing consisting of Eurodollar Rate Advances, (ii) to convert all or any part of an outstanding Committed Borrowing consisting of Eurodollar Rate Advances to a Committed Borrowing consisting of Base Rate Advances, or (iii) to continue all or any part of an outstanding Committed Borrowing consisting of Eurodollar Rate Advances as a Committed Borrowing consisting of Eurodollar Rate Advances for an additional Interest Period; provided that no Committed Borrowing consisting of Eurodollar Rate Advances shall be so converted other than as contemplated by Section 2.02(c) or continued, until the expiration of the Interest Period applicable thereto.

(b) Notice of Conversion or Continuation. In order to elect to convert or continue a Committed Borrowing hereunder, the Borrower shall deliver an irrevocable notice thereof (a "Notice of Conversion or Continuation") to the Administrative Agent by telecopier, or by telephone confirmed immediately in writing, no later than (i) 11:00 A.M., (New York City time)

on the proposed conversion date in the case of a conversion to Base Rate Advances and (ii) no earlier than 9:00 A.M. (New York City time) and no later than 4:00 P.M. (New York City time) on the third Business Day in advance of the proposed conversion or continuation date in the case of a conversion to, or a continuation of, Eurodollar Rate Advances, substantially in the form of Exhibit B hereto. A Notice of Conversion or Continuation shall specify (w) the requested conversion or continuation date (which shall be a Business Day), (x) the amount and Type of the Advances to be converted or continued, (y) whether a conversion or continuation is requested, and (z) in the case of a conversion to, or a continuation of, Eurodollar Rate Advances, the requested Interest Period. The relevant Eurodollar Rate for such Interest Period in the case of a conversion to, or a continuation of, Eurodollar Rate Advances shall be determined in the manner provided in Section 2.02(a) as if such conversion or continuation is instead new Eurodollar Rate Advances in such amount, on such date and for such Interest Period. If the Borrower fails to give a Notice of Conversion or Continuation with respect to an outstanding Committed Borrowing consisting of Eurodollar Rate Advances as provided in clause (ii) above, the Borrower shall be deemed to have converted such Eurodollar Rate Advances into Base Rate Advances in accordance with this Section 2.04 if such Advances are outstanding after the last day of the Interest Period with respect thereto.

SECTION 2.05. Interest on Advances. The Borrower shall pay interest on the unpaid principal amount of each Advance owing to each Lender from the date the proceeds of such Advance are made available to the Borrower until such principal amount shall be paid in full, at the following rates per annum:

(a) Base Rate Advances. If such Advance is a Base Rate Advance, a rate per annum equal to the Base Rate in effect from time to time, payable in arrears quarterly on the last Business Day of each fiscal quarter during the period such Base Rate Advance remains outstanding and on the date such Base Rate Advance shall be paid in full;

(b) Eurodollar Rate Advances. If such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during the Interest Period for such Advance to the sum of the Eurodollar Rate for such Interest Period plus the Applicable Eurodollar Margin for such Advance, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day which occurs during such Interest Period every three months from the first day of such Interest Period;

(c) Floating Rate Advances. If such Advance is a Floating Rate Advance, a rate per annum equal at all times during the Interest Period for such Advance to the Floating Rate for such Interest Period quoted by such Lender in accordance with Section 2.13, payable in arrears on the last Business Day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day which occurs during such Interest Period every three months from the first day of such Interest Period;

(d) Fixed Rate Advances. If such Advance is a Fixed Rate Advance, a rate per annum equal at all times during the Interest Period for such Advance to the Fixed Rate for such Interest Period quoted by such Lender in accordance with Section 2.13, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day which occurs during such Interest Period every three months from the first day of such Interest Period; and

(e) Default Rate. In the event that, and for so long as, any Event of Default shall have occurred and be continuing, the outstanding principal amount of all Advances and, to the extent permitted by law, overdue interest in respect of all Advances, shall bear interest at a rate per annum equal to the sum of two percent (2%) plus the interest rate otherwise applicable hereunder to such principal amount in effect from time to time. In the event that, and for so long as, any Default under Section 6.01(a) shall have occurred and be continuing, the outstanding principal amount of the Advance with respect to which such Default has occurred and is continuing shall bear interest at a rate per annum equal to the sum of two percent (2%) plus the interest rate otherwise applicable hereunder to such principal amount in effect from time to time.

SECTION 2.06. Additional Interest on Eurodollar Rate Advances. The Borrower shall pay to each Lender, during each period as such Lender shall be required under regulations of the Federal Reserve Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar Rate Advance of such Lender outstanding during such period, from the later of the date such reserves are required and the making of such Advance until the earlier of the date such reserves are no longer required and such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the Interest Period applicable to such Advance from (ii) the rates obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the average Eurodollar Rate Reserve Percentage of such Lender during such period, payable on each date on which interest is payable on such Advance. Such Lender shall determine the amount of such additional interest, if any, and promptly notify the Borrower through the Administrative Agent of the amount thereof.

SECTION 2.07. Repayment and Prepayment of Advances. (a) The Borrower shall repay to the Administrative Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the Committed Advances then outstanding and the Borrower shall repay to the Administrative Agent for the account of the Lenders to which Uncommitted Advances comprising part of the same Borrowing are owing the aggregate principal amount of such Uncommitted Advances then outstanding on the last day of the Interest Period with respect thereto. The Borrower shall have no right to prepay any principal amount of any Advances other than as provided in this Section 2.07. The Borrower may, upon notice no later than 11:00 A.M. (New York City time) on the second Business Day before the prepayment of Eurodollar Rate Advances, and no later than 11:00 A.M. (New York City time) on the day of the prepayment in the case of Base Rate Advances, in either case to the Administrative Agent and stating the proposed date and principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amount of the Committed Advances comprising part of the same Committed Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that each partial prepayment shall be in the aggregate principal amount of at least \$10,000,000 or a larger whole multiple of \$1,000,000 and, in the case of a payment or prepayment of a Eurodollar Rate Advance other than on the last day of the Interest Period for such Advance as provided herein, shall have the consequences set forth in Section 8.04(b).

(b) The Borrower shall notify the Administrative Agent immediately upon becoming aware of any Change of Control. Upon receipt of such notice and for a period of 90 days thereafter, the Required Lenders shall be entitled, by written notice to the Borrower received within such period, to terminate the Commitments in whole and require the Borrower to prepay all outstanding Advances within 5 Business Days of its receipt of such notice, together

with any accrued and unpaid interest thereon to the date of such prepayment and any other amounts due hereunder. Notwithstanding any other provision contained herein, a Change of Control shall not, in and of itself, constitute a Default hereunder.

SECTION 2.08. Increased Costs. (a) Changes in Law, Etc. If, due to (i) the introduction of or any change in or in the interpretation of any law or regulation on or after the date of this Agreement, or (ii) the compliance with any guideline or request not applicable on the date of this Agreement from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Advances, then the Borrower shall from time to time, promptly upon demand by such Lender (with a copy of such demand to the Administrative Agent) accompanied by the certificate described in the next sentence, pay to the Administrative Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to the Borrower and the Administrative Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) Capital Adequacy. If, due to (i) the introduction of or any change in or in the official interpretation of any law or regulation on or after the date of this Agreement, or (ii) the compliance with any guideline or request not applicable on the date of this Agreement from any central bank or other governmental authority (whether or not having the force of law), any Lender determines that the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender has been or would be affected and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender received by the Borrower within such time from the relevant change or introduction described above as is reasonably required in order to determine the effect thereof (with a copy of such demand to the Administrative Agent) accompanied by a certificate of such Lender as to the amounts demanded, the Borrower shall pay to the Administrative Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation, as the case may be, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder, such amounts to be due and payable within two days of such Lender's invoice therefor. A certificate as to such amounts submitted to the Borrower and the Administrative Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error.

SECTION 2.09. Payments and Computations. (a) Manner of Payment. The Borrower shall make each payment hereunder and under the Notes not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Administrative Agent at the Administrative Agent's Account in same day funds. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.02(d), 2.06, 2.08, 2.10, 2.13(f) or 8.04(b)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(c), from and after the effective date specified in such Assignment and Acceptance, the Administrative

Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves. The making by the Borrower of any payment to the Administrative Agent for the account of any Lender as herein provided shall pro tanto discharge the relevant obligation of the Borrower to such Lender.

(b) Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement and the Notes held by such Lender, although such obligations may be unmaturing. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

(c) Interest. All computations of interest based on the Base Rate shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate or with respect to Uncommitted Advances and all computations of interest pursuant to Section 2.06 shall be made by the Administrative Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable. Each determination by the Reference Bank of an interest rate for any Committed Advance hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Business Days. Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or facility fee, as the case may be; provided that if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) Assumption of Payment. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

(f) Rate Information. The Reference Bank shall notify the Borrower and the Administrative Agent of the Base Rate in effect on the first Business Day on which a Base Rate or Floating Rate Advance is outstanding and each day on which a change in the Base Rate

occurs, each in sufficient detail to enable the Borrower to calculate interest payments hereunder with respect to Base Rate Advances and Floating Rate Advances, and shall provide such information to any Lender promptly upon its request. The Borrower will provide to the Administrative Agent (i) promptly upon receipt thereof copies of the information received by the Borrower pursuant to the immediately preceding sentence or any Rate Notification received pursuant to Section 2.02(a), (ii) promptly upon the making of any interest payment with respect to a Base Rate Advance or a Floating Rate Advance hereunder a schedule based on such information setting forth the Base Rate for each day in the period in which such Advance was outstanding, and (iii) promptly upon obtaining knowledge thereof, notice of any change in the rating assigned by Standard & Poor's or Moody's to the Borrower's Long-Term Indebtedness and the date of such change, provided that the Borrower's failure to provide any of the foregoing information shall be deemed not to be a Default or Event of Default hereunder.

SECTION 2.10. Taxes. (a) General. Any and all payments by the Borrower hereunder or under the Notes shall be made in accordance with Section 2.09, free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, not in effect or not imposed on the date of this Agreement; excluding, in the case of each Lender and the Administrative Agent, taxes imposed on its income, and franchise taxes imposed on it by the jurisdiction under the laws of which such Lender or the Administrative Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes").

(b) Other Taxes. In addition, the Borrower agrees to pay any stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, or otherwise with respect to, this Agreement not in effect or not imposed on the date of this Agreement or the Notes (hereinafter referred to as "Other Taxes") upon notice from the Lender.

(c) Tax Indemnity. The Borrower will indemnify each Lender and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.10) paid by such Lender or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Lender or the Administrative Agent (as the case may be) makes written demand therefor.

(d) Receipt. Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Administrative Agent, at its address referred to in Section 8.02, the original or a certified copy of a receipt evidencing payment thereof.

(e) Survival. Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.10 shall survive the payment in full of principal and interest hereunder.

SECTION 2.11. Promissory Notes. Any Lender may request that Advances of any Type made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to such Lender (or, if requested by such Lender, to such Lender and its registered assigns) substantially in the form of Exhibit H-1 (a "Committed Note") in the case of the Committed Advances and substantially in the form of Exhibit H-2 (an "Uncommitted Note"), in the case of the Uncommitted Advances. Thereafter, such Advances evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 8.07) be represented by one or more promissory notes in such form payable to the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.12. Use of Proceeds of Advances. The Borrower will use the proceeds of the Advances for general corporate purposes, including, without limitation, for the acquisition of Margin Stock.

SECTION 2.13. Uncommitted Advances. (a) The Uncommitted Advances Option. In addition to Committed Advances pursuant to Section 2.01, the Borrower may, as set forth in this Section 2.13, request the Lenders to make offers to make Uncommitted Advances to the Borrower. Each Lender may, but shall have no obligation to, make such offers and the Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in this Section 2.13; provided that, following the making of each Uncommitted Borrowing, the aggregate amount of the Advances then outstanding shall not exceed the aggregate amount of the Commitments of the Lenders. The Uncommitted Advances may be Floating Rate Advances or Fixed Rate Advances.

(b) Quote Request. When the Borrower wishes to request offers to make Uncommitted Advances as part of an Uncommitted Borrowing, it shall transmit to the Administrative Agent, by telecopier, a quote request substantially in the form of Exhibit C hereto (a "Quote Request") so as to be received (x) no earlier than 9:00 A.M. (New York City time) and no later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of Borrowing proposed therein, in the case of a Fixed Rate Auction, or (y) no later than 11:00 A.M. (New York City time) on the Business Day immediately preceding the proposed date of Borrowing proposed therein, in the case of a Floating Rate Auction, specifying:

(i) the proposed date of Borrowing, which shall be a Business Day;

(ii) the proposed aggregate amount of such Borrowing, which shall be \$10,000,000 or a larger whole multiple of \$1,000,000; and

(iii) the duration of the proposed Interest Period applicable thereto subject to the provisions of the definition of Interest Period.

The Administrative Agent shall in turn promptly notify each Lender of each request for an Uncommitted Borrowing received by it from the Borrower by sending such Lender a copy of the related Quote Request. The Borrower may request offers to make Uncommitted Advances for more than one Interest Period in a single Quote Request. No Quote Request shall be given within five Business Days of any other Quote Request.

(c) Submission and Contents of Quotes. (i) Each Lender may but shall not be required to submit a Quote containing an offer or offers to make an Uncommitted Advance as part of a proposed Uncommitted Borrowing in response to any Quote Request. Each Quote must comply with the requirements of this Section 2.13(c) and must be submitted to the Administrative Agent (which shall give prompt notice thereof to the Borrower) in writing (including by telecopy) no later than (A) 11:00 A.M. (New York City time) on the third Business Day prior to the proposed date of borrowing in the case of a Fixed Rate Auction or (B) 11:00 A.M. (New York City time) on the Business Day immediately preceding the proposed date of borrowing, in the case of a Floating Rate Auction; provided that if the Administrative Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer at least 30 minutes before the time and on the date on which notice of such election is to be given to the Administrative Agent by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Administrative Agent, before 11:00 A.M. (New York City time) on the date on which notice of such election is to be given to the Administrative Agent by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Uncommitted Advance as part of such Uncommitted Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Uncommitted Advance as part of such proposed Uncommitted Borrowing. Any Quote so made shall be irrevocable except with the written consent of the Borrower.

(ii) A Quote may set forth each separate offer by a Lender with respect to each Interest Period specified in the related Quote Request. Each Quote shall be in substantially the form of Exhibit D hereto, and shall in any case specify:

(A) the principal amount of the Uncommitted Advance for each such offer, which principal amount (1) may be greater than or less than the Commitment of such Lender, (2) must be a whole multiple of \$1,000,000, (3) may not exceed (but may be less than) the proposed principal amount of the proposed Uncommitted Borrowing set forth in the related Quote Request, and (4) may be subject to an aggregate limitation as to the principal amount of Uncommitted Advances for which offers being made by such Lender may be accepted;

(B) in the case of a Floating Rate Auction, the margin below the Base Rate (the "Floating Rate Margin") offered for each such Uncommitted Advance expressed as a percentage (specified to the nearest 1/1,000th of 1%) to be subtracted from such Base Rate; and

(C) in the case of a Fixed Rate Auction, the rate of interest per annum (specified to the nearest 1/1,000th of 1%) (the "Fixed Rate") offered for each such Uncommitted Advance.

(iii) Any Quote shall be disregarded if it:

(A) is not substantially in conformity with the format described in the relevant Quote Request or does not specify all of the information required by Section 2.13(c)(ii);

(B) contains qualifying, conditional or similar language;

(C) proposes terms other than or in addition to those set forth in the applicable Quote Request; or

(D) is received by the Administrative Agent after the time set forth in Section 2.13(c)(i).

(d) Acceptance and Notice by Borrower. Not later than (i) 1:00 P.M. (New York City time) on the third Business Day prior to the proposed date of borrowing, in the case of a Fixed Rate Auction or (ii) 1:00 P.M. (New York City time) on the Business Day immediately preceding the proposed date of borrowing, in the case of a Floating Rate Auction, the Borrower shall notify the Administrative Agent (which shall give prompt notice thereof to the Lenders) of its acceptance or nonacceptance of the offers so notified to it pursuant to Section 2.13(c) substantially in the form of Exhibit E hereto; provided that if the Borrower shall fail to so notify the Administrative Agent by the times set forth above, the Borrower shall be deemed to have notified the Administrative Agent of its nonacceptance of each such offer. In the case of acceptance, each such notice shall specify the aggregate principal amount of offers that are accepted. The Borrower may accept any such offer in whole or in part; provided that:

(i) the aggregate principal amount of each Uncommitted Borrowing may not exceed the applicable amount set forth in the related Quote Request;

(ii) the principal amount of each Uncommitted Borrowing must be \$10,000,000 or a larger whole multiple of \$1,000,000;

(iii) acceptance of offers from the Lenders may only be made on the basis of ascending Floating Rate Margins or Fixed Rates, as the case may be; and

(iv) the Borrower may not accept any offer that is described in Section 2.13(c)(iii) or that otherwise fails to comply with the requirements of this Agreement.

(e) Allocation. If offers are made by more than one Lender with the same Floating Rate Margins or Fixed Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which such offers are accepted, the principal amount of Uncommitted Advances in respect of which such offers are accepted shall be allocated by the Administrative Agent among such Lenders as nearly as possible (in such multiples, not less than \$1,000,000, as it may deem appropriate) in proportion to the aggregate principal amounts of such offers. Determinations by the Administrative Agent of the allocations of Uncommitted Advances shall be binding and conclusive in the absence of manifest error. The Administrative Agent shall promptly notify the Borrower and the Lenders of any allocation pursuant to this Section 2.13(e).

(f) Funding. In the case of an Uncommitted Borrowing as to which the Borrower has accepted the offer of one or more Lenders to make an Uncommitted Advance under clause (d) above, before 12:00 noon (New York City time) on the date of such Uncommitted Borrowing, each such Lender shall make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's Account, in same day funds, such Lender's portion of such Uncommitted Borrowing. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Administrative Agent of such funds, the Administrative Agent will promptly (and in any event by the close of business New York City

time on the date of such Borrowing) make such funds available to the Borrower by depositing the same in immediately available funds into such account as the Borrower shall have specified in the related notice of acceptance (in substantially the form of Exhibit E hereto). Promptly after each Uncommitted Borrowing the Administrative Agent will notify each Lender of the amount of the Uncommitted Borrowing, the aggregate principal amount of the Uncommitted Advances then outstanding and the dates upon which such Uncommitted Advances commenced and will mature.

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Condition Precedent to Effectiveness of Sections 2.01 and 2.13. Sections 2.01 and 2.13 of this Agreement shall become effective on the date (the "Effective Date"), which shall be on or before October 17, 2001, as of which the Administrative Agent shall confirm to the Borrower that it has received the following, each dated such day, in form and substance satisfactory to the Administrative Agent and (except for the Notes) in sufficient copies for each Lender:

(a) Executed Counterparts. From each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page to this Agreement) that such party has signed a counterpart of this Agreement;

(b) Authority and Approvals. Certified copies of the resolutions of the Board of Directors of the Borrower (or equivalent documents) authorizing and approving this Agreement, authorizing Borrowings hereunder in an aggregate principal amount up to but not exceeding \$100,000,000 at any one time outstanding, and certified copies of all documents evidencing all necessary corporate action and all other necessary action (corporate, partnership or otherwise) and governmental approvals, if any, with respect to this Agreement;

(c) Secretary's or Assistant Secretary's Certificate. A certificate of the Secretary or an Assistant Secretary of the Borrower, dated the Effective Date, certifying the names and true signatures of the officers of the Borrower authorized to execute and deliver this Agreement, the Notes, and the other documents to be delivered hereunder;

(d) Legal Opinion. An opinion of counsel to the Borrower, dated the Effective Date, substantially in the form of Exhibit F hereto;

(e) Closing Certificate. A certificate of a senior financial officer of the Borrower, dated the Effective Date, certifying that the representations and warranties set forth in Article IV are true on such date as if made on and as of such date and that no Default shall have occurred and be continuing on such date; and

(f) Termination of Commitments; Fees and Expenses. Evidence satisfactory to the Administrative Agent that (i) the commitments under the Existing Credit Agreements have been terminated and all accrued fees, expenses, interest, principal and other amounts thereunder have been paid, and (ii) the Borrower shall have paid to the Administrative Agent for account of the Lenders such up-front fees in connection with the execution of this Agreement as the Borrower and the Administrative Agent shall have agreed upon.

SECTION 3.02. Conditions Precedent to Each Advance. The obligation of each Lender to make each Advance (including the initial Advance) as part of a Borrowing shall be subject to the further conditions precedent that (i) on the date of such Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Borrowing or the notice of acceptance under Section 2.13(d), as the case may be, and the acceptance by the Borrower of the proceeds of such Advance shall constitute a representation and warranty by the Borrower that on the date of such Advance the following statements shall be true): (x) the representations and warranties contained in Section 4.01 (other than the Excluded Representation) are correct in all material respects on and as of the date of such Borrowing, before and after giving effect to such Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and (y) no event has occurred and is continuing, or would result from such Borrowing or from the application of the proceeds therefrom, that would constitute an Event of Default, or would constitute an Event of Default but for the requirement that notice be given or time elapse or both and, (ii) in the case of a requested Borrowing the proceeds of which are to be used to purchase or carry any Margin Stock, the Borrower shall deliver to the Administrative Agent a certificate of the chief financial officer of the Borrower accompanying the relevant Notice of Borrowing setting forth in reasonable detail the basis upon which the Borrower has made the representation set forth in the third sentence of Section 4.01(1) on and as of the date of such Borrowing, before and after giving effect to such Borrowing and to the application of the proceeds therefrom, together with (if so requested by the Administrative Agent) a duly completed Form U-1 satisfactory to the Administrative Agent.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Corporate Existence. The Borrower is a corporation duly organized and validly existing under the laws of the State of Connecticut.

(b) Corporate Authorization, Etc. The execution, delivery and performance by the Borrower of this Agreement and the Notes are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action and do not contravene (i) the Borrower's charter or bylaws or (ii) any law or contractual restriction binding on or affecting the Borrower or any of its Subsidiaries.

5-YEAR CREDIT AGREEMENT

(c) No Approvals. No authorization, approval or action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Agreement or the Notes.

(d) Enforceability. This Agreement is and upon issuance and delivery thereof in accordance with this Agreement each Note will be the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms.

(e) Financial Information. The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2000 and the related statements of income and retained earnings of the Borrower and its Consolidated Subsidiaries for the fiscal year then ended, copies of which have been furnished to the Lenders, fairly present in all material respects the financial condition of the Borrower and its Consolidated Subsidiaries as of such date and the results of the operations of the Borrower and its Consolidated Subsidiaries for the period ended on such date, all in accordance with GAAP consistently applied.

(f) No Litigation. Except as disclosed or otherwise reflected in the Borrower's Annual Report on Form 10-K for the year ended December 31, 2000, as updated by the Borrower's Form 10-Q for the period ending July 1, 2001, there is no pending or (to the best of the Borrower's knowledge) threatened action or proceeding against the Borrower or any of its Subsidiaries or relating to any of their respective properties before any court, governmental agency or arbitrator, which could reasonably be expected to have a Material Adverse Effect or which purports to affect the legality, validity or enforceability of this Agreement or any Note.

(g) No Material Adverse Effect. Since December 31, 2000, there has been no event, act or condition which has had a Material Adverse Effect.

(h) Environmental Matters. Except as disclosed or otherwise reflected in the Borrower's Annual Report on Form 10-K for the year ended December 31, 2000, as updated by the Borrower's Form 10-Q for the period ending July 1, 2001, neither the Borrower nor any of its Subsidiaries 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 which could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect arising in connection with (i) any non-compliance with or violation of the requirements of any applicable federal, state or local environmental health or safety statutes or regulations, or (ii) the release or threatened release of any toxic or hazardous waste, substance or constituent into the environment.

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

(j) Disclosure. The information furnished in writing by or on behalf of the Borrower to the Lenders in connection with the negotiation, execution and delivery of this Agreement does not contain any material misstatements of fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(k) No Defaults. The Borrower (i) is not in default under or with respect to this Agreement or any Note, and (ii) is not in default under or with respect to any other agreement,

instrument or undertaking to which it is a party or by which it or any of its property is bound in any respect which could reasonably be expected to result in a Material Adverse Effect.

(1) Use of Proceeds, Etc. All proceeds of each Advance will be used by the Borrower only in accordance with the provisions of Section 2.12. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock and no proceeds of any Advance will be used to extend credit to others for the purpose of purchasing or carrying any Margin Stock. Neither the making of any Advance nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulations U or X issued by the Board of Governors of the Federal Reserve System.

ARTICLE V

COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as any Advance or any other amount owing hereunder shall remain unpaid or any Lender shall have any Commitment hereunder:

(a) Financial Information. The Borrower will furnish to the Lenders:

(i) Quarterly Financial Statements. Within 50 days after the close of each quarterly accounting period in each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at the end of such quarterly period and the related consolidated and consolidating statements of income, retained earnings and cash flows for such quarterly period and for the elapsed portion of the fiscal year ended with the last day of such quarterly period, in each case setting forth comparative figures for the related periods in the prior fiscal year.

(ii) Annual Financial Statements. Within 95 days after the close of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at the end of such fiscal year and the related consolidated statement of income, retained earnings and cash flows for such fiscal year, setting forth comparative figures for the preceding fiscal year and reported on without qualification by independent certified public accountants of recognized national standing, in each case together with a report of such accounting firm stating that in the course of its regular audit of the consolidated financial statements of the Borrower, which audit was conducted in accordance with generally accepted auditing standards, such accounting firm has obtained no knowledge of any Default or Event of Default relating to accounting matters (including, without limitation, in respect of Section 5.01(f)), or if in the opinion of such accounting firm such a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof.

(iii) Officer's Certificates. At the time of the delivery of the financial statements under clauses (i) and (ii) above, a certificate of the chief financial officer of the Borrower which certifies (x) that such financial statements fairly present the financial condition and

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the results of operations of the Borrower 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 the Borrower and its Consolidated Subsidiaries during the accounting period covered by such financial statements, and that as a result of such review such officer has concluded that no Default or Event of Default 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 Default or Event of Default has occurred, specifying the nature and extent thereof and, if continuing, the action the Borrower proposes to take in respect thereof. Such certificate shall set forth the calculations required to establish whether the Borrower was in compliance with the provisions of Section 5.01(f) for the twelve-month period ending as at the end of the accounting period covered by the financial statements accompanied by such certificate.

(iv) Notice of Default or Litigation. Promptly after the Borrower obtains knowledge thereof, notice of (i) the occurrence of any Default or Event of Default, or (ii) any litigation or governmental proceeding pending or threatened against the Borrower or other event, act or condition which could reasonably be expected to result in a Material Adverse Effect.

(v) SEC Filings. Promptly upon transmission thereof, copies of all regular and periodic financial information, proxy materials and other information and reports, if any, which the Borrower shall file with the Securities and Exchange Commission or any governmental agencies substituted therefor or which the Borrower shall send to its stockholders.

(vi) Other Information. From time to time, and as soon as reasonably practicable, such other information or documents (financial or otherwise) as any Lender through the Administrative Agent may from time to time reasonably request.

Reports and financial statements required to be delivered by the Borrower pursuant clauses (i), (ii) and (v) of this Section 5.01 (a) shall be deemed to have been delivered on the date on which it posts such reports, or reports containing such financial statements, on its website on the Internet at www.stanleyworks.com, or when such reports, or reports containing such financial statements are posted on the website of the Securities and Exchange Commission at www.sec.gov; provided that it shall deliver such paper copies of the reports and financial statements referred to in Clauses (i), (ii) and (v) of this Section 5.01(a) to the Administrative Agent or any Lender who request it to deliver such paper copies until written notice to cease delivering paper copies is given by the Administrative Agent or such Lender.

(b) Compliance with Law. The Borrower shall, and shall cause each of its Subsidiaries to, comply with all applicable laws, rules, statutes, regulations, decrees and orders of all governmental bodies, domestic or foreign, in respect of the conduct of their business and the ownership of their property, except such non-compliance as could not reasonably be expected to result in a Material Adverse Effect at the time of such noncompliance or in the foreseeable future.

(c) Payment of Taxes. The Borrower shall pay or cause to be paid, and shall cause each of 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 the Borrower or such Subsidiaries, except (x) as contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves have been established with respect thereto in accordance with GAAP and (y) where such nonpayment could not reasonably be expected to result in a Material Adverse Effect.

(d) Preservation of Corporate Existence. The Borrower shall, and shall cause each of its Subsidiaries to, do all things necessary to preserve, renew and keep in full force and effect its corporate existence and the licenses, permits, rights and franchises necessary to the proper conduct of its business, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any of its Subsidiaries will 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 the Borrower and its Subsidiaries would be substantially changed from the general nature of the business engaged in by the Borrower and its Subsidiaries on the date of this Agreement.

(e) Maintenance of Books and Records. The Borrower will maintain financial records in accordance with GAAP, consistently applied. The representatives of the Administrative Agent or any of the Lenders shall have the right to visit and inspect any of the properties of the Borrower and of any of its Subsidiaries, to examine their books of account and records and take notes and make transcripts therefrom, and to discuss their affairs, finances and accounts with, and be advised as to the same by, their officers upon reasonable prior notice at such reasonable times and intervals as may be requested (subject to the standard policies of the Borrower and its Subsidiaries as to access, safety and, without prejudice to the reasonable requirements of lending institutions and their regulatory supervisors, confidentiality).

(f) Interest Coverage Ratio. The Borrower shall maintain, for each period of four consecutive fiscal quarters of the Borrower, an Interest Coverage Ratio of not less than 5.00 to 1.00.

SECTION 5.02. Negative Covenants. So long as any Advance or any other amount owing hereunder shall remain unpaid or any Lender shall have any Commitment hereunder:

(a) No Liens. The Borrower shall not, and shall not permit any of its Subsidiaries to, create, incur, assume or suffer to exist, directly or indirectly, any Lien on any Principal Property now owned or hereafter acquired (unless the Borrower secures the Advances made hereunder equally and ratably with such Lien), other than:

(i) Liens existing and disclosed to the Lenders in writing prior to the date hereof;

(ii) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves are being maintained in accordance with GAAP;

(iii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other Liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith by appropriate

proceedings diligently conducted and with respect to which adequate bonds have been posted;

(iv) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(v) easements, rights-of-way, zoning and similar restrictions and other similar charges or encumbrances not interfering with the ordinary conduct of the business of the Borrower or any of its Subsidiaries and which do not detract materially from the value of the property to which they attach or impair materially the use thereof by the Borrower or any of its Subsidiaries;

(vi) Liens on property of any Person existing at the time such Person becomes a Subsidiary of the Borrower;

(vii) Liens securing Indebtedness owed by a Subsidiary of the Borrower to the Borrower or another Subsidiary of the Borrower;

(viii) 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;

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

(x) any Lien 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 Lien attaches only to such revenues or assets (including any improvements) and the Indebtedness thereby secured does not exceed the lesser of the fair market value or the purchase price of the revenues or assets (including any improvements) as purchased;

(xi) any other Liens on Principal Properties securing Indebtedness which in the aggregate does not exceed 10% of Consolidated Net Tangible Assets at any time outstanding; and

(xii) any extension, renewal or replacement of any of the Liens referred to above; provided that the Indebtedness secured by any such extension, renewal or replacement does not exceed the sum of the principal amount of the Indebtedness originally secured thereby and any fee incurred in connection with such transaction.

(b) Merger, Etc. The Borrower shall not (i) 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, or (ii) permit any of its Subsidiaries to do so, if such action could reasonably be expected to have a Material Adverse Effect, except that any wholly-owned Subsidiary of the Borrower may merge into or convey, sell, lease or transfer all or substantially all of its assets to, the Borrower or any other wholly-owned Subsidiary of the Borrower and the Borrower or any of its Subsidiaries may enter into any merger or consolidation so long as in the case of a transaction involving the Borrower, the Borrower, or in the case of any other transaction, a Subsidiary of the Borrower, is the surviving entity in such transaction and, after giving effect thereto, no Default or Event of Default shall have occurred or be continuing.

(c) Sale-Leasebacks. The Borrower shall not, and shall not permit any of its Subsidiaries to, become liable, directly or indirectly, with respect to any lease, whether an operating lease or a Capital Lease, of any property (whether real or personal or mixed) whether now owned or hereafter acquired (except for property the aggregate value of which at the time such lease is entered into is less than 10% of Consolidated Net Tangible Assets), (i) which the Borrower or such Subsidiary has sold or transferred or is to sell or transfer to any other Person, or (ii) which the Borrower or such Subsidiary intends to use for substantially the same purposes as any other property which has been or is to be sold or transferred by the Borrower or such Subsidiary to any other Person in connection with such lease.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrower shall fail to pay when due any principal of any Advance (or, if any such failure is due solely to technical or administrative difficulties relating to the transfer of such amounts, within two Business Days after its due date) or the Borrower shall fail to pay when due any interest on any Advance, any fee (other than the fees referenced in Section 2.03) or any other amount payable by it hereunder or under any Note and five (5) days shall have elapsed from the date such interest, fees or other amounts were due; or with respect to the fees payable pursuant to Section 2.03, the Borrower shall fail to pay any such fee when due and two Business Days shall have elapsed from the Borrower's receipt of notice of such nonpayment from the Administrative Agent or any Lender; or

(b) Any representation or warranty made by the Borrower herein or pursuant to this Agreement or any Note (including without limitation in any certificate of the Borrower delivered pursuant hereto) shall prove to have been incorrect in any material respect when made or deemed made; or

(c) The Borrower shall fail to perform any term, covenant or agreement contained in the first sentence of Section 2.07(b), Section 5.01(a)(iv), 5.01(f) or 5.02 on its part to be performed or observed; or

(d) The Borrower shall fail to perform any term, covenant or agreement contained in this Agreement (except those described in clauses (a) and (c) above) and such failure shall continue for 30 days; or

(e) A court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Borrower or any of its Principal Subsidiaries 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 the Borrower 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

(f) The Borrower or any of its Principal Subsidiaries 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 the Borrower 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

(g) (A) The Borrower shall fail to make any payment in respect of Indebtedness when due (whether by scheduled maturity, required prepayment, acceleration or otherwise) if the aggregate amount of such payment is \$5,000,000 or more, or (B) any breach, default or event of default shall occur and be continuing (and applicable grace and notice periods shall have expired) under any agreement or indenture relating to any Indebtedness in an aggregate amount of \$5,000,000 or more, and, except in the case of financial covenant defaults, the maturity of any such Indebtedness has been accelerated in accordance with the terms thereof; or

(h) (A) Any Termination Event shall occur, or (B) any Plan shall incur an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived, or (C) the Borrower or any member of its ERISA Controlled Group shall fail to pay when due an amount which it shall have become liable to pay to the PBGC, any Plan or a trust established under Title IV of ERISA, or (D) a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that an ERISA Plan must be terminated or have a trustee appointed to administer any ERISA Plan, or (E) the Borrower or a member of its ERISA Controlled Group suffers a partial or complete withdrawal from a Multiemployer Plan or is in "default" (as defined in Section 4219(c)(5) of ERISA) with respect to payments to a Multiemployer Plan, or (F) a proceeding shall be instituted against the Borrower or any member of its ERISA Controlled Group to enforce Section 515 of ERISA, or (G) any other event or condition shall occur or exist with respect to any Plan, if such events, transactions or conditions set forth in clauses (A) through (G) above could singly or in the aggregate be reasonably expected to have a Material Adverse Effect; or

(i) If there shall remain in force, undischarged, unsatisfied and unstayed, for more than 30 days, whether or not consecutive, any final judgment against the Borrower or any of its Principal Subsidiaries which, when added to any other outstanding final judgments

which remain undischarged, unsatisfied and unstayed for more than 30 days against the Borrower or any such Principal Subsidiary, exceeds \$25,000,000;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare all Advances, the Notes, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon all Advances, the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the case of any of the Events of Default specified in clauses (e) or (f) above with respect to the Borrower, (A) the obligation of each Lender to make Advances shall automatically be terminated and (B) the Advances, the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VII

THE ADMINISTRATIVE AGENT

SECTION 7.01. Authorization and Action. Each Lender hereby appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Administrative Agent shall not be required to take any action that exposes the Administrative Agent to personal liability or that is contrary to this Agreement or applicable law. The Administrative Agent agrees to give to each Lender prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 7.02. Administrative Agent's Reliance, Etc. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Administrative Agent: (i) may treat the payee of any Note as the holder thereof until the Administrative Agent receives and accepts an Assignment and Acceptance entered into by the Lender that is the payee of such Note, as assignor, and an assignee, as provided in Section 8.07; (ii) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the

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advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (vi) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier) believed by it to be genuine and signed or sent by the proper party or parties; and (vii) shall be deemed not to have knowledge of any Default (other than a failure to pay any principal or interest on the due date therefor) unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender.

SECTION 7.03. Citibank and Affiliates. With respect to its Commitment, the Advances made by it and the Note or Notes issued to it, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Administrative Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Borrower, any of its Subsidiaries and any Person who may do business with or own securities of the Borrower or any such Subsidiary, all as if Citibank were not the Administrative Agent and without any duty to account therefor to the Lenders.

SECTION 7.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05. Indemnification. The Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of their Commitments, as then or most recently in effect, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement and the Notes, or any action taken or omitted by the Administrative Agent under this Agreement and the Notes, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the Administrative Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Administrative Agent in connection with the

preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Administrative Agent is not reimbursed for such expenses by the Borrower.

SECTION 7.06. Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower and may be removed at any time with or without cause by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Administrative Agent, which shall be (i) a Lender or (ii) if no Lender shall accept appointment as the Administrative Agent within 30 days after such resignation or removal, any other Person, which Person, so long as no Default shall have occurred and be continuing, shall be reasonably acceptable to the Borrower. If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be (i) a Lender or (ii) any other Person, which Person, so long as no Default shall have occurred and be continuing, shall be reasonably acceptable to the Borrower. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Notes, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower and the Required Lenders, or in the case of Section 2.13 and any Uncommitted Note, the Borrower and the Lender to which such Note is payable, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that the written consent of the Borrower and all the Lenders shall be required in order to amend or waive any provision of the Agreement or the Notes other than Section 2.13 which would have the effect of (a) a reduction in principal, interest or fees payable to the Lenders under this Agreement or the Committed Notes, (b) the postponement of any date fixed for the payment of any principal, interest or fees under this Agreement or the Committed Notes, (c) an increase in the Commitments, (d) amending or waiving compliance with the last sentence of Section 2.01(a), Section 2.08, Section 8.05 or this Section 8.01, or (e) amending the definition of Required Lenders; and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above to take such action,

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affect the rights or duties of the Administrative Agent under this Agreement, and provided, further, that the Commitment of any Lender shall not be extended without the prior written consent of such Lender.

SECTION 8.02. Notices, etc.

All notices and other communications provided for hereunder shall be in writing (including telecopier communication) and mailed, telecopied or delivered, if to the Borrower, at its address at 1000 Stanley Drive, New Britain, Connecticut 06053, Attention: Secretary, telecopy no. 860-827-3911, with a copy to Craig A. Douglas, Treasurer, at the same address and telecopy no. 860-827-3886; if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender; and if to the Administrative Agent, at its address at 2 Penns Way, Suite 200, New Castle, Delaware 19720, Attention: Bank Loans Syndication, telecopy no. 302-894-6120; or, as to the Borrower or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

SECTION 8.03. No Waiver; Remedies. No failure on the part of any Lender or the Administrative Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs and Expenses; Breakage Indemnification.

(a) The Borrower agrees to pay on demand all reasonable costs and expenses, if any (including, without limitation, counsel fees and expenses reasonably incurred), of the Administrative Agent and each Lender in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable counsel fees and expenses in connection with the enforcement of rights under this Section 8.04(a).

(b) If any payment, prepayment or conversion of any Eurodollar Rate Advance or a Fixed Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of acceleration of the maturity of the Advances and the Notes pursuant to Section 6.01 or for any other reason other than in connection with Section 2.02(c), the Borrower shall, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain such Advance.

(c) The Borrower agrees to indemnify and hold harmless the Administrative Agent and each Lender and each of their affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with the actual or proposed use of the proceeds of the Advances in connection with any acquisition or proposed acquisition by the Borrower or any Subsidiary of the Borrower of another Person or one or more businesses of another Person (whether by means of a stock purchase, asset acquisition or otherwise), whether or not such investigation, litigation or proceeding is brought by the Borrower, its directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct.

SECTION 8.05. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of the Committed Advances owing to it (other than pursuant to Section 2.02(d), 2.06, 2.08, 2.10 or 8.04(b)) in excess of its ratable share of payments on account of the Committed Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Committed Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 8.05 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 8.06. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent and the Lenders and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights or obligations hereunder or under any Note or any interest herein or therein (other than as permitted by Section 5.02(b)) without the prior written consent of the Lenders.

SECTION 8.07. Assignments and Participations. (a) Each Lender may assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, and the Committed Advances owing to it and the Committed Note or Notes held by it); provided, however, that (i) each such assignment (other than assignment to an affiliate of such Lender) shall require the prior written consent of the Borrower, which consent shall not be unreasonably withheld, (ii) each such

assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Uncommitted Advances, Uncommitted Advances owing to it and Uncommitted Notes), (iii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof, and (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance (which shall include the agreement of the assignee party to such assignment, for the benefit of the Borrower, to be bound by the terms and provisions of this Agreement to the same extent as if it were an original party hereto), together with any Committed Note subject to such assignment and the assignor or assignee shall pay to the Administrative Agent a processing and recordation fee of \$3,000. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee, together with any Committed Note or Notes subject to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit G hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. In the case of any Lender that holds a Committed Note, within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent in simultaneous exchange for the surrendered Committed Note a new Committed Note to the order of such assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a Commitment hereunder, a new Committed Note to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Committed Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Committed Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit H-2. Such Assignment and Acceptance shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Person as a Lender and the resulting adjustment of the Commitments, if any, arising from such assignment of Commitments to such Person.

(d) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other financial institutions, or other entities engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of their business, in all or a portion of its rights and/or obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advances owing to it and the Note or Notes held by it); provided that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment) shall remain unchanged, (ii) such Lender shall remain solely responsible to the Borrower for the performance of such obligations, (iii) the Borrower shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (iv) such participant's right to consent to any modification, waiver or release of any of the provisions of this Agreement shall be limited to the right to consent to (A) any reduction in principal, interest or fees payable to such Lender under this Agreement, (B) the postponement of any date fixed for the payment of any principal, interest or fees under this Agreement and (C) any amendments to the foregoing clauses (A) and (B).

SECTION 8.08. Limitation on Assignments and Participations.

(a) Any Lender may, in connection with any actual or proposed assignment or participation pursuant to Section 8.07, disclose to the actual or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that the actual or

proposed assignee or participant shall have agreed prior to any such disclosure to preserve the confidentiality of any confidential information relating to the Borrower received by it from such Lender or the Borrower.

(b) Notwithstanding anything in Section 8.07 to the contrary, no Lender shall have the right to assign its rights and obligations hereunder or any interest therein or to sell participations to one or more banks or other financial institutions in all or a portion of its rights hereunder or any interest therein where the result of such assignment or participation would be reasonably expected to entitle the Lender to claim additional amounts pursuant to Section 2.02(d), 2.06, 2.08, 2.10, 2.13(f) or 8.04 or would otherwise result in an increase in the Borrower's obligations.

(c) Anything in this Section 8.08 to the contrary notwithstanding, any Lender may assign and pledge all or any portion of its rights to payment of the Advances owing to it hereunder to any Federal Reserve Bank (and its transferees) as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any applicable Operating Circular issued by such Federal Reserve Bank. No such assignment shall have the effect of releasing such Lender from its obligations hereunder.

SECTION 8.09. Withholding. If any Lender, or any Person that becomes a party to this Agreement pursuant to Section 8.07, is not incorporated under the laws of the United States of America or a state thereof, such Person agrees that, prior to the first date on which any payment is due to it hereunder, it will deliver to each of the Borrower and the Administrative Agent (i) two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI or successor applicable form, as the case may be, certifying in each case that such Person is entitled to receive payments under this Agreement, without deduction or withholding of any United States federal income taxes, and (ii) an Internal Revenue Service Form W-8BEN or successor applicable form, as the case may be, to establish an exemption from United States backup withholding tax. Each Person which delivers to the Borrower a Form W-8BEN or W-8ECI pursuant to the preceding sentence further undertakes to deliver to each of the Borrower and the Administrative Agent two further copies of Form W-8BEN or W-8ECI, or successor applicable forms, or other manner of certification, as the case may be, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower and the Administrative Agent, and such extensions or renewals thereof as may reasonably be requested by the Borrower or the Administrative Agent, certifying in the case of a Form W-8BEN or W-8ECI that such Person is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Person from duly completing and delivering any such form with respect to it and such Person advises the Borrower and the Administrative Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax, and in the case of a Form W-8BEN, establishing an exemption from United States backup withholding tax.

SECTION 8.10. Mitigation. In the event that any Lender claims any amounts under Sections 2.02(d), 2.06, 2.08, 2.10 or 8.04(b), it shall use all reasonable efforts (consistent with its internal policies and legal and regulatory restrictions) to take actions (including, without

limitation, changing the jurisdiction of its Applicable Lending Office) so as to eliminate such additional amounts; provided that such Lender shall not be required to take any action if, in its reasonable judgment, such action would be materially disadvantageous to it.

SECTION 8.11. Governing Law; Waiver of Jury Trial. THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 8.12. Execution in Counterparts. This Agreement may be executed in any number of counterparts each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 8.13. Submission to Jurisdiction. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement and the Notes. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and a claim that such proceeding brought in such a court has been brought in an inconvenient forum.

5-YEAR CREDIT AGREEMENT

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective signatories thereunto duly authorized, as of the date first above written.

THE STANLEY WORKS

By _____
Name:
Title:

5-YEAR CREDIT AGREEMENT

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

By _____
Name:
Title:

5-YEAR CREDIT AGREEMENT

FLEET NATIONAL BANK

By _____
Name:
Title:

5-YEAR CREDIT AGREEMENT

BNP Paribas

By _____
Name:
Title:

5-YEAR CREDIT AGREEMENT

Mellon Bank, N.A.

By _____
Name:
Title:

5-YEAR CREDIT AGREEMENT

The Chase Manhattan Bank

By _____
Name:
Title:

5-YEAR CREDIT AGREEMENT

Barclays Bank PLC

By _____
Name:
Title:

5-YEAR CREDIT AGREEMENT

Centura Bank

By _____
Name:
Title:

5-YEAR CREDIT AGREEMENT

Deutsche Bank AG, New York Branch
and/or Cayman Islands

By _____
Name:
Title:

5-YEAR CREDIT AGREEMENT

The Northern Trust Company

By _____
Name:
Title:

5-YEAR CREDIT AGREEMENT

SCHEDULE I
ADDRESS AND APPLICABLE LENDING OFFICES

Name of Lenders and Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
<p>Mellon Bank, N.A. 3 Mellon Bank Center, 12th Floor Pittsburgh, PA 15259</p> <p>Telecopy: 412-209-6118 Telephone: 412-234-8285 Attn: Sannford M. Richards</p>	<p>Mellon Bank, N.A. 3 Mellon Bank Center, 12th Floor Pittsburgh, PA 15259</p>	<p>Mellon Bank, N.A. 3 Mellon Bank Center, 12th Floor Pittsburgh, PA 15259</p>
<p>BNP Paribas 787 Seventh Avenue New York, NY 10019</p> <p>Telecopy: 212-841-3049 Telephone: 212-841-3404 Attn: Christopher Criswell</p>	<p>BNP Paribas 787 Seventh Avenue New York, NY 10019</p>	<p>BNP Paribas 787 Seventh Avenue New York, NY 10019</p>
<p>Centura Bank 3201 Beechleaf Court, Suite 700 Raleigh, NC 27604-1051</p> <p>Telecopy: 919-788-5515 Telephone: 919-788-5413 Attn: William W. Newell</p>	<p>Centura Bank 3201 Beechleaf Court, Suite 700 Raleigh, NC 27604-1051</p>	<p>Centura Bank 3201 Beechleaf Court, Suite 700 Raleigh, NC 27604-1051</p>
<p>Deutsche Bank AG, New York Branch and/or Cayman Islands 31 West 52nd Street New York, NY 10019</p> <p>Telecopy: 212-469-8115 Telephone: 212-469-8121 Attn: Barbara Hoeltz</p>	<p>Deutsche Bank AG, New York Branch and/or Cayman Islands 31 West 52nd Street New York, NY 10019</p>	<p>Deutsche Bank AG, New York Branch and/or Cayman Islands 31 West 52nd Street New York, NY 10019</p>

5-YEAR CREDIT AGREEMENT

Name of Lenders and Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
Barclays Bank PLC P.O. Box 544 34 Lombard Street London EC3V 9EX Telecopy: 171-699-2298 Contacts: Jonathan Gray Tel. No. 171-699-2301	Barclays Bank PLC London c/o Barclays Bank PLC 75 Wall Street New York, N.Y. 10265 Ref: Stanley Works Base Rate Advances Telecopy: 212-412-5002 Contacts: Kevin Jones 212-412-5022	Barclays Bank PLC Central Loan Admin. Dept., 5th Floor St. Swithins House 11/12 St. Swithins Lane London EC4N 8AS Ref: Stanley Works Eurodollar Rate Advances Telecopy: 171-621-4583 Telex: 895-0821 Contacts: Tanya Bond 171-621-4599
Citibank, N.A. 2 Penns Way, Suite 200, New Castle, Delaware 19720 Telecopy no. 302-894-6120 Attention: Bank Loans Syndication	Citibank, N.A. 2 Penns Way, Suite 200, New Castle, Delaware 19720 Telecopy no. 302-894-6120 Attention: Bank Loans Syndication	Citibank, N.A. 2 Penns Way, Suite 200, New Castle, Delaware 19720 Telecopy no. 302-894-6120 Attention: Bank Loans Syndication
The Chase Manhattan Bank 1 Chase Manhattan Plaza, 8th floor, New York, NY 10081 Attention: Primary contact - Vito Cipriano Tel(212) -552-7402 Fax(212)-552-5662 Secondary Contact - Patricia Ciocco Tel(212) -552-4599 Tel(212) -552-4599 Fax(212)-552-5662	The Chase Manhattan Bank 1 Chase Manhattan Plaza, 8th floor, New York, NY 10081 Attention: Primary contact - Vito Cipriano Tel(212) -552-7402 Fax(212)-552-5662 Secondary Contact - Patricia Ciocco Tel(212) -552-4599 Fax(212)-552-5662	The Chase Manhattan Bank 1 Chase Manhattan Plaza, 8th floor, New York, NY 10081 Attention: Primary contact - Vito Cipriano Tel(212) -552-7402 Fax(212)-552-5662 Secondary Contact - Patricia Ciocco Fax(212)-552-5662

5-YEAR CREDIT AGREEMENT

Name of Lenders and Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
The Northern Trust Company 50 South La Salle Street Chicago, Illinois 60675	The Northern Trust Company 50 South La Salle Street Chicago, Illinois 60675	The Northern Trust Company 50 South La Salle Street Chicago, Illinois 60675
Attn: Russ Rockenbach (312) 630-6414	Attn: Russ Rockenbach (312) 630-6414	Attn: Russ Rockenbach (312) 630-6414
Fleet National Bank 777 Main Street Hartford, Ct. 06115	Fleet National Bank 777 Main Street Hartford, Ct. 06115	Fleet National Bank 777 Main Street Hartford, Ct. 06115
Telecopy: 860-986-9378 Telephone: 860-986-4426 Attn: Paul Veiga	Telecopy: 860-986-9378 Telephone: 860-986-7098 Attn: Zoraida Sanchez	Telecopy: 860-986-9378 Telephone: 860-986-7098 Attn: Zoraida Sanchez

5-YEAR CREDIT AGREEMENT

Schedule I

Lenders and Commitments

Lenders -----	Commitment -----
Citibank, N.A.	16,071,428.57
Fleet National Bank	14,642,857.14
BNP Paribas	14,642,857.14
Mellon Bank, N.A.	14,642,857.14
The Chase Manhattan Bank	11,428,571.43
Barclays Bank PLC	7,142,857.14
Centura Bank	7,142,857.14
Deutsche Bank AG, New York Branch and/or Cayman Islands	7,142,857.14
The Northern Trust Company	7,142,857.14

EXHIBIT A-1

RATE REQUEST

Citibank, N.A., as Reference Bank
under the Credit Agreement
referred to below
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: [_____]

[Date]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility B (Five Year) Credit Agreement, dated as of October 17, 2001 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined) among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Administrative Agent for said Lenders and hereby requests notification from you pursuant to Section 2.02(a) thereof of the Eurodollar Rate which is applicable to the Committed Advance to be made (or converted or continued) on _____, 200_ in the principal amount of \$_____ with the Interest Period of months.

Very truly yours,

The Stanley Works

By _____
Name:
Title:

TO BE COMPLETED AND RETURNED BY
REFERENCE BANK:

The rate requested above,
determined as required by
the Credit Agreement, is _____.

CITIBANK, N.A., as Reference Bank

By _____
Authorized Officer

EXHIBIT A-2

NOTICE OF BORROWING

Citibank, N.A., as Administrative Agent
for the Lenders parties
to the Credit Agreement
referred to below
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: [_____]

[Date]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility B (Five Year) Credit Agreement, dated as of October 17, 2001 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Administrative Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Committed Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Committed Borrowing (the "Proposed Committed Borrowing") as required by Section 2.02(b) of the Credit Agreement:

(i) The Business Day of the Proposed Committed Borrowing is _____, 200_.

(ii) The Type of Advances comprising the Proposed Committed Borrowing is [Base Rate] [Eurodollar Rate].

(iii) The aggregate amount of the Proposed Committed Borrowing is \$_____ .

[(iv)] The Initial Interest Period for each Eurodollar Rate Advance made as part of the Proposed Committed Borrowing is month[s]].

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Committed Borrowing:

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement (other than the Excluded Representation) are correct in all material respects, before and after giving effect to the Proposed Committed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date; and

(B) no event has occurred and is continuing, or would result from such Proposed Committed Borrowing or from the application of the proceeds therefrom, which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

Very truly yours,

The Stanley Works

By _____
Name:
Title:

EXHIBIT B

NOTICE OF CONVERSION OR CONTINUATION

[Date]

Citibank, N.A., as Administrative Agent
for the Lenders parties
to the Credit Agreement
referred to below
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: [_____]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility B (Five Year) Credit Agreement, dated as of October 17, 2001 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Administrative Agent for said Lenders, and hereby gives you notice, pursuant to Section 2.04(b) of the Credit Agreement, that the undersigned hereby elects to [convert][continue] the Committed Borrowing consisting of [Base Rate][Eurodollar Rate] Advances:

(i) which is in the amount of \$_____;

(ii) which, in the case of a Committed Borrowing consisting of Eurodollar Rate Advances, has an Interest Period of _____ month(s);* and

(iii) which was borrowed (or previously converted or continued) on _____, 200_.

- - - - -
* Omit clause (ii) if Committed Borrowing consisted of Base Rate Advances.

Such [conversion][continuation] shall become effective on ,
200_ at which time such Advances shall be [converted into][continued as] [Base
Rate][Eurodollar Rate] Advances:

and

- (i) which is in the amount of \$_____;*
- (ii) which has an Interest Period of _____month(s)**.

Very truly yours,

The Stanley Works

By _____ -
Name:
Title:

- - - - -
* Omit clause (i) if conversion or continuation is for entire amount of
Committed Borrowing.

** Omit clause (ii) if conversion is into Base Rate Advance.

EXHIBIT C

FORM OF QUOTE REQUEST

[Date]

Citibank, N.A., as Administrative Agent
for the Lenders parties
to the Credit Agreement
referred to below
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: [_____]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility B (Five Year) Credit Agreement, dated as of October 17, 2001 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Administrative Agent for said Lenders, and hereby gives you notice pursuant to Section 2.13 of the Credit Agreement that the undersigned hereby requests offers to make an Uncommitted Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Borrowing (the "Proposed Uncommitted Borrowing") is requested to be made*:

(i) The Business Day of the Proposed Uncommitted Borrowing is _____, 200_.

(ii) The proposed aggregate amount of the Proposed Uncommitted Borrowing is \$_____.

(iii) The duration of the proposed Interest Period for the Proposed Uncommitted Borrowing is _____.

(iv) The Type of Proposed Uncommitted Borrowing is [Fixed Rate]
[Floating Rate].

The undersigned hereby certifies that the following statements
are true on the date hereof, and will be true on the date of the Proposed
Uncommitted Borrowing:

(A) the representations and warranties contained in Section 4.01 of the
Credit Agreement (other than the Excluded Representation) are correct in all
material respects, before and after giving effect to the Proposed Uncommitted
Borrowing on the same day and to the application of the proceeds therefrom, as
though made on and as of such date; and

(B) no event has occurred and is continuing, or would result from such
Proposed Uncommitted Borrowing or from the application of the proceeds
therefrom, which constitutes an Event of Default or would constitute an Event of
Default but for the requirement that notice be given or time elapse or both.

Very truly yours,

The Stanley Works

By _____

Name:

Title:

C-2

EXHIBIT D
FORM OF QUOTE

[Date]

THE STANLEY WORKS
1000 Stanley Drive
New Britain, CT 06050

Re: Facility B (Five Year) Credit Agreement dated as of October 17, 2001 among The Stanley Works, certain Lenders parties thereto, and Citibank, N.A., as Administrative Agent for said Lenders (as amended, modified or supplemented from time to time, the "Credit Agreement")

Ladies and Gentlemen:

The undersigned, [Name of Lender], refers to the above-referenced Credit Agreement. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The undersigned hereby makes [a] Quote[s] pursuant to Section 2.13 of the Credit Agreement, in response to the Quote Request made by the Borrower on [_____], and in response thereto, sets forth below the terms on which such Quote[s] [is] [are] made:

(i) The principal amount of the Uncommitted Advance is \$_____ .

(ii) The Type of Uncommitted Advance is [Fixed Rate] [Floating Rate].

(iii) The Floating Rate Margin in the case of a Floating Rate Advance, or the Fixed Rate in the case of a Fixed Rate Advance, is _____.*

The undersigned hereby confirms that it is prepared, subject to the conditions set forth in the Credit Agreement, to extend credit to the Borrower upon acceptance by the Borrower of this Quote in accordance with Section 2.13(d) of the Credit Agreement.

Very truly yours,

[NAME OF LENDER]

- - - - -
* Clauses (i) through (iii) should be repeated as to each additional offer being made.

By _____
Name:
Title:

C-4

EXHIBIT E
FORM OF ACCEPTANCE

[Date]

Citibank, N.A., as Administrative Agent
for the Lenders parties
to the Credit Agreement
referred to below
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: [_____]

Re: Facility B (Five Year) Credit Agreement, dated as of October 17, 2001 (as amended, modified or supplemented from time to time, the "Credit Agreement") among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Administrative Agent for said Lenders

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the above referenced Credit Agreement. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. In accordance with Section 2.13 of the Credit Agreements, we have received [a] Quote/Quotes in connection with our Quote Request, dated _____, for [an] Uncommitted Borrowing[s] to occur on _____, and in accordance with Section 2.13(d) of the Credit Agreement, we hereby accept the following offer/offers for the Interest Period of []:

Principal Amount	Fixed Rate/Floating Rate	Lender
- - - - -	- - - - -	- - - - -

Very truly yours,

The Stanley Works

By _____
Name:
Title:

EXHIBIT F

FORM OF OPINION OF COUNSEL TO THE BORROWER

October 17, 2001

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

Re: The Facility B (Five Year) Credit Agreement among
The Stanley Works, the Lenders party thereto and

Citibank, N.A., as Administrative Agent

Ladies and Gentlemen:

We have acted as special counsel to The Stanley Works, a Connecticut corporation (the "Borrower"), in connection with the Facility B (Five Year) Credit Agreement dated as of even date herewith, among the Borrower, the lenders party thereto (the "Lenders") and Citibank, N.A., as administrative agent (in such capacity, the "Administrative Agent") for the Lenders. This opinion is being delivered pursuant to Section 3.01(d) of the Credit Agreement. Capitalized terms used herein but not otherwise defined shall have the meaning set forth in the Credit Agreement.

In rendering the opinions set forth herein, we have examined and relied on originals or copies of (i) the Credit Agreement, (ii) the certificate executed by the General Counsel of the Borrower dated as of the date hereof, a copy of which is attached hereto as Exhibit A (the "Borrower's Certificate"), (iii) a copy of the Borrower's Annual Report on Form 10-K for the year ended January 1, 2001 (the "Form 10-K") filed with the Securities and Exchange Commission, (iv) a copy of the Borrower's Quarterly Report on Form 10-Q for the period ended July 1, 2001 filed with the Securities and Exchange Commission, (v) the Restated Certificate of Incorporation of the Borrower dated September 11, 1998, filed with the Connecticut Secretary of the State's office on September 15, 1998, (vi) the Bylaws of the Borrower as amended through May 24, 2001, (vii) Resolutions of the Board of Directors of the Borrower adopted on September 19, 2001, and (viii) a Certificate of Legal Existence of the Borrower dated October 9, 2001 issued by the Connecticut Secretary of the State. Furthermore, in rendering the opinions set forth herein we have, with your consent, relied only upon examination of the documents described above and upon statements and representations of the Borrower and its officers and other representatives, including the facts and conclusions set forth in the Borrower's Certificate and we have made no independent verification or investigation of the factual matters set forth therein.

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

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

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

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

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

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

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

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

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

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

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

Our opinions are subject to the following assumptions and qualifications:

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

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

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

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

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

(f) we express no opinion with respect to any provision of the Credit Agreement to the extent it authorizes or permits any purchaser of a participation interest to set-off or apply any deposit, property or indebtedness with respect to any participation interest.

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

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

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

Very truly yours,

Tyler Cooper & Alcorn, LLP

By: _____
A Partner

SCHEDULE I

Lenders

Citibank, N.A.

BORROWER'S CERTIFICATE

I, Bruce H. Beatt, am General Counsel of The Stanley Works (the "Borrower"). I understand that pursuant to Section 3.01(d) of that certain Facility B (Five Year) Credit Agreement dated as of October 17, 2001 (the "Credit Agreement"), among the Borrower, the lenders party thereto (the "Lenders") and Citibank, N.A. as administrative agent for the Lenders, Tyler Cooper & Alcorn, LLP is relying on this certificate and the statements made herein in rendering certain legal opinions. Capitalized terms used herein but not otherwise defined shall have the meaning set forth in the Credit Agreement.

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

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

1. The value of all securities owned by the Borrower (excluding those issued by majority-owned Subsidiaries of the Borrower) does not exceed 10% of the value of the Borrower's total assets;
2. Less than 25 percent of the assets of the Borrower on a consolidated basis and on an unconsolidated basis consist of the margin stock (as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System);
3. The Borrower (a) is primarily engaged, directly or through a wholly-owned subsidiary or subsidiaries, in a business or businesses other than that of investing, reinvesting, owning holding or trading in securities and (b) is not engaged and does not propose to engage in the business of investing, reinvesting, owning, holding or trading in securities, and does not own or propose to acquire investment securities having a value exceeding 40 percent of the value of the Borrower's total assets (exclusive of government securities and cash items) on an unconsolidated basis; and

B. Based solely and exclusively on a certain Statement by Holding Company Claiming Exemption Under Rule U-3A-2 from the Provisions of the Public Utility Holding Company Act of 1935 (the "Act"), filed by Borrower with the United States Securities and Exchange Commission on February 29, 2000 (Accession Number 0000093556-00-000003), Borrower is exempt from the provisions of the Act.

C. Based solely and exclusively on interviews of the officers of the Borrower responsible for its financing activities and the lawyers under my supervision, the execution, delivery and performance by the Borrower of any of its obligations under the Credit Agreement does not and will not conflict with, contravene, violate or constitute a default under (i) any

provision of any Applicable Contract or any other agreement or instrument to which the Borrower or the Borrower's property is subject, or (ii) any judicial or administrative order or decree of any Governmental Authority.

IN WITNESS WHEREOF, I have executed this certificate this ___ day of October, 2001.

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

EXHIBIT G

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Facility B (Five Year) Credit Agreement dated as of October 17, 2001, (as amended or modified from time to time, the "Credit Agreement") among The Stanley Works, a Connecticut corporation (the "Borrower"), the Lenders (as defined in the Credit Agreement) and Citibank, N.A., as administrative agent for the Lenders (the "Administrative Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

The "Assignor" and the "Assignee" referred to on Schedule I hereto agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof (other than in respect of Uncommitted Advances and Uncommitted Notes) equal to the percentage interest specified on Schedule 1 hereto of all outstanding rights and obligations under the Credit Agreement (other than in respect of Uncommitted Advances and Uncommitted Notes). After giving effect to such sale and assignment, the Assignee's Commitment and the amount of the Committed Advances owing to the Assignee will be as set forth on Schedule 1 hereto.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iv) attaches the Committed Note held by the Assignor and requests that the Administrative Agent exchange such Committed Note for a new Committed Note payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto or new Committed Notes payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto and the Assignor in an amount equal to the Commitment retained by the Assignor under the Credit Agreement, respectively, as specified on Schedule 1 hereto.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Administrative Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise

such powers and discretion under the Credit Agreement as are delegated to the Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (iv) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; (v) agrees, for the benefit of the Borrower, that it will be bound by the terms and provisions of the Credit Agreement to the same extent as if it were an original party thereto and (vi) attaches any U.S. Internal Revenue Service forms required under Section 8.09 of the Credit Agreement.

4. Following the execution of this Assignment and Acceptance, it will be delivered to the Administrative Agent for acceptance and recording by the Administrative Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by the Administrative Agent, unless otherwise specified on Schedule 1 hereto.

5. Upon such acceptance and recording by the Administrative Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording by the Administrative Agent, from and after the Effective Date, the Administrative Agent shall make all payments under the Credit Agreement and the Committed Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and facility fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Committed Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

By _____
Name:
Title:

By _____
Name:
Title:

By _____
Name:
Title:

Schedule 1
to
Assignment and Acceptance

Percentage interest assigned: _____%

Assignee's Commitment: \$ _____

Aggregate outstanding principal amount
of Committed
Advances assigned: \$ _____

Principal amount of Committed Note
payable to Assignee: \$ _____

Principal amount of Committed Note
payable to Assignor: \$ _____

Effective Date¹: _____, 200_

[NAME OF ASSIGNOR], as Assignor

By _____

Name:

Title:

Dated: _____, 200_

[NAME OF ASSIGNEE], as Assignee

By _____

Name:

Title:

Dated: _____, 200_

¹ This date should be no earlier than five Business Days after the delivery
of this Assignment and Acceptance to the Agent.

Domestic Lending Office:
[Address]

Eurodollar Lending Office:
[Address]

Accepted this _____ day
of _____, 200_

Citibank, N.A., as Administrative Agent

By _____
Name:
Title:

[Approved this _____ day
of _____, 200_

The Stanley Works

By _____
Name:
Title:

EXHIBIT H-1

PROMISSORY NOTE
(Committed Advances)

\$ _____

Dated: _____

FOR VALUE RECEIVED, the undersigned, The Stanley Works, a Connecticut corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of [NAME OF LENDER] (the "Lender") the principal sum of \$ _____ or, if less, the aggregate principal amount of all Committed Advances made by the Lender to the Borrower pursuant to the Credit Agreement referred to below outstanding on the Termination Date, and such amount shall be paid on or prior to the Termination Date as provided in the Credit Agreement referred to below.

Capitalized terms used herein and not defined herein shall have the meanings provided in the Credit Agreement referred to below.

The Borrower promises to pay interest on the principal amount of each Committed Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement referred to below.

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Administrative Agent, at 2 Penns Way, Suite 200, New Castle, Delaware, 19720, in same day funds. Each Committed Advance made by the Lender to the Borrower and the maturity thereof, and all payments made on account of the principal amount thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is a part of this Promissory Note, which recordation shall be conclusive and binding absent manifest error but the failure to make such recording shall not have any effect on the Lender's rights hereunder.

This Promissory Note is one of the Committed Notes referred to in, and is entitled to the benefits of, the Facility B (Five Year) Credit Agreement dated as of October 17, 2001 (as amended, modified or supplemented from time to time, the "Credit Agreement"), among the Borrower, the Lender and certain other lenders parties thereto, and Citibank, N.A., as Administrative Agent for the Lender and such other lenders. The Credit Agreement, among other things, (i) provides for the making of Committed Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Committed Advance being evidenced by this Promissory Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

THE STANLEY WORKS

By _____
Name:
Title:

By _____
Name:
Title:

EXHIBIT H-2
PROMISSORY NOTE
(Uncommitted Advances)

\$[_____]

Dated: [_____]

FOR VALUE RECEIVED, the undersigned, The Stanley Works, a Connecticut corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of [NAME OF LENDER] (the "Lender") the aggregate principal amount of all Uncommitted Advances made by the Lender to the Borrower pursuant to the Credit Agreement referred to below and such amount shall be paid in the amounts and on the dates provided in the Credit Agreement referred to below.

Capitalized terms used herein and not defined herein shall have the meanings provided in the Credit Agreement referred to below.

The Borrower promises to pay interest on the principal amount of each Uncommitted Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement referred to below.

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Administrative Agent, for the account of the Lender, at 2 Penns Way, Suite 200, New Castle, Delaware 19720, in same day funds. Each Uncommitted Advance made by the Lender to the Borrower and the maturity thereof, and all payments made on account of the principal amount thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is a part of this Promissory Note, which recordation shall be conclusive and binding absent manifest error but the failure to make such recording shall not have any effect on the Lender's rights hereunder.

This Promissory Note is one of the Uncommitted Notes referred to in, and is entitled to the benefits of, the Facility B (Five Year) Credit Agreement dated as of October 17, 2001 (as amended, modified or supplemented from time to time, the "Credit Agreement"), among the Borrower, the Lender and certain other lenders parties thereto, and Citibank, N.A., as Administrative Agent for the Lender and such other Lenders. The Credit Agreement, among other things, (i) provides for the making of Uncommitted Advances by the Lender to the Borrower from time to time, the indebtedness of the Borrower resulting from each such Uncommitted Advance being evidenced by this Promissory Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

THE STANLEY WORKS

By _____
Name:
Title:

By _____
Name:
Title:

Amended and Restated Effective as of June 30, 2001

SUPPLEMENTAL RETIREMENT AND ACCOUNT VALUE PLAN
FOR SALARIED EMPLOYEES OF THE STANLEY WORKS

BACKGROUND. A. The Stanley Works (together with its wholly-owned U.S. subsidiaries, "Stanley") maintains certain retirement plans for its salaried employees that are designed to meet the requirements of Section 401(a) of the Internal Revenue Code (the "Code").

B. The benefits and contributions that may be provided under such retirement plans are limited on account of Sections 401 and 415 of the Code and certain other provisions of the Code.

C. Stanley maintains the Supplemental Retirement and Savings Plan for Salaried Employees of The Stanley Works (the "Supplemental Plan") to provide certain employees with benefits that may not be provided under these retirement plans.

D. Stanley now desires to restate the Supplemental Plan as the Supplemental Retirement and Account Value Plan for Salaried Employees of The Stanley Works (which shall continue to be known as the "Supplemental Plan").

TERMS OF THE SUPPLEMENTAL PLAN

1. EFFECTIVE DATE. This amendment and restatement shall be effective as of June 30, 2001.

2. DEFINITIONS. The following terms have the meanings set forth below.

"ACCOUNT VALUE PLAN" means the Stanley Account Value Plan.

"APPLICABLE LIMITATION" means each of:

(a) the limitation under Sections 401(a)(30) and 402(g)(1) of the Code on the amount of pre-tax elective contributions that may be made by an employee under the Account Value Plan;

(b) the limitation in Section 401(a)(17) of the Code on the amount of compensation of an employee that may be taken into account under the Retirement Plan or Account Value Plan;

(c) the limitation under the Account Value Plan on the amount of an employee's pre-tax elective contributions or Stanley matching contributions imposed under the nondiscrimination rules of Section 401 of the Code;

(d) the exclusion of earnings deferred at the election of an employee pursuant to the Deferred Compensation Plan for Participants in Stanley's Management Incentive Plans from the "Compensation" utilized under the Retirement Plan or for "Cornerstone Account" allocations under the Account Value Plan; and

(e) the limitations in Section 415 of the Code on the maximum contributions that may be made under the Account Value Plan and the maximum benefits that may be provided under the Retirement Plan.

"COMMITTEE" means the Finance and Pension Committee of the Board of Directors of The Stanley Works.

"401(K) DOLLAR LIMITS" means the dollar limitation described in paragraph (a) of the definition of Applicable Limitation.

"HIGHLY COMPENSATED EMPLOYEE" means:

(a) except as provided in (b), a salaried employee of Stanley who during the applicable Plan Year is a highly compensated employee, as defined in Section 414(q) of the Code (i.e., W-2 income, including elective contributions to health and dental plans, to flexible spending plans, and to the Account Value Plan, exceeding the indexed amount for the preceding Plan Year [e.g., earnings during 2000 exceeding \$85,000 results in Highly Compensated Employee status for the 2001 Plan Year]).

(b) An individual who is not a highly compensated employee, as defined in Section 414(q) of the Code, for the Plan Year in which he or she first becomes a salaried employee of Stanley or for the subsequent Plan Year but whose basic annual rate of compensation from Stanley during the applicable Plan Year is at least \$100,000 shall be a Highly Compensated Employee for the applicable Plan Year.

"PLAN YEAR" means the plan year of a Qualified Plan.

"QUALIFIED PLAN" means each of the Account Value Plan and the Retirement Plan.

"RETIREMENT PLAN" means The Stanley Works Retirement Plan.

"SUPPLEMENTAL COMPANY CONTRIBUTION ACCOUNT" means the bookkeeping record that reflects amounts credited under Section 4.2.

"SUPPLEMENTAL EMPLOYEE CONTRIBUTION ACCOUNT" means the bookkeeping record that reflects amounts credited under Section 4.1.

"UNRESTRICTED QUALIFIED PLAN BENEFIT" means the benefit amount that would be payable to an individual under the Retirement Plan but for an Applicable Limitation.

3. PARTICIPATION IN THE SUPPLEMENTAL PLAN. 3.1. PARTICIPATION. Each Highly Compensated Employee shall become a participant in the Supplemental Plan on the date as of which an amount is first credited on his or her behalf under Section 4.

3.2. REMAINING A PARTICIPANT. Subject to Section 7, a Highly Compensated Employee shall remain a participant until all amounts to which he or she is entitled have been distributed.

4. CREDITING OF BENEFITS; ELECTIONS TO DEFER. 4.1. SUPPLEMENTAL EMPLOYEE CONTRIBUTIONS. (a) Employee Contributions Exceeding 401(k) Dollar Limits. If a Highly Compensated Employee's pre-tax elective contributions under the Account Value Plan for a Plan Year are limited by the 401(k) Dollar Limits, the Highly Compensated Employee may elect to defer a portion of compensation. The amount deferred for a Plan Year under this Section 4.1(a), when added to the pre-tax elective contributions for the Plan Year under the Account Value Plan, shall not exceed 15% of compensation.

(b) EMPLOYEE CONTRIBUTIONS EXCEEDING OTHER LIMITS. If a Highly Compensated Employee may not make pre-tax elective contributions under the Account Value Plan for a Plan Year as a result of an Applicable Limitation (other than as described in Section 4.1(a)), the Highly Compensated Employee may elect to defer a portion of compensation, up to the amount of such pre-tax elective contributions that could not be made.

(c) CREDITING OF EMPLOYEE CONTRIBUTIONS. Any amount deferred under this Section 4.1 shall be credited to a Supplemental Employee Contribution Account.

4.2. SUPPLEMENTAL COMPANY CONTRIBUTIONS. (A) MATCHING CONTRIBUTIONS FOR EMPLOYEE CONTRIBUTIONS EXCEEDING DOLLAR LIMITS. If an amount is credited to a Supplemental Employee Contribution Account under Section 4.1, there shall also be an amount credited to a Supplemental Company Contribution Account. This amount shall equal the contribution that would have been made by Stanley under the Account Value Plan with respect to the amount credited under Section 4.1 if such amount had been contributed to the Account Value Plan.

(b) STANLEY CONTRIBUTIONS AFFECTED BY OTHER LIMITS. If a Stanley contribution could not be made under the Account Value Plan as a result of an Applicable Limitation (other than as described in Section 4.2(a)), an amount equal to such Stanley contribution that could not be made shall be credited to a Supplemental Company Contribution Account.

4.3. SUPPLEMENTAL RETIREMENT PLAN BENEFITS. If a Highly Compensated Employee's Unrestricted Qualified Plan Benefit exceeds the benefit payable under the Retirement Plan, the excess amount, to the extent vested under Section 5.1, shall be provided under this Supplemental Plan.

4.4. CREDITING OF EARNINGS. A participant's Supplemental Employee Contribution Account and Supplemental Company Contribution Account shall be credited with the rate of return such accounts would have earned if they had been invested under the Account Value Plan. In addition, these accounts shall be credited with any additional amount that would have been

payable under the Retirement Plan to reflect IPA benefits. For purposes of crediting the rate of return, an amount shall be considered to be credited under Section 4.1 or 4.2 on the date on which it would have been allocated under the Account Value Plan but for an Applicable Limitation.

4.5. PROCEDURES FOR ELECTING EMPLOYEE CONTRIBUTIONS. An election to defer compensation under Section 4.1 shall be made, and may be revoked, under rules established by the Committee. Any election to defer compensation shall be effective only as to compensation earned after the date of the election.

5. VESTING SCHEDULE. A participant's vested interest in a benefit provided under this Plan shall be determined in accordance with the vesting provisions of the particular Qualified Plan with respect to which the benefit is determined.

6. DISTRIBUTIONS. 6.1. TIME FOR PAYING BENEFITS. Amounts credited to a participant's Supplemental Employee Contribution Account or Supplemental Company Contribution Account shall be distributed upon retirement, death, permanent and total disability or earlier separation from service with Stanley unless either the rules of Section 7.3 apply or the participant elects to have payments made on a later date specified in an election made under Section 6.3. Amounts payable under Section 4.3 (relating to Supplemental Retirement Plan Benefits) shall be distributed upon the earliest of retirement, death, permanent and total disability or other separation from service with Stanley.

6.2. FORM OF PAYMENT. Benefits attributable to an individual's Supplemental Employee Contribution Account and Supplemental Company Contribution Account shall be distributed in a lump sum. To the extent that the amount credited to such accounts is deemed to be invested in shares of Stanley stock pursuant to Section 4.4 at the time of distribution, the lump sum shall consist of shares of Stanley stock. Any remaining portion of such lump sum shall be paid in cash. The benefit determined under Section 4.3 (relating to Supplemental Retirement Plan Benefits) shall be paid in a life annuity, unless the participant elects, under Section 6.3, a lump sum payment or another form of annuity available under the Retirement Plan (irrespective of any spousal consent requirements) that provides for payments to be made to a joint or contingent annuitant after the participant's death.

6.3. ELECTIONS BY PARTICIPANTS. An election to receive a lump sum payment or a form of annuity available under the Retirement Plan that provides for payments to be made to a joint or contingent annuitant after the participant's death, of the benefit payable under Section 4.3 (relating to Supplemental Retirement Plan Benefits) or an election to defer distributions of the Supplemental Employee Contribution and Supplemental Company Contribution Accounts may be made by a participant in writing prior to the beginning of the one year period that ends on the date on which the participant dies, becomes permanently and totally disabled, or otherwise separates from service. An election may be made after the beginning of such one year period only with the approval of the Committee.

6.4. ADJUSTMENTS TO DISTRIBUTIONS. Upon determining that a participant is indebted to Stanley, the Committee shall be entitled to offset such indebtedness, including any interest accruing thereon, against any payment that would otherwise be made on behalf of the participant.

6.5. DEATH BENEFICIARY. Upon a participant's death, any benefit payment shall be made to the beneficiary determined under the Qualified Plan to which the benefit relates. However, if a particular Qualified Plan has been liquidated, the beneficiary shall be determined under the Account Value Plan. Moreover, notwithstanding the preceding sentence, the participant may designate in writing a different beneficiary to receive such benefit. The benefit shall be paid in the manner provided in Section 6.2.

6.6. WITHHOLDING. To the extent required by law, Stanley shall withhold taxes from any payment due under the Plan.

7. INELIGIBILITY FOR COVERAGE. 7.1. BECOMING INELIGIBLE. Amounts shall not be credited under Section 4.1 or 4.2 upon either (a) a participant ceasing to be a Highly Compensated Employee or (b) the Committee, in its sole discretion, determining that a Highly Compensated Employee may no longer actively participate in the Plan.

7.2. RESUMING PARTICIPATION. An individual described in Section 7.1(a) shall resume active participation in the Supplemental Plan upon again becoming a Highly Compensated Employee. An individual described in Section 7.1(b) may again become an active participant at the discretion of the Committee. Once an individual resumes participation in the Supplemental Plan, amounts shall again be credited under Section 4.1 upon the filing of an election pursuant to Section 4.5, and amounts may also be credited under Section 4.2.

7.3. DISTRIBUTIONS TO INELIGIBLE INDIVIDUALS. An amount credited under Section 4 on behalf of an individual for a Plan Year in which such individual was not a Highly Compensated Employee shall be distributed in a lump sum payment, in the manner described in Section 6.2, upon the earliest of the following: (a) death, (b) permanent and total disability, (c) other separation from service with Stanley, or (d) the first day of the calendar year in which the individual attains age 60. No additional amount shall be credited to an account established in the name of an individual described in this subsection unless such individual becomes a Highly Compensated Employee. If the individual becomes a Highly Compensated Employee, amounts credited to an account established in the name of the individual while a Highly Compensated Employee shall be distributed in accordance with Section 6, and other amounts shall be distributed in the manner described above in this subsection.

8. MISCELLANEOUS. 8.1. AMENDMENT OR TERMINATION. The Committee may at any time amend or terminate the Supplemental Plan without the consent of any participant or beneficiary.

8.2. ADMINISTRATION OF THE SUPPLEMENTAL PLAN. The Supplemental Plan shall be administered by the Committee. The Committee shall have the discretionary authority to

interpret the Supplemental Plan and to make all determinations regarding eligibility for coverage and the benefits to be paid. Any denial by the Committee of a claim for benefits under the Supplemental Plan shall be stated in writing by the Committee and delivered or mailed to the appropriate individual. Such notice shall set forth the specific reasons for the denial. 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.

8.3. GOVERNING TEXT. The Supplemental Plan, including any amendments, shall constitute the entire agreement between Stanley and any employee, participant or beneficiary regarding the subject matter of the Supplemental Plan. The Supplemental Plan, including any amendments, shall be binding on Stanley, employees, participants, beneficiaries, and their respective heirs, administrators, trustees, successors and assigns.

8.4. ENFORCEABILITY OF PLAN PROVISIONS. If any provision of the Supplemental Plan shall, to any extent, be invalid or unenforceable, the remainder of the Supplemental Plan shall not be affected, and each other provision of the Supplemental Plan shall be valid and enforced to the fullest extent permitted by law.

8.5. RIGHTS OF PARTICIPANT. Any person entitled to receive benefits under the Supplemental Plan shall have the rights of an unsecured general creditor of Stanley.

8.6. CLAIMS OF CREDITORS. The right of any participant or beneficiary to a benefit under the Supplemental Plan shall not be subject to attachment or other legal process for the debts of such participant or beneficiary. Except as provided in Section 6.4, a benefit of a participant or beneficiary shall not be subject to anticipation, alienation, sale, transfer, assignment or encumbrance.

8.7. SPECIAL DISTRIBUTIONS. Whenever, in the opinion of the Committee, a person entitled to receive a benefit under the Plan is unable to manage his or her financial affairs, the Committee may direct that payment be made to a legal representative or relative of such person for his or her benefit. Alternatively, the Committee may direct that any payment be applied for the benefit of such person in such manner as the Committee considers advisable. Any payment made in accordance with this Section shall be a complete discharge of any liability for the making of such payment under the provisions of the Supplemental Plan.

8.8. TERMS OF EMPLOYMENT. Participation in the Supplemental Plan shall not give an individual any right to remain in the service of Stanley, and an individual shall remain subject to discharge to the same extent as if the Supplemental Plan had not been adopted.

THE STANLEY WORKS

By

Title: Vice President, Human Resources

Date:

Amended and Restated Effective--September 19, 2001

THE STANLEY WORKS

SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM

The Supplemental Executive Retirement Program ("SERP") provides a supplemental retirement benefit to its Participants. As explained below, this supplemental benefit is a supplement to the benefits (including the "cornerstone account" benefit) under Stanley's pension plans.

1. TARGET BENEFIT. The "Target Benefit" for a Participant, expressed as a life annuity equal to a percentage of Average Pay and subject to discount and to certain Offsets, will be based on years of service according to the following schedule.

- 3% for each of the first 5 years
- 2% for each of the next 15 years
- 1% for each of the 5 years thereafter

For example, upon a Participant's retiring at age 60 after 20 years of service, the Participant's Target Benefit would be 45% of Average Pay.

2. TERMINATION PRIOR TO AGE 60.

(a) TERMINATION BEFORE ATTAINMENT OF AGE 54 AND COMPLETION OF FIVE YEARS OF PRE-PARTICIPATION SERVICE. No SERP benefit will be paid to or on behalf of any Participant whose employment terminates, other than by reason of his or her death or permanent and total disability, before the attainment of age 54 and completion of five Years of Pre-Participation Service.

(b) DISCOUNT FOR RETIREMENT BEFORE AGE 60. For each month prior to age 60 that the Participant retires, the Target Benefit will be reduced .167% (i.e., 2% per year). For example, a Participant who retires at age 55 after 20 years of service would have a benefit, before Offsets, equal to 90% of the Target Benefit, or 40.5% ($45\% \times 90\% = 40.5\%$) of Average Pay.

3. DISABILITY. SERP benefit payments will be made to any Participant who terminates employment by reason of his or her permanent and total disability after attainment of age 50 and completion of five Years of Pre-Participation Service. No SERP benefit payments will be made to any Participant who terminates employment due to disability before the attainment of age 50 and completion of five Years of Pre-Participation Service. In the event of SERP disability payments prior to age 60, benefit payments will be reduced in accordance with the formula set forth in section 2(b).

4. DEATH.

(a) DEATH BEFORE ATTAINMENT OF AGE 50. No SERP benefit payments will be made on behalf of any Participant who dies before age 50 and completion of five Years of Pre-Participation Service.

(b) DEATH AFTER ATTAINMENT OF AGE 50 AND COMPLETION OF FIVE YEARS OF PRE-PARTICIPATION SERVICE AND BEFORE SERP PAYMENTS COMMENCE. The SERP death benefit shall be provided for a Participant who dies after attainment of age 50 and completion of five Years of Pre-Participation Service and before payment of his or her SERP benefit has begun. The SERP death benefit shall be paid to the Participant's beneficiary as a life annuity, unless a timely election was made by the Participant to receive a lump sum payment. The SERP death benefit shall equal his or her Target Benefit reduced by .167% per month for each month that the date of payment of the death benefit precedes age 60 and subject to the death benefit offsets provided under the plans described in Section 5 (a).

(c) DEATH AFTER SERP PAYMENTS COMMENCE. In the case of a Participant who was married on the benefit commencement date and dies after SERP benefit payments have commenced under a 100% joint and survivor annuity, benefit payments will continue under that annuity to the surviving spouse. Otherwise, no death benefit will be paid in the event of the death of a Participant who was married on the benefit commencement date and dies after payments have commenced. Upon the death of a Participant who was unmarried on the benefit commencement date and dies after SERP benefit payments have commenced under a single life annuity pursuant to which the total annuity payments made to the Participant are less than the actuarial equivalent lump sum payment amount that would have been distributed to the Participant as of the benefit commencement date, a lump sum death benefit equal to the excess of such lump sum amount over the total amount of annuity payments made to the Participant will be paid to the Participant's beneficiary. Otherwise, no death benefit will be paid in the event of the death of a Participant who was unmarried on the benefit commencement date and dies after payments have commenced.

5. OFFSETS. The benefit otherwise payable under the SERP as explained in sections 1, 2, 3 and 4 will be reduced by the "Offsets" described in sections 5(a), 5(b) and 5(c), resulting in the benefit net of Offsets:

(a) the benefit under Stanley's pension plans, including pension benefits restored by Stanley's excess benefit plan and cornerstone account benefits provided under Stanley's account value plan and excess benefit plan;

(b) the Participant's Social Security retirement benefit(1); and

- - - - -
(1) If the Participant retires prior to being eligible for Social Security, the Social Security benefit offset will not commence until the Participant is eligible for Social Security benefits. For example, for a retirement in 1997 by a Participant who is 60 years old, there would be no Social Security offset until the Participant is age 62, the age of eligibility for Social Security. The estimated Social Security benefit will be determined payable at age 62 or at the Participant's attained age if older than age 62 and assuming no earnings after termination of employment with Stanley.

(c) Stanley-sponsored long-term disability benefits.

6. PARTICIPANTS. The employees eligible to participate in the SERP will be Stanley's chief executive officer and such other executives not to exceed 24 as shall be designated by the chief executive officer and whose names shall be filed with the records of the Compensation and Organization Committee (the "Committee") of Stanley's Board ("Eligible Employees"). An Eligible Employee will become a Participant in the SERP upon reaching age 50 and completing five years of service with Stanley as an Eligible Employee ("Years of Pre-Participation Service").

7. TIME FOR PAYING BENEFITS; FORM OF PAYMENT. Amounts payable under sections 2, 3 and 4 of the SERP will be distributed upon retirement, death, permanent and total disability, whichever is applicable. The form of payment of benefits under the SERP of a Participant who is married on the benefit commencement date will be a 100% joint and survivor annuity with the Participant's spouse, unless a timely election is made by the Participant to receive a single life annuity or an actuarially adjusted lump sum payment. The form of payment of benefits under the SERP of a Participant who is unmarried on the benefit commencement date will be a single life annuity unless a timely election is made by the Participant to receive an actuarially adjusted lump sum payment. A 100% joint and survivor annuity or an actuarially adjusted lump sum payment will be computed in accordance with the Appendix A attached hereto. To be timely, an election to receive a payment in a form other than the normal form of payment must be made in writing prior to the beginning of the one-year period preceding the date on which the Participant dies, becomes permanently and totally disabled, or otherwise separates from service. An election made after the beginning of such one-year period will be considered timely only with the approval of the Committee.

8. AVERAGE PAY. Average pay will be one-third of the Participant's highest total pay (salary and management incentive) as measured for purposes of Stanley's pension plan (including the restoration of pension benefits by Stanley's excess benefit plan) for any consecutive 36-month period, calculated as if pay continued to be measured under the pension plan after May 31, 2001.

9. DEATH BENEFICIARY. Any benefit payable upon a Participant's death to anyone other than the Participant's spouse will be paid to the beneficiary determined under Stanley's qualified account value plan unless the Participant designated in writing a different beneficiary to receive such benefit.

10. MISCELLANEOUS.

(a) AMENDMENT. The Committee may at any time amend the SERP so long as the benefits of no one then a Participant are diminished as a result.

(b) ADMINISTRATION OF THE SERP. The SERP will be administered by the Committee. The Committee is vested with full authority (including full discretionary authority) to administer, interpret, and make rules regarding the SERP as it may deem advisable and to make determinations in its discretion that shall be final, binding, and conclusive upon all

persons. No member of the Board of Directors or the Committee will be liable for any action or determination made in good faith with respect to the SERP.

(c) GOVERNING TEXT. The SERP, including any amendments, will constitute the entire agreement between Stanley and any Participant or beneficiary regarding the subject matter of the SERP. The SERP, including any amendments, will be binding on Stanley, Participants, beneficiaries, and their respective heirs, administrators, trustees, successors, and assigns.

(d) RIGHTS OF PARTICIPANT. Any person entitled to receive benefits under the SERP will have the rights of an unsecured general creditor of Stanley.

(e) CLAIMS OF CREDITORS. The right of any Participant or beneficiary to a benefit under the SERP will not be subject to attachment or other legal process for the debts of such Participant or beneficiary. A benefit of a Participant or beneficiary will not be subject to anticipation, alienation, sale, transfer, assignment, or encumbrance.

(f) SPECIAL DISTRIBUTIONS. Whenever, in the opinion of the Committee, a person entitled to receive a benefit under the SERP is unable to manage his or her financial affairs, the Committee may direct that payment be made to a legal representative or relative of such person for his or her benefit. Alternatively, the Committee may direct that any payment be applied for the benefit of such person in such manner as the Committee considers advisable. Any payment made in accordance with this section will be a complete discharge of any liability for the making of such payment under the provisions of the SERP.

(g) TERMS OF EMPLOYMENT. Participation in the SERP will not give an individual any right to remain in the service of Stanley, and an individual will remain subject to discharge to the same extent as if the SERP had not been adopted.

THE STANLEY WORKS

By

Title: Vice President, Human Resources

Date:

THE STANLEY WORKS
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

APPENDIX A

Form of Payment

Actuarial Adjustment Factors

Lump Sum

The lump sum of the Target Benefit is determined by multiplying the annual benefit payable for the participant's lifetime by a factor of 9.45.

Joint and Survivor (100%)

Factors are as set forth in the attached table, which shows no reduction if the spouse is older than the Participant or if the spouse is no more than two years younger than the Participant (in either case, the factor is 1.000). For each year over two that the spouse is younger than the Participant, the Target Benefit (or early retirement benefit) will be reduced by 0.7%.

Example 1: For a Participant whose age on the benefit commencement date is 60 and whose spouse's age on the benefit commencement date is 56, the factor to convert the life annuity to a 100% joint and survivor annuity is .986.

Example 2: For a Participant whose age on the benefit commencement date is 54 and whose spouse's age on the benefit commencement date is 40, the factor to convert the life annuity to a 100% joint and survivor annuity is .916.

Amended - January 25, 2001
Approved by the shareholders - April 18, 2001

THE STANLEY WORKS
2001 LONG-TERM INCENTIVE PLAN

SECTION 1. PURPOSE

The purposes of this Long-Term Incentive Plan (the "Plan") are to encourage selected salaried employees of The Stanley Works (together with any successor thereto, the "Company") and selected salaried employees and non-employee directors of its Affiliates (as defined below) to acquire a proprietary interest in the growth and performance of the Company, to generate an increased incentive to contribute to the Company's future success and prosperity, thus enhancing the value of the Company for the benefit of its shareowners, and to enhance the ability of the Company and its Affiliates to attract and retain exceptionally qualified individuals upon whom, in large measure, the sustained progress, growth and profitability of the Company depend.

SECTION 2. DEFINITIONS

As used in the Plan, the following terms shall have the meanings set forth below:

- (A) "Affiliate" shall mean (i) any entity that, directly or through one or more intermediaries, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, as determined by the Committee.
- (B) "Award" shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent, or Other Stock-Based Award granted under the Plan.
- (C) "Award Agreement" shall mean any written agreement, contract, or other instrument or document evidencing any Award granted under the Plan.
- (D) "Board of Directors" or "Board" shall mean the Board of Directors of the Company.
- (E) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.
- (F) "Committee" shall mean the Compensation and Organization Committee of the Board.

- (G) "Dividend Equivalent" shall mean any right granted under Section 6(e) of the Plan.
- (H) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.
- (I) "Fair Market Value" shall mean, with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee, and with respect to Shares, shall mean the mean average of the high and the low price of a Share as quoted on the New York Stock Exchange Composite Tape on the date as of which fair market value is to be determined or, if there is no trading of Shares on such date, such mean average of the high and the low price on the next preceding date on which there was such trading.
- (J) "Immediate family members" of a Participant shall mean the Participant's children, grandchildren and spouse.
- (K) "Incentive Stock Option" shall mean an option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code, or any successor provision thereto.
- (L) "1997 Plan" shall mean the Company's 1997 Long-Term Incentive Plan.
- (M) "Non-Employee Director" shall mean any non-employee director of an Affiliate.
- (N) "Non-Qualified Stock Option" shall mean an option granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option.
- (O) "Option" shall mean an Incentive Stock Option or a Non-Qualified Stock Option.
- (P) "Other Stock-Based Award" shall mean any right granted under Section 6(f) of the Plan.
- (Q) "Participant" shall mean a Salaried Employee or non-employee director designated to be granted an Award under the Plan.
- (R) "Performance Award" shall mean any Award granted under Section 6(d) of the Plan.
- (S) "Person" shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof.

- (T) "Released Securities" shall mean securities that were Restricted Securities with respect to which all applicable restrictions have expired, lapsed, or been waived.
- (U) "Restricted Securities" shall mean securities covered by Awards of Restricted Stock or other Awards under which issued and outstanding Shares are held subject to certain restrictions.
- (V) "Restricted Stock" shall mean any Share granted under Section 6(c) of the Plan.
- (W) "Restricted Stock Unit" shall mean any right granted under Section 6(c) of the Plan that is denominated in Shares.
- (X) "Salaried Employee" shall mean any salaried employee of the Company or of any Affiliate.
- (Y) "Shares" shall mean shares of the common stock of the Company, par value \$2.50 per share, and such other securities or property as may become the subject of Awards, or become subject to Awards, pursuant to an adjustment made under Section 4(b) of the Plan.
- (Z) "Stock Appreciation Right" shall mean any right granted under Section 6(b) of the Plan.

SECTION 3. ADMINISTRATION

Except as otherwise provided herein, the Plan shall be administered by the Committee. Subject to the terms of the Plan and applicable law, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by or with respect to which payments, rights, or other matters are to be calculated in connection with Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards, or other property, or canceled, forfeited, or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited, or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (ix) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan. Unless otherwise expressly

provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time, and shall be final, conclusive, and binding upon all Persons, including the Company, any Affiliate, any Participant, any holder or beneficiary of any Award, any shareowner, and any employee of the Company or of any Affiliate.

SECTION 4. SHARES AVAILABLE FOR AWARDS

- (A) SHARES AVAILABLE. Subject to adjustment as provided in Section 4(b):
 - (I) CALCULATION OF NUMBER OF SHARES AVAILABLE. The number of Shares authorized to be issued in connection with the granting of Awards under the Plan is ten million (10,000,000). If any Shares covered by an Award granted under the Plan or by an award granted under the 1997 Plan, or to which such an Award or award relates, are forfeited, or if an Award or award otherwise terminates without the delivery of Shares or of other consideration, or if upon the termination of the 1997 Plan there are Shares remaining that were authorized for issuance under that Plan but with respect to which no awards have been granted, then the Shares covered by such Awards or award, or to which such Award or award relates, or the number of Shares otherwise counted against the aggregate number of Shares available under the Plan with respect to such Award or award, to the extent of any such forfeiture or termination, or which were authorized for issuance under the 1997 Plan but with respect to which no awards were granted as of the termination of the 1997 Plan shall again be, or shall become available for granting Awards under the Plan. Notwithstanding the foregoing but subject to adjustment as provided in Section 4(b), (A) no more than one million (1,000,000) Shares shall be cumulatively available for delivery pursuant to the exercise of Incentive Stock Options and (B) no more than one million (1,000,000) Shares shall be cumulatively available for granting as Restricted Stock or Restricted Stock Units.
 - (II) ACCOUNTING FOR AWARDS. For purposes of this Section 4,
 - (A) if an Award (other than a Dividend Equivalent) is denominated in Shares, the number of Shares covered by such Award, or to which such Award relates, shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan; and
 - (B) Dividend Equivalents and Awards not denominated in Shares shall be counted against the aggregate number of Shares available for granting Awards under the Plan, if at all, only in such amount and at such time as the Committee shall determine under procedures

adopted by the Committee consistent with the purposes of the Plan; provided, however, that Awards that operate in tandem with (whether granted simultaneously with or at a different time from), or that are substituted for, other Awards or awards granted under the 1997 Plan may be counted or not counted under procedures adopted by the Committee in order to avoid double counting. Any Shares that are delivered by the Company, and any Awards that are granted by, or become obligations of, the Company through the assumption by the Company or an Affiliate of, or in substitution for, outstanding awards previously granted by an acquired company, shall not be counted against the Shares available for granting Awards under the Plan.

(iii) SOURCES OF SHARES DELIVERABLE UNDER AWARDS. Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

(b) ADJUSTMENTS. In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation split-up, spin-off, combination repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or property) which thereafter may be made the subject of Awards, (ii) the number and type of Shares (or other securities or property) subject to outstanding Awards, (iii) the number and type of Shares (or other securities or property) specified as the annual per-participant limitation under Section 6(g)(vi), and (iv) the grant, purchase, or exercise price with respect to any Award, or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; provided, however, in each case, that with respect to Awards of Incentive Stock Options no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422(b)(1) of the Code or any successor provision thereto; and provided further, however, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

SECTION 5. ELIGIBILITY

Any Salaried Employee, including any officer or employee-director of the Company or of any Affiliate, and any Non-Employee Director, who is not a member of the Committee shall be eligible to be designated a Participant.

SECTION 6. AWARDS

- (A) OPTIONS. The Committee is hereby authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine:
- (I) EXERCISE PRICE. The purchase price per Share purchasable under an Option shall be determined by the Committee; provided, however, that such purchase price shall not be less than the Fair Market Value of a Share on the date of grant of such Option (or, if the Committee so determines, in the case of any Option retroactively granted in tandem with or in substitution for another Award or any outstanding award granted under any other plan of the Company, on the date of grant of such other Award or award).
 - (II) OPTION TERM. The term of each Option shall be fixed by the Committee.
 - (III) TIME AND METHOD OF EXERCISE. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, and the method or methods by which, and the form or forms, including, without limitation, cash, Shares, other Awards, or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price, in which, payment of the exercise price with respect thereto may be made or deemed to have been made.
 - (IV) INCENTIVE STOCK OPTIONS. The terms of any Incentive Stock Option granted under the plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder. No Incentive Stock Option shall be granted to any Non-Employee Director who is not otherwise an employee of the Company or any of its Affiliates.
 - (V) TRANSFERABILITY. An Option shall not be transferable other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order, as defined in the Code, and, during the Participant's lifetime, shall be exercisable only by the Participant, except that the Committee may:
 - (A) permit exercise, during the Participant's lifetime, by the Participant's guardian or legal representative; and

- (B) permit transfer, upon the Participant's death, to beneficiaries designated by the Participant in a manner authorized by the Committee, provided that the Committee determines that such exercise and such transfer are consonant with requirements for exemption from Section 16(b) of the Exchange Act and, with respect to an Incentive Stock Option, the requirements of Section 422(b)(5) of the Code; and
- (C) grant Non-Qualified Stock Options that are transferable, or amend outstanding Non-Qualified Stock Options to make them so transferable, without payment of consideration, to immediate family members of the Participant or to trusts or partnerships for such family members.

(B) STOCK APPRECIATION RIGHTS. The Committee is hereby authorized to grant Stock Appreciation Rights to Participants. Subject to the terms of the Plan and any applicable Award Agreement, a Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, the excess of (i) the Fair Market Value of one Share on the date of exercise or, if the Committee shall so determine in the case of any such right other than one related to any Incentive Stock Option, at any time during a specified period before or after the date of exercise over (ii) the grant price of the right as specified by the Committee, which shall not be less than the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right (or, if the Committee so determines, in the case of any Stock Appreciation Right retroactively granted in tandem with or in substitution for another Award or any outstanding award granted under any other plan of the Company, on the date of grant of such other Award or award). Subject to the terms of the Plan and any applicable Award Agreement, the grant price, term, methods of exercise, methods of settlement, and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

(C) RESTRICTED STOCK AND RESTRICTED STOCK UNITS.

- (I) ISSUANCE. The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants.
- (II) RESTRICTIONS. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at

such time or times, in such installments or otherwise, as the Committee may deem appropriate.

- (III) REGISTRATION. Any Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of Shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.
- (IV) FORFEITURE. Except as otherwise determined by the Committee, upon termination of employment (as determined under criteria established by the Committee) for any reason during the applicable restriction period, all Shares of Restricted Stock and all Restricted Stock Units still, in either case, subject to restriction shall be forfeited and reacquired by the Company; provided, however, that the Committee may, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units. Unrestricted Shares, evidenced in such manner as the Committee shall deem appropriate, shall be delivered to the holder of Restricted Stock promptly after such Restricted Stock shall become Released Securities.
- (D) PERFORMANCE AWARDS. The Committee is hereby authorized to grant Performance Awards to Participants. Subject to the terms of the Plan and any applicable Award Agreement, a Performance Award granted under the Plan (i) may be denominated or payable in cash, Shares (including without limitation, Restricted Stock), other securities, other Awards, or other property and (ii) shall confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, the holder of the Performance Award, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan and any applicable Awards Agreement, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, and the amount of any payment or transfer to be made pursuant to any Performance Award shall be determined by the Committee.
- (E) DIVIDEND EQUIVALENTS. The Committee is hereby authorized to grant to Participants Awards under which the holders thereof shall be entitled to receive payments equivalent to dividends or interest with respect to a number of Shares determined by the Committee, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested. Subject to the terms of the Plan

and any applicable Awards Agreement, such Awards may have such terms and conditions as the Committee shall determine.

- (F) OTHER STOCK-BASED AWARDS. The Committee is hereby authorized to grant to Participants such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as are deemed by the Committee to be consistent with the purposes of the Plan, provided, however, that such grants must comply with applicable law. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 6(f) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, as the Committee shall determine, the value of which consideration, as established by the Committee, shall not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted (or, if the Committee so determines, in the case of any such purchase right retroactively granted in tandem with or in substitution for another Award or any outstanding award granted under any other plan of the Company, on the date of grant of such other Award or award).
- (G) GENERAL.
- (I) NO CASH CONSIDERATION FOR AWARDS. Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.
- (II) AWARDS MAY BE GRANTED SEPARATELY OR TOGETHER. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for any other Award or any awards granted under any other plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other plan of the Company or any Affiliate, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.
- (III) FORMS OF PAYMENT UNDER AWARDS. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise, or payment of an Award may be made in such form or forms as the Committee shall determine, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with

rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents in respect of installment or deferred payments.

- (IV) LIMITS ON TRANSFER OF AWARDS. Except as provided in Section 6(a) above regarding Options, no Award (other than Released Securities), and no right under any such Award, shall be assignable, alienable, saleable, or transferable by a Participant otherwise than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order, as defined in the Code (or, in the case of an Award of Restricted Securities, to the Company); provided, however, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant, and to receive any property distributable, with respect to any Award upon the death of the Participant. Each Award, and each right under any Award, shall be exercisable, during the Participant's lifetime, only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative. No Award (other than Released Securities), and no right under any such Award, may be pledged, alienated, attached, or otherwise encumbered, and any purported pledge, alienation, attachment, or encumbrance thereof shall be void and unenforceable against the Company or any Affiliate.
- (V) TERMS OF AWARDS. The Term of each Award shall be for such period as may be determined by the Committee; provided, however, that in no event shall the term of any Incentive Stock Option exceed a period of ten years from the date of its grant.
- (VI) PER-PERSON LIMITATION ON OPTIONS AND SARS. The number of Shares with respect to which Options and SARs may be granted under the Plan to an individual Participant in any three-year period from January 24, 2001 through the end of the term shall not exceed 4,000,000 Shares, subject to adjustment as provided in Section 4(b).
- (VII) SHARE CERTIFICATES. All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(VIII) MAXIMUM PAYMENT AMOUNT. The maximum fair market value of payments to any executive officer made in connection with any long-term performance awards (except for payments made in connection with Options or Stock Appreciation Rights) granted under the Plan shall not, during any three-year period, exceed two percent of Stanley's shareowners' equity as of the end of the year immediately preceding the commencement of such three-year period.

SECTION 7. AMENDMENT AND TERMINATION

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan:

(A) AMENDMENTS TO THE PLAN. The Board of Directors of the Company may amend, alter, suspend, discontinue, or terminate the Plan, including, without limitation, any amendment, alteration, suspension, discontinuation, or termination that would impair the rights of any Participant, or any other holder or beneficiary of any Award theretofore granted, without the consent of any shareowner, Participant, other holder or beneficiary of an Award, or other Person; provided, however, that, notwithstanding any other provision of the Plan or any Award Agreement, without the approval of the shareowners of the Company no such amendment, alteration, suspension, discontinuation, or termination shall be made that would:

(I) increase the total number of Shares available for Awards under the Plan, except as provided in Section 4 hereof; or

(II) permit Options, Stock Appreciation Rights, or other Stock-Based Awards encompassing rights to purchase Shares to be granted with per Share grant, purchase, or exercise prices of less than the Fair Market Value of a Share on the date of grant thereof, except to the extent permitted under Sections 6(a), 6(b), or 6(f) hereof.

(B) ADJUSTMENTS OF AWARDS UPON CERTAIN ACQUISITIONS. In the event the Company or any Affiliate shall assume outstanding employee awards or the right or obligation to make future such awards in connection with the acquisition of another business or another corporation or business entity, the Committee may make such adjustments, not inconsistent with the terms of the Plan, in the terms of Awards as it shall deem appropriate in order to achieve reasonable comparability or other equitable relationship between the assumed awards and the Awards granted under the Plan as so adjusted.

(C) ADJUSTMENTS OF AWARDS UPON THE OCCURRENCE OF CERTAIN UNUSUAL OR NONRECURRING EVENTS. The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without

limitation, the events described in Section 4(b) hereof) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits to be made available under the Plan.

- (D) CORRECTION OF DEFECTS, OMISSIONS AND INCONSISTENCIES. The Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

SECTION 8. GENERAL PROVISIONS

- (A) NO RIGHTS TO AWARDS. No Salaried Employee, Participant or other Person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Salaried Employees, Participants, or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient.
- (B) DELEGATION. The Committee may delegate to one or more officers or managers of the Company or any Affiliate, or a committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to, or to cancel, modify, waive rights with respect to, alter, discontinue, suspend or terminate Awards held by, Salaried Employees who are not officers of the Company for purposes of Section 16 of the Exchange Act.
- (C) WITHHOLDING. The Company or any Affiliate shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan the amount (in cash, Shares, other securities, other Awards, or other property) of withholding taxes due in respect of an Award, its exercise, or any payment or transfer under such Awards or under the Plan and to take such other action as may be necessary in the opinion of the Company or Affiliate to satisfy all obligations for the payment of such taxes.
- (D) NO LIMIT ON OTHER COMPENSATION ARRANGEMENTS. Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.
- (E) NO RIGHT TO EMPLOYMENT. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss a Participant from employment, free from any liability, or any claim under the

Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

- (F) GOVERNING LAW. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Connecticut and applicable Federal law.
- (G) SEVERABILITY. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person, or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.
- (H) NO TRUST OR FUND CREATED. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.
- (I) NO FRACTIONAL SHARES. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.
- (J) HEADINGS. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

SECTION 9. CHANGE IN CONTROL

- (A) Upon the occurrence of a Change in Control (as hereinafter defined):
 - (I) all Options and Stock Appreciation Rights, whether granted as performance awards or otherwise, shall become immediately exercisable in full for the remainder of their terms, and Grantees shall have the right to have the Company purchase all or any number of such Options or Stock Appreciation Rights for cash for a period of thirty (30)

days following a Change in Control at the Option Acceleration Price (as hereinafter defined); and

- (II) all restrictions applicable to all Restricted Stock and Restricted Stock Units, whether such Restricted Stock and Restricted Stock Units were granted as performance awards or otherwise, shall immediately lapse and have no effect, and Grantees shall have the right to have the Company purchase all or any number of such Restricted Stock Units and shares of Restricted Stock for cash for a period of thirty (30) days following a Change in Control at the Restricted Stock Acceleration Price (as hereinafter defined).
- (B) (I) The "Restricted Stock Acceleration Price" is the highest of the following on the date of a Change in Control:
- (A) the highest reported sales price of a share of the Common Stock within the sixty (60) days preceding the date of a Change in Control, as reported on any securities exchange upon which the Common Stock is listed,
 - (B) the highest price of a share of the Common Stock reported in a Schedule 13D or an amendment thereto as paid within the sixty (60) days preceding the date of the Change in Control,
 - (C) the highest tender offer price paid for a share of the Common Stock, and
 - (D) any cash merger or similar price paid for a share of the Common Stock.
- (II) The "Option Acceleration Price" is the excess of the Restricted Stock Acceleration Price over the exercise price of the award, except that for Incentive Stock Options, the Option Acceleration Price is limited to the spread between the Fair Market Value on the date of exercise and the option price.
- (C) A "Change in Control" is the occurrence of any one of the following events:
- (I) any "person," as such term is defined in Section 3(a)(9) and modified and used in Sections 13(d) and 14(d) of the Exchange Act (other than a Grantee, the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company (or of any subsidiary of the Company), or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or

indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities;

- (II) during any period of two consecutive years individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (i), (iii), (iv) or (v) of this definition) whose election by the Board or nomination for election by the Company's shareowners was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;
- (III) the shareowners of the Company approve a merger or consolidation of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 75% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (with the exceptions specified in clause (i) of this definition) acquires 25% or more of the combined voting power of the Company's then outstanding securities;
- (IV) the shareowners of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or
- (V) the Company consummates a merger, consolidation, stock dividend, stock split or combination, extraordinary cash dividend, exchange offer, issuer tender offer or other transaction effecting a recapitalization of the Company (or similar transaction) (the "Transaction") and, in connection with the Transaction, a Designated Downgrading occurs with respect to the unsecured general obligations of the Company (the "Securities"), as described below:
 - (A) If the rating of the Securities by both Rating Agencies (defined hereinafter) on the date 60 days prior to the public announcement of the Transaction (a "Base Date") is equal to or higher than BBB Minus (as hereinafter defined), then a "Designated Downgrading" means that the rating of the Securities by either Rating Agency on the effective date of the Transaction (or, if later, the earliest date on which the rating shall reflect the effect of the Transaction) (as

applicable, the "Transaction Date") is equal to or lower than BB Plus (as hereinafter defined); if the rating of the Securities by either Rating Agency on a Base Date is lower than BBB Minus, then a "Designated Downgrading" means that the rating of the Securities by either Rating Agency on the Transaction Date has decreased from the rating by such Rating Agency on the Base Date. In determining whether the rating of the Securities has decreased, a decrease of one gradation (+ and - for S&P and 1, 2 and 3 for Moody's, or the equivalent thereof by any substitute rating agency referred to below) shall be taken into account;

- (B) "Rating Agency" means either Standard & Poor's Corporation or its successor ("S&P") or Moody's Investor Service, Inc. or its successor ("Moody's");
- (C) "BBB Minus" means, with respect to ratings by S&P, a rating of BBB- and, with respect to ratings by Moody's, a rating of Baa3, or the equivalent thereof by any substitute agency referred to below;
- (D) "BB Plus" means, with respect to ratings by S&P, a rating of BB+ and, with respect to ratings by Moody's, a rating of BBB3, or the equivalent thereof by any substitute agency referred to below;
- (E) The Company shall take all reasonable action necessary to enable each of the Rating Agencies to provide a rating for the Securities, but, if either or both of the Rating Agencies shall not make such a rating available, a nationally-recognized investment banking firm shall select a nationally-recognized securities rating agency or two nationally-recognized securities rating agencies to act as substitute rating agency or substitute rating agencies, as the case may be.

SECTION 10. EFFECTIVE DATE OF THE PLAN

The Plan shall be effective as of January 25, 2001.

SECTION 11. TERM OF THE PLAN

No Award shall be granted under the Plan after January 24, 2011. However, unless otherwise expressly provided in the plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and the authority of the Committee to amend, alter, or adjust any such Award, or to waive any conditions or rights under any such Award, and the authority of the Board of Directors of the Company to amend the Plan, shall extend beyond such date.

THE STANLEY WORKS

Jim Roberts
President, Worldwide Hand
Tools and Hardware

480 Myrtle Street
New Britain, CT 06053

Tel 860-827-5904
Fax 860-827-5863

January 2, 2001

Mr. Paul Isabella

Dear Paul:

I am pleased to confirm our offer for the position of Director Operations - Stanley Hand Tools and Hardware. The position is based in New Britain, Connecticut and reports to me. You should be aware that your employment with Stanley will continue as long as mutually acceptable, and as such is terminable by either the Company, or by yourself, at any time and for any reason.

Your base salary will be \$250,000 per year, paid monthly. You will also participate in the Corporate Management Incentive Compensation Program with a guaranteed payment for 2000 of \$115,000 payable in February of 2001. You will be eligible for five weeks of vacation.

On joining the company, you will also receive a grant of a 71,000 share stock option under the terms of The Stanley Works 1997 Long-Term Incentive Plan. The Option Purchase Price will be the price of the stock on the date of grant, which will be within 60 days of your first day of work. Starting in 2001 your stock options will be targeted at the 7,000 level annually. The vesting schedule of the 71,000 share stock option is as follows:

Amount Granted	Vesting Date
27,000 options	May 19, 2001
7,000 options	January 25, 2002
27,000 options	May 19, 2003
10,000 options	April 19, 2005

On joining the Company, you will receive a grant of 7012 restricted share units including dividend equivalent rights on these units. The vesting schedule for these restricted share units is as follows:

4,400 units	September 17, 2001
2,612 units	September 17, 2003

You will participate in the Company's Supplemental Executive Retirement Program (SERP). Vesting for this benefit will occur when you complete five (5) years of service. Your previous service with Stanley will be counted in the SERP and the vesting requirements. If you are terminated involuntarily by the Company for any reason other than misconduct or gross negligence, you will receive severance pay at your base salary rate for up to 12 months or when you find other employment, whichever comes first.

In addition, the Company's Employee Stock Purchase Program (ESPP) allows you to purchase company stock up to 15% of your base pay annually (capped at \$25,000), at 15% below the market price. The Company's 401k Plan will match 50% of employee contributions up to 7% of your pay and the Company Defined Contribution Pension Plan contributes either 3%, 5% or 9% of pay each year depending upon your age.

The Company will cover the relocation costs associated with relieving you of obligations associated with the home you were building in Connecticut (i.e. buyout, deposit reimbursement, legal costs etc.) and the purchase of a new home in Connecticut. You will be eligible for the services of our Third Party Relocation Vendor. In addition, you will receive a moving allowance of \$8,000 to cover incidental moving expenses once you have moved. This

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allowance will be treated as salary for tax purposes. In order to be eligible for any relocation benefit you must first sign the Relocation Expense Agreement, which can be found on the last page of the enclosed Relocation Policy. No relocation benefit will be provided until the Company has received your signed Relocation Expense Agreement.

Enclosed is a copy of a Consent Order with the Federal Trade Commission regarding "Made in USA". Please read and sign the attached and return it to the address indicated.

The Stanley Works Health Plans become effective on the first of the month following your date of employment. They will be explained to you in detail on your first day of employment. You can usually extend your existing medical coverage for a limited period of time to cover any lapse between the plans.

Paul, I am delighted that you are considering rejoining Stanley. With you on-board, we have assembled a terrific team here in the Hand Tools and Hardware Business. I am confident the team will drive the growth and profitability I know we are capable of realizing. If you have any questions, please call me.

Please indicate your acceptance by signing below and return a copy to me.

Sincerely,

Jim Roberts
President, Worldwide Hand Tools and Hardware

Paul Isabella

cc: Carol L'Heureux - Executive Compensation & Relocation

Enclosures: Benefits Booklet
FTC Consent Order
Stanley Choice Account
Stanley Employment Application

NOTE PURCHASE AGREEMENT

Dated as of February 7, 2002

by and between

THE STANLEY WORKS

and

BNP PARIBAS

This NOTE PURCHASE AGREEMENT (this "AGREEMENT") is dated as of February 7, 2002 and is by and between THE STANLEY WORKS, a Connecticut corporation and BNP PARIBAS, a societe anonyme organized and existing under the laws of The Republic of France (the "INVESTOR").

W I T N E S S E T H
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WHEREAS, The Stanley Works wishes to issue to Investor and Investor wishes to purchase from The Stanley Works on the date hereof a note of The Stanley Works having the terms and being in the form set forth in Exhibit A hereto and as provided herein (the "INITIAL NOTE");

WHEREAS, The Stanley Works and Investor each wish to grant to the other certain rights with respect to the issuance and purchase of additional notes of The Stanley Works (the "ADDITIONAL NOTES" and, collectively with the Initial Note, the "NOTES") and with respect to the repurchase of the Notes by The Stanley Works;

WHEREAS, The Stanley Works owns all of the Common Stock, par value \$0.01 per share, of Stanley Logistics, Inc., a Delaware corporation (the "COMPANY"), and Investor has agreed to purchase 11,445 shares of Auction Market Preferred Stock, par value \$0.01 per share, of the Company (the "AMPS SHARES") on the Closing Date;

NOW, THEREFORE, the parties, intending to be bound, hereby agree as follows:

ARTICLE I

ISSUANCE OF INITIAL NOTE

Section 1.1 Subject to satisfaction of the conditions set forth in Article IV below, The Stanley Works agrees to issue an Initial Note to Investor on February 7, 2002 (the "Closing Date") in the principal amount of \$500,000, bearing interest at the rates and having the other terms, and in the form set forth in Exhibit A hereto, upon receipt by The Stanley Works from Investor of the purchase price of the Initial Note equal to the principal amount thereof in immediately available funds.

Section 1.2 Subject to satisfaction of the conditions set forth in Article IV below, Investor agrees to purchase the Initial Note from The Stanley Works on the Closing Date by payment of the principal amount of the Initial Note in immediately available funds to the account of The Stanley Works set forth on the signature page hereof.

ARTICLE II

ISSUANCE OF ADDITIONAL NOTES

In the event that, at any time when Investor is the holder of the Initial Note, Investor is not the holder of any shares of the capital stock of the Company, (i) Investor shall have the option, upon five (5) days prior written notice to The Stanley Works, to purchase Additional Notes from The Stanley Works, and upon receipt of such notice The Stanley Works agrees to issue Additional Notes to Investor on the date specified in such notice, and (ii) The Stanley Works shall have the option, upon five (5) days prior written notice to Investor, to issue Additional Notes to Investor, and upon receipt of such notice Investor agrees to purchase Additional Notes from The Stanley Works on the date specified in such notice, in either case in the aggregate principal amount of \$75,000,000 at a purchase price equal to such principal amount, such Additional Notes otherwise to have the terms and to be in the form set forth in Exhibit A hereto. Such purchase price shall be paid in immediately available funds to the account of The Stanley Works set forth on the signature page hereof. The options provided for in this Article II may be exercised only once for the full aggregate principal amount of the Additional Notes by either Investor or The Stanley Works but not by both parties separately.

ARTICLE III

REPURCHASE OF NOTES

Section 3.1 In the event that, at any time when Investor is the holder of any Note, (i) the rating published by Standard & Poor's or Moody's in respect of The Stanley Works' senior unsecured long-term indebtedness falls below "BBB" and "Baa" respectively, or The Stanley Works is no longer rated by Standard & Poor's and Moody's; or (ii) any Additional Notes have been issued to Investor pursuant to Article II hereof, Investor shall have the option, upon five (5) days prior written notice to The Stanley Works, to require The Stanley Works to purchase all (but not less than all) of the Notes held by Investor, and upon receipt of such notice The Stanley Works agrees to purchase such Notes from Investor on the date specified in such notice, at the Purchase Price (as defined below). The Purchase Price shall be paid in immediately available funds to the account of Investor set forth on the signature page hereof.

Section 3.2 In the event that, at any time when Investor is the holder of any Note, any Additional Notes have been issued to Investor pursuant to Article II hereof, The Stanley Works shall have the option, upon five (5) days prior written notice to Investor, to require Investor to sell to The Stanley Works all (but not less than all) of the Notes held by Investor, and upon receipt of such notice Investor agrees to sell such Notes to The Stanley Works on the date specified in such notice, at the Purchase Price. The Purchase Price shall be paid in immediately available funds to the account of Investor set forth on the signature page hereof.

Section 3.3 For purposes of Sections 3.1 and 3.2 above, the "PURCHASE PRICE" shall be determined by The Stanley Works as follows: upon exercise by Investor of its option pursuant to Section 3.1 or by The Stanley Works of its option pursuant to Section 3.2, The Stanley Works shall solicit from

five market participants purchase price quotations for the purchase of the Notes held by Investor, which purchase price quotations shall be based on the discounted value of the remaining cash flows on such Notes at Swap Curve plus 0.45% and shall include any accrued and unpaid interest on such Notes to the specified date of purchase. For the purposes of this Section 3.3, the "SWAP CURVE" shall mean the zero coupon curve for the remaining term of such Notes, obtained from mid market swap quotations. For the avoidance of doubt, Swap Curve refers to the same rate convention as that of the Notes. Upon receipt of such quotations, The Stanley Works shall exclude the highest and lowest quotations and shall determine the "Purchase Price" as the arithmetic mean of the remaining three quotations.

ARTICLE IV

CONDITIONS PRECEDENT TO ISSUANCE OF INITIAL NOTE

Section 4.1 The obligation of The Stanley Works to issue the Initial Note to Investor on the Closing Date shall be subject to the conditions that (i) all representations and warranties of Investor in the Transaction Documents (as such term and the other terms used but not defined herein are defined in the Auction Market Preferred Stock Investment Agreement, dated as of the date hereof, between the Company and The Stanley Works for the benefit of Investor (the "INVESTMENT AGREEMENT")) to which it is a party shall be true and correct as of the Closing Date in all material respects, (ii) Investor shall have performed all of its obligations theretofore to be performed under the Transaction Documents in all material respects and (iii) no Acceleration Event shall have occurred and be continuing as of the Closing Date or shall occur as a result of the issuance of AMPS Shares on the Closing Date.

Section 4.2 The obligation of Investor to purchase and pay the purchase price for the Initial Note on the Closing Date shall be subject to the conditions that (i) all representations and warranties of The Stanley Works and the Company in the Transaction Documents shall be true and correct as of the Closing Date in all material respects, (ii) The Stanley Works shall have performed all of its obligations theretofore to be performed under the Transaction Documents in all material respects and (iii) no Acceleration Event shall have occurred and be continuing as of the Closing Date or shall occur as a result of the issuance of AMPS Shares on the Closing Date.

Section 4.3 The obligations of each party hereto to issue and purchase, respectively, the Initial Note shall be subject to the following additional conditions:

(i) the execution and delivery of the Transaction Documents by each of the parties thereto;

(ii) each of the conditions set forth in Section 7.1(c) of the Auction Market Preferred Stock Procurement Agreement, dated as of February 7, 2002, between The Stanley Works and Investor (the "PROCUREMENT AGREEMENT") having been satisfied;

(iii) the AMPS Shares having been issued and delivered to Investor as contemplated by the Transaction Documents; and

(iv) all necessary corporate and governmental authorizations for Investor having been obtained and remaining in full force and effect on the Closing Date.

ARTICLE V

ACKNOWLEDGMENTS OF THE STANLEY WORKS AND INVESTOR

Section 5.1 (a) The Stanley Works acknowledges that Investor has relied on the representations and warranties of The Stanley Works and the Company in the Transaction Documents in connection with Investor's purchase of the Initial Note.

(b) The Investor acknowledges that The Stanley Works and the Company have relied on the representations and warranties of the Investor in the Transaction Documents in connection with the issuance by The Stanley Works of the Initial Note.

Section 5.2 (a) Investor acknowledges that the Notes have not been and will not be registered under the Securities Act of 1933, and the rules and regulations promulgated thereunder, as amended (the "SECURITIES ACT"), or any state securities or blue sky laws, and (b) Investor agrees that it may not offer, sell, pledge, hypothecate or transfer at any time, directly or indirectly, any Note except (i) together with any AMPS Shares transferred by Investor in accordance with Section 5.1 of the Procurement Agreement, (ii) in accordance with all conditions of any such transfer under such Section 5.1 and (iii) pursuant to a transaction not required to be registered under the Securities Act.

(b) Investor is an institutional Accredited Investor within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act.

(c) Investor acknowledges that it has access to such financial and other information concerning The Stanley Works and the Notes as deemed necessary in connection with its decision to purchase the Initial Note, including an opportunity to ask questions of and request information from The Stanley Works.

(d) Investor is acquiring the Initial Note for its own account for investment, not with a view to, or for sale in connection with, any distribution thereof, nor with any present intention of distributing or selling the same; and Investor does not presently have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Notes. Investor acknowledges that each Note will contain a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH AN AVAILABLE EXEMPTION FROM THE

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.1 Forms. Investor shall complete and deliver to The Stanley Works a United States Internal Revenue Service Form W-8BEN (or any similar or successor form thereto) completed in the same manner as the sample Form attached hereto as Annex A, claiming the benefits of the Tax Treaty (as defined in the Procurement Agreement) (i) prior to the Closing Date (as such term is used in the Procurement Agreement), (ii) before the form previously provided expires, (iii) promptly upon learning that the form previously provided has become obsolete or incorrect and (iv) promptly upon reasonable request by the Company. If Investor is required to file any U.S. tax returns with respect to Investor's holding of the AMPS Shares, Investor shall treat such holding as defined in 26 C.F.R. Section 1.1275-1(d), unless Investor receives an opinion from nationally recognized U.S. tax counsel that there is not a reasonable basis for such treatment.

Section 6.2 Payment of Additional Amounts under the Transaction Documents. The Stanley Works represents that neither it nor the Company is required under current law to withhold any U.S. tax with respect to any payment due to Investor under any of the Transaction Documents. This representation is made by The Stanley Works insofar as Investor is a tax resident of France and based on the accuracy of Investor's representations, warranties, agreements and covenants in the Transaction Documents. If, in the course of an audit, the United States Internal Revenue Service (the "IRS") asserts that any U.S. tax should have been withheld with respect to any such payment, prior to contesting any such assertion, The Stanley Works or the Company shall either (i) pay the amount of tax asserted to be due by the IRS or (ii) agree to indemnify Investor against any claim by the IRS against Investor with respect to such tax. If The Stanley Works makes any payment pursuant to the immediately preceding sentence, and, as a result of the making of such payment, Investor, acting reasonably, determines that it is entitled to receive a tax credit or other similar benefit under the tax laws of France, Investor shall, promptly after the receipt of that benefit, pay the amount thereof to the Stanley Works.

Section 6.3 Assignment, etc. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any of the rights granted herein, nor any of the other interests and obligations created hereunder, shall be assigned or delegated by either of the parties hereto without the prior express written consent of the other party, except under the circumstance set forth in Section 5.1 of the Procurement Agreement. Investor agrees that it shall not transfer the Initial Note to any third party without at the same time transferring all of the AMPS Shares held by it to such transferee.

Section 6.4 Governing Law. This Agreement is governed by, and shall be construed in accordance with, the laws of the State of New York without regard to principles of conflicts of laws.

Section 6.5 Waiver of Jury Trial. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, BETWEEN THE PARTIES HERETO ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THEREWITH AND FOR ANY COUNTERCLAIM THEREIN. EITHER PARTY HERETO MAY FILE ANY ORIGINAL COUNTERPART OR COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 6.6 Counterparts. This Agreement may be executed in counterparts, each of which shall constitute one and the same instrument.

Section 6.7 Notices. Any notice pursuant to this Agreement shall be in writing signed by or on behalf of the party giving it and may be served by sending it by confirmed facsimile, personal delivery or overnight courier to the address of the other parties set forth below (or to such other address as the affected party shall have specified by not less than fifteen (15) days prior notice given in accordance with this Section). Notice shall be received for purposes thereof:

(i) in the case of personal delivery or overnight courier, on the day delivery at the address of the relevant party is confirmed by a signed receipt of such notice, or if such day is not a Business Day, on the first Business Day thereafter; and

(ii) in the case of a facsimile transmission, on the day a confirmation of receipt is received or, if such day is not a Business Day, on the first Business Day thereafter.

To The Stanley Works:

Address: The Stanley Works
1000 Stanley Drive
New Britain, Connecticut 06053
USA

Fax: (860) 827-3911
Attention: David S. Winakor
Corporate Counsel

To Investor:

Address: BNP Paribas
37 Place du Marche St Honore
75001 Paris

Fax: (33) (0) 1.43.16.90.50
Attention: Christophe Delafontaine

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by its duly authorized officer as of the date first above written.

THE STANLEY WORKS

By: /s/ Craig Douglas

Craig Douglas

Vice President & Treasurer

BNP PARIBAS

By:/s/ Vincent Colson

Vincent Colson

Exhibit A

Form of Note

Exhibit A

THIS NOTE AND ANY BENEFICIAL INTEREST IN THIS NOTE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED, HYPOTHECATED OR TRANSFERRED AT ANY TIME, DIRECTLY OR INDIRECTLY, EXCEPT PURSUANT TO A TRANSACTION NOT REQUIRED TO BE REGISTERED UNDER THE SECURITIES ACT AND OTHERWISE IN ACCORDANCE WITH THE NOTE PURCHASE AGREEMENT.

NUMBER 1 Principal Amount: \$[]
Dated: [] Due: February 7, 2008

THE STANLEY WORKS, a corporation organized and existing under the laws of Connecticut (the "ISSUER"), with offices at 1000 Stanley Drive, New Britain, Connecticut 06053, for value received, hereby promises to pay to BNP PARIBAS, a societe anonyme organized and existing under the laws of The Republic of France, the principal sum of U.S. [] dollars (U.S.\$ []) on February 7, 2008 (the "MATURITY DATE").

The Issuer shall pay interest on this Note semi-annually on each August 7, and each February 7 and on the Maturity Date or, if any such date is not a Business Day (as defined below), on the next following Business Day unless such day falls in the following calendar month, in which case payment shall be made on the first preceding day that is a Business Day (each, an "INTEREST PAYMENT DATE"), commencing [], until the principal of this Note is paid in full, on the principal amount of this Note outstanding from time to time. Interest on this Note shall accrue from the day following the preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the date hereof) to and including the following Interest Payment Date at a rate per annum equal to (i) in respect of each Interest Payment Date to and including February 7, 2007, 5.72%, calculated on the basis of a 360-day year consisting of 12 months of 30 days each, and (ii) in respect of each Interest Payment Date after February 7, 2007, LIBOR (as defined below), calculated on the basis of a the actual number of days elapsed and a 360-day year, plus 0.45%. For purposes of this paragraph, the following terms shall have the meanings set forth below:

"BUSINESS DAY" means any day other than a Saturday, a Sunday or any other day on which commercial banks located in New York City are authorized or required by law to remain closed.

"LIBOR" for the determination of interest payable on any Interest Payment Date means the rate for deposits in United States dollars for six months (the "specified period") which appears on Telerate Page 3750 as of 11:00 a.m., London time, on the second London Business Day preceding the related Reset Date. If such rate does not appear on the Telerate Page 3750, LIBOR will be determined on the basis of the rates at which deposits in United States dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on the second London Business Day preceding that Reset Date to prime banks in the London interbank market for the specified period commencing on that Reset Date and in a representative amount. The Issuer will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR will be the arithmetic mean of the quotations. If fewer than two quotations are provided, LIBOR will be the arithmetic mean of the rates quoted by major banks in London selected by the Issuer, at approximately 11:00 a.m., London time, on the second London Business Day preceding that Reset Date for loans in United States dollars to leading European banks for the specified period commencing on that Reset Date and in a representative amount.

"LONDON BUSINESS DAY" means a day on which banks are open in London for the transaction of normal banking business in the interbank market.

"REFERENCE BANKS" means five leading banks designated by the Issuer and acting through their respective principal London offices, provided that if any such bank or banks do not provide the quotations required for this Note, such other bank or banks (as the case may be) substituted for it or them as may be selected by the Issuer.

"RESET DATE" in respect of any Interest Payment Date means the next preceding Interest Payment Date.

The Issuer shall pay interest on any overdue installments of interest on this Note at the applicable rate set forth above to the extent lawful.

The principal amount of this Note shall be payable on the Maturity Date only upon presentation and surrender of this Note at the office of the Issuer at 1000 Stanley Drive, New Britain, Connecticut 06053. Payments of principal of and interest on this Note shall be made to the holder of this Note indicated above in immediately available funds to the account of such holder designated in writing to the Issuer not later than 15 days prior to the related Interest Payment Date or the Maturity Date, as applicable.

Until the entire principal of and accrued interest on this Note have been paid in full, the Issuer covenants with the holder of this Note as follows:

- (1) The Issuer shall maintain at the office located at the address of the Issuer specified above where notices, presentations and demands in respect of this Note may be given to and made upon it; provided, however, that the Issuer may, upon 15 Business Days' prior written notice to the holder hereof, move such office to any other location within the continental boundaries of Europe or North America.

- (2) The Issuer shall take and fulfill, or cause to be taken and fulfilled, all actions and conditions necessary to preserve and keep in full force and effect its existence, rights and privileges as a corporation, and shall not liquidate or dissolve and shall take and fulfill, or cause to be taken and fulfilled, all actions and conditions necessary to qualify, and to preserve and keep in full force and effect its qualification, to do business as a foreign corporation in the jurisdictions in which the conduct of its business or the ownership or leasing of its properties requires such qualification.
- (3) The Issuer shall give prompt written notice to the holder hereof of any Event of Default or any event which with notice or lapse of time or both would constitute an Event of Default.
- (4) The Issuer shall pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (a) all material taxes, assessments and government charges levied or imposed upon the Issuer or upon the income, profits or property of the Issuer, and (b) all lawful material claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Issuer; provided, however, that the Issuer shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.
- (5) The Issuer shall not violate any laws, ordinances or governmental rules or regulations to which it or any of its properties is or may become subject, the violation of which, in the aggregate, reasonably could be expected to have a material adverse effect on the ability of the Issuer to pay the principal of and the interest of this Note.

If any of the following events (each, an "EVENT OF DEFAULT") occurs and is continuing, the holder of this Note may give written notice to the Issuer at the address of the Issuer set forth above that this Note is immediately repayable, whereupon the principal amount of this Note together with accrued interest thereon to the date of payment shall become immediately due and payable, unless such Event of Default shall have been remedied prior to the receipt of such notice by the Issuer:

- (a) default is made for more than ten days (in the case of interest) or five days (in the case of principal) in the payment on the due date of interest on or principal of this Note;
- (b) the Issuer or Stanley Logistics, Inc. initiates or consents to proceedings relating to itself under any applicable bankruptcy, reorganization or insolvency law or makes a conveyance or assignment for the benefit of, or enters into any composition with, its creditors in general; or
- (c) the proceedings are initiated against the Issuer or Stanley Logistics, Inc. under any applicable bankruptcy, reorganization or insolvency law and such proceedings are not discharged or stayed within a period of 60 days.

The principal of and interest on this Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

This Note shall be construed in accordance with the laws of the State of New York without reference to principles of conflicts of law, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

IN WITNESS WHEREOF, the Issuer has caused this Note to be executed by its duly authorized officer as of the date first set forth above.

THE STANLEY WORKS

By: _____
Name:
Title:

AUCTION MARKET PREFERRED STOCK

PROCUREMENT AGREEMENT

Dated as of February 7, 2002

by and between

THE STANLEY WORKS

and

BNP PARIBAS

This AUCTION MARKET PREFERRED STOCK PROCUREMENT AGREEMENT (this "AGREEMENT") is dated as of February 7, 2002 and is by and between THE STANLEY WORKS, a Connecticut corporation and BNP PARIBAS, a societe anonyme organized and existing under the laws of The Republic of France ("INVESTOR").

W I T N E S S E T H

WHEREAS, The Stanley Works is the owner of all 155,652 of the outstanding shares of Common Stock, par value \$0.01 per share, of Stanley Logistics, Inc., a Delaware corporation (the "COMPANY");

WHEREAS, pursuant to an Auction Market Preferred Stock Subscription Agreement, dated February 4, 2002, between the Company and The Stanley Works (the "SUBSCRIPTION AGREEMENT"), The Stanley Works has agreed either to subscribe for, or to procure the purchase by another person or persons of, and the Company has agreed to issue, 11,445 shares of Auction Market Preferred Stock, par value \$0.01 per share, of the Company which shares (the "AMPS SHARES") are to be issued under the Certificate of Rights, Powers, Designations and Preferences, and the Qualifications, Limitations or Restrictions of the Auction Market Preferred Stock of the Company (the "CERTIFICATE OF DESIGNATIONS") at a subscription price per share equal to the Liquidation Preference (as defined in Annex A hereto) of such shares (the "ISSUE PRICE");

WHEREAS, Investor desires that The Stanley Works have the Company issue to Investor the AMPS Shares and Investor is willing to pay the Issue Price for each AMPS Share contemporaneously with the issuance of the AMPS Shares to Investor;

WHEREAS, Investor has had a long-standing relationship with The Stanley Works and its affiliates which has generated various business opportunities for Investor, such as, for instance, a European cash pooling mandate and mergers & acquisitions advisory services for European acquisitions;

WHEREAS, Investor would like to create closer links with the Company through the purchase of AMPS Shares issued by the Company in the hope that this may create various other business transaction opportunities with the Company which might include the arrangement of and participation in transactions considered by the Company to finance the Company's expansion in the United States, although, for the avoidance of doubt, the Company is expressly not committing itself at this time to the awarding of any future mandates to Investor;

NOW, THEREFORE, the parties, intending to be bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

Terms not otherwise defined herein shall have the meanings set forth in Annex A hereto (with terms defined in the singular having comparable meanings when used in the plural and vice-versa), unless the context otherwise requires.

ARTICLE II

PROCUREMENT AND INVESTMENT

Section 2.1 The Stanley Works agrees with Investor to cause the issuance of the AMPS Shares to Investor at the time and in the manner set forth in Article III subject to satisfaction of the conditions precedent set forth in Article VII and to Investor's payment of the related Issue Price as provided in Article III.

Section 2.2 Subject to satisfaction of the conditions precedent set forth in Article VII and to The Stanley Works' obligation to cause the issuance of the AMPS Shares to Investor as provided in Section 2.1, Investor agrees with The Stanley Works to pay the Issue Price in accordance with and at the time and in the manner set forth in Article III.

ARTICLE III

CLOSING

Section 3.1 On February 7, 2002 (the "CLOSING DATE"), Investor shall pay the Issue Price in respect of the AMPS Shares to the Company in accordance with the provisions of this Agreement, and The Stanley Works shall cause the Company to issue the AMPS Shares to Investor and deliver to Investor a share certificate in the form attached hereto in respect of the AMPS Shares evidencing that Investor is the owner of the AMPS Shares.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Investor represents and warrants to The Stanley Works as follows:

(a) Organization. Investor is a societe anonyme organized and existing under the laws of The Republic of France and is a resident of The Republic of France for purposes of the Tax Treaty. Investor has the requisite corporate power and authority to enter into the Transaction Documents to which it is a party and to perform its obligations thereunder.

(b) Authorization and Validity of Transaction Documents. The Transaction Documents to which Investor is a party have each been duly authorized, executed and delivered by Investor and (assuming that each constitutes a valid and binding agreement of each of the other parties thereto) each constitutes a valid and binding agreement of Investor enforceable in accordance with its terms subject, as to enforcement, to bankruptcy, insolvency, reorganization and other similar laws of general applicability relating to or affecting creditor's rights and to general equity principles.

(c) Non-Contravention. The execution, delivery and performance of each of the Transaction Documents to which Investor is a party does not and will not in any material respect (i) violate any provision of the organizational documents of Investor, (ii) conflict with, result in a breach of, or constitute a default under, or result in the termination, cancellation or acceleration (whether after the giving of notice or lapse of time or both) of any right or obligation of Investor under any agreement, license, permit or undertaking to which Investor is a party or by which it is bound or to which any of its assets are subject, or result in the creation of any liens, charges, encumbrances, security interests, options, pledges, restrictions or any other claims or third party rights with respect to said assets, or (iii) violate or result in a breach of or constitute a default under any judgment, order, injunction, decree, law, rule, regulation or other restriction of any court or governmental or regulatory authority to which Investor is subject.

(d) Authorizations. There are no authorizations, approvals, consents or waivers required to have been obtained by Investor from, or notice or filings required to have been given by Investor to, or made by Investor with, any governmental or regulatory authority or other person in connection with the execution, delivery and performance of the Transaction Documents, except those which have heretofore been obtained or made.

(e) Securities Act. (i) Investor acknowledges that the AMPS Shares have not been and will not be registered under the Securities Act or any state securities or blue sky laws, and (ii) Investor agrees that it may not offer, sell, pledge, hypothecate or transfer at any time, directly or indirectly, any AMPS Shares (or securities issuable in exchange therefor) except pursuant to a transaction not required to be registered under the Securities Act and subject to the restrictions contained in the Certificate of Designations. Investor is an institutional Accredited Investor within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act.

(f) No Litigation. To the best of Investor's knowledge, no judicial, administrative or arbitral proceeding is pending or is threatened, as of the Closing Date, against it which would have a material adverse effect on the legality or validity of the Transaction Documents to which it is a party or on its ability to perform its obligations under the Transaction Documents to which it is a party.

(g) No Immunity. Investor is not entitled to the benefit of any defense of sovereign immunity in any action to enforce its obligations under any of the Transaction Documents.

(h) Access to Financial Information. Investor acknowledges that it has access to such financial and other information concerning the Company, the Parent and the AMPS Shares as deemed necessary in connection with its decision to purchase the AMPS Shares, including an opportunity to ask questions of and request information from the Company.

(i) Investment. Investor is acquiring the AMPS Shares for its own account for investment, not with a view to, or for sale in connection with, any distribution thereof, nor with any present intention of distributing or selling the same; and Investor does not presently have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the AMPS Shares.

Investor acknowledges that each certificate representing AMPS Shares will contain a legend substantially to the following effect:

THE RIGHTS AND PRIVILEGES WITH RESPECT TO THE SHARES EVIDENCED BY THIS CERTIFICATE ARE LIMITED AND RESTRICTED IN THE MANNER AND TO THE EXTENT SET FORTH IN THE CERTIFICATE OF RIGHTS, POWERS, DESIGNATIONS AND PREFERENCES, AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF THE AUCTION MARKET PREFERRED STOCK OF THE CORPORATION ("THE CERTIFICATE OF DESIGNATIONS"), FILED WITH THE OFFICE OF THE SECRETARY OF STATE OF THE STATE OF DELAWARE, AS THE SAME MAY BE AMENDED, MODIFIED, SUPPLEMENTED, EXTENDED, RENEWED, RESTATED OR REPLACED FROM TIME TO TIME IN ACCORDANCE WITH ITS TERMS.

THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND OTHERWISE IN ACCORDANCE WITH CERTIFICATE OF DESIGNATIONS.

Section 4.2 The Stanley Works represents and warrants to Investor as follows:

(a) Capitalization. The AMPS Shares represent 6.85 percent of the aggregate voting power of the shares of the capital stock of the Company and the stated capital represented by the AMPS Shares is equal to 6.85 percent of the aggregate stated capital of the Company.

(b) No Litigation. To the best of The Stanley Works' knowledge, no judicial, administrative or arbitral proceeding is pending or is threatened, as of the Closing Date, against The Stanley Works or the Company which would have a material adverse effect on the legality or validity of the Transaction Documents to which The Stanley Works or the Company is a party or on the ability of The Stanley Works or the Company to perform its obligations under the Transaction Documents to which it is a party.

ARTICLE V

COVENANTS

Section 5.1 Transfer of AMPS Shares. Investor covenants and agrees that it will transfer AMPS Shares held by it only (a) pursuant to the Auction Procedures or (b) upon satisfaction of the following conditions:

(a) Investor shall transfer all but not less than all of the AMPS Shares held by it to a single transferee;

(b) the transferee of such AMPS Shares shall have executed and delivered to The Stanley Works an undertaking reasonably satisfactory to The Stanley Works containing the

representations, warranties, agreements and covenants which are made by Investor in this Agreement and the transferee shall have provided such other information as The Stanley Works may reasonably require which shall include the name and address of the transferee;

(c) Investor shall have assigned to such transferee and such transferee shall have accepted and agreed to be bound by all of the rights and obligations of Investor under the Transaction Documents prior to such transfer; all, but not less than all of the aggregate principal amount of the Initial Note and any Additional Notes shall have been transferred by Investor to such transferee; such transferee shall have executed an Investor's Letter (as defined in the Certificate of Designations); and the transfer shall otherwise comply with the Certificate of Designations;

(d) at the time of any such transfer, the transferee of such AMPS Shares is (i) the Holder of the Common Stock of the Company or an affiliate thereof or (ii) an institutional investor that (a) is not a U.S. Person, as such term is defined in Regulation S under the Securities Act and/or Section 7701 of the U.S. Internal Revenue Code of 1986, as amended, and (b) does not have an adverse business relationship with the The Stanley Works group of affiliated companies; and

(e) not later than 30 days prior to such transfer, Investor shall have given written notice of such transfer to The Stanley Works setting forth the proposed date of transfer, and the sale price to be paid by the transferee. Upon receipt of such notice, The Stanley Works shall have the right to purchase the AMPS Shares from Investor at such sale price on such date by giving written notice of the exercise of such right to Investor not later than five (5) days prior to such date.

Notwithstanding the foregoing, in the event that The Stanley Works has failed to comply with its obligation to provide a Bid in accordance with Section 3.3(b) of the Investment Agreement and Investor has not otherwise effected a sale of any of the AMPS Shares held by it pursuant to the related Auction, Investor shall have the right, in addition to any other rights which Investor may have arising from such failure, to transfer the AMPS Shares without complying with the restrictions in Section 5.1(d)(i) and (ii)(b) above.

Section 5.2 Residence. Investor represents, covenants and agrees that on the Closing Date and on any date on which a payment is made on or in respect of the AMPS Shares, Investor is and will be a resident of The Republic of France for purposes of the Tax Treaty and will be eligible for the benefits, if any, provided thereunder with respect to any payments contemplated by the Transaction Documents.

Section 5.3 AMPS Auction. Investor agrees not to submit a Hold Order for any of its AMPS Shares in connection with the first Auction conducted pursuant to the Auction Procedures.

ARTICLE VI

INDEMNIFICATION

Section 6.1 Indemnification by Investor. Investor hereby agrees to indemnify, defend and hold harmless the Company and The Stanley Works (collectively, "THE STANLEY WORKS INDEMNITEES"), without duplication of any other indemnification of The Stanley Works Indemnitees under the Transaction Documents or otherwise or reimbursement or benefit from any other source, against any increased cost of or loss of intended benefit, including without limitation, interest, penalties, fines, levies and other similar charges, and reasonable costs and expenses (including reasonable legal fees and expenses of counsel), net of any tax relief or benefit (collectively, "LOSSES"), imposed on, sustained, incurred or suffered by or asserted against any of The Stanley Works Indemnitees in connection with the transactions contemplated by the Transaction Documents, as a result of any breach by Investor of any covenant, obligation, agreement or representation made by it in the Transaction Documents or of the fact that the AMPS Shares or the payments contemplated by the Transaction Documents are attributable to a permanent establishment of Investor in the United States or as a result of any indemnification payment made in respect thereof, other than Losses (1) resulting from or arising out of negligence, bad faith or willful misconduct of either of The Stanley Works Indemnitees, or (2) that constitute consequential damages.

Section 6.2 Indemnification by The Stanley Works. The Stanley Works hereby agrees to indemnify, defend and hold harmless Investor, without duplication of any other indemnification of Investor under the Transaction Documents or otherwise or reimbursement or benefit from any other source, against any Losses, net of any tax relief or benefit imposed on, sustained, incurred or suffered by or asserted against Investor in connection with the transactions contemplated by the Transaction Documents, as a result of any breach by The Stanley Works of any covenant, obligation, agreement or representation made by it in the Transaction Documents or as a result of any indemnification payment made in respect thereof, other than Losses (1) resulting from or arising out of negligence, bad faith or willful misconduct of Investor, (2) that constitute consequential damages or (3) without limiting the effect of Section 6.2 of the Note Purchase Agreement, arising with respect to the imposition of United States withholding taxes.

Section 6.3 Duty to Mitigate Losses. Each of The Stanley Works and Investor has an obligation to use reasonable best efforts to mitigate Losses subject to indemnification pursuant to this Article VI.

ARTICLE VII

CONDITIONS PRECEDENT

Section 7.1 Conditions Precedent. (a) The obligation of Investor to purchase and pay the Issue Price for the AMPS Shares on the Closing Date shall be subject to the conditions that (i) all representations and warranties of The Stanley Works and the Company in the Transaction Documents shall be true and correct in all material respects as of the Closing Date, (ii) The Stanley Works and the Company shall have performed all of their respective obligations theretofore to be performed under the Transaction Documents in all material respects

and (iii) no Acceleration Event shall have occurred and be continuing as of the Closing Date or shall occur as a result of the issuance of AMPS Shares on the Closing Date.

(b) The obligation of The Stanley Works to cause the issuance to Investor of the AMPS Shares on the Closing Date shall be subject to the conditions that (i) all representations and warranties of Investor in the Transaction Documents to which it is a party shall be true and correct in all material respects as of the Closing Date, (ii) Investor shall have performed all of its obligations theretofore to be performed under such Transaction Documents in all material respects and (iii) no Acceleration Event shall have occurred and be continuing as of the Closing Date or shall occur as a result of the issuance of AMPS Shares on the Closing Date.

(c) The obligations of each party hereto under Article III hereof shall be subject to the following additional conditions:

(i) the execution and delivery of the Note Purchase Agreement by The Stanley Works and Investor in the form attached hereto as Exhibit A, and the issuance to Investor of the Initial Note in the principal amount of \$500,000 bearing interest at the rate set forth on Schedule I hereto and the payment therefor in accordance with the Note Purchase Agreement;

(ii) the execution and delivery of (x) the Investment Agreement by The Stanley Works and the Company in the form attached hereto as Exhibit B and (y) the Voting Agreement by The Stanley Works and Investor in the form attached hereto as Exhibit C;

(iii) the delivery on the Closing Date of :

(1)(A) a legal opinion of David S. Winakor, Esq., Corporate Counsel of the Company and (B) a legal opinion of LeBoeuf, Lamb, Greene & MacRae, acting as special counsel to the Company, in the form set forth set forth in Exhibit D-1; and

(2)(A) a legal opinion of David S. Winakor, Esq., Corporate Counsel of The Stanley Works and (B) a legal opinion of LeBoeuf, Lamb, Greene & MacRae, acting as special counsel to The Stanley Works, in the form set forth in Exhibit D-2.

(iv) the delivery on the Closing Date of (A) a legal opinion of Skadden, Arps, Slate, Meagher & Flom LLP, special New York counsel to Investor, and (B) a legal opinion of De Pardieu Brocas Maffei & Associates, French counsel to Investor, in the forms set forth in Exhibit E hereto;

(v) the delivery of a Secretary's Certificate of each of The Stanley Works and the Company, each certifying as to (A) incumbency of the officers or representatives thereof signing the Transaction Documents to be executed and delivered on or prior to the Closing Date, (B) the charter documents thereof not having been amended (except as contemplated by the Transaction Documents) and being in full force and effect, copies of which charter documents shall be attached to such certificates and (C) the resolutions

adopted by the Board of Directors thereof authorizing the transactions contemplated by the Transaction Documents, copies of which resolutions shall be attached to such certificates;

(vi) with respect to Investor, the delivery of a certified copy of La Procuration Generale dated November 14, 2000, of La Delegation de Pouvoirs dated December 12, 2000, of Les Subdelegations de Pouvoirs dated December 21, 2000 and March 9, 2001, and of the Power of Attorney, dated February 7, 2002, as evidence of authority for the execution on behalf of Investor, of the Transaction Documents to which Investor is a party;

(vii) the delivery of a certified copy of the Certificate of Designations as filed with the Secretary of State of Delaware, in the form of Exhibit F hereto;

(viii) the AMPS Shares having been registered in the name of Investor in the Company's stock ledger and a share certificate for the AMPS Shares having been delivered to Investor;

(ix) all necessary corporate and governmental authorizations for Investor, The Stanley Works and the Company having been obtained; and

(x) the delivery of a certificate signed by an officer of the The Stanley Works to the effect that no Parent Acceleration Event (other than pursuant to a Parent Adverse Law Change) has occurred as of the Closing Date or will occur on the Closing Date as a result of the issuance of AMPS Shares.

Section 7.2 Expenses. If the Closing Date does not occur as a result of a default by either party hereto to comply with its obligations under Article III hereof or to satisfy any of the conditions precedent specified in Section 7.1 hereof within the control of such party, then such defaulting party shall pay to the non-defaulting party on demand the reasonable expenses of any breakage of any funding, including hedging thereof, incurred by the non-defaulting party which result from the failure of the Closing Date to occur.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1 Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any of the rights granted herein, nor any of the other interests and obligations created hereunder, shall be assigned or delegated by any of the parties hereto without the prior express written consent of the other parties or except as provided in Section 5.1 hereof.

Section 8.2 Survival. Representations, warranties and covenants of Investor herein are for the ongoing benefit of The Stanley Works and the Company and shall survive the issuance, delivery and purchase of the AMPS Shares. Representations, warranties and covenants of The Stanley

Works herein are for the ongoing benefit of Investor and shall survive the issuance, delivery and purchase of the AMPS Shares.

Section 8.3 Governing Law. This Agreement is governed by, and shall be construed in accordance with, the laws of the State of New York without regard to principles of conflicts of laws.

Section 8.4 Waiver of Jury Trial. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY LEGAL ACTION OR BETWEEN THE PARTIES HERETO ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THEREWITH AND FOR ANY COUNTERCLAIM THEREIN. EITHER PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 8.5 Counterparts. This Agreement may be executed in counterparts, each of which shall constitute one and the same instrument.

Section 8.6 Notices. Any notice pursuant to this Agreement shall be in writing signed by or on behalf of the party giving it and may be served by sending it by confirmed facsimile, personal delivery or overnight courier to the address of the other parties set forth below (or to such other address as any such other party shall have specified by not less than fifteen days prior notice given in accordance with this Section). Notice shall be received for purposes thereof:

(i) in the case of personal delivery or overnight courier, on the day delivery at the address of the relevant party is confirmed by a signed receipt of such notice, or if such day is not a Business Day, on the first Business Day thereafter; and

(ii) in the case of a facsimile transmission, on the day a confirmation of receipt is received or, if such day is not a Business Day, on the first Business Day thereafter.

To The Stanley Works:

Address: The Stanley Works
 1000 Stanley Drive
 New Britain, Connecticut 06053
 USA

Fax:: (860) 827-3911
Attention: David S. Winakor
 Corporate Counsel

To Investor:

Address: BNP Paribas
37 Place du Marche St Honore
75001 Paris
FRANCE

Fax: (33) (0) 1.43.16.90.50
Attention: Christophe Delafontaine

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by its duly authorized officer as of the date first above written.

THE STANLEY WORKS

By: /s/ Craig Douglas

Craig Douglas
Vice President & Treasurer

BNP PARIBAS

By: /s/ Vincent Colson

Vincent Colson

ANNEX A

"ACCELERATED AUCTION DATE" has the meaning specified in the Certificate of Designations.

"ACCELERATION EVENT" shall mean an AMPS Investors Acceleration Event or a Parent Acceleration Event (each as defined in the Certificate of Designations), as applicable.

"AGREEMENT" or "PROCUREMENT AGREEMENT" means this Procurement Agreement.

"AMPS SHARES" has the meaning specified in the recitals to this Agreement.

"AUCTION" shall mean each periodic implementation of the Auction Procedures.

"AUCTION DATE" has the meaning specified in the Certificate of Designations.

"AUCTION PROCEDURES" has the meaning specified in the Certificate of Designations.

"BID" has the meaning specified in the Certificate of Designations.

"BUSINESS DAY" means any day other than a Saturday, Sunday or any other day on which commercial banks located in New York City are authorized or required by law to remain closed.

"CERTIFICATE OF DESIGNATIONS" has the meaning specified in the recitals to this Agreement.

"CLOSING DATE" has the meaning specified in Article III of this Agreement.

"COMMON STOCK" means the Common Stock, par value \$0.01 per share, of the Company.

"COMPANY" has the meaning specified in the recitals to this Agreement.

"DIVIDEND" has the meaning specified in the Certificate of Designations.

"DIVIDEND PAYMENT DATE" has the meaning specified in the Certificate of Designations.

"HOLD ORDER" has the meaning specified in paragraph (A)(1) of Schedule B to the Certificate of Designations.

"INITIAL NOTE" has the meaning specified in the Note Purchase Agreement.

"INVESTMENT AGREEMENT" means the Auction Market Preferred Stock Investment Agreement dated as of February 7, 2002 among the Company and The Stanley Works for the benefit of Investor.

"INVESTOR" has the meaning specified in the recitals to this Agreement.

"ISSUE PRICE" has the meaning specified in the recitals to this Agreement.

"LEGAL OR REGULATORY" with respect to any claim, proceeding or contest, shall mean any securities law, administrative, tax or corporate law claim, proceeding or contest in respect of the transactions contemplated by the Transaction Documents.

"LIQUIDATION PREFERENCE" has the meaning specified in the Certificate of Designations.

"NOTE PURCHASE AGREEMENT" means the Note Purchase Agreement dated as of February 7, 2002 between The Stanley Works and Investor.

"OVERNIGHT LIBOR" means in respect of any day (the "relevant date") the rate for deposits in United States dollars for a period of one day which is quoted by two major banks in London selected by The Stanley Works with respect to the Second London Business Day preceding such relevant date in a representative amount. Overnight LIBOR will be the arithmetic mean of the quotations of such banks.

"SCHEDULED DIVIDEND" has the meaning specified in the Certificate of Designations.

"SECURITIES ACT" means the United States Securities Act of 1933 and the rules and regulations promulgated thereunder, as amended from time to time.

"SUBSCRIPTION AGREEMENT" has the meaning specified in the recitals to this Agreement.

"TAX TREATY" means the Convention Between the Government of The United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, signed August 31, 1994, and any Protocols and Notes thereto, as the same may be amended from time to time.

"THE STANLEY WORKS" has the meaning specified in the recitals to this Agreement.

"TRANSACTION DOCUMENTS" means this Agreement, the Subscription Agreement, the Investment Agreement, the Voting Agreement, the Certificate of Designations, the Note Purchase Agreement and the Initial Note.

"VOTING AGREEMENT" means the Voting Agreement dated as of February 7, 2002 between The Stanley Works and Investor.

SCHEDULE I

1. AMPS dividend rate through February 7, 2007: 4.54%
2. Note interest rate through February 7, 2007: 5.72%

EXHIBIT A

Note Purchase Agreement

SEE TAB 7

EXHIBIT B

Investment Agreement

SEE TAB 5

EXHIBIT C

Voting Agreement

SEE TAB 6

EXHIBIT D-1

Legal Opinion of David S. Winakor, Esq.,
Corporate Counsel of the Company

and

Legal Opinion of LeBoeuf, Lamb, Greene & MacRae, LLP
Special Counsel to the Company

SEE TABS 11 AND 13

EXHIBIT D-2

Legal Opinion of David S. Winakor, Esq.,
Corporate Counsel of The Stanley Works

and

Legal Opinion of LeBoeuf, Lamb, Greene & MacRae, LLP
Special Counsel to The Stanley Works

SEE TABS 10 AND 12

EXHIBIT E

Legal Opinion of Skadden, Arps, Slate, Meagher & Flom LLP,
Special U.S. Counsel to Investor

and

Legal Opinion of De Pardieu Brocas Maffei & Associates,
French counsel to Investor

SEE TABS 14 AND 15

EXHIBIT F

Certificate of Designations

SEE TAB 2

EXHIBIT (10)(xxii)(c)

AUCTION MARKET PREFERRED STOCK
VOTING AGREEMENT

Dated as of February 7, 2002

by and between

THE STANLEY WORKS

and

BNP PARIBAS

This AUCTION MARKET PREFERRED STOCK VOTING AGREEMENT (this "AGREEMENT") is dated as of February 7, 2002 and is by and between THE STANLEY WORKS, a Connecticut corporation and BNP PARIBAS, a societe anonyme organized and existing under the laws of The Republic of France ("INVESTOR").

W I T N E S S E T H
- - - - -

WHEREAS, The Stanley Works is the holder of all 155,652 shares of the outstanding shares of Common Stock of Stanley Logistics, Inc., a Delaware corporation (the "COMPANY");

WHEREAS, pursuant to an Auction Market Preferred Stock Subscription Agreement (the "SUBSCRIPTION AGREEMENT"), dated as of February 4, 2002, between the Company and The Stanley Works, The Stanley Works agreed either to subscribe for, or to procure the subscription by another person or persons of, and the Company has agreed to issue, 11,445 shares of Auction Market Preferred Stock, par value \$0.01 per share (the "AMPS SHARES"), of the Company, issued under the Certificate of Rights, Powers, Designations and Preferences, and the Qualifications, Limitations or Restrictions Thereof, of the Auction Market Preferred Stock of the Company (the "CERTIFICATE OF DESIGNATIONS") at a subscription price per share equal to the Liquidation Preference (as defined below) of such shares (the "ISSUE PRICE");

WHEREAS, pursuant to the Auction Market Preferred Stock Procurement Agreement, dated as of February 7, 2002, between The Stanley Works and Investor (the "PROCUREMENT AGREEMENT"), Investor agreed to subscribe for the AMPS Shares and pay the Issue Price to the Company;

WHEREAS, pursuant to the Procurement Agreement, Investor subscribed the AMPS Shares on the Closing Date;

WHEREAS, pursuant to the Auction Market Preferred Stock Investment Agreement, dated as of February 7, 2002, between The Stanley Works and the Company (the "INVESTMENT AGREEMENT"), The Stanley Works agreed to give certain undertakings to the Company for the benefit of Investor in connection with the AMPS Shares; and

WHEREAS, Investor has agreed to give certain undertakings to The Stanley Works in connection with Investor's investment in the AMPS Shares;

NOW, THEREFORE, the parties, intending to be bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

Terms not otherwise defined herein shall have the meanings set forth in Annex A to the Procurement Agreement (with terms defined in the singular having comparable meanings when used in the plural and vice-versa), unless the context otherwise requires.

ARTICLE II

COVENANTS

Section 2.1 Voting of AMPS Shares. For a period commencing on the date hereof and ending on February 7, 2008, Investor shall vote any AMPS Shares held by the Investor for the election of Directors of the Company, and solely for such decision, in the same manner as The Stanley Works votes its shares of the Common Stock of the Company including, without limitation, by executing any written consent of shareholders in lieu of meeting.

ARTICLE III

LEGAL OR REGULATORY CONTESTS

Section 3.1 (a) The parties agree to notify each other of, and to cooperate in connection with, any audits or Legal or Regulatory contests relating to the transactions contemplated by the Transaction Documents, and the party seeking cooperation will reimburse the cooperating party for all out of pocket costs incurred in connection with such cooperation.

(b)(i) If a United States Legal or Regulatory claim is asserted against Investor, then Investor must within fifteen (15) days thereafter provide notice of such claim to the Company. Within thirty (30) days following receipt of such notice, The Stanley Works may assume control, at its expense and with counsel of its choice, over any audit or Legal or Regulatory contest resulting therefrom and may contest or settle such contest with the consent of the Investor, which consent may not be unreasonably withheld. The Stanley Works agrees to keep Investor informed regarding the conduct of any such contest with respect to which The Stanley Works assumes control (including providing copies of all documents) and to consult with Investor as reasonably requested regarding prosecution of such contest.

(ii) If a United States Legal or Regulatory claim is asserted against Investor and The Stanley Works elects not to assume control of such audit or Legal or Regulatory contest, then Investor shall keep The Stanley Works informed regarding the conduct of such contest (including providing The Stanley Works with copies of all documents) and shall consult with The Stanley Works as reasonably requested regarding the prosecution of such contest.

ARTICLE IV

MISCELLANEOUS PROVISIONS

Section 4.1 Assignment, etc. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any of the rights granted herein, nor any of the other interests and obligations created hereunder, shall be assigned or delegated by either of the parties hereto without the prior express written consent of the other party; provided, however, that this Agreement shall be assignable by Investor to a transferee of AMPS Shares transferred by Investor in accordance with Section 5.1 of the Procurement Agreement.

Section 4.2 Governing Law. This Agreement is governed by, and shall be construed in accordance with, the laws of the State of New York without regard to principles of conflicts of laws.

Section 4.3 Waiver of Jury Trial. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY LEGAL ACTION OR BETWEEN THE PARTIES HERETO ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THEREWITH AND FOR ANY COUNTERCLAIM THEREIN. EITHER PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 4.4 Counterparts. This Agreement may be executed in counterparts, each of which shall constitute one and the same instrument.

Section 4.5 Notices. Any notice pursuant to the Transaction Documents shall be in writing signed by or on behalf of the party giving it and may be served by sending it by confirmed facsimile, personal delivery or overnight courier to the address of the other parties set forth below (or to such other address as the affected party shall have specified by not less than fifteen days prior notice given in accordance with this Section). Notice shall be received for purposes thereof:

(i) in the case of personal delivery or overnight courier, on the day delivery at the address of the relevant party is confirmed by a signed receipt of such notice, or if such day is not a Business Day, on the first Business Day thereafter; and

(ii) in the case of a facsimile transmission, on the day a confirmation of receipt is received or, if such day is not a Business Day, on the first Business Day thereafter.

To The Stanley Works:

Address: The Stanley Works
 1000 Stanley Drive
 New Britain, Connecticut 06053
 USA

Fax: (860) 827-3911
Attention: David S. Winakor
 Corporate Counsel

To Investor:

Address: BNP Paribas
 37 Place du Marche St Honore
 75001 Paris
 FRANCE

Fax: (33) (0) 1.43.16.90.50
Attention: Christophe Delafontaine

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by its duly authorized officer as of the date first above written.

THE STANLEY WORKS

By: /s/ Craig Douglas

Craig Douglas

Vice President & Treasurer

BNP PARIBAS

By: /s/ Vincent Colson

Vincent Colson

AUCTION MARKET PREFERRED STOCK

SUBSCRIPTION AGREEMENT

Dated as of February 4, 2002

by and between

STANLEY LOGISTICS, INC.

and

THE STANLEY WORKS

This AUCTION MARKET PREFERRED STOCK SUBSCRIPTION AGREEMENT (this "AGREEMENT") is dated as of February 4, 2002 and is by and between STANLEY LOGISTICS, INC., a Delaware corporation (the "COMPANY"), and THE STANLEY WORKS, a Connecticut corporation (the "PARENT").

W I T N E S S E T H

WHEREAS, the Parent owns all 155,652 of the outstanding shares of Common Stock, par value U.S.\$0.01 per share, of the Company;

WHEREAS, the Company desires that the Parent agree either to subscribe for, or to procure the subscription by another person or persons (collectively, "INVESTOR") of, 11,445 shares of Auction Market Preferred Stock, par value \$0.01 per share, of the Company, which shares (the "AMPS SHARES") are to be issued under the Certificate of Rights, Powers, Designations and Preferences, and the Qualifications, Limitations or Restrictions Thereof, of the Auction Market Preferred Stock of the Company (the "CERTIFICATE OF DESIGNATIONS") at a subscription price per share equal to the Liquidation Preference (as defined in the Certificate of Designations) of such share (the "ISSUE PRICE");

NOW, THEREFORE, the parties, intending to be bound, hereby agree as follows:

ARTICLE I

PROCUREMENT

The Parent agrees with the Company either to subscribe for and pay the Issue Price for the AMPS Shares or to procure the payment of the Issue Price for the AMPS Shares by Investor on or before February 7, 2002 (the "CLOSING DATE"). The Company shall issue the AMPS Shares to the Parent or to Investor at the Issue Price on the Closing Date.

ARTICLE II

ISSUANCE

In the event the Parent has procured payment of the Issue Price for the AMPS Shares from Investor as provided in Article I, the Company agrees with the Parent to issue the AMPS Shares to Investor against payment of the Issue Price to the Company.

ARTICLE III

MISCELLANEOUS PROVISIONS

Section 3.1 Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any of the rights granted herein, nor any of the other interests and obligations created hereunder, shall be assigned or delegated by either of the parties hereto without the prior express written consent of the other party.

Section 3.2 Governing Law. This Agreement is governed by, and shall be construed in accordance with, the laws of the State of New York without regard to principles of conflicts of laws.

Section 3.3 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 3.4 Remedies. In the event the Parent shall have failed to procure the payment of the Issue Price for the AMPS Shares as provided in Article I, the Parent shall be liable for damages to the Company. Neither the Parent nor the Company shall have any liability to any Investor under this Agreement, provided that nothing herein shall be deemed to affect the Parent's or the Company's obligations or liabilities under any other agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by its duly authorized officer as of the date first above written.

THE STANLEY WORKS

By: /s/ Craig Douglas

Craig Douglas
Vice President & Treasurer

STANLEY LOGISTICS, INC.

By: /s/ Kenneth O. Lewis

Kenneth O. Lewis
President

AUCTION MARKET PREFERRED STOCK

INVESTMENT AGREEMENT

Dated as of February 7, 2002

by and among

THE STANLEY WORKS

and

STANLEY LOGISTICS, INC.

for the benefit of

BNP PARIBAS

This AUCTION MARKET PREFERRED STOCK INVESTMENT AGREEMENT (this "AGREEMENT") is dated as of February 7, 2002 and is by and between THE STANLEY WORKS, a Connecticut corporation (the "PARENT") and STANLEY LOGISTICS, INC., a Delaware corporation (the "COMPANY"), and is made and entered into for the benefit of BNP PARIBAS, a societe anonyme organized and existing under the laws of France (the "INVESTOR").

W I T N E S S E T H
- - - - -

WHEREAS, pursuant to an Auction Market Preferred Stock Subscription Agreement, dated as of February 4, 2002, between the Company and the Parent (the "SUBSCRIPTION AGREEMENT"), the Parent has agreed either to subscribe for, or to procure the purchase by another person or persons of, and the Company has agreed to issue, 11,445 shares of Auction Market Preferred Stock, par value \$0.01 per share, of the Company (the "AMPS SHARES"), which shares are to be issued under the Certificate of Rights, Powers, Designations and Preferences, and the Qualifications, Limitations or Restrictions of the Auction Market Preferred Stock of the Company (the "CERTIFICATE OF DESIGNATIONS") at a subscription price per share equal to the Liquidation Preference (as defined below) of such shares (the "ISSUE PRICE");

WHEREAS, pursuant to the Auction Market Preferred Stock Procurement Agreement dated as of February 7, 2002 between the Parent and the Investor (the "PROCUREMENT AGREEMENT"), the Investor has agreed to subscribe for the AMPS Shares and pay the Issue Price to the Company; and

WHEREAS, the Parent has agreed to provide certain undertakings for the benefit of the Investor relating to the Company and the AMPS Shares;

NOW, THEREFORE, the parties, intending to be bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

Terms not otherwise defined herein shall have the meanings set forth in Annex A to the Procurement Agreement (with terms defined in the singular having comparable meanings when used in the plural and vice-versa), unless the context otherwise requires.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE PARENT
AND THE COMPANY

Each of the Parent and the Company represents and warrants on behalf of itself for the benefit of the Investor as of the date of this Agreement as follows and each of the Parent and the Company acknowledges that the Investor and its affiliates has relied on such representations and warranties in connection with the Investor's purchase of the AMPS Shares:

Section 2.1 Organization. The Parent is a corporation, organized and existing under the laws of the State of Connecticut. The Company is a corporation organized and existing under the laws of the State of Delaware. Each of the Parent and the Company has the requisite corporate power and authority to enter into the Transaction Documents to which it is a party and to perform its obligations thereunder. The Parent represents and warrants that it owns all of the outstanding shares of the Common Stock of the Company. The Company represents and warrants that it is not licensed to conduct a banking business in any jurisdiction.

Section 2.2 Authorization and Validity of Transaction Documents. The Transaction Documents to which it is a party have each been duly authorized, executed and delivered by it to the extent that it is a party thereto and (assuming that each Transaction Document to which it is a party is a valid and binding agreement of the other parties thereto, enforceable against such other parties in accordance with its terms) each constitutes a valid and binding agreement thereof enforceable in accordance with its terms subject, as to enforcement, to bankruptcy, insolvency, reorganization and other similar laws of general applicability relating to or affecting creditor's rights and to general equity principles.

Section 2.3 Non-Contravention. The execution, delivery and performance of the Transaction Documents by it to the extent that it is a party thereto does not and will not in any material respect (i) violate any provision of the organizational documents of such company, (ii) conflict with, result in a breach of, or constitute a default under, or result in the termination, cancellation or acceleration (whether after the giving of notice or lapse of time or both) of any right or obligation of such company under, any material agreement, license, permit or undertaking to which such company is a party or by which it is bound or to which any of its assets are subject, or result in the creation of any liens, charges, encumbrances, security interests, options, pledges, restrictions or any other claims or third party rights upon said assets, except as otherwise contemplated by the Transaction Documents or (iii) violate or result in a breach of or constitute a default under any judgment, order, injunction, decree, law, rule, regulation or other restriction of any court or governmental or monetary authority to which such company is subject, in cases of (i), (ii) and (iii) except for any violation, conflict, breach or default, or termination, cancellation or acceleration, or liens, charges, encumbrances, security interests, options, pledges, restrictions or claims or rights which would not have a material adverse effect on the financial condition or operations of the Parent or the Company and their respective subsidiaries taken as a whole or on the ability of the Parent or the Company to perform its obligations under the Transaction Documents.

Section 2.4 Authorizations. There are no authorizations, approvals, consents or waivers required to have been obtained by it from, or notice or filing required to have been given by it to, or made by it with, any governmental or monetary authority or other person in connection with the

execution and delivery of, and the performance by it of its obligations under, the Transaction Documents, except those which (a) have heretofore been, or will be timely, obtained, made, given or filed, (b) need to be obtained, made, given or filed by Investor or (c) may be required by the Republic of France or except where the failure of which to be obtained, made, given or filed, would not have a material adverse effect on the financial condition or operations of the Parent or the Company and their respective subsidiaries taken as a whole or on the ability of the Parent or the Company to perform their respective obligations under the Transaction Documents.

Section 2.5 Solvency. It is solvent as of the date hereof and will not be rendered insolvent as a result of the issuance of the AMPS Shares or the execution of the Transaction Documents on the Closing Date. It has not commenced or approved the commencement of any proceedings for the liquidation, dissolution or winding up of the affairs of such company.

Section 2.6 No Immunity. It is not entitled to the benefit of any defense of sovereign immunity in any action to enforce its obligations under any of the Transaction Documents.

Section 2.7 No Litigation. To the best of its knowledge, no judicial, administrative or arbitral proceeding is pending or is threatened, as of the Closing Date against it which would have a material adverse effect on the legality or validity of the Transaction Documents to which it is a signatory or on its ability to perform its obligations under the Transactions Documents to which it is a party.

ARTICLE III

COVENANTS

Section 3.1 Dividends. For so long as the Investor is the beneficial owner of any AMPS Shares, the Parent agrees for the benefit of the Investor that, subject to the Company's having sufficient current profits and retained earnings and in accordance with Article IVA of the Certificate of Designations, the Parent shall cause the declaration and payment by the Company of the full amount of Dividends when scheduled to be paid. For the avoidance of doubt, it is hereby confirmed that no dividend payment or any other payment by the Company with respect to any AMPS Shares benefits from or is otherwise entitled to a guarantee from any party, whether or not affiliated with the Company.

Section 3.2 Notices; Financial Information. For so long as the Investor is the beneficial owner of any AMPS Shares, the Parent agrees for the benefit of the Investor as follows:

(a) The Parent shall notify the Investor of any event or occurrence which could reasonably be expected to result in an Acceleration Event (other than pursuant to a Parent Adverse Law Change, an AMPS Adverse Law Change or any other change in law or regulatory provisions) immediately upon becoming aware of such event or occurrence and give full details thereof and of any action taken (or to be taken) as a result thereof.

(b) The Parent shall make available to the Investor the annual and quarterly financial statements of the Parent by filing such financial statements with the Securities and Exchange Commission in accordance with United States securities laws, available to the public on the website www.sec.gov. Upon request by the Investor, the Company shall furnish to the Investor the annual and quarterly financial statements of the Company, certified by an officer of the Company as presenting fairly (under United

States generally acceptable accounting principles) the financial condition of the Company as of the date thereof (subject, in the case of any such quarterly statements, to customary year-end adjustments), within 90 days of the end of each calendar year and 30 days of the end of each calendar quarter, respectively.

(c) The Parent shall give the Investor not less than 30 days prior notice of a direct or indirect investment by the Company in any entity (regardless of the value of such investment) or the creation of any direct or indirect subsidiary (whether or not wholly owned) or branch or other similar establishment of the Company, together with such information requested by the Investor as is reasonably necessary for the Investor to determine whether the Investor can be taxed on the undistributed income or profits of the new investment, subsidiary, branch or similar establishment.

Section 3.3 Auction Procedures. The Parent agrees for the benefit of the Investor as follows:

(a) The Parent shall designate an Auction Agent and a Broker-Dealer on or prior to the date required by the Certificate of Designations in connection with each Auction.

(b) The Parent shall provide a valid Bid for all of the AMPS Shares in the first Auction (including an Auction on an Accelerated Auction Date but this obligation shall extend to no subsequent Auctions). In the event that the Parent has failed to comply with this clause (b) and the Investor has not otherwise effected a sale of any of the AMPS Shares held by it pursuant to such Auction, the Parent shall pay to the Investor on demand, as liquidated damages, an amount equal to the Liquidation Preference of each such AMPS Share plus interest on such amount at the rate equal to Overnight LIBOR accruing daily from the date of such Auction to the date of payment of such amount, plus any costs of collection (including legal fees and expenses) incurred by the Investor in connection therewith, less the net proceeds received by the Investor as a result of a sale by the Investor of such AMPS Shares effected subsequent to such Auction Date, provided that any of such AMPS Shares not theretofore sold by the Investor shall be transferred to the Parent upon payment by the Parent to the Investor of the amounts required by this sentence.

Section 3.4 Capitalization. For so long as the Investor is the beneficial owner of any AMPS Shares, the Parent shall (a) remain the holder of all of the Common Stock of the Company and (b) give the Investor not less than ten (10) Business Days prior written notice of any proposed change in the capitalization of the Company which would affect the percentage of (i) the aggregate number of shares or aggregate stated capital of the capital stock of the Corporation or (ii) the aggregate voting power of the holders of the capital stock of the Corporation, represented by the AMPS Shares held by the Investor, such that, in any case, such percentage held by the Investor is less than 5% or greater than or equal to 25%.

Section 3.5 Authorizations. The Parent shall obtain all authorizations, approvals, consents or waivers required to be obtained by it from, or notice or filing required to be given by it to, or made by it with, any governmental or monetary authority or other person in connection with the performance of its obligations under the Transaction Documents, except those which need to be obtained, made, given or filed by Investor or may be required by the Republic of France or except those the failure of which to be obtained, made, given or filed would not have a material adverse effect on the financial condition or operations of the Parent or the Company and their respective subsidiaries taken as a whole or on the ability of the Parent or the Company to perform their respective obligations under the Transaction

ARTICLE IV

INDEMNIFICATION

Section 4.1 Each of the Company and the Parent hereby agrees jointly and severally to indemnify, defend and hold harmless the Investor, without duplication of any other indemnification of Investor under the Transaction Documents or otherwise or reimbursement or benefit from any other source, against any increased cost of or loss of intended benefit, including without limitation, interest, penalties, fines, levies and other similar charges, and reasonable costs and expenses (including reasonable legal fees and expenses of counsel), net of any tax relief or benefit (collectively, "Losses"), imposed on, sustained, incurred or suffered by or asserted against Investor, as a result of any breach by the Company or the Parent of any covenant or agreement contained in Article III hereof or Article III of the Voting Agreement or as a result of any indemnification payment made in respect thereof, other than Losses (1) resulting from or arising out of negligence, bad faith or willful misconduct of Investor, (2) that constitute consequential damages or (3) without limiting the effect of Section 6.2 of the Note Purchase Agreement, arising with respect to the imposition of United States withholding taxes.

Section 4.2 Duty to Mitigate Losses. Each of the Parent, the Company and Investor has an obligation to use reasonable best efforts to mitigate Losses subject to indemnification pursuant to this Article IV.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.1 Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any of the rights granted herein, nor any of the other interests and obligations created hereunder, shall be assigned or delegated by any of the parties hereto without the prior express written consent of the other parties; provided, however, that the rights of the Investor under this Agreement shall be assignable by the Investor to a transferee of AMPS Shares transferred by the Investor in accordance with Section 5.1 of the Procurement Agreement.

Section 5.2 Third Party Beneficiary. The Investor shall be a third party beneficiary of this Agreement with the right to enforce all covenants of the parties hereto which are made for the benefit of the Investor. No act or failure to act by the Parent or the Company in compliance with this Agreement or failure to perform any obligation, agreement or covenant under this Agreement shall relieve the parties hereto of their obligations and covenants hereunder which are made for the benefit of the Investor nor shall any such action or failure to act or perform prevent the Investor from enforcing all such obligations and covenants for its benefit.

Section 5.3 No Modification or Termination. This Agreement shall not be modified

or terminated prior to the initial Auction Date.

Section 5.4 Governing Law. This Agreement is governed by, and shall be construed in accordance with, the laws of the State of New York without regard to principles of conflicts of laws.

Section 5.5 Waiver of Jury Trial. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY LEGAL ACTION OR BETWEEN THE PARTIES HERETO ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THEREwith AND FOR ANY COUNTERCLAIM THEREIN. EITHER PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 5.6 Counterparts. This Agreement may be executed in counterparts, each of which shall constitute one and the same instrument.

Section 5.7 Notices. Any notice pursuant to the Transaction Documents shall be in writing signed by or on behalf of the party giving it and may be served by sending it by confirmed facsimile, personal delivery or overnight courier to the address of the other parties set forth below (or to such other address as any such other party shall have specified by not less than fifteen days prior notice given in accordance with this Section). Notice shall be received for purposes thereof:

(1) in the case of personal delivery or overnight courier, on the day delivery at the address of the relevant party is confirmed by a signed receipt of such notice, or if such day is not a Business Day, on the first Business Day thereafter; and

(2) in the case of a facsimile transmission, on the day a confirmation of receipt is received or, if such day is not a Business Day, on the first Business Day thereafter.

To The Stanley Works:

Address: The Stanley Works
 1000 Stanley Drive
 New Britain, Connecticut 06053
 USA

Fax: (860) 827-3911
Attention: David S. Winakor
 Corporate Counsel

To the Company:

Address: Stanley Logistics, Inc.
1000 Stanley Drive
New Britain, Connecticut 06053
USA

Fax: (860) 827-3911
Attention: David S. Winakor
Corporate Counsel

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by its duly authorized officer as of the date first above written.

THE STANLEY WORKS

By: /s/ Craig Douglas

Craig Douglas

Vice President & Treasurer

STANLEY LOGISTICS, INC.

By: /s/ Kenneth O. Lewis

Kenneth O. Lewis

President

THE STANLEY WORKS AND SUBSIDIARIES
 COMPUTATION OF EARNINGS TO FIXED CHARGES
 (in Millions of Dollars)

	Fiscal Year Ended				
	December 29 2001	December 30 2000	January 1 2000	January 2 1999	January 3 1998
Earnings (loss) before income taxes	\$236.7	\$293.7	\$230.8	\$215.4	(\$18.6)
Add:					
Interest expense	31.9	34.3	32.9	30.5	24.2
Portion of rents representative of interest factor	12.2	15.4	14.2	15.0	11.6
Amortization of expense on long-term debt	0.4	0.2	0.2	0.3	0.2
Amortization of capitalized interest	-	0.1	0.2	0.2	0.3
Deduct:					
Capitalized Interest	(0.4)	-	-	-	-
Income as adjusted	\$280.8	\$343.7	\$278.3	\$261.4	\$17.7
Fixed charges:					
Interest expense	\$31.9	\$34.3	\$32.9	\$30.5	\$24.2
Portion of rents representative of interest factor	12.5	15.4	14.2	15.0	11.6
Amortization of expense on long-term debt	0.4	0.2	0.2	0.3	0.2
Capitalized interest	0.4	-	-	-	-
Fixed charges	\$45.2	\$49.9	\$47.3	\$45.8	\$36.0
Ratio of earnings to fixed charges	6.21	6.89	5.88	5.71	0.49

 THE STANLEY WORKS AND SUBSIDIARIES

(All subsidiaries are included in the Consolidated Financial Statements of The Stanley Works)

Corporate Name -----	Jurisdiction of Incorporation/ Organization -----
The Stanley Works	Connecticut
The Farmington River Power Company	Connecticut
Stanley Foreign Sales Corporation	Virgin Islands
Jensen Tools, Inc.	Delaware
Contact East, Inc.	Massachusetts
Stanley-Bostitch Holding Corporation	Delaware
Stanley Logistics, Inc.	Delaware
Stanley Fastening Systems, L.P.	Delaware
Stanley de Chihuahua S.de R.L. de C.V.	Mexico
Stanley Receivables Corporation	Delaware
Stanley Funding Corporation	Delaware
The Stanley Works C.V.	Netherlands
Stanley Canada Inc.	Ontario, Canada
Mac Tools Canada Inc.	Ontario, Canada
Stanley Tools (N.Z.) Ltd.	New Zealand
Stanley do Brasil Ltda.	Brazil
Herramientas Stanley S.A. de C.V.	Mexico
Stanley-Bostitch, S.A. de C.V.	Mexico
Stanley Atlantic, Inc.	Delaware
Stanley Israel Investments, Inc.	Delaware
Stanley Israel Investments B.V.	Netherlands
T.S.W. Israel Investments Ltd.	Israel
ZAG Industries Ltd. (92.6%)	Israel
ZAG Industries U.S.A. Inc.	Delaware
Design and Shoot LTD	Israel
ZAG Operation (Assets) LTD	Israel
RGTI	Island of Nevis
ZAG Latin America LTD	Brazil

ZAG Israel Marketing LTD	Israel
ZAG U.K.	U.K.
A.M.T.Y. Vermogensverwoltan	Island of Nevis
Stanley International Holdings, Inc.	Delaware
Stanley Pacific Inc.	Delaware
Stanley Svenska A.B.	Sweden
Stanley Works (Europe) A.G.	Switzerland
Stanley European Holdings, L.L.C.	Delaware
Stanley Europe B.V.B.A.	Belgium
Stanley European Holdings B.V.	Netherlands
Stanley Tools Poland Sp.zo.o.	Poland
Stanley Fastening Systems Poland Sp.zo.o.	Poland
S.A. Stanley Works (Belgium) B.V.B.A.	Belgium
Bostitch G.m.b.H.	Germany
Friess G.m.b.H.	Germany
Stanley Deutschland G.m.b.H.	Germany
Canico G.m.b.H. (49%)	Germany
Stanley Doors France, S.A.S.	France
Stanley France Services, S.A.S.	France
Stanley Tools, S.A.S.	France
Stanley France, S.A.S.	France
Stanley Nordic ApS	Denmark
Stanley Works (Nederland) B.V.	Netherlands
Stanley Iberia S.L.	Spain
Suomen Stanley O.Y.	Finland
Stanley Italia S.r.l.	Italy
Stanley Tools S.r.l.	Italy
F.I.P.A. Due S.r.l.	Italy
Stanley U.K. Holding Ltd.	U.K.
Stanley U.K. Limited	U.K.
The Stanley Works Limited	U.K.
Stanley U.K. Sales Limited	U.K.
Stanley U.K. Services Limited	U.K.

The Stanley Works Pty. Ltd.	Australia
Stanley Works Asia Pacific Pte. Ltd.	Singapore
The Stanley Works Sales (Philippines), Inc.	Philippines
The Stanley Works (Bermuda) Ltd.	Bermuda
The Stanley Works Japan K.K.	Japan
Stanley Works (Thailand) Ltd.	Thailand
TONA a.s. (LTD) (92.85%)	Czech Republic
Stanley Works Malaysia Sdn. Bhd.	Malaysia
Stanley Works China Investments Ltd. (80%)	Virgin Islands
Stanley (Zhongshan) Hardware Co. Ltd.(65%)	China
Chiro Tools Holdings B.V.	Netherlands
Stanley Chiro International Ltd.	Taiwan
Beijing Daxing Stanley-Bostitch Metal Industries Company Limited (98%)	China
Stanley (Tianjin) International Trading Company, Ltd.	China