

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

Form 10-K
ANNUAL REPORT

(Mark One)

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

For the fiscal year ended December 31, 1994

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

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

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

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

(203) 225-5111
(Registrant's telephone number)
Securities registered pursuant to Section 12(b) of
the Act:

Title of each class	Name of each exchange on which registered
Common Stock--Par Value \$2.50 Per Share	New York Stock Exchange Pacific Stock Exchange

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

Securities registered pursuant to Section 12(g) of the Act: None

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

Yes No

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

The aggregate market value of Common Stock, Par Value \$2.50 Per Share, held by
non-affiliates (based upon the closing sale price on the New York Stock
Exchange) on March 15, 1995 was approximately \$ 1.8 billion. As of March 15,
1995, there were 44,512,145 shares of Common Stock, Par
Value \$2.50 Per Share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to shareholders for the year ended December 31,
1994 are incorporated by reference into Parts I and II.

Portions of the definitive Proxy Statement dated March 8, 1995, filed with the
Commission pursuant to Regulation 14A, are incorporated by reference into Part
III.

FORM 10-K
Part I

Item 1. Business

1(a) General Development of Business. On June 30, 1993, the Registrant sold all of the stock of Taylor Rental Corporation, franchisor of the nation's largest system of general rental centers for do-it-yourselfers and commercial customers. On June 18, 1994, the Registrant sold the remainder of the business consisting of the company-operated Taylor Rental stores.

1(b) Industry Segment Information. Industry segment information on page 15 of Registrant's Annual Report to shareholders for the year ended December 31, 1994 is incorporated herein by reference.

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

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

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

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

Competition. The company competes on the basis of its reputation for product quality, its well-known trademarks, its commitment to customer service, the breadth of its product lines and its emphasis on product innovation, and its manufacturing efficiencies. The company is also striving to find new customers both within the markets that it currently serves and in new

markets around the world. As a part of this effort, the company is also exploring new ways to reach its customers for example, through specialty product catalogs, television sales and on-line services.

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. In 1994, the company invested approximately \$70 million in facilities, new equipment and technology in order to achieve operational excellence in manufacturing, new product innovation and enhanced customer service.

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

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

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

In the company's specialty hardware business, the company believes that it is a leader in the U.S. with respect to the manufacture and sale of insulated steel residential entry doors and power-operated sliding and swinging doors.

Customers. A substantial portion of the company's products are sold through home centers and mass merchant distribution channels in the U.S. A consolidation of retailers in these channels is occurring. These customers constitute a growing percent of the company's sales and are important to the company's

operating results. While this consolidation and the geographic expansion of these large retailers provide the company with opportunities for growth, the increasing size and importance of individual customers creates a certain degree of exposure to potential volume loss. The loss of certain of the larger home centers as customers 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. The company believes that the specific initiatives undertaken in order to establish a strong foundation for growth will also help to address this issue. These initiatives include product innovation, market development to reach new customers and enhancing customer relationships. At the core of these efforts is the Stanley Customer Support Division, which was established in 1994. The mission of this Division is to make it easier for customers to do business with the company's consumer divisions through the development of a common order fulfillment system and a more efficient distribution network to support customers. This initiative includes the development of a global information infrastructure so that the company can provide a higher level of customer service to its customers worldwide.

Raw Materials. The company's products are manufactured primarily of steel and other metals, although some are of wood or plastic. The raw materials required are available from a number of sources at competitive prices and the company has relationships of long standing with many of its suppliers. The company has experienced no difficulties in obtaining supplies in recent periods.

Backlog. At February 4, 1995, the company had approximately \$155 million in unfilled orders compared with \$130 million in unfilled orders at February 5, 1994. All these orders are reasonably expected to be filled within the current fiscal year. Most customers place orders for immediate shipment and as a result, the company produces primarily for inventory, rather than to fill specific orders.

Patents and Trademarks. No segment of Registrant's business is dependent, to any significant degree, on patents, licenses, franchises or concessions. The company owns numerous patents, none of which are material to the company's operations as a whole. These patents expire from time to time over the next 17 years. The company holds licenses, franchises and concessions, none of which individually or in the aggregate is material to the company's operations as a whole. These licenses, franchises and concessions vary in duration from one to 17 years.

The company has numerous trademarks that are utilized in its businesses worldwide. The STANLEY(R) and STANLEY (in a notched rectangle)(R) trademarks are material to all three business

segments. These well-known trademarks enjoy a reputation for excellence. In addition, in the Tools segment, the Bostitch(R), Powerlock(R), Tape Rule Case Design (Powerlock)(R), LaBounty(R), MAC Tools(R), Proto(R), Jensen(R), Goldblatt(R) and Vidmar(R) trademarks are material to the business.

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

The company is involved with remedial and other environmental compliance activities at some of its current and former sites. Additionally, the company, together with many other parties, has been named as a potentially responsible party ("PRP") in a number of administrative proceedings for the remediation of various waste sites, including eight Superfund sites. Current laws potentially impose joint and several liability upon each PRP. In assessing its potential liability at these sites, the company has considered the following: the solvency of the other PRP's, whether responsibility is being disputed, the terms of existing agreements, experience at similar sites, and the fact that its volumetric contribution at these sites is relatively small.

The company's policy is to accrue environmental investigatory and remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The amount of liability recorded is based on an evaluation of currently available facts with respect to each individual site and includes such factors as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. The amounts recorded do not take into account any claims for recoveries from insurance or third parties. As of December 31, 1994, the company had reserves of \$24 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 financial position, results of operations or liquidity.

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

Employees. During 1994, the company had approximately 20,000 employees, approximately 13,000 of whom were employed in the U.S. Of these U.S. employees, approximately 23% are covered by collective bargaining agreements with approximately 12 labor unions. The majority of the company's hourly- and weekly-paid employees outside the U.S. are covered by collective bargaining agreements. The company's labor agreements in the U.S. expire in 1995, 1996, 1997 and 1998. There have been no significant interruptions or curtailments of the company's operations in recent years due to labor disputes. The company believes that its relationship with its employees is good.

1(d) Financial information about foreign and domestic operations and export sales. Geographic area information on page 15 of the Annual Report to shareholders for the year ended December 31, 1994 is incorporated herein by reference.

Item 2. Properties.

As of December 31, 1994, Registrant and its subsidiaries operated facilities for manufacturing and distribution in 22 states and 20 foreign countries. The Registrant believes that its facilities are suitable and adequate for its business. The Registrant utilizes approximately 13,400,000 square feet of floor space in its business, of which approximately 3,600,000 square feet of floor space is leased.

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

Tools

Phoenix, Arizona; Visalia, California; Clinton and New Britain, Connecticut; Atlanta, Georgia; Shelbyville, Indiana; Kansas City, Kansas; Worcester, Massachusetts; Two Harbors, Minnesota; Hamlet and Sanford, North Carolina; Claremont, New Hampshire; Columbus, Georgetown, Sabina and Washington Court House, Ohio; Allentown, Royersford and York, Pennsylvania; East Greenwich, Rhode Island; Cheraw, South Carolina; Pulaski and Shelbyville, Tennessee; Dallas and Wichita Falls, Texas; Pittsfield and Shaftsbury, Vermont; Hedelberg West, Ingleburn and

Moonah, Australia; Sao Paulo, Brazil; Smiths Falls and Toronto, Canada; Pecky, Czech Republic; Ecclesfield, Hellaby and Sheffield, England; Besancon Cedex and Maxonchamp, France; Wieseth, Germany; Surabaya, Indonesia; Puebla, Mexico; Taichung Hsien, Taiwan; and Amphur Bangpakong, Thailand.

Hardware

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

Specialty Hardware

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

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

Tools

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

Hardware

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

Specialty Hardware

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

Item 3. Legal Proceedings.

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

The U.S. Environmental Protection Agency has issued a Notice of Violation and Reporting Requirement to the company's wholly-owned subsidiary Stanley-Bostitch, Inc. noticing violation of the Rhode Island state implementation plan, Air Pollution Control Regulation No. 15 at the Stanley-Bostitch facility in East Greenwich, Rhode Island. On August 1, 1994, the U.S. Department of Justice notified the company of its intention to

bring a civil action against Stanley-Bostitch, Inc. relating to this matter and at the same time offered to settle the matter for \$550,000. The violations have been corrected and settlement discussions are ongoing. The company believes that this matter will not have a material adverse effect.

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

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

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

Name, Age, Birth date	Office	Elected to Office
J. S. Amtmann (47) (10/10/47)	Vice President, Corporate Marketing Development. Joined Stanley in 1969; 1984 President and General Manager, Home Automation; 1988 President and General Manager, Mac Tools; 1992 Vice President, Corporate Marketing Development; 1994 President and General Manager, Customer Support Division.	7/1/93
R. H. Ayers (52) (10/12/42)	Chairman, President and Chief Executive Officer. Joined Stanley in 1972; 1985 Chief Operating Officer and President; 1987 President and Chief Executive Officer.	4/19/89
B. Bennett (51) (6/4/43)	Vice President, Human Resources. Joined Stanley in 1984 as Taylor Rental Training Manager; 1990 Director, Organization Development; 1991 Vice President, Human Resources, Stanley Access Technologies.	7/1/92
J. P. Callahan (49) (12/10/45)	Vice President, Taxes. Joined Stanley in 1978; 1979 Director of Corporate Taxes.	1/1/90
T. K. Clarke (63) (1/21/32)	Vice President, Corporate Development.	5/1/82
J. B. Gustafson (51) (5/10/43)	Vice President, Information Systems. Joined Stanley in 1977; 1986 Director of Information Systems.	1/1/90
R. Huck (50) (2/22/45)	Vice President, Finance and Chief Financial Officer. Joined Stanley in 1970; 1987 Controller, Stanley Tools; 1990 Vice President and Controller.	7/1/93
R. A. Hunter (48) (12/15/46)	President and Chief Operating Officer. Joined Stanley in 1974. 1987 Vice President, Finance and Chief Financial Officer.	7/1/93

Name, Age, Birthdate	Office	Elected to Office
S. S. Weddle (56) (11/9/38)	Vice President, General Counsel and Secretary.	1/1/88
T. F. Yerkes (39) (9/9/55)	Vice President and Controller. Joined Stanley in 1989 from Ernst & Young, certified public accountants; 1989 Director of Consolidations and Accounting Services; 1990 Director of Accounting and Financial Reporting.	7/1/93

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

Part II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters. Registrant incorporates by reference the "Shareholders of record at end of year" from pages 16 and 17 and the "Investor Information" on page 33 of its Annual Report to shareholders for the year ended December 31, 1994.

Item 6. Selected Financial Data. Registrant incorporates by reference pages 16 and 17 of its Annual Report to shareholders for the year ended December 31, 1994.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. Registrant incorporates by reference pages 18 through 20 of its Annual Report to shareholders for the year ended December 31, 1994.

Item 8. Financial Statements and Supplementary Data. The consolidated financial statements and report of independent auditors included on pages 21 to 32 and page 14, respectively, of the Annual Report to shareholders for the year ended December 31, 1994 are incorporated herein by reference.

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

Part III

Item 10. Directors and Executive Officers of the Registrant. Registrant incorporates by reference pages 2 to 6 of its definitive Proxy Statement, dated March 8, 1995.

Item 11. Executive Compensation. Registrant incorporates by reference the last paragraph of page 6 and the material captioned "Executive Compensation" on pages 8 to 15 of its definitive Proxy Statement, dated March 8, 1995.

Item 12. Security Ownership of Certain Beneficial Owners and Management. Registrant incorporates by reference the material captioned "Security Ownership" on page 7 of its definitive Proxy Statement, dated March 8, 1995.

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 report on Form 8-K was filed during the last quarter of the period covered by this report:

Date of Report	Items Reported
October 19, 1994	Press release dated October 19, 1994 announcing third quarter results.

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 Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE STANLEY WORKS

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

March 1, 1995

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 1, 1995 by the following persons on behalf of the Registrant and in the capacities indicated.

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

Gerald A. Lamb
Gerald A. Lamb, Director

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

George A. Lorch
George A. Lorch, Director

Theresa F. Yerkes
Theresa F. Yerkes, Vice President
and Controller (Chief Accounting
Officer)

Walter J. McNerney
Walter J. McNerney, Director

Stillman B. Brown
Stillman B. Brown, Director

Gertrude G. Michelson
Gertrude G. Michelson, Director

Edgar R. Fiedler
Edgar R. Fiedler, Director

John S. Scott
John S. Scott, Director

James G. Kaiser
James G. Kaiser, Director

Hugo E. Uyterhoeven
Hugo E. Uyterhoeven, Director

Eileen S. Kraus
Eileen S. Kraus, Director

Walter W. Williams
Walter W. Williams, Director

THE STANLEY WORKS AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements and report of independent auditors of The Stanley Works and subsidiaries, included in the Annual Report of the Registrant to its shareholders for the fiscal year ended December 31, 1994, are incorporated by reference in Item 8:

Report of Independent Auditors

Consolidated Statements of Earnings--fiscal years ended December 31, 1994, January 1, 1994 and January 2, 1993.

Consolidated Balance Sheets--December 31, 1994 and January 1, 1994.

Consolidated Statements of Cash Flows--fiscal years ended December 31, 1994, January 1, 1994 and January 2, 1993.

Consolidated Statements of Changes in Shareholders' Equity--fiscal years ended December 31, 1994, January 1, 1994 and January 2, 1993.

Notes to Consolidated Financial Statements.

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

F-4 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 this Annual Report (Form 10-K) of The Stanley Works of our report dated January 31, 1995, included in the 1994 Annual Report to Shareholders of The Stanley Works.

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

We also consent to the incorporation by reference in the following registration statements of our report dated January 31, 1995, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the consolidated financial statement schedule included in this Annual Report (Form 10-K) of The Stanley Works.

Registration Statement (Form S-8 No. 2-93025)
Registration Statement (Form S-8 No. 2-96778)
Registration Statement (Form S-8 No. 2-97283)
Registration Statement (Form S-8 No. 33-16669)
Registration Statement (Form S-3 No. 33-12853)
Registration Statement (Form S-3 No. 33-19930)
Registration Statement (Form S-8 No. 33-39553)
Registration Statement (Form S-8 No. 33-41612)
Registration Statement (Form S-3 No. 33-46212)
Registration Statement (Form S-3 No. 33-47889)
Registration Statement (Form S-8 No. 33-55663)

ERNST & YOUNG LLP

Hartford, Connecticut
March 24, 1995

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following registration statements pertaining to The Stanley Works 401(k) Savings Plan of our report dated March 16, 1995, with respect to the financial statements and schedules of The Stanley Works 401(k) Savings Plan for the year ended December 31, 1994 included in this Annual Report (Form 10-K) as Exhibit 99(i) for the fiscal year ended December 31, 1994.

Registration Statement (Form S-8 No. 2-97283)
Registration Statement (Form S-8 No. 33-41612)
Registration Statement (Form S-8 no. 33-55663)

ERNST & YOUNG LLP

Hartford, Connecticut
March 24, 1995

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
THE STANLEY WORKS AND SUBSIDIARIES

Fiscal years ended December 31, 1994, January 1, 1994, and January 2, 1993
(In Millions of Dollars)

COL. A Description	COL. B Balance at Beginning of Period	COL. C (1) Charged to Costs and Expenses	COL. C (2) Charged to Other Accounts-Describe	COL. D Deductions-Describe	COL. E Balance at End of Period
Fiscal year ended December 31, 1994:					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts:					
Current	\$24.8	\$8.2	\$(0.1) (B)	\$12.0 (A)	\$20.9
Noncurrent	\$0.0		0.5 (B)		0.5
Fiscal year ended January 1, 1994:					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts:					
Current	\$22.9	\$12.7	\$1.6 (C) 6.0 (B)	\$18.4 (A)	\$24.8
Noncurrent	\$0.0				0.0
Fiscal year ended January 2, 1993:					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts:					
Current	\$17.6	\$12.0	\$1.1 (C) 1.7 (B)	\$9.5 (A)	\$22.9
Noncurrent	3.8			3.8 (B)	0.0

Notes:

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

(B) Represents net transfers from other accounts and foreign currency translation adjustments.

(C) Represents opening balances related to acquired companies.

EXHIBIT LIST

- (3) (i) Restated Certificate of Incorporation (incorporated by reference to Exhibit (3)(i) to Quarterly Report on Form 10-Q for quarter ended June 30, 1990)
- (ii) By-laws
- (4) (i) Indenture defining the rights of holders of 7-3/8% Notes Due December 15, 2002 and 9% Notes due 1998 (incorporated by reference to Exhibit 4(a) to Registration Statement No. 33-4344 filed March 27, 1986)
- (ii) First Supplemental Indenture, dated as of June 15, 1992 between the company and Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank) (incorporated by reference to Exhibit (4)(c) to Registration Statement No. 33-46212 filed July 21, 1992)
 - (a) Certificate of Designated Officers establishing Terms of 9% Notes (incorporated by reference to Exhibit (4)(i)(c) to Annual Report on Form 10-K for year ended January 2, 1988)
 - (b) Certificate of Designated Officers establishing Terms of 7-3/8% Notes Due December 15, 2002 (incorporated by reference to Exhibit (4)(ii) to Current Report on Form 8-K dated December 7, 1992)
- (iii) (a) Rights Agreement, dated February 26, 1986 (incorporated by reference to Exhibit 1 to Registration Statement on Form 8-A dated March 18, 1986)
- (b) Rights Agreement Amendment, dated December 16, 1987 to the rights agreement dated February 26, 1986 (incorporated by reference to Exhibit 1 to Registration Statement on Form 8-A dated December 31, 1987)
- (c) Rights Agreement Amendment No. 2, dated July 20, 1990 to the Rights Agreement dated as of February 26, 1986, as amended December 16, 1987 (incorporated by reference to Exhibit (a) (4) (i)

to Quarterly Report on Form 10-Q for quarter ended June 30, 1990)

- (4) (iii) (d) Rights Agreement Amendment No. 3, dated October 24, 1991 to the Rights Agreement dated as of February 26, 1986, as amended December 16, 1987 and July 20, 1990 (incorporated by reference to Exhibit (4)(i) to Quarterly Report on Form 10-Q for quarter ended September 28, 1991)
 - (iv) Facility Agreement providing for the DFL 100,000,000 borrowing by Stanley-Bostitch, S.A., S.I.C.F.O.-Stanley S.A., and Societe de Fabrications Bostitch S.A., guaranteed by The Stanley Works, dated March 22, 1991 (incorporated by reference to Exhibit (4)(i) to Quarterly Report on Form 10-Q for quarter ended June 29, 1991)
 - (v) Facility A Credit Agreements, dated as of November 15, 1994, with nine banks
 - (vi) Facility B Credit Agreements, dated as of November 15, 1994, with nine banks
 - (vii) Credit Agreement, dated August 25, 1993, between Societe de Fabrications Bostitch S.A. and Citibank N.A. guaranteed by The Stanley Works (incorporated by reference to Exhibit (viii) to Annual Report on Form 10-K for the year ended January 1, 1994).
 - (viii) Credit Agreement, dated August 25, 1993, between Stanley-Bostitch, S.A. and Citibank N.A. guaranteed by The Stanley Works (incorporated by reference to Exhibit (ix) to Annual Report on Form 10-K for the year ended January 1, 1994).
 - (ix) Credit Agreement, dated August 25, 1993, between S.I.C.F.O. - Stanley S.A. and Citibank N.A. guaranteed by The Stanley Works (incorporated by reference to Exhibit (x) to Annual Report on Form 10-K for the year ended January 1, 1994).
- 10 (i) Executive Agreements (incorporated by reference to Exhibit 10(i) to Annual Report on Form 10-K for year ended January 3, 1987)*

* Management contract or compensation plan or arrangement

- 10 (ii) Deferred Compensation Plan for Non-Employee Directors as amended December 20, 1989 (incorporated by reference to Exhibit 10(ii) to Annual Report on Form 10-K for year ended December 30, 1989)*
- (iii) 1988 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10(v) to Annual Report on Form 10-K for year ended December 31, 1988)*
- (iv) Management Incentive Compensation Plan*
- (v) Deferred Compensation Plan for Participants in Stanley's Management Incentive Plans as amended October 25, 1994*
- (vi) Restated Supplemental Retirement and Savings Plan for Salaried Employees of The Stanley Works effective as of January 1, 1995*
- (vii) Term Loan Agreement dated as of May 13, 1988 between the Savings and Retirement Trust for Salaried Employees and Wachovia Bank and Trust Company N.A. and related Guaranty dated as of May 13, 1988 from The Stanley Works to Wachovia Bank and Trust Company, N.A. (incorporated by reference to Exhibit 10(x) to Annual Report on Form 10-K for year ended December 31, 1988)
- (viii) Loan and Guarantee Agreement dated as of June 6, 1989 among The Stanley Works Savings Trust for Hourly Paid Employees, The Stanley Works and Wachovia Bank and Trust Company, N.A., Massachusetts Mutual Life Insurance Company and The Lincoln National Life Insurance Company (incorporated by reference to Exhibit 10(i) to Quarterly Report on Form 10-Q for quarter ended July 1, 1989)
- (a) First Amendment to Loan and Guarantee Agreement dated as of February , 1993
- (ix) Loan and Guarantee Agreement dated as of June 6, 1989 among The Stanley Works Savings and Retirement Trust, The Stanley Works and Wachovia Bank and Trust Company, N.A., Massachusetts Mutual Life Insurance Company, The Lincoln National Life Insurance Company, First Penn-

* Management contract or compensation plan or arrangement

Pacific Life Insurance Company, Security- Connecticut Life Insurance Company- Universal Life, Lincoln National Life Reinsurance Company and American States Life Insurance Company- Universal Life (incorporated by reference to Exhibit (10)(ii) to Quarterly Report on Form 10-Q for quarter ended July 1, 1989)

- (a) First Amendment to Loan and Guarantee Agreement dated as of February , 1993
- 10 (x) Assignment and Assumption Agreement and Second Amendment to Loan and Guarantee Agreements, dated as of September 30, 1994, among The Stanley Works Savings Trust for Hourly Paid Employees, The Stanley Works Savings and Retirement Trust, The Stanley Works and the Financial Institutions named in Schedules I and II thereto.
- (xi) Receivables Purchase Agreement dated as of December 1, 1993, among THE STANLEY WORKS, MAC TOOLS, INC., STANLEY BOSTITCH, INC., the PURCHASERS listed on the signature pages hereof, and WACHOVIA BANK OF GEORGIA, NATIONAL ASSOCIATION, as Agent (incorporated by reference to Exhibit (10) (xii) to Annual Report on Form 10-K for year ended January 1, 1994).
- (xii) (a) The Stanley Works Non-Employee Directors' Benefit Trust Agreement dated December 27, 1989 and amended as of January 1, 1991 by and between The Stanley Works and Connecticut National Bank (incorporated by reference to Exhibit (10)(xvii)(a) to Annual Report on Form 10-K for year ended December 29, 1990)
- (xii) (b) The Stanley Works Employees' Benefit Trust Agreement dated December 27, 1989 and amended as of January 1, 1991 by and between The Stanley Works and Connecticut National Bank (incorporated by reference to Exhibit (10)(xvii)(b) to Annual Report on Form 10-K for year ended December 29,1990)
- (xiii) Restated and Amended 1990 Stock Option Plan*
- (xiv) Term Note, dated as of June 7, 1991, by State Street Bank and Trust Company, as Trustee for the Savings Plan for Salaried Employees of The Stanley Works, to Stanley Works Funding
- * Management contract or compensation plan or arrangement

Corporation (incorporated by reference to Exhibit (10)(xxi) to Current Report on Form 8-K dated June 7, 1991)

(xv) Term Note, dated as of June 7, 1991, by State Street Bank and Trust Company, as Trustee for the Savings Plan for Hourly Paid Employees of The Stanley Works, to Stanley Works Funding Corporation (incorporated by reference to Exhibit (10)(xxii) to Current Report on Form 8-K dated June 7, 1991)

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

(xvii) The Stanley Works Stock Option Plan for Non-employee Directors*

- (11) Statement re computation of per share earnings
- (12) Statement re computation of ratio of earnings to fixed charges
- (13) Annual Report to shareholders for year ended December 31, 1994
- (21) Subsidiaries of Registrant
- (23) Consents of Independent Auditors (at page F-2 and F-3
- (27) Financial Data Schedule

* Management contract or compensation plan or arrangement

- (99) (i) Financial Statements and report of independent auditors for the year ended December 31, 1994, of The Stanley Works 401(k) Savings Plan
- (ii) Policy on Confidential Proxy Voting and Independent Tabulation and Inspection of Elections as adopted by The Board of Directors October 23, 1991 (incorporated by reference to Exhibit (28)(i) to Quarterly Report on Form 10-Q for quarter ended September 28, 1991)
- (iii) Description of Capital Stock (incorporated by reference to Exhibit 28(iv) to Annual Report on Form 10-K for the year ended January 2, 1993)

As amended December 21, 1994

THE STANLEY WORKS

BYLAWS

ARTICLE I

SHAREHOLDERS' MEETINGS

ANNUAL MEETING

1. 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 twenty-five days nor more than fifty days before such Meeting.
2. 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 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. 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. 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

DIRECTORS

1. The business, property and affairs of this Corporation shall be under the care and management 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 of substantially equal numbers such that one class is chosen annually at the Annual Meeting of shareholders and the members of such class shall hold office until their successors be elected and qualified. A majority in number of the Board of Directors shall constitute a quorum for the transaction of business.

MEETINGS

2. 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 telegram or verbal notice and such notice shall be deemed sufficient notice notwithstanding that some of the Directors may not have actual notice.

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.

PARTICIPATION BY TELEPHONE

A Director may participate in a meeting of the Board of Directors or of a committee by means of conference telephone or similar communications equipment enabling all Directors participating in the meeting to hear one another, and participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

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.

VACANCIES

3. 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 for the unexpired term.

COMMITTEES

4. 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.

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.

EXECUTIVE COMMITTEE

5. The Directors shall appoint an Executive Committee consisting of the Chairman, if any, the President and of 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.

FINANCE AND PENSION COMMITTEE

6. A Finance and Pension Committee consisting of at least five Directors shall be appointed by the Board of Directors. It shall report at least annually to 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 Chief Financial Officer and the Treasurer may also call upon such Committee for advice and assistance in any other matters involved in the discharge of the duties of his or her office.

The Committee shall administer the pension plans of the Corporation and its subsidiaries. The Committee shall assume the functions of the Corporation as "Plan Administrator" and "Named Fiduciary" under the Corporation's pension plans and pension trust agreements in the United States as those terms are defined in the Employee Retirement Income Security Act of 1974 as amended. 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 and for approving actuarial assumptions and investment policies for the Corporation's pension plans. It shall have the power to amend any pension plan, savings and retirement plan, stock ownership plan or

any similar plan or related trust agreement of the Corporation or any of its subsidiaries from time to time as may be required or appropriate. 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; 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; and shall adopt and communicate to the trustees and investment managers an overall investment policy for the assets of the respective plans.

AUDIT COMMITTEE

7. An Audit Committee consisting of at least three Directors, none of whom shall be officers or employees of the Corporation or any of its subsidiaries, shall be appointed by the Board of Directors. The Committee shall nominate the public accounting firm to conduct the annual audit and shall review fees for audit and tax work and approve in advance management consulting services which management may propose be provided by the Corporation's public accounting firm. With respect to such management consulting services, consideration shall be given to the effect that performing such services might have on audit independence. The Committee shall review with the auditors the scope and timing of their audit examination, with particular emphasis on those areas which either the Committee or the auditors believe warrant special attention. The Committee is authorized to have the auditors perform such supplemental reviews or audits as it deems desirable.

The Committee shall review the audited financial statements and the auditors' report thereon, including consideration of all significant disclosures required by the Securities and Exchange Commission, and any proposed changes in accounting principles or practices which have a significant impact on amounts reported for the current year (or will have in the future) and shall discuss with the auditors any significant problems encountered in the completion of the audit. The Committee shall review the auditors' recommendations regarding internal control and their comments, if any, relating to conflicts of interest, questionable payments or other similar matters, and monitor with management the consideration given and/or the corrective action taken with respect to these comments and recommendations. The

Committee shall review management's evaluation of the Corporation's system of internal accounting controls, including the independence, scope and results of the internal audit function, and monitor the effectiveness of the system with management, independent auditors and internal audit management. The Committee shall review with management and independent auditors and consider the impact on the Corporation of significant recent or pending statements by the Financial Accounting Standards Board, the Securities and Exchange Commission, the Auditing Standards Executive Committee of the American Institute of Certified Public Accountants and similar authoritative bodies. The Committee shall review environmental liabilities and the reserves associated with those liabilities.

In carrying out all of the foregoing responsibilities, the Committee shall have direct and open access to Management, public accountants and internal audit management (each of which shall have direct and open access to the Committee) and shall submit Committee reports, recommendations, and minutes of meetings to the Board of Directors.

COMPENSATION AND ORGANIZATION COMMITTEE

8. 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 the Management. The Committee shall appraise the performance and determine the compensation of the officers of the Corporation other than the Chairman, Vice Chairman and President, and of other senior executives whose base salary exceeds an amount fixed by the Board of Directors and shall report its actions annually to the Board of Directors. The Committee shall also appraise the performance and recommend to the Board of Directors the compensation of the Chairman, Vice Chairman and President. Specifically, the Committee shall administer all of the Corporation's senior executive compensation plans including the Management Incentive Compensation Plan, the Long-Term Stock Incentive Plan and the Stock Option Plan. The Committee shall assure that there is a succession plan in place.

COMMITTEE ON BOARD AFFAIRS AND PUBLIC POLICY

9. A Committee on Board Affairs and Public Policy 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 nine 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.

TEMPORARY MEMBERS

10. 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.

POWERS OF ALL COMMITTEES

11. 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. The Board of Directors shall have power to elect from its own members or otherwise a Chairman, one or more Presidents, 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.

CHAIRMAN OF THE BOARD

2. A. 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.

PRESIDENTS

- B. Presidents

Each President shall be elected by the Directors and shall have such duties as the Board of Directors or the Executive Committee may assign.

CHIEF EXECUTIVE OFFICER

- C. 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.

VICE CHAIRMEN

3. 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.

VICE PRESIDENTS

4. 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.

TREASURER

5. 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.

CONTROLLER

6. 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.

SECRETARY

7. 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.

ASSISTANT TREASURERS

8. The Assistant Treasurers shall have such duties as the Treasurer shall determine.

ASSISTANT SECRETARIES

9. The Assistant Secretaries shall have such duties as the Secretary shall determine.

POWERS OF ALL OFFICERS

10. 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
INDEMNIFICATIONS

INDEMNIFICATION

1. To the extent properly permitted by law the Board of Directors shall provide for the indemnification and reimbursement of 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 or employee of such Corporation, or
 - (b) served at the Corporation's request as a director, officer or employee 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, except in relation to matters as to which he or she, or such person whose legal representatives or successor he or she is, is finally adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of his or her duties.
2. 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

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

STOCK CERTIFICATES

1. 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. 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

FISCAL YEAR

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

ARTICLE IX

INDEPENDENT AUDIT

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

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.

CONFORMED COMPOSITE COPY
(See the next three pages for conforming
information and for notes about
Schedule I and Exhibit C-2)

FACILITY A (364 DAY) CREDIT AGREEMENT

dated as of November 15, 1994

between

The Stanley Works

as Borrower

and

The Lender

Named Herein

CONFORMING INFORMATION

Nine separate Facility A (364 Day) Credit Agreements, dated as of November 15, 1994, between The Stanley Works as Borrower and the Lenders named therein (the "Credit Agreements") pursuant to which the Lenders are committed to loan money to the Borrower under the terms and conditions set forth therein for a period of 364 days after the date hereof were executed on page 50 thereof on behalf of the Borrower by Richard Huck, Vice President, Finance and Chief Financial Officer and on behalf of the Lenders as set forth below:

CITIBANK, N.A.

By: Paolo de Alessandrini
Title: Vice President

BANQUE NATIONALE DE PARIS

By: Eric Vigne
Title: Senior Vice President

By: Walter Kaplan
Title: Vice President

MORGAN GUARANTY TRUST COMPANY OF N.Y.

By: Stephen J. Kenneally
Title: Vice President

J.P. MORGAN DELAWARE

By: Philip S. Detjens
Title: Vice President

ROYAL BANK OF CANADA

By: T.L. Gleason
Title: Vice President

WACHOVIA BANK OF GEORGIA, N.A.

By: Terence A. Snellings
Title: Senior Vice President

BARCLAYS BANK PLC

By: J.L. Gray
Title: Associate Director

MELLON BANK, N.A.

By: Joseph F. Bond, Jr.
Title: Vice President

SHAWMUT BANK CONNECTICUT, N.A.

By: Paul Veiga
Title: Vice President

Schedule I included in this conformed composite copy is revised from the version included in the Credit Agreements to reflect a change in phone numbers for the Eurodollar Lending Office and Uncommitted Lending Office at Barclays Bank PLC.

Strikeout and underscoring to Exhibit C-2 show language which will be deleted or added to each when those documents are issued by the Borrower.

TABLE OF CONTENTS

	Page
ARTICLE I	DEFINITIONS AND ACCOUNTING TERMS 2
SECTION 1.01	Certain Defined Terms 2
SECTION 1.02	Computation of Time Periods 14
SECTION 1.03	Accounting Terms 14
ARTICLE II	AMOUNTS AND TERMS OF THE ADVANCES. 14
SECTION 2.01	The Commitment. 14
SECTION 2.02	Making the Committed Advances. 15
SECTION 2.03	Facility Fee. 17
SECTION 2.04	Continuation and Conversion. 18
SECTION 2.05	Interest on Advances 19
SECTION 2.06	Additional Interest on Eurodollar Rate Advances. 20
SECTION 2.07	Repayment and Prepayment of Advances 20
SECTION 2.08	Increased Costs. 21
SECTION 2.09	Payments and Computations. 22
SECTION 2.10	Taxes. 24
SECTION 2.11	Evidence of Debt 25
SECTION 2.12	Use of Proceeds of Advances. 25
SECTION 2.13	Uncommitted Advances 25
ARTICLE III	CONDITIONS OF LENDING. 29
SECTION 3.01	Condition Precedent to Effectiveness 29

SECTION 3.02	Conditions Precedent to Each Advance.	30
ARTICLE IV	REPRESENTATIONS AND WARRANTIES	31
SECTION 4.01	Representations and Warranties of the Borrower	31
ARTICLE V	COVENANTS OF THE BORROWER.	33
SECTION 5.01	Affirmative Covenants.	33
SECTION 5.02	Negative Covenants	37
ARTICLE VI	EVENTS OF DEFAULT.	40
SECTION 6.01	Events of Default.	40
ARTICLE VII	MISCELLANEOUS.	43
SECTION 7.01	Amendments, etc.	43
SECTION 7.02	Notices, etc.	43
SECTION 7.03	No Waiver; Remedies.	44
SECTION 7.04	Costs and Expenses; Breakage Indemnifi- cation	44
SECTION 7.05	Sharing of Payments.	45
SECTION 7.06	Binding Effect; Assignments	46
SECTION 7.07	Participations	47
SECTION 7.08	Limitation on Assignments and Participations	47
SECTION 7.09	Withholding.	48
SECTION 7.10	Mitigation	49
SECTION 7.11	Governing Law; Waiver of Jury Trial.	49
SECTION 7.12	Execution in Counterparts.	49
SECTION 7.13	Submission to Jurisdiction	49

SCHEDULE I ADDRESS AND APPLICABLE LENDING OFFICES

EXHIBIT A	FORM OF PROMISSORY NOTE (COMMITTED ADVANCES)
EXHIBIT B-1	FORM OF RATE REQUEST
EXHIBIT B-2	FORM OF NOTICE OF BORROWING
EXHIBIT C	FORM OF NOTICE OF CONVERSION OR CONTINUATION
EXHIBIT D	FORM OF PROMISSORY NOTE (UNCOMMITTED ADVANCES)
EXHIBIT E	FORM OF QUOTE REQUEST
EXHIBIT F	FORM OF QUOTE
EXHIBIT G	FORM OF ACCEPTANCE
EXHIBIT H	FORM OF OPINION
EXHIBIT I	FORM OF CERTIFICATE

FACILITY A (364 DAY) CREDIT AGREEMENT

This Facility A (364 Day) Credit Agreement ("Agreement") is made as of this 15th day of November, 1994 between The Stanley Works, a Connecticut corporation (the "Borrower") and the lender signatory hereto (the "Lender").

W I T N E S S E T H

WHEREAS, the Borrower and Citibank, N.A., Morgan Guaranty Trust Company of New York, J.P. Morgan Delaware, Wachovia Bank of Georgia, N.A., Royal Bank of Canada, Banque Nationale de Paris and Barclays Bank PLC are each parties to a Credit Agreement, dated as of April 1, 1992 (each such credit agreement an "Existing Credit Agreement" and collectively, the "Existing Credit Agreements"); and such parties agree that by their execution of this Agreement and the Other Credit Agreements referred to herein, their Existing Credit Agreements shall be terminated and of no further force and effect and that in connection therewith, the banks named above have agreed to return promptly to the Borrower, the Notes and the Uncommitted Advance Notes issued under the Existing Credit Agreements.

WHEREAS, the Borrower and Shawmut Bank Connecticut, N.A. are parties to a credit agreement effective June 1, 1988 (the "Existing Shawmut Agreement") and such parties agree that by their execution of this Agreement, the Existing Shawmut Agreement shall be terminated and of no further force and effect.

WHEREAS, the Borrower and Mellon Bank, N.A. are parties to a credit agreement effective June 1, 1991 (the "Existing Mellon Agreement") and such parties agree that by their execution of this Agreement, the Existing Mellon Agreement shall be terminated and of no further force and effect.

WHEREAS, each Existing Credit Agreement, the Existing Shawmut Agreement and the Existing Mellon Agreement having been terminated, the Borrower desires to enter into this Agreement and the Other Credit Agreements as well as the Facility B (Five Year) Credit Agreements with the Lender and the Other Lenders being executed simultaneously herewith.

NOW THEREFORE, in consideration of the foregoing and the mutual promises and covenants contained herein the Borrower and the Lender hereby 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 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.

"Applicable Eurodollar Margin" means, with respect to any Interest Period for each Eurodollar Rate Advance, (i) .2700% if on the date such Eurodollar Rate Advance is made the Borrower's outstanding Long-Term Indebtedness is rated A- or higher by Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc. ("Standard and Poors") and A3 or higher by Moody's Investors Service ("Moody's") and (ii) .2875% if on the date such Eurodollar Rate Advance is made clause (i) is inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated lower than A- by Standard & Poor's or lower than A3 by Moody's; provided that for purposes of this definition all references to any rating agency shall be deemed to be deleted in the event that the Borrower's outstanding Long-Term Indebtedness is no longer rated by such agency, and clause (ii) shall be deemed to apply if such Long-Term Indebtedness is no longer rated by either agency.

"Applicable Facility Fee Rate" means as of any date of payment of the fee required by Section 2.03 (i) a rate per annum equal to .0800% 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) a rate per annum equal to .1500% if on such date clause (i) is inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated lower than A- by Standard & Poor's or lower than A3 by Moody's; provided that all references to any rating agency shall be deemed to be deleted in the event that the Borrower's outstanding Long-Term Indebtedness is no longer rated by such agency, and clause (ii) shall be deemed to apply if such Long-Term Indebtedness is no longer rated by either agency.

"Applicable Lending Office" means the Lender's Domestic Lending Office in the case of an Uncommitted Advance or a Base Rate Advance and the Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance.

"Base Rate" means, for any period, 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 above the Federal Funds Rate.

"Base Rate Advance" means an Advance which bears interest as provided in Section 2.05(a) of this Agreement.

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

"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 ESOPs 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.

"Commitment" has the meaning set forth in Section 2.01 of this Agreement.

"Committed Advance" means an advance by the Lender to the Borrower under Section 2.01 of this Agreement and refers to a Base Rate Advance or a Eurodollar Rate Advance, each of which shall be a "Type" of Committed Advance.

"Consolidated Cash Expenditures" has the meaning provided in Section 5.01(f) of this Agreement.

"Consolidated Cash Flow" has the meaning provided in Section 5.01(f) of this Agreement.

"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" has the meaning provided in Section 5.01(f) of this Agreement.

"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 the office of the Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or such other office as the Lender may from time to time specify to the Borrower.

"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 of the PBGC.

"ERISA Person" has the meaning set forth 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.

"ESOPs" means collectively The Savings Plan for Salaried Employees of The Stanley Works and The Savings Plan for Hourly Paid Employees of The Stanley Works.

"Eurocurrency Liabilities" has the meaning provided in Regulation D of the Federal Reserve Board.

"Eurodollar Lending Office" means the office of the Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto (or, if no such office is specified, its Domestic Lending Office), or such other office as the Lender may from time to time specify to the Borrower.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar Rate Advance, 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 at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Eurodollar Rate Advance and for a period equal to such Interest Period.

"Eurodollar Rate Advance" means an Advance which bears interest as provided in Section 2.05(b) of this Agreement.

"Eurodollar Rate Reserve Percentage" means at any time for any Eurodollar Rate Advance the reserve percentage applicable at such time 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 the Lender with respect to liabilities or assets consisting of or including Eurocurrency Liabilities.

"Events of Default" has the meaning specified in Section 6.01 of this Agreement.

"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 set forth in Section 2.13(c)(ii)(C) of this Agreement.

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

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

"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) of this Agreement.

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

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

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

"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 payment obligations of such Person under any interest rate protection agreement (including, without limitation, any interest rate swaps, caps, floors, collars and similar agreements) and currency swaps and similar agreements.

"Interest Period" means, for each Eurodollar Rate Advance, Floating Rate Advance and Fixed Rate Advance, the period commencing on the date of such 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; and

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

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

"Lender" has the meaning provided in the first paragraph of this Agreement.

"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.

"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.

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

"Note" means the promissory note of the Borrower in substantially the form of Exhibit A hereto.

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

"Notice of Conversion or Continuation" has the meaning provided in Section 2.04 of this Agreement.

"Obligations" means all obligations, liabilities and indebtedness of every nature of the Borrower from time to time owing to the Lender under or in connection with this Agreement, the Note or the Uncommitted Advance Note.

"Other Commitment" means, in the case of each of the Other Lenders, the amount of such Other Lender's commitment under Section 2.01(a) of the Other Credit Agreement to which it is a party.

"Other Credit Agreements" has the meaning provided in Section 2.01(c) of this Agreement.

"Other Lenders" means Citibank, N.A., Morgan Guaranty Trust Company of New York, J.P. Morgan Delaware, Wachovia Bank of Georgia, N.A., Royal Bank of Canada, Banque Nationale de Paris, Barclays Bank PLC, Mellon Bank, National Association and Shawmut Bank Connecticut, N.A. (but excluding the Lender), and such other Persons as provided in Section 7.06 of the Other Credit Agreements.

"Other Notes" means promissory notes of the Borrower issued pursuant to Section 2.11 of each of the Other Credit Agreements in connection with Committed Advances as defined therein.

"Other Taxes" has the meaning provided in Section 2.10 of this Agreement.

"Other Uncommitted Advance Notes" means promissory notes of the

Borrower issued pursuant to Section 2.11 of each of the Other Credit Agreements in connection with Uncommitted Advances as defined therein.

"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 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 as to the Lender or any Other Lender a fraction (expressed as a percentage), the numerator of which is such Person's Commitment or Other Commitment, as the case may be, and the denominator of which shall be the sum of the Commitment and the Other Commitments.

"Quote" means an offer by the Lender or an Other Lender to make an advance under Section 2.13 of this Agreement or Section 2.13 of an Other Credit Agreement.

"Quote Request" has the meaning set forth in Section 2.13 of this Agreement.

"Ratable Share" has the meaning provided in Section 7.05 of this Agreement.

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

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

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

"Reportable Event" has the meaning set forth 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 the Lender and/or Other Lenders representing in the aggregate at least 51% of the sum of the Commitment hereunder and the Other Commitments under the Other Credit Agreements or, if the Commitment and the Other Commitments shall have terminated, the Lender and/or Other Lenders representing in the aggregate at least 51% of the sum of the Advances hereunder and the Advances under the Other Credit Agreements (as such term is defined therein).

"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.

"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 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 of this Agreement.

"Termination Date" means the date which is 364 days after the date hereof or such earlier date as the Commitment shall have been terminated pursuant to this Agreement.

"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 advances made to the Borrower under Section 2.13 of this Agreement and Section 2.13 of the Other Credit Agreements and refers to a Floating Rate Advance or a Fixed

Rate Advance, each of which shall be a Type of Uncommitted Advance.

"Uncommitted Advance Note" means the promissory note of the Borrower in substantially the form of Exhibit D hereto.

"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).

SECTION 1.02. Computation of Time Periods. 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."

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) General. The 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 not to exceed at any time the amount specified opposite the Lender's name in Section 3.01(e) (the "Commitment") minus the Lender's Pro Rata Share of the aggregate principal amount of all Uncommitted Advances then outstanding. Subject to the terms of this Agreement, during such period the Borrower may borrow, repay, prepay (as provided in Section 2.07) and reborrow such amount or any portion thereof. The Borrower shall not borrow under this Section 2.01(a) unless contemporaneous borrowings are made under Section 2.01(a) of the Other Credit Agreements in amounts equal to each Other Lenders' Pro Rata Share of the aggregate amount to be borrowed on any given day. Except for borrowings which exhaust the full remaining amount of the Commitment and the Other Commitments, each borrowing under this Section 2.01(a) or Section 2.01(a) of the Other Credit Agreements shall be in an aggregate amount of at least \$10,000,000 or a larger whole multiple of \$1,000,000.

(b) Termination and Reduction. The Borrower shall have the right, upon at least two Business Days' notice to the Lender, to terminate in whole or reduce in part any unused portion of the Commitment. The Borrower shall not terminate in whole or reduce in part any Other Commitment pursuant to subsection (b) of Section 2.01 of any Other Credit Agreement unless the Commitment is simultaneously terminated or reduced on a pro rata basis. Each partial reduction to the Commitment and the Other Commitments shall be in the aggregate amount of at least \$10,000,000 or a larger whole multiple of \$1,000,000.

(c) Other Credit Agreements. Contemporaneously with entering into this Agreement, the Borrower is entering into separate Facility A (364 Day) Credit Agreements (the "Other Credit Agreements") substantially identical to this Agreement (the only differences being those relating to the identity, description and amount of the commitment of the lender thereunder) with each of the Other Lenders, with each such Other Credit Agreement establishing the Other Commitment specified opposite the name of the applicable Other Lender in Section 3.01(e).

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 B-1 (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 Lender absent manifest error.

(b) Notice of Borrowing. Each Committed Advance shall be made on notice by the Borrower to the Lender, given not later than 11:00 A.M. (New York City time) on the date of the proposed Committed Advance, if such Committed Advance is to be a Base Rate Advance 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 Advance is to be a Eurodollar Rate Advance. Each such notice of a Committed Advance (a "Notice of Borrowing") shall be by telecopier, telex or cable, or by telephone confirmed immediately in writing, in substantially the form of Exhibit B-2 hereto, specifying therein the requested (i) date of such Committed Advance, (ii) Type of such Committed Advance, (iii) aggregate amount of such Committed Advance and the other related advances from the Other Lenders pursuant to Section 2.01 and (iv) in the case of a Eurodollar Rate Advance, the Interest Period for such Committed Advance. The Lender shall, before 2:00 P.M. (New

York City time) on the date of such Committed Advance, upon fulfillment of the applicable conditions set forth in Article III, make such Advance available to the Borrower in same day funds to 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 the 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 Borrower 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 the 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, (A) the Lender shall have no obligation to make, or to convert Advances into, Eurodollar Advances until the Lender shall notify the Borrower that the circumstances causing such suspension no longer exist and (B) the Borrower shall be deemed to have converted all Eurodollar Rate Advances then outstanding into Base Rate Advances in accordance with Section 2.04 on and as of the date of the Borrower's receipt of such notice, unless and to the extent such notice directs that one or more Eurodollar Advances shall be so converted on the last day of the applicable Interest Period;

(ii) if the Reference Bank cannot furnish the Eurodollar Rate for any Eurodollar Rate Advance 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 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 Borrower that the relevant rate of interest will not adequately reflect the cost to the Required Lenders of making, funding or maintaining such Advance, the Lender shall have no obligation to make such Advance until the Required Lenders shall notify the Borrower 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 Eurodollar Rate Advance, the Borrower shall indemnify the Lender against any loss, cost or expense incurred by the Lender as a result of any failure to fulfill on or before the date specified in such Notice of 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 the Lender to fund such Advance 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 the Lender setting forth the calculation of the amount of the indemnity claimed by the Lender.

SECTION 2.03. Facility Fee. The Borrower agrees to pay to the Lender a facility fee on the amount of the Commitment at the Applicable Facility Fee Rate, payable quarterly in arrears on the last day of each March, June, September and December during the term of the Commitment 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.

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 Base Rate Advance to a Eurodollar Rate Advance, (ii) to convert all or any part of an outstanding Eurodollar Rate Advance to a Base Rate Advance, or (iii) to continue all or any part of an outstanding Eurodollar Rate Advance as a Eurodollar Rate Advance for an additional Interest Period; provided, that no Eurodollar Rate Advance 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 Advance hereunder, the Borrower shall deliver an irrevocable notice thereof (a "Notice of Conversion or Continuation") to the Lender by telecopier, telex or cable 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 a Base Rate Advance 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, a Eurodollar Rate Advance, substantially in the form of Exhibit C 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 Advance 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, a Eurodollar Rate Advance, the requested Interest Period. The relevant Eurodollar Rate for such Interest Period in the case of a conversion to, or a continuation of, a Eurodollar Rate Advance, shall be determined in the manner provided in Section 2.02(a) as if such conversion or continuation is instead a new Eurodollar Advance for 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 Eurodollar Rate Advance as provided in clause (ii) above, the Borrower shall be deemed to have converted such Eurodollar Rate Advance into a Base Rate Advance in accordance with this Section 2.04 if such Advance is 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 from the date of such Advance 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 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 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 the Lender in accordance with Section 2.13, payable 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 the Lender in accordance with Section 2.13, payable 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 the Lender, during each period the 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 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 the Lender during such period, payable on each date on which interest is payable on such Advance. The Lender shall determine the amount of such additional interest, if any, and promptly notify the Borrower of the amount thereof.

SECTION 2.07. Repayment and Prepayment of Advances. (a) The principal amount of all Advances shall mature and become due and payable, in the case of Committed Advances, on the Termination Date, and in the case of an Uncommitted Advance, 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. Subject to Section 2.09(e), the Borrower may, upon at least two Business Days' notice to the Lender stating the proposed date and principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amounts of any Committed Advance in whole or in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that the amount of any such prepayment, together with the amount of prepayments required to be made in connection therewith under the Other Credit Agreements and Section 2.09(e), shall be in the aggregate 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 7.04(b).

(b) The Borrower shall notify the Lender immediately upon becoming aware of any Change of Control. Upon receipt of such notice and for a period of 90 days thereafter, the Lender shall be entitled, by written notice to the Borrower received within such period, to terminate the Commitment 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. In the event that any Other Lender exercises its right to require such termination and prepayment under Section 2.07(b) of any Other Credit Agreement, the Lender acknowledges and agrees that the Borrower shall be entitled to enter into a credit agreement substantially identical to this Agreement (the only differences being those relating to the identity, description and amount of the commitment of the lender thereunder) with any other Person (other than the Borrower or any affiliate of the

Borrower) providing for a commitment not to exceed the commitment of such Other Lender, and such credit agreement, the related notes, such Person and such commitment shall be deemed to constitute, respectively, an Other Credit Agreement, Other Note, Other Uncommitted Advance Note, Other Lender and Other Commitment hereunder. Notwithstanding any other provision contained herein, a Change of Control shall not, in and of itself, constitute a Default hereunder. Copies of notices delivered to the Borrower by any Other Lenders pursuant to Section 2.07(b) of the Other Credit Agreements shall be delivered by the Borrower to the Lender promptly upon receipt thereof.

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 the 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 the Lender accompanied by the certificate described in the next sentence, pay to the Lender additional amounts sufficient to compensate the Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to the Borrower by the 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 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), the Lender determines that the amount of capital required or expected to be maintained by the Lender or any corporation controlling the Lender has been or would be affected and that the amount of such capital is increased by or based upon the existence of the Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by the 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 accompanied by a certificate of the Lender as to the amounts demanded, the Borrower shall pay to the Lender, from time to time as specified by the Lender, additional amounts sufficient to compensate the Lender or such corporation, as the case may be, to the extent that the Lender reasonably determines such increase in capital to be allocable to the existence of the Lender's commitment to lend hereunder, such amounts to be due and payable within 2 days of the Lender's invoice therefor. A Certificate as to such amounts submitted to the Borrower by the 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 not later than 11:00 A.M. (New York City time) on the day when due in Dollars in same day funds.

(b) Set-Off. The Borrower hereby authorizes the Lender, if and to the extent payment owed to the Lender is not made when due hereunder, to charge from time to time against any or all of the Borrower's accounts with the Lender any amount so due.

(c) Interest. All computations of interest based on the Base Rate shall be made by the Lender 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 with respect to Uncommitted Advances and all computations of interest pursuant to Section 2.06 shall be made by the Lender 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 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) Pro Rata Payments, Etc. The Borrower shall not make any payments or prepayments of principal of or interest on Committed Advances or facility fees, or continue or convert any Committed Advance, in each case under any Other Credit Agreement unless corresponding payments, prepayments, continuations or conversions, as the case may be, are made hereunder representing the Lender's Pro Rata Share of the total amount of such payments, prepayments, continuations or conversions. No payments or prepayments of Committed Advances or facility fees shall be made hereunder unless the Borrower complies with Section 2.09(e) of each Other Credit Agreement. No conversions or continuations shall be made under Section 2.04 unless the Borrower complies with Section 2.09(e) of each Other Credit Agreement. This subsection (e) shall not apply to payments made in connection with a prepayment pursuant to Section 2.07(b) or conversions pursuant to Section 2.02(c).

(f) Rate Information. The Reference Bank shall notify the Borrower 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 Other Lender promptly upon its request. The Borrower will provide to the Lender (i) (unless the Lender is the Reference Bank) 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 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 taxes imposed on the Lender's income, and franchise taxes imposed on it by the jurisdiction under the laws of which the Lender is organized or any political subdivision thereof and 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 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 (hereinafter referred to as "Other Taxes") upon notice from the Lender.

(c) Tax Indemnity. The Borrower will indemnify the Lender 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 the Lender 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 the Lender makes written demand therefor.

(d) Receipt. Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Lender, at its address referred to in Section 7.02, 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. Evidence of Debt. The Committed Advances shall be evidenced by the Note and the Uncommitted Advances shall be evidenced by the Uncommitted Advance Note, in each case delivered to the Lender pursuant to Article III. The entries made in the Note and the Uncommitted Advance Note shall be conclusive and binding for all purposes absent manifest error.

SECTION 2.12. Use of Proceeds of Advances. The Borrower will use the proceeds of the Advances for general corporate purposes.

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 Lender (and the Other Lenders) to make offers to make Uncommitted Advances to the Borrower. The 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. 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, it shall transmit to the Lender and the Other Lenders a quote request substantially in the form of Exhibit E 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 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) The Lender may but shall not be required to submit a Quote containing an offer or offers to make an Uncommitted Advance 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

Borrower in writing (including by telecopy) no later than (A) 12:00 noon (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) 12:00 noon (New York City time) on the Business Day immediately preceding the proposed date of borrowing, in the case of a Floating Rate Auction. 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 the Lender with respect to each Interest Period specified in the related Quote Request. Each Quote shall be in substantially the form of Exhibit F 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 the 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 Uncommitted Advances 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 the 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 Borrower 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 Lender of its acceptance or non-acceptance of the offers so notified to it pursuant to Section 2.13(c) substantially in the form of Exhibit G hereto; provided that if the Borrower shall fail to so notify the Lender by the times set forth above, the Borrower shall be deemed to have notified the Lender of its non-acceptance 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 borrowing of Uncommitted Advances may not exceed the applicable amount set forth in the related Quote Request;

(ii) the principal amount of Uncommitted Advances made on a single Business Day must be \$10,000,000 or a larger whole multiple of \$1,000,000;

(iii) acceptance of offers from the Lender and the Other 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 the Lender and one or more Other Lenders 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 Borrower among the Lender and such Other 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 Borrower of the amounts of Uncommitted Advances shall be binding and conclusive in the absence of manifest error. The Borrower shall promptly notify the Lender of any allocation pursuant to this Section 2.13(e).

(f) Funding. In the case of an Uncommitted Advance as to which the Borrower has accepted the Lender's offer under clause (d) above, before 12:00 noon (New York City time) on the date of such Uncommitted Advance, the Lender shall, upon fulfillment of the applicable conditions set forth in Article III, make such funds available to the Borrower in same day funds to such account as the Borrower shall have specified in the related notice delivered pursuant to Section 2.13(d).

(g) Lender Information. Promptly upon the Lender's request, the Borrower shall inform the Lender as to the identity of any Other Lender and the applicable rate of interest charged thereby with respect to Uncommitted Advances made by any such Other Lender.

ARTICLE III

CONDITIONS OF LENDING

SECTION 3.01. Condition Precedent to Effectiveness. The effectiveness of this Agreement is subject to the condition precedent that the Lender shall have received the following, in form and substance satisfactory to the Lender:

- (a) Note. The Note and the Uncommitted Advance Note;
- (b) Resolutions, Etc. Certified copies of documents evidencing all necessary corporate action and governmental approvals, if any, with respect to this Agreement, the Note and the Uncommitted Advance Note;
- (c) Incumbency. A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement, the Note, the Uncommitted Advance Note and the other documents to be delivered hereunder;
- (d) Legal Opinion. An opinion of counsel to the Borrower substantially in the form of Exhibit H; and
- (e) Other Credit Agreements. Conformed copies (or a composite conformed copy) of the Other Credit Agreements providing for the Other Commitments by the Other Lenders in the amounts set forth below opposite the name of such Other Lenders:

Name	Amount
Citibank, N.A.	\$15,000,000
Banque Nationale de Paris	\$10,000,000
Morgan Guaranty Trust Company of New York	\$ 5,000,000
J.P. Morgan Delaware	\$ 5,000,000
Royal Bank of Canada	\$10,000,000
Wachovia Bank of Georgia, N.A.	\$10,000,000
Barclays Bank PLC	\$ 3,000,000
Mellon Bank, N.A.	\$ 5,000,000
Shawmut Bank Connecticut, N.A.	\$ 5,000,000

together with a certificate of each Other Lender substantially in the form of Exhibit I hereto.

SECTION 3.02. Conditions Precedent to Each Advance. The obligation of the Lender to make each Advance (including the initial Advance) shall be subject to the further conditions precedent that on the date of such Advance 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): (i) the representations and warranties contained in Section 4.01 are correct in all material respects on and as of the date of such Advance, before and after giving effect to such Advance and to the application of the proceeds therefrom, as though made on and as of such date, and (ii) no event has occurred and is continuing, or would result from such Advance or from the application of the proceeds therefrom, which 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.

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, validly existing and in good standing under the laws of the State of Connecticut.
- (b) Corporate Authorization, Etc. The execution, delivery and performance by the Borrower of this Agreement, the Note and the Uncommitted Advance Note are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, do not contravene (i) the Borrower's charter or by-laws 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, the Note or the Uncommitted Advance Note.
- (d) Enforceability. This Agreement is and upon issuance and delivery thereof in accordance with Article III the Note and the Uncommitted Advance 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 January 1, 1994 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 Lender, 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 January 1, 1994, 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, the Note, the Uncommitted Advance Note, any Other Credit Agreement or any Other Note.

(g) No Material Adverse Effect. Since January 1, 1994, 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 January 1, 1994, 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 Lender 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, the Note, the Uncommitted Advance Note, the Other Credit Agreements, the Other Notes and the Other Uncommitted Advance Notes 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. All proceeds of each Advance will be used by the Borrower only in accordance with the provisions of Section 2.12. Neither the making of any Advance nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulation G, U or X of the Federal Reserve Board.

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 the Lender shall have any Commitment hereunder:

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

(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, 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 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 the Lender may reasonably request.

(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 Lender 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 at such reasonable times and intervals as may be requested.

(f) Financial Condition. The Borrower shall cause Consolidated Cash Flow to equal or exceed 125% of Consolidated Cash Expenditures at the end of each fiscal quarter for the twelve-month period then ended. The defined terms used in this clause (f) shall be construed in accordance with GAAP and as follows:

(i) "Consolidated Cash Flow" means for any fiscal period the sum of (A) consolidated earnings before income taxes of the Borrower and its Consolidated Subsidiaries for such fiscal period (including any earnings representing net gain on disposition of assets) before extraordinary items and their tax effects and before income from discontinued operations; (B) to the extent such amount is greater than zero, (x) consolidated interest expense for the Borrower and its Consolidated Subsidiaries for such fiscal period, minus (y) consolidated interest earnings for the Borrower and its Consolidated Subsidiaries for such fiscal period; and (C) consolidated depreciation and amortization for the Borrower and its Consolidated Subsidiaries for such fiscal period; and

(ii) "Consolidated Cash Expenditures" means for any fiscal period the sum of (A) consolidated interest expense of the Borrower and its Consolidated Subsidiaries, (B) consolidated capital

expenditures of the Borrower and its Consolidated Subsidiaries and (C) the aggregate amount of all dividends paid or declared by the Borrower on any of its capital stock during such fiscal period; and

(iii) "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.

SECTION 5.02. Negative Covenants. So long as any Advance or any other amount owing hereunder shall remain unpaid or the 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 and the advances made under the Other Credit Agreements equally and ratably with such Lien), other than:

(i) Liens existing and disclosed to the Lender 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 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) Other Credit Agreements. The Borrower shall not amend, modify or waive, or permit the amendment, modification or waiver of, any provision of any Other Credit Agreement or Other Note unless such amendment is made in accordance with Section 7.01 hereof.

(d) 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 facility fee) or any other amount payable by it hereunder or under the Note or the Uncommitted Advance Note and five (5) days shall have elapsed from the date such interest, fees or other amounts were due; or with respect to the facility fee payable pursuant to Section 2.03, the Borrower shall fail to pay the facility fee when due and two Business Days shall have elapsed from the Borrower's receipt of notice of such non-payment from the Lender; or

(b) Any representation or warranty made by the Borrower herein or pursuant to this Agreement, the Note or the Uncommitted Advance Note 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 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 (C) an "Event of Default" as defined in any Other Credit Agreement shall have occurred; 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 \$5,000,000;

then, and in any such event, the Lender may, by notice to the Borrower, with the written consent of the Required Lenders, except as provided in Section 7.03, (i) declare the obligation of the Lender to make Advances to be terminated, whereupon the same shall forthwith terminate and (ii) declare all Advances, the Note, the Uncommitted Advance Note, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon all Advances, the Note, the Uncommitted Advance Note, 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 the Lender to make Advances shall automatically be terminated and (B) the Advances, the Note, the Uncommitted Advance Note, 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

MISCELLANEOUS

SECTION 7.01. Amendments, etc. No amendment or waiver of any provision of this Agreement, the Uncommitted Advance Note, or the Note, nor consent to any departure by any party herefrom or 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 the Uncommitted Advance Note, the Borrower and the Lender; provided, that the consent of the Borrower, the Lender and each Other Lender shall be required in order to amend or waive any provision of this Agreement other than Section 2.13 and the Uncommitted Advance Note, or the Note which would have the effect of (a) a reduction in principal, interest or fees payable to the Lender under this Agreement, (b) the postponement of any date fixed for the payment of any principal, interest or fees under this Agreement, (c) an increase in the Commitment, (d) amending or waiving compliance with the last sentence of Section 2.01(a), the second sentence of Section 2.01(b), Section 2.08, Section 2.09(e), Section 5.02(c) or this Section 7.01, or (e) amending the definition of Required Lenders. No amendment or waiver referred to in the preceding sentence (other than amendments to or waivers of Section 2.13 and the Uncommitted Advance Note) shall be effective unless each Other Agreement is similarly amended or waived. Notwithstanding the foregoing, only the written consent of the Borrower and the Lender shall be required in order to amend and restate this Agreement pursuant to Section 7.06, and the Borrower shall, without the consent of any Person being required therefor, amend and provide an amended copy of Schedule I hereto to the Lender promptly upon being advised by the Lender or any Other Lender of any changes in the information set forth therein (provided that the failure to provide such Schedule I to the Lender shall be deemed not to be a Default or Event of Default hereunder).

SECTION 7.02. Notices, etc. All notices and other communications provided for hereunder shall be in writing (including telecopier or telex communication) and mailed, telecopied, telexed or delivered, if to the Borrower, at its address at 1000 Stanley Drive, New Britain, Connecticut 06050, Attention: Secretary, telexcopy no. 203-827-3911 with a copy to Craig A. Douglas, Director, Corporate Finance at the same address and telexcopy no. 203-827-3848; if to the Lender or any Other Lender at the address for notices set forth for such Person on Schedule I hereto; or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when telecopied or telexed, be effective when telecopied (with receipt confirmed by telephone) or confirmed by telex answerback, respectively, and when mailed or delivered, when received.

SECTION 7.03. No Waiver; Remedies. No failure on the part of the Lender to exercise, and no delay in exercising, any right hereunder or under the 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. The Lender agrees that it shall not be entitled to exercise any of its remedies hereunder except with the prior written consent of the Required Lenders, provided that the Lender may, without such prior written consent, exercise its remedies hereunder with respect to any Obligations as to which (a) pro rata payments are not required to be made under Section 2.09(e) in the case of an Event of Default under Section 6.01(a) with respect to any such payments or (b) a pro rata payment is required to be made under Section 2.09(e) and the Lender does not receive its pro rata payment when due and payable hereunder in the case of an Event of Default under Section 6.01(a). In the event that any Lender intends to exercise remedies pursuant to the immediately preceding proviso, the Lender shall, prior to taking any action with respect thereto, notify the Borrower and the Borrower shall immediately notify each Other Lender to such effect. In the event that the prior written consent of the Required Banks is required in connection with the exercise of remedies hereunder, the Borrower shall, immediately upon the Lender's request, furnish the then outstanding amounts of each Other Lender's Committed Advances (as defined in the related Other Credit Agreement).

SECTION 7.04. 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 Lender in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Uncommitted Advance Note and the Note 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 7.04(a).

(b) If any payment, prepayment or conversion of any Eurodollar Rate Advance or a Fixed Rate Advance is made other than on the last day of the Interest Period for such Advance, as a result of acceleration of the maturity of the Advances, the Uncommitted Advance Note and the Note 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 Lender, pay to the Lender any amounts required to compensate the 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 the Lender to fund or maintain such Advance.

SECTION 7.05. Sharing of Payments. If the Lender shall receive payment in respect of any Obligation through the exercise of any right of set-off, bankers' lien, counterclaim or similar right or otherwise, such that the amount so received is more than the Lender's Ratable Share (as defined below) of payments simultaneously received by the Other Lenders in respect of the Other Credit Agreements, the Lender shall promptly purchase from the Other Lenders participations in the advances to the Borrower made by the Other Lenders under the Other Credit Agreements in such amounts, and make such other adjustments from time to time as shall be equitable to the end that the Lender and all the Other Lenders shall each receive its Ratable Share of the benefit of such payment. To such end all the Lenders shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. The Borrower agrees that any Person so purchasing a participation in such advances made by other Persons may exercise all rights of set-off, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Person were a direct holder of such advances in the amount of such participation. Nothing contained herein shall require any such Person to exercise any such right or shall affect the right of any such Person to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrower. The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in an Advance hereunder or an advance under the Other Credit Agreement, if acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation. As used herein, "Ratable Share" for the Lender or any Other Lender means a fraction (expressed as a percentage), (x) the numerator of which is the amount of outstanding Obligations (as defined in this Agreement or the Other Credit Agreement, as the case may be) owed to the Lender or the Other Lender, as the case may be and (y) the denominator of which is the total amount of outstanding Obligations (as defined in this Agreement and all Other Credit Agreements).

SECTION 7.06. Binding Effect; Assignments. This Agreement shall become effective when it shall have been executed and delivered by the Borrower and the Lender and the condition precedents set forth in Section 3.01 shall have been satisfied, and thereafter shall be binding upon and inure to the benefit of the Borrower and the Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights or obligations hereunder or under the Note or Uncommitted Advance Note or any interest herein or therein (other than as permitted by Section 5.02(b)) without the prior written consent of the Lender and Other Lenders, and the Lender shall not have the right to assign its rights and obligations hereunder or as holder of the Note or the Uncommitted Advance Note or any interest herein or therein (other than an assignment to an affiliate of the Lender) without the prior written consent of the Borrower, which consent shall not be unreasonably withheld; provided that the Lender shall not enter into any such assignment unless prior thereto or simultaneously therewith the assignee agrees in writing with 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. Such instrument 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. Promptly after the consummation of any such assignment, the transferor and the Borrower shall make appropriate arrangements so that a replacement Note and Uncommitted Advance Note are issued to such transferor and a new Note and Uncommitted Advance Note are issued to such transferee, in each case in principal amounts reflecting such transfer. Notwithstanding the foregoing provisions of this Section 7.06, in the event that the Lender desires to assign its rights hereunder or any interest herein prior to the time of any other such assignment, it shall so notify the Borrower, and in connection therewith the original Lender shall agree to act as the attorney-in-fact for the assignee and the assignee shall agree that the original Lender shall so act as its attorney-in-fact and the Borrower shall continue to deal solely and directly with the original Lender in connection with the assignee's rights and obligations under this Agreement. Anything in this Section 7.06 to the contrary notwithstanding, the Lender and each Other Lender may assign and pledge all or any portion of its rights to payment of the Advances owing to it hereunder or under any Other Credit Agreement as the case may be 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 the Lender or such Other Lender from its obligations hereunder or under such Other Credit Agreement, as the case may be.

SECTION 7.07. Participations. The Lender may sell participations to one or more banks or other financial institutions in all or a portion of its rights and/or obligations under this Agreement (including, without limitation, all or a portion of the Commitment and the Advances); provided, that (i) the Lender's obligations under this Agreement (including, without limitation, the Commitment) shall remain unchanged, (ii) the 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 the Lender in connection with the 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 the 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) increase in the Commitment, and (D) any amendments to the foregoing clauses (A), (B) and (C).

SECTION 7.08. Limitation on Assignments and Participations. (a) The Lender may, in connection with any actual or proposed assignment or participation pursuant to Section 7.06 or 7.07, disclose to the actual or proposed assignee or participant, any information relating to the Borrower furnished to the 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 the Lender or the Borrower.

(b) Notwithstanding anything in Section 7.06 and 7.07 to the contrary, the Lender shall not 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, or 7.04 or would otherwise result in an increase in the Borrower's obligations.

SECTION 7.09. Withholding. If the Lender, or any Person that becomes a party to this Agreement pursuant to Section 7.06, 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 the Borrower (i) two duly completed copies of United States Internal Revenue Service Form 1001 or 4224 or successor applicable form, as the case may be, certifying in each case that such Person is entitled to receive payments under this Agreement and the Note payable to it, without deduction or withholding of any United States federal income taxes, and (ii) an Internal Revenue Service Form W-8 or W-9 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 1001 or 4224 and Form W-8 or W-9 pursuant to the preceding sentence further undertakes to deliver to the Borrower two further copies of Form 1001 or 4224 and Form W-8 or W-9, 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 such extensions or renewals thereof as may reasonably be requested by the Borrower, certifying in the case of a Form 1001 or 4224 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 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-8 or W-9, establishing an exemption from United States backup withholding tax.

SECTION 7.10. Mitigation. In the event that the Lender claims any amounts under Sections 2.02(d), 2.06, 2.08, 2.10 or 7.04(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 the Lender shall not be required to take any action if, in its reasonable judgment, such action would be materially disadvantageous to it.

SECTION 7.11. GOVERNING LAW; WAIVER OF JURY TRIAL. THIS AGREEMENT, THE NOTE AND THE UNCOMMITTED ADVANCE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. EACH OF 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 OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 7.12. 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.

SECTION 7.13. 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, the Note or the Uncommitted Advance Note. 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.

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: Richard Huck
Title: Vice President, Finance and Chief
Financial Officer

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE I
ADDRESS AND APPLICABLE LENDING OFFICES

Name of Lender and Other Lenders And Addresses For Notices -----	Domestic Lending Office -----	Eurodollar Lending Office -----
Citibank, N.A. 399 Park Avenue New York, N.Y. 10022	Citibank, N.A. 399 Park Avenue New York, N.Y. 10022	Citibank, N.A. 399 Park Avenue New York, N.Y. 10022

Telecopy: 212-793-7712
Telephone: 212-559-7241/212-559-4424
Attn: Paolo de Alessandrini/
Aaron Kim

=====

Banque Nationale de Paris 499 Park Avenue New York, N.Y. 10022	BNP - New York 499 Park Avenue New York, N.Y. 10022	BNP - Georgetown c/o BNP - N.Y. 499 Park Avenue New York, N.Y. 10022
---	---	---

Telecopy: 212-415-9695
Telephone: 212-415-9785
Attn: Charmaine Robinson/
Jessie Griffiths

Payment instructions:
Federal Reserve Bank of
New York
ABA Routing No. 026007689
Acct. #70015370150
Reference: Stanley Works

Name of Lender
and Other Lenders
And Addresses
For Notices

Domestic
Lending
Office

Eurodollar
Lending
Office

=====

Morgan Guaranty
Trust Company of
New York
60 Wall Street
New York, N.Y. 10260
Telecopy: 212-648-6997
Attn: Martin Atkin

Loan Department
60 Wall Street
New York, New York
10260

c/o J.P. Morgan
Services, Inc.
Euro-Loan Servicing Unit
902 Market Street
Wilmington, DE 19801

=====

J.P. Morgan Delaware
902 Market Street
Wilmington, DE 19801
Telecopy: 302-654-5336
Attn: George A. Kent
Vice President
Telephone: 302-651-2387

J.P. Morgan Delaware
500 Stanton Christiana Rd
Newark, Delaware
19713-2107
Attn: Credit Support
Services
Execution and/or
Conformed copies to:
George A. Kent
Vice President
J.P. Morgan Delaware
902 Market Street
Wilmington, DE
19801

J.P. Morgan Delaware
500 Stanton Christiana Rd
Newark, Delaware
19713-2107
Attn: Credit Support
Services
Execution and/or
Conformed copies to:
George A. Kent
Vice President
J.P. Morgan Delaware
902 Market Street
Wilmington, Delaware
19801

=====

Royal Bank of Canada
New York Branch
Financial Square
23rd Floor
New York, New York
10005-3531

Royal Bank of Canada
New York Branch
Financial Square
New York, New York
10005-3531

Royal Bank of Canada
New York Branch
Financial Square
New York, New York
10005-3531

Telecopy: (212) 428-2372

Attn: Manager, Credit
Administration

SCHEDULE I-2

Name of Lender and Other Lenders And Addresses For Notices -----	Domestic Lending Office -----	Eurodollar Lending Office -----
--	--	--

Copy to:
Royal Bank of Canada
Financial Square, 24th Floor
New York, New York
10005-3531
Attn: Sheryl L. Greenberg
Manager
Telephone: 212-428-6476

=====	=====	=====
Wachovia Bank of Georgia, N.A. 191 Peachtree St., NE Atlanta, GA 30303 Telecopy: 404-332-6898 Telephone: 404-332-1090 Attn: Terrence Snellings MC370	Wachovia Bank of Georgia, N.A. 191 Peachtree St., NE Atlanta, GA 30303 Telecopy: 404-332-6898 Telephone: 404-332-1090 Attn: Terrence Snellings MC370	Wachovia Bank of Georgia, N.A. 191 Peachtree St., NE Atlanta, GA 30303 Telecopy: 404-332-6898 Telephone: 404-332-1090 Attn: Terrence Snellings MC370
=====	=====	=====

Name of Lender -----	Domestic Lending Office	Eurodollar Lending Office	Uncommitted Lending Office
Barclays Bank PLC P.O. Box 544 34 Lombard Street London EC3V 9EX	Barclays Bank PLC London c/o Barclays Bank PLC 75 Wall Street New York, N.Y. 10265	Barclays Bank PLC Central Loan Admin. Dept., 5th Floor St. Swithins House 11/12 St. Swithins Lane Londaon EC4N 8AS	Barclays Bank PLC 8th Floor 222 Broadway New York, N.Y. 10038
Telecopy: 171-699-2298	Ref: Stanley Works Base Rate Advances	Ref: Stanley Works Eurodollar Advances	Ref: Stanley Works Uncommitted Bid Option
Contacts: Jonathan Gray Tel. No. 171-699-2301	Telecopy: 212-412-5002 Contacts: Kevin Jones 212-412-5022	Telecopy: 171-621-4583 Telex: 8950821 Contacts: Tanya Bond 171-621-4599	Contacts: Tom Connolly Greg Hurley 212-412-2091 Telecopy: 212-412-4020

Repayment instructions:
Barclays Bank PLC,
New York
FEDWIRE ABA: 026002574
Credit: CLAD CONTROL
ACCOUNT 050 019104.
Ref: CSU2/Stanley Works/
(Prin/Int/Repayment)

Repayment Instructions:
Barclays Bank PLC
New York
Account: CLAD
No. 050-019104

CHIPS ABA: 257
UID: 306393
Ref: CSU2/Stanley Works
(Prin/Int/Repayment)

Also send instructions
to Barclays Bank PLC,
Central Loan Administration Dept.
London

SCHEDULE I-4

Name of Lender and Other Lenders And Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
=====		
Mellon Bank, N.A. Three Mellon Center Pittsburgh, Pa. 15259-0001	Mellon Bank, N.A. Three Mellon Center Pittsburgh, Pa. 15259-0001	Mellon Bank, N.A. Three Mellon Center Pittsburgh, Pa. 15259-0001
Telecopy: 412-236-2027 Telephone: 412-234-8347 Attn: Rhonda Ashbaugh	Telecopy: 412-236-2027 Telephone: 412-234-8347 Attn: Rhonda Ashbaugh	Telecopy: 412-236-2027 Telephone: 412-234-8347 Attn: Rhonda Ashbaugh
=====		
Shawmut Bank Connecticut, N.A. 777 Main Street Hartford, Ct. 06115	Shawmut Bank Connecticut, N.A. 777 Main Street Hartford, Ct. 06115	Shawmut Bank Connecticut, N.A. 777 Main Street Hartford, Ct. 06115
Telecopy: 203-722-9378 Telephone: 203-728-4426 Attn: Paul Veiga	Telecopy: 203-722-9378 Telephone: 203-548-7098 Attn: Zoraida Sanchez	Telecopy: 203-722-9378 Telephone: 203-548-7098 Attn: Zoraida Sanchez

SCHEDULE I-5

EXHIBIT A

PROMISSORY NOTE
(Committed Advances)

\$ _____ Dated: _____, 199_

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 the Lender at the address set forth in the Credit Agreement referred to below (or at such other place as the Lender may specify to the Borrower in writing) 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 the Note referred to in, and is entitled to the benefits of, the Facility A (364 Day) Credit Agreement dated as of November 15, 1994 (as amended, modified or supplemented from time to time, the "Credit Agreement"), between the Borrower and the Lender. 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 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:

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Amount of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By
------	----------------------	--	--------------------------------	---------------------

EXHIBIT B-1

RATE REQUEST

[NAME AND
ADDRESS OF
REFERENCE BANK]

[Date]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility A (364 Day) Credit Agreement, dated as of November 15, 1994 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined) between you and the undersigned 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__ , 19__ 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 .

[NAME OF REFERENCE BANK]

By:
Authorized Officer

EXHIBIT B-2

NOTICE OF BORROWING

[NAME AND
ADDRESS OF LENDER]
[Date]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility A (364 Day) Credit Agreement, dated as of November 15, 1994 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), between you and the undersigned and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests [a] Committed Advance[s]* under the Credit Agreement, and in that connection sets forth below the information relating to such Advance[s] (the "Proposed Advance[s]") as required by Section 2.02(b) of the Credit Agreement:

(i) The Business Day of the Proposed Advance is_____, 19__.

(ii) The Type of Advance is [Base Rate] [Eurodollar Rate].

(iii) The amount of the Proposed Advance is \$ and the aggregate amount of all Committed Advances requested from you and the Other Lenders with respect to the Proposed Advance in accordance with Section 2.01 of the Credit Agreement is \$.

[(iv)] The Interest Period for the Proposed Advance is__month[s]].

*Information required for an Advance may be repeated as necessary if more than one Advance is being requested in one Notice of Borrowing.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Advance[s]:

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement are correct in all material respects, before and after giving effect to the Proposed Advance[s] and any other Committed Advances being made by the Lender and the Other Lenders on the same day as the Proposed Advance[s] 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 Advance[s] or such other Advances 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.

The Borrower's account information for funding purposes is Account
No. _____, [NAME OF BANK], ABA No. _____, [CITY], [STATE],
Ref. _____.

Very truly yours,

The Stanley Works

By:_____

Name:
Title:

EXHIBIT C

NOTICE OF CONVERSION OR CONTINUATION

[Date]

[NAME AND
ADDRESS OF LENDER]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility A (364 Day) Credit Agreement, dated as of November 15, 1994 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), between you and the undersigned and hereby gives you notice, pursuant to Section 2.04(b) of the Credit Agreement that the undersigned hereby elects to [convert][continue] the [Base Rate][Eurodollar Rate] Advance:

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

(ii) which, in the case of a Eurodollar Rate Advance, has an Interest Period of__ month(s);1 and

(iii) which was borrowed (or previously converted or continued) on_____, 199_.

Such [conversion][continuation] shall become effective on , 199 , at which time such Advance shall be [converted into][continued as] a [Base Rate][Eurodollar Rate] Advance:

(1) Omit clause (ii) if Advance is a Base Rate Advance.

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

and

(ii) which has an Interest Period of__month(s).

The aggregate amount of all related Advances made by the Lender and Other Lenders being [converted] [continued] in accordance with Section 2.01 of the Credit Agreement and the Other Credit Agreements is \$.

Very truly yours,

The Stanley Works

By:_____

Name:

Title:

(2) Omit clause (i) if conversion or continuation is for entire amount of Advance.

EXHIBIT D
PROMISSORY NOTE
(Uncommitted Advances)

\$ _____ Dated: _____, 199_

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 the Lender at the address set forth in the Credit Agreement referred to below (or at such other place as the Lender may specify to the Borrower in writing) 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 the Uncommitted Advance Note referred to in, and is entitled to the benefits of, the Facility A (364 Day) Credit Agreement dated as of November 15, 1994 (as amended, modified or supplemented from time to time, the "Credit Agreement"), between the Borrower and the Lender. 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:

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Amount of Principal Paid or Prepaid	Maturity Date	Notation Made By
------	-------------------	-------------------------------------	---------------	------------------

EXHIBIT E

FORM OF QUOTE REQUEST

[Date]

NAMES AND ADDRESSES OF LENDERS]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the substantially identical Facility A (364 Day) Credit Agreements, dated as of November 15, 1994 (as amended, modified or supplemented from time to time, the "Credit Agreements", the terms defined therein being used herein as therein defined), between each of you and the undersigned, and hereby gives you notice pursuant to Section 2.13 of the Credit Agreements that the undersigned hereby requests offers to make an Uncommitted Advance[s]* under the Credit Agreements, and in that connection sets forth the terms on which such borrowing[s] (the "Proposed Uncommitted Advance[s]") [is] [are] requested to be made:

(i) The Business Day of the Proposed Uncommitted Advance is _____, 19____.

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

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

(iv) The Type of Proposed Uncommitted Advance 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 Advance:

*Information required for an Advance may be repeated as necessary if more than one Advance is being requested in one Form of Quote Request.

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement are correct in all material respects, before and after giving effect to the Proposed Uncommitted Advance and any other Uncommitted Advances being made by the Lender or any other Lender 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 Advance or such other Uncommitted Advances 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 F

FORM OF QUOTE

[Date]

THE STANLEY WORKS
[ADDRESS]

Re: Facility A (364 Day) Credit Agreement dated as of November 15, 1994
between the undersigned and The Stanley Works (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 , 19 , 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_____.(3)

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:

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

EXHIBIT G
FORM OF ACCEPTANCE

[Date]

[NAMES AND ADDRESSES OF LENDERS]

Re: Substantially identical Facility A (364 Day) Credit Agreements, dated as of November 15, 1994 (as amended, modified or supplemented from time to time, the "Credit Agreements") between each of the addressees and the undersigned

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the above referenced Credit Agreements. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreements. 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 Advance[s] to occur on___, and in accordance with Section 2.13(d) of the Credit Agreements, we hereby accept the following offer/offers for the Interest Period of []:

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

The Borrower's account information for funding purposes is Account No. _____, [NAME OF BANK], ABA No. _____, [CITY], [STATE], Ref. _____.

Very truly yours,
The Stanley Works

By: _____
Name:
Title:

EXHIBIT H

FORM OF OPINION OF GENERAL COUNSEL

November 15, 1994

[Name and Address of Lender]

Ladies and Gentlemen:

I am the General Counsel of The Stanley Works, a Connecticut corporation (the "Borrower"), and have acted as counsel to the Borrower in connection with the Facility A (364 Day) Credit Agreement, dated as of November 15, 1994 (the "Credit Agreement"), between the Borrower and the addressee (the "Lender").

This opinion is being delivered to you pursuant to Section 3.01(d) of the Credit Agreement. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

In rendering the opinions set forth herein, I have examined and relied on originals or copies of the following:

- (a) a counterpart executed by the Borrower of the Credit Agreement;
- (b) the executed Note and the executed Uncommitted Advance Note;
- (c) copies of the Certificate of Incorporation and By-laws of the Borrower;
- (d) a certified copy of certain resolutions of the Board of Directors of the Borrower;
- (e) certificates from public officials in the State of Connecticut as to the good standing of the Borrower in the State of Connecticut; and
- (f) such other documents as I have deemed necessary or appropriate as a basis for the opinions set forth below.

In my examination, I have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified or photostatic copies, and the authenticity of the originals of such copies. As to any facts material to this opinion which I did not independently establish or verify, I have relied upon written statements and certificates of the Borrower and its officers and other representatives and of public officials.

Unless otherwise indicated, references in this opinion to the "Loan Documents" shall mean the documents listed in clauses (a) and (b) above. In addition, references to (i) "Applicable Laws" shall mean the laws and regulations of the States of Connecticut and New York and the United States of America (including, without limitation, Regulations U and X of the Board of Governors of the Federal Reserve System) which are applicable to the transactions contemplated by the Loan Documents; (ii) the term "Governmental Authorities" means any Connecticut, New York and federal executive, legislative, judicial, administrative or regulatory body; (iii) the term "Applicable Contracts" shall mean the agreements and instruments set forth in the index of exhibits to the Borrower's Annual Report on Form 10-K for the year ended January 1, 1994 filed with the Securities and Exchange Commission and (iv) the term "Governmental Approval" means any consent, approval, license, authorization or validation of, or filing, recording or registration with, any Governmental Authority pursuant to any Applicable Law.

I am admitted to the bar in the States of Connecticut and New York. This opinion is limited to the laws of the State of Connecticut, the State of New York and the United States of America to the extent specified therein.

In rendering this opinion, I have assumed, with your consent, that:

(a) the execution, delivery or performance by the Borrower of the Loan Documents 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 I express my opinion in paragraph 5 herein) or any agreement or instrument to which the Borrower or the Borrower's property is subject (except and to the extent that I express my opinion in paragraph 5 herein);

(b) and 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 I express my opinion in paragraph 6 herein) is required to authorize or is required in connection with the execution, delivery or performance by the Borrower of any Loan Document or the transactions contemplated thereby.

My opinions are also subject to the following assumptions and qualifications:

(a) the Credit Agreement constitutes the valid and binding obligation of the Lender and is enforceable against the Lender in accordance with its terms; and

(b) I express no opinion as to the effect on the opinions herein stated of (i) the compliance or non-compliance of the Lender with any state, federal or other laws or regulations applicable to the Lender or (ii) the legal

or regulatory status or the nature of the business of the Lender.

Based upon the foregoing and such investigations that I have deemed necessary, and subject to the limitations, qualifications, exceptions and assumptions set forth herein, I am of the opinion that:

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

2. The Borrower has the corporate power and corporate authority to execute, deliver and perform all of its obligations under the Loan Documents.

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

4. Each Loan Document has been duly executed and delivered by the Borrower, constitutes a valid and binding obligation of the Borrower and is enforceable against the Borrower in accordance with its terms, subject to the following qualifications:

(i) enforcement may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law);

(ii) I express no opinion as to the enforceability of any rights to indemnification provided for in the Loan Documents which may violate the public policy underlying any law, rule or regulation (including any federal or state securities law, rule or regulation); and

(iii) I express no opinion as to the enforceability of Section 7.05 of the Credit Agreement insofar as this provision purports to authorize a Person who has purchased a participation in Advances under the Credit Agreement to set off, appropriate or apply any deposit or property or indebtedness of the Borrower against any obligation of the Borrower.

5. Neither the execution, delivery or performance by the Borrower of the Loan Documents nor the compliance by the Borrower with the terms and provisions thereof will conflict with, contravene, violate or constitute a default under (i) any provision of any Applicable Contract or, to the best of my knowledge, after due investigation, 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 my knowledge, after due investigation, any judicial or administrative order or decree of any Governmental Authority or (iv) its Certificate of Incorporation and By-laws. As used in this paragraph, "due investigation" means solely that, as to agreements and instruments, I have interviewed the officers of the Borrower responsible for its financing activities, and, as to orders and decrees, I have interviewed the lawyers under my supervision.

6. Based on my review of Applicable Laws, but without my 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 any of the Loan Documents by the Borrower.

7. The Borrower is not required to be registered under the Investment Company Act of 1940, as amended.

This opinion is being furnished only to you and is solely for your benefit in connection with the transactions contemplated by the Loan Documents and is not to be used, circulated, quoted, relied upon or otherwise referred to for any other purpose without my prior written consent.

Very truly yours,

EXHIBIT I
FORM OF CERTIFICATE

[Date]

TO: THE STANLEY WORKS
AND THE OTHER LENDERS AS DEFINED
IN THE CREDIT AGREEMENT REFERRED
TO BELOW

Re: Facility A (364 Day) Credit Agreement dated as of November 15, 1994 between the undersigned and The Stanley Works (as amended, modified or supplemented from time to time, the "Credit Agreement")

Ladies and Gentlemen:

The undersigned (the "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 certifies and agrees pursuant to Section 3.01(e) of the Credit Agreement, as follows:

(i) the Lender shall abide by the provisions of the Credit Agreement with the Borrower;

(ii) attached hereto is a true and correct conformed copy of the Credit Agreement; and

(iii) if the Lender is the Reference Bank, it shall, and in the event that the Lender shall become the Reference Bank, the Lender shall thereupon, abide by the provisions of the Credit Agreement pertaining to the function and duties of the Reference Bank.

Very truly yours,

By: _____
Name:
Title:

EXHIBIT 4(vi)

CONFORMED COMPOSITE COPY
See the next three pages for
conforming information and for notes about
Schedule I and Exhibit C-2)

FACILITY B (FIVE YEAR) CREDIT AGREEMENT

dated as of November 15, 1994

between

The Stanley Works

as Borrower

and

The Lender

Named Herein

CONFORMING INFORMATION

Nine separate Facility B (Five Year) Credit Agreements, dated as of November 15, 1994, between The Stanley Works as Borrower and the Lenders named therein (the "Credit Agreements") pursuant to which the Lenders are committed to loan money to the Borrower under the terms and conditions set forth therein for a period of five years after the date hereof were executed on page 51 thereof on behalf of the Borrower by Richard Huck, Vice President, Finance and Chief Financial Officer and on behalf of the Lenders as set forth below:

CITIBANK, N.A.

By: Paolo de Alessandrini
Title: Vice President

BANQUE NATIONALE DE PARIS

By: Eric Vigne
Title: Senior Vice President

By: Walter Kaplan
Title: Vice President

MORGAN GUARANTY TRUST COMPANY OF N.Y.

By: Stephen J. Kenneally
Title: Vice President

J.P. MORGAN DELAWARE

By: Philip S. Detjens
Title: Vice President

ROYAL BANK OF CANADA

By: T.L. Gleason
Title: Vice President

WACHOVIA BANK OF GEORGIA, N.A.

By: Terence A. Snellings
Title: Senior Vice President

BARCLAYS BANK PLC

By: J.L. Gray
Title: Associate Director

MELLON BANK, N.A.

By: Joseph F. Bond, Jr.
Title: Vice President

SHAWMUT BANK CONNECTICUT, N.A.

By: Paul A. Veiga
Title: Vice President

Schedule I included in this conformed composite copy is revised from the version included in the Credit Agreements (x) to insert headings over the Barclays Bank PLC information and (y) to reflect a change in phone numbers for the Eurodollar Lending Office and Uncommitted Lending Office at Barclays Bank PLC.

Strikeout and underscoring to Exhibit C-2 show language which will be deleted or added to each when those documents are issued by the Borrower.

TABLE OF CONTENTS

Page		
ARTICLE I	DEFINITIONS AND ACCOUNTING TERMS	2
SECTION 1.01	Certain Defined Terms.	2
SECTION 1.02	Computation of Time Periods.	14
SECTION 1.03	Accounting Terms	14
ARTICLE II	AMOUNTS AND TERMS OF THE ADVANCES.	15
SECTION 2.01	The Commitment	15
SECTION 2.02	Making the Committed Advances.	16
SECTION 2.03	Facility Fee	18
SECTION 2.04	Continuation and Conversion.	18
SECTION 2.05	Interest on Advances	19
SECTION 2.06	Additional Interest on Eurodollar Rate Advances.	20
SECTION 2.07	Repayment and Prepayment of Advances	21
SECTION 2.08	Increased Costs.	22
SECTION 2.09	Payments and Computations.	23
SECTION 2.10	Taxes.	24
SECTION 2.11	Evidence of Debt	25
SECTION 2.12	Use of Proceeds of Advances.	25
SECTION 2.13	Uncommitted Advances	26
ARTICLE III	CONDITIONS OF LENDING.	30
SECTION 3.01	Condition Precedent to Effectiveness	30
SECTION 3.02	Conditions Precedent to Each Advance	31
ARTICLE IV	REPRESENTATIONS AND WARRANTIES	31

SECTION 4.01	Representations and Warranties of the Borrower	31
ARTICLE V	COVENANTS OF THE BORROWER.	34
SECTION 5.01	Affirmative Covenants.	34
SECTION 5.02	Negative Covenants	38
ARTICLE VI	EVENTS OF DEFAULT.	40
SECTION 6.01	Events of Default.	40
ARTICLE VII	MISCELLANEOUS.	43
SECTION 7.01	Amendments, etc.	43
SECTION 7.02	Notices, etc.	44
SECTION 7.03	No Waiver; Remedies.	44
SECTION 7.04	Costs and Expenses; Breakage Indemnification	45
SECTION 7.05	Sharing of Payments.	46
SECTION 7.06	Binding Effect; Assignments	46
SECTION 7.07	Participations	48
SECTION 7.08	Limitation on Assignments and Participations	48
SECTION 7.09	Withholding.	48
SECTION 7.10	Mitigation	49
SECTION 7.11	Governing Law; Waiver of Jury Trial.	49
SECTION 7.12	Execution in Counterparts.	50
SECTION 7.13	Submission to Jurisdiction	50
SCHEDULE I	ADDRESS AND APPLICABLE LENDING OFFICES	
EXHIBIT A	FORM OF PROMISSORY NOTE (COMMITTED ADVANCES)	
EXHIBIT B-1	FORM OF RATE REQUEST	
EXHIBIT B-2	FORM OF NOTICE OF BORROWING	
EXHIBIT C	FORM OF NOTICE OF CONVERSION OR CONTINUATION	
EXHIBIT D	FORM OF PROMISSORY NOTE (UNCOMMITTED ADVANCES)	
EXHIBIT E	FORM OF QUOTE REQUEST	

EXHIBIT F	FORM OF QUOTE
EXHIBIT G	FORM OF ACCEPTANCE
EXHIBIT H	FORM OF OPINION
EXHIBIT I	FORM OF CERTIFICATE

FACILITY B (FIVE YEAR) CREDIT AGREEMENT

This Facility B (Five Year) Credit Agreement ("Agreement") is made as of this 15th day of November, 1994 between The Stanley Works, a Connecticut corporation (the "Borrower") and the lender signatory hereto (the "Lender").

W I T N E S S E T H

WHEREAS, the Borrower and Citibank, N.A., Morgan Guaranty Trust Company of New York, J.P. Morgan Delaware, Wachovia Bank of Georgia, N.A., Royal Bank of Canada, Banque Nationale de Paris and Barclays Bank PLC are each parties to a Credit Agreement, dated as of April 1, 1992 (each such credit agreement an "Existing Credit Agreement" and collectively, the "Existing Credit Agreements"); and such parties agree that by their execution of this Agreement and the Other Credit Agreements referred to herein, their Existing Credit Agreements shall be terminated and of no further force and effect and that in connection therewith, the banks named above have agreed to return promptly to the Borrower, the Notes and the Uncommitted Advance Notes issued under the Existing Credit Agreements.

WHEREAS, the Borrower and Shawmut Bank Connecticut, N.A. are parties to a credit agreement effective June 1, 1988 (the "Existing Shawmut Agreement") and such parties agree that by their execution of this Agreement, the Existing Shawmut Agreement shall be terminated and of no further force and effect.

WHEREAS, the Borrower and Mellon Bank, N.A. are parties to a credit agreement effective June 1, 1991 (the "Existing Mellon Agreement") and such parties agree that by their execution of this Agreement, the Existing Mellon Agreement shall be terminated and of no further force and effect.

WHEREAS, each Existing Credit Agreement, the Existing Shawmut Agreement and the Existing Mellon Agreement having been terminated, the Borrower desires to enter into this Agreement and the Other Credit Agreements as well as

the Facility A (364 Day) Credit Agreements with the Lender and the Other Lenders being executed simultaneously herewith.

NOW THEREFORE, in consideration of the foregoing and the mutual promises and covenants contained herein the Borrower and the Lender hereby 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 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.

"Applicable Eurodollar Margin" means, with respect to any Interest Period for each Eurodollar Rate Advance, (i) .2500% if on the date such Eurodollar Rate Advance is made the Borrower's outstanding Long-Term Indebtedness is rated BBB+ or higher by Standard & Poor's Rating Group, a division of McGraw-Hill, Inc. ("Standard & Poor's") and Baa1 or higher by Moody's Investors Service ("Moody's"), (ii) .3375% if on the date such Eurodollar Rate Advance is made clause (i) is inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated BBB or higher by Standard & Poor's and Baa2 or higher by Moody's and (iii) .4375% if on the date such Eurodollar Rate Advance is made clauses (i) and (ii) are inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated BBB- or below by Standard & Poor's or Baa3 or below by Moody's; provided that for purposes of this definition all references to any rating agency shall be deemed to be deleted in the event that the Borrower's outstanding Long-Term Indebtedness is no longer rated by such agency, and clause (iii) shall be deemed to apply if such Long-Term Indebtedness is no longer rated by either agency.

"Applicable Facility Fee Rate" means as of any date of payment of the fee required by Section 2.03 (i) a rate per annum equal to .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, (ii) a rate per annum equal to .1875% if on such date clause (i) is 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, (iii) a rate per annum equal to .2250% if on such date clauses (i) and (ii) are inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated BBB or higher by Standard & Poor's and Baa2 or higher by Moody's and (iv) a rate per annum equal to .2500% if on such date clauses (i), (ii) and (iii) are inapplicable and the Borrower's outstanding Long-Term Indebtedness is rated BBB- or below by Standard & Poor's or Baa3 or below by Moody's; provided that all references to any rating agency shall be deemed to be deleted in the event that the Borrower's outstanding Long-Term Indebtedness is no longer rated by such agency, and clause (iv) shall be deemed to apply if such Long-Term Indebtedness is no longer rated by either agency.

"Applicable Lending Office" means the Lender's Domestic Lending Office in the case of an Uncommitted Advance or a Base Rate Advance and the Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance.

"Base Rate" means, for any period, 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 above the Federal Funds Rate.

"Base Rate Advance" means an Advance which bears interest as provided in Section 2.05(a) of this Agreement.

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

"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 ESOPs 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.

"Commitment" has the meaning set forth in Section 2.01 of this Agreement.

"Committed Advance" means an advance by the Lender to the Borrower under Section 2.01 of this Agreement and refers to a Base Rate Advance or a Eurodollar Rate Advance, each of which shall be a "Type" of Committed Advance.

"Consolidated Cash Expenditures" has the meaning provided in Section 5.01(f) of this Agreement.

"Consolidated Cash Flow" has the meaning provided in Section 5.01(f) of this Agreement.

"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" has the meaning provided in Section 5.01(f) of this Agreement.

"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 the office of the Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or such other office as the Lender may from time to time specify to the Borrower.

"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 of the PBGC.

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

"ERISA Plan" means 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.

"ESOPs" means collectively The Savings Plan for Salaried Employees of The Stanley Works and The Savings Plan for Hourly Paid Employees of The Stanley Works.

"Eurocurrency Liabilities" has the meaning provided in Regulation D of the Federal Reserve Board.

"Eurodollar Lending Office" means the office of the Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto (or, if no such office is specified, its Domestic Lending Office), or such other office as the Lender may from time to time specify to the Borrower.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar Rate Advance, 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 at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Eurodollar Rate Advance and for a period equal to such Interest Period.

"Eurodollar Rate Advance" means an Advance which bears interest as provided in Section 2.05(b) of this Agreement.

"Eurodollar Rate Reserve Percentage" means at any time for any Eurodollar Rate Advance the reserve percentage applicable at such time 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 the Lender with respect to liabilities or assets consisting of or including Eurocurrency Liabilities.

"Events of Default" has the meaning specified in Section 6.01 of this Agreement.

"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 set forth in Section 2.13(c)(ii)(C) of this Agreement.

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

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

"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) of this Agreement.

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

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

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

"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 payment obligations of such Person under any interest rate protection agreement (including, without limitation, any interest rate swaps, caps, floors, collars and similar agreements) and currency swaps and similar agreements.

"Interest Period" means, for each Eurodollar Rate Advance, Floating Rate Advance and Fixed Rate Advance, the period commencing on the date of such 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; and
- (v) if upon the expiration of any Interest Period with respect to a Eurodollar Rate Advance, the Borrower has failed to elect a new Interest Period to be applicable to the respective Advance as provided above, the Borrower shall be deemed to have elected to convert such Advance into a Base Rate Advance effective as of the expiration date of such current Interest Period.

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

"Lender" has the meaning provided in the first paragraph of this Agreement.

"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.

"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.

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

"Note" means the promissory note of the Borrower in substantially the form of Exhibit A hereto.

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

"Notice of Conversion or Continuation" has the meaning provided in Section 2.04 of this Agreement.

"Obligations" means all obligations, liabilities and indebtedness of every nature of the Borrower from time to time owing to the Lender under or in connection with this Agreement, the Note or the Uncommitted Advance Note.

"Other Commitment" means, in the case of each of the Other Lenders, the amount of such Other Lender's commitment under Section 2.01(a) of the Other Credit Agreement to which it is a party.

"Other Credit Agreements" has the meaning provided in Section 2.01(c) of this Agreement.

"Other Lenders" means Citibank, N.A., Morgan Guaranty Trust Company of New York, J.P. Morgan Delaware, Wachovia Bank of Georgia, N.A., Royal Bank of Canada, Banque Nationale de Paris, Barclays Bank PLC, Mellon Bank, National Association and Shawmut Bank Connecticut, N.A. (but excluding the Lender), and such other Persons as provided in Section 7.06 of the Other Credit Agreements.

"Other Notes" means promissory notes of the Borrower issued

pursuant to Section 2.11 of each of the Other Credit Agreements in connection with Committed Advances as defined therein.

"Other Taxes" has the meaning provided in Section 2.10 of this Agreement.

"Other Uncommitted Advance Notes" means promissory notes of the Borrower issued pursuant to Section 2.11 of each of the Other Credit Agreements in connection with Uncommitted Advances as defined therein.

"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 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 as to the Lender or any Other Lender a fraction (expressed as a percentage), the numerator of which is such Person's Commitment or Other Commitment, as the case may be, and the denominator of which shall be the sum of the Commitment and the Other Commitments.

"Quote" means an offer by the Lender or an Other Lender to make an advance under Section 2.13 of this Agreement or Section 2.13 of an Other Credit Agreement.

"Quote Request" has the meaning set forth in Section 2.13 of this Agreement.

"Ratable Share" has the meaning provided in Section 7.05 of this Agreement.

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

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

"Reference Bank" means Citibank, N.A., or, if Citibank, N.A. is no longer the Lender or an Other Lender, such Person (which shall be the

Lender or an Other Lender) as shall be designated by the Borrower with the consent of the Required Lenders, which consent shall not be unreasonably withheld.

"Reportable Event" has the meaning set forth 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 the Lender and/or Other Lenders representing in the aggregate at least 51% of the sum of the Commitment hereunder and the Other Commitments under the Other Credit Agreements or, if the Commitment and the Other Commitments shall have terminated, the Lender and/or Other Lenders representing in the aggregate at least 51% of the sum of the Advances hereunder and the Advances under the Other Credit Agreements (as such term is defined therein).

"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.

"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 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 of this Agreement.

"Termination Date" means the fifth anniversary of the date hereof or such earlier date as the Commitment shall have been terminated pursuant to this Agreement.

"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 advances made to the Borrower under Section 2.13 of this Agreement and Section 2.13 of the Other Credit Agreements and refers to a Floating Rate Advance or a Fixed Rate Advance, each of which shall be a Type of Uncommitted Advance.

"Uncommitted Advance Note" means the promissory note of the Borrower in substantially the form of Exhibit D hereto.

"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).

SECTION 1.02. Computation of Time Periods. 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."

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) General. The 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 not to exceed at any time the amount specified opposite the Lender's name in Section 3.01(e) (the "Commitment") minus the Lender's Pro Rata Share of the aggregate principal amount of all Uncommitted Advances then outstanding. Subject to the terms of this Agreement, during such period the Borrower may borrow, repay, prepay (as provided in Section 2.07) and reborrow such amount or any portion thereof. The Borrower shall not borrow under this Section 2.01(a) unless contemporaneous borrowings are made under Section 2.01(a) of the Other Credit Agreements in amounts equal to each Other Lenders' Pro Rata Share of the aggregate amount to be borrowed on any given day. Except for borrowings which exhaust the full remaining amount of the Commitment and the Other Commitments, each borrowing under this Section 2.01(a) or Section 2.01(a) of the Other Credit Agreements shall be in an aggregate amount of at least \$10,000,000 or a larger whole multiple of \$1,000,000.

(b) Termination and Reduction. The Borrower shall have the right, upon at least two Business Days' notice to the Lender, to terminate in whole or reduce in part any unused portion of the Commitment. The Borrower shall not terminate in whole or reduce in part any Other Commitment pursuant to subsection (b) of Section 2.01 of any Other Credit Agreement unless the Commitment is simultaneously terminated or reduced on a pro rata basis. Each partial reduction to the Commitment and the Other Commitments shall be in the aggregate amount of at least \$10,000,000 or a larger whole multiple of \$1,000,000.

(c) Other Credit Agreements. Contemporaneously--with entering into this Agreement, the Borrower is entering into separate Facility B (Five Year) Credit Agreements (the "Other Credit Agreements") substantially identical to this Agreement (the only differences being those relating to the identity, description and amount of the commitment of the lender thereunder) with each of the Other Lenders, with each such Other

Credit Agreement establishing the Other Commitment specified opposite the name of the applicable Other Lender in Section 3.01(e).

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 B-1 (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 Lender absent manifest error.

(b) Notice of Borrowing. Each Committed Advance shall be made on notice by the Borrower to the Lender, given not later than 11:00 A.M. (New York City time) on the date of the proposed Committed Advance, if such Committed Advance is to be a Base Rate Advance 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 Advance is to be a Eurodollar Rate Advance. Each such notice of a Committed Advance (a "Notice of Borrowing") shall be by telecopier, telex or cable, or by telephone confirmed immediately in writing, in substantially the form of Exhibit B-2 hereto, specifying therein the requested (i) date of such Committed Advance, (ii) Type of such Committed Advance, (iii) aggregate amount of such Committed Advance and the other related advances from the Other Lenders pursuant to Section 2.01 and (iv) in the case of a Eurodollar Rate Advance, the Interest Period for such Committed Advance. The Lender shall, before 2:00 P.M. (New York City time) on the date of such Committed Advance, upon fulfillment of the applicable conditions set forth in Article III, make such Advance available to the Borrower in same day funds to 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 the 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 Borrower 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 the 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, (A) the Lender shall have no obligation to make, or to convert Advances into, Eurodollar Advances until the Lender shall notify the Borrower that the circumstances causing such suspension no longer exist and (B) the Borrower shall be deemed to have converted all Eurodollar Rate Advances then outstanding into Base Rate Advances in accordance with Section 2.04 on and as of the date of the Borrower's receipt of such notice, unless and to the extent such notice directs that one or more Eurodollar Advances shall be so converted on the last day of the applicable Interest Period;

(ii) if the Reference Bank cannot furnish the Eurodollar Rate for any Eurodollar Rate Advance 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 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 Borrower that the relevant rate of interest will not adequately reflect the cost to the Required Lenders of making, funding or maintaining such Advance, the Lender shall have no obligation to make such Advance until the Required Lenders shall notify the Borrower 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 Eurodollar Rate Advance, the Borrower shall indemnify the Lender against any loss, cost or expense incurred by the Lender as a result of any failure to fulfill on or before the date specified in such Notice of 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 the Lender to fund such Advance 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 the Lender setting forth the calculation of the amount of the indemnity claimed by the Lender.

SECTION 2.03. Facility Fee. The Borrower agrees to pay to the Lender a facility fee on the amount of the Commitment at the Applicable Facility Fee Rate, payable quarterly in arrears on the last day of each March, June, September and December during the term of the Commitment 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.

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 Base Rate Advance to a Eurodollar Rate Advance, (ii) to convert all or any part of an outstanding Eurodollar Rate Advance to a Base Rate Advance, or (iii) to continue all or any part of an outstanding Eurodollar Rate Advance as a Eurodollar Rate Advance for an additional Interest Period; provided, that no Eurodollar Rate Advance 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 Advance hereunder, the Borrower shall deliver an irrevocable notice thereof (a "Notice of Conversion or Continuation") to the Lender by telecopier, telex or cable 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 a Base Rate Advance 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, a Eurodollar Rate Advance, substantially in the form of Exhibit C 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 Advance 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, a Eurodollar Rate Advance, the requested Interest Period. The relevant Eurodollar Rate for such Interest Period in the case of a conversion to, or a continuation of, a Eurodollar Rate Advance, shall be determined in the manner provided in Section 2.02(a) as if such conversion or continuation is instead a new Eurodollar Advance for 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 Eurodollar Rate Advance as provided in clause (ii) above, the Borrower shall be deemed to have converted such Eurodollar Rate Advance into a Base Rate Advance in accordance with this Section 2.04 if such Advance is 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 from the date of such Advance 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 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 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 the Lender in accordance with Section 2.13, payable 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 the Lender in accordance with Section 2.13, payable 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 the Lender, during each period the 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 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 the Lender during such period, payable on each date on which interest is payable on such Advance. The Lender shall determine the amount of such additional interest, if any, and promptly notify the Borrower of the amount thereof.

SECTION 2.07. Repayment and Prepayment of Advances. (a) The principal amount of all Advances shall mature and become due and payable, in the case of Committed Advances, on the Termination Date, and in the case of an Uncommitted Advance, 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. Subject to Section 2.09(e), the Borrower may, upon at least two Business Days' notice to the Lender stating the proposed date and principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amounts of any Committed Advance in whole or in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that the amount of any such prepayment, together with the amount of prepayments required to be made in connection therewith under the Other Credit Agreements and Section 2.09(e), shall be in the aggregate 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 7.04(b).

(b) The Borrower shall notify the Lender immediately upon becoming aware of any Change of Control. Upon receipt of such notice and for a period of 90 days thereafter, the Lender shall be entitled, by written notice to the Borrower received within such period, to terminate the Commitment 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. In the event that any Other Lender exercises its right to require such termination and prepayment under Section 2.07(b) of any Other Credit Agreement, the Lender acknowledges and agrees that the Borrower shall be entitled to enter into a credit agreement substantially identical to this Agreement (the only differences being those relating to the identity, description and amount of the commitment of the lender thereunder) with any other Person (other than the Borrower or any

affiliate of the Borrower) providing for a commitment not to exceed the commitment of such Other Lender, and such credit agreement, the related notes, such Person and such commitment shall be deemed to constitute, respectively, an Other Credit Agreement, Other Note, Other Uncommitted Advance Note, Other Lender and Other Commitment hereunder. Notwithstanding any other provision contained herein, a Change of Control shall not, in and of itself, constitute a Default hereunder. Copies of notices delivered to the Borrower by any Other Lenders pursuant to Section 2.07(b) of the Other Credit Agreements shall be delivered by the Borrower to the Lender promptly upon receipt thereof.

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 the 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 the Lender accompanied by the certificate described in the next sentence, pay to the Lender additional amounts sufficient to compensate the Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to the Borrower by the 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 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), the Lender determines that the amount of capital required or expected to be maintained by the Lender or any corporation controlling the Lender has been or would be affected and that the amount of such capital is increased by or based upon the existence of the Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by the 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 accompanied by a certificate of the Lender as to the amounts demanded, the Borrower shall pay to the Lender, from time to time as specified by the Lender, additional amounts sufficient to compensate

the Lender or such corporation, as the case may be, to the extent that the Lender reasonably determines such increase in capital to be allocable to the existence of the Lender's commitment to lend hereunder, such amounts to be due and payable within 2 days of the Lender's invoice therefor. A Certificate as to such amounts submitted to the Borrower by the 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 not later than 11:00 A.M. (New York City time) on the day when due in Dollars in same day funds.

(b) Set-Off. The Borrower hereby authorizes the Lender, if and to the extent payment owed to the Lender is not made when due hereunder, to charge from time to time against any or all of the Borrower's accounts with the Lender any amount so due.

(c) Interest. All computations of interest based on the Base Rate shall be made by the Lender 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 with respect to Uncommitted Advances and all computations of interest pursuant to Section 2.06 shall be made by the Lender 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 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) Pro Rata Payments, Etc. The Borrower shall not make any payments or prepayments of principal of or interest on Committed

Advances or facility fees, or continue or convert any Committed PB Advance, in each case under any Other Credit Agreement unless corresponding payments, prepayments, continuations or conversions, as the case may be, are made hereunder representing the Lender's Pro Rata Share of the total amount of such payments, prepayments, continuations or conversions. No payments or prepayments of Committed Advances or facility fees shall be made hereunder unless the Borrower complies with Section 2.09(e) of each Other Credit Agreement. No conversions or continuations shall be made under Section 2.04 unless the Borrower complies with Section 2.09(e) of each Other Credit Agreement. This subsection (e) shall not apply to payments made in connection with a prepayment pursuant to Section 2.07(b) or conversions pursuant to Section 2.02(c).

(f) Rate Information. The Reference Bank shall notify the Borrower 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 Other Lender promptly upon its request. The Borrower will provide to the Lender (i) (unless the Lender is the Reference Bank) 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 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 taxes imposed on the Lender's income, and franchise taxes imposed on it by the jurisdiction under the laws of which the Lender is organized or any political subdivision thereof and 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 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 (hereinafter referred to as "Other Taxes") upon notice from the Lender.

(c) Tax Indemnity. The Borrower will indemnify the Lender 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 the Lender 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 the Lender makes written demand therefor.

(d) Receipt. Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Lender, at its address referred to in Section 7.02, 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. Evidence of Debt. The Committed Advances shall be evidenced by the Note and the Uncommitted Advances shall be evidenced by the Uncommitted Advance Note, in each case delivered to the Lender pursuant to Article III. The entries made in the Note and the Uncommitted Advance Note shall be conclusive and binding for all purposes absent manifest error.

SECTION 2.12. Use of Proceeds of Advances. The Borrower will use the proceeds of the Advances for general corporate purposes.

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 Lender (and the Other Lenders) to make offers to make Uncommitted Advances to the Borrower. The 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. 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, it shall transmit to the Lender and the Other Lenders a quote request substantially in the form of Exhibit E 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 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) The Lender may but shall not be required to

submit a Quote containing an offer or offers to make an Uncommitted Advance 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 Borrower in writing (including by telecopy) no later than (A) 12:00 noon (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) 12:00 noon (New York City time) on the Business Day immediately preceding the proposed date of borrowing, in the case of a Floating Rate Auction. 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 the Lender with respect to each Interest Period specified in the related Quote Request. Each Quote shall be in substantially the form of Exhibit F 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 the 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 Uncommitted Advances 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 the 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 Borrower 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 Lender of its acceptance or non-acceptance of the offers so notified to it pursuant to Section 2.13(c) substantially in the form of Exhibit G hereto; provided that if the Borrower shall fail to so notify the Lender by the times set forth above, the Borrower shall be deemed to have notified the Lender of its non-acceptance 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 borrowing of Uncommitted Advances may not exceed the applicable amount set forth in the related Quote Request;

(ii) the principal amount of Uncommitted Advances made on a single Business Day must be \$10,000,000 or a larger whole multiple of \$1,000,000;

(iii) acceptance of offers from the Lender and the Other 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 the Lender and one or more Other Lenders 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 Borrower among the Lender and such Other 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 Borrower of the amounts of Uncommitted Advances shall be binding and conclusive in the absence of manifest error. The Borrower shall promptly notify the Lender of any allocation pursuant to this Section 2.13(e).

(f) Funding. In the case of an Uncommitted Advance as to which the Borrower has accepted the Lender's offer under clause (d) above, before 12:00 noon (New York City time) on the date of such Uncommitted Advance, the Lender shall, upon fulfillment of the applicable conditions set forth in Article III, make such funds available to the Borrower in same day funds to such account as the Borrower shall have specified in the related notice delivered pursuant to Section 2.13(d).

(g) Lender Information. Promptly upon the Lender's request, the Borrower shall inform the Lender as to the identity of any Other Lender and the applicable rate of interest charged thereby with respect to Uncommitted Advances made by any such Other Lender.

ARTICLE III

CONDITIONS OF LENDING

SECTION 3.01. Condition Precedent to Effectiveness. The effectiveness of this Agreement is subject to the condition precedent that the Lender shall have received the following, in form and substance satisfactory to the Lender:

(a) Note. The Note and the Uncommitted Advance Note;

(b) Resolutions, Etc. Certified copies of documents evidencing all necessary corporate action and governmental approvals, if any, with respect to this Agreement, the Note and the Uncommitted Advance Note;

(c) Incumbency. A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement, the Note, the Uncommitted Advance Note and the other documents to be delivered hereunder;

(d) Legal Opinion. An opinion of counsel to the Borrower substantially in the form of Exhibit H; and

(e) Other Credit Agreements. Conformed copies (or a composite conformed copy) of the Other Credit Agreements providing for the Other Commitments by the Other Lenders in the amounts set forth below opposite the name of such Other Lenders:

Name	Amount
Citibank, N.A.	\$30,000,000
Banque Nationale de Paris	\$20,000,000
Morgan Guaranty Trust Company of New York	\$10,000,000
J.P. Morgan Delaware	\$10,000,000
Royal Bank of Canada	\$20,000,000

Wachovia Bank of Georgia, N.A.	\$20,000,000
Barclays Bank PLC	\$ 7,000,000
Mellon Bank, N.A.	\$10,000,000
Shawmut Bank Connecticut, N.A.	\$10,000,000

together with a certificate of each Other Lender substantially in the form of Exhibit I hereto.

SECTION 3.02. Conditions Precedent to Each Advance. The obligation of the Lender to make each Advance (including the initial Advance) shall be subject to the further conditions precedent that on the date of such Advance 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): (i) the representations and warranties contained in Section 4.01 are correct in all material respects on and as of the date of such Advance, before and after giving effect to such Advance and to the application of the proceeds therefrom, as though made on and as of such date, and (ii) no event has occurred and is continuing, or would result from such Advance or from the application of the proceeds therefrom, which 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.

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, validly existing and in good standing under the laws of the State of Connecticut.

(b) Corporate Authorization, Etc. The execution, delivery and performance by the Borrower of this Agreement, the Note and the Uncommitted Advance Note are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, do not contravene (i) the Borrower's charter or by-laws 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, the Note or the Uncommitted Advance Note.

(d) Enforceability. This Agreement is and upon issuance and delivery thereof in accordance with Article III the Note and the Uncommitted Advance 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 January 1, 1994 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 Lender, 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 January 1, 1994, 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, the Note, the Uncommitted Advance Note, any Other Credit Agreement or any Other Note.

(g) No Material Adverse Effect. Since January 1, 1994, 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 January 1, 1994, 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 Lender 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, the Note, the Uncommitted Advance Note, the Other Credit Agreements, the Other Notes and the Other Uncommitted Advance Notes 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. All proceeds of each Advance will be used by the Borrower only in accordance with the provisions of Section 2.12. Neither the making of any Advance nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulation G, U

or X of the Federal Reserve Board.

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 the Lender shall have any Commitment hereunder:

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

(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, 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 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 the Lender may reasonably request.

(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 Lender 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 at such reasonable times and intervals as may be requested.

(f) Financial Condition. The Borrower shall cause Consolidated Cash Flow to equal or exceed 125% of Consolidated Cash Expenditures at the end of each fiscal quarter for the twelve-month period then ended. The defined terms used in this clause (f) shall be construed in accordance with GAAP and as follows:

(i) "Consolidated Cash Flow" means for any fiscal period the sum of (A) consolidated earnings before income taxes of the Borrower and its Consolidated Subsidiaries for such fiscal period (including any earnings representing net gain on disposition of assets) before extraordinary items and their tax effects and before income from discontinued operations; (B) to the extent such amount is greater than zero, (x) consolidated interest expense for the Borrower and its Consolidated Subsidiaries for such fiscal period, minus (y) consolidated interest earnings for the Borrower and its Consolidated Subsidiaries for such fiscal period; and (C) consolidated depreciation and amortization for the Borrower and its Consolidated Subsidiaries for such fiscal period; and

(ii) "Consolidated Cash Expenditures" means for any fiscal period the sum of (A) consolidated interest expense of the Borrower and its Consolidated Subsidiaries, (B) consolidated capital expenditures of the Borrower and its Consolidated Subsidiaries and (C) the aggregate amount of all dividends paid or declared by the Borrower on any of its capital stock during such fiscal period; and

(iii) "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.

SECTION 5.02. Negative Covenants. So long as any Advance or any other amount owing hereunder shall remain unpaid or the 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 and the advances made under the Other Credit Agreements equally and ratably with such Lien), other than:

(i) Liens existing and disclosed to the Lender 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 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) Other Credit Agreements. The Borrower shall not amend, modify or waive, or permit the amendment, modification or waiver of, any provision of any Other Credit Agreement or Other Note unless such amendment is made in accordance with Section 7.01 hereof.

(d) 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 facility fee) or any other amount payable by it hereunder or under the Note or the Uncommitted Advance Note and five (5) days shall have elapsed from the date such interest, fees or other amounts were due; or with respect to the facility fee payable pursuant to Section 2.03, the Borrower shall fail to pay the facility fee when due and two Business Days shall have elapsed from the Borrower's receipt of notice of such non-payment from the Lender; or

(b) Any representation or warranty made by the Borrower herein or pursuant to this Agreement, the Note or the Uncommitted Advance Note 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 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 (C) an "Event of Default" as defined in any Other Credit Agreement shall have occurred; 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 \$5,000,000;

then, and in any such event, the Lender may, by notice to the Borrower, with the written consent of the Required Lenders, except as provided in Section 7.03, (i) declare the obligation of the Lender to make Advances to be terminated, whereupon the same shall forthwith terminate and (ii) declare all Advances, the Note, the Uncommitted Advance Note, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon all Advances, the Note, the Uncommitted Advance Note, 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 the Lender to make Advances shall automatically be terminated and (B) the Advances, the Note, the Uncommitted Advance Note, 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

MISCELLANEOUS

SECTION 7.01. Amendments, etc. No amendment or waiver of any provision of this Agreement, the Uncommitted Advance Note, or the Note, nor consent to any departure by any party herefrom or 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 the Uncommitted Advance Note, the Borrower and the Lender; provided, that the consent of the Borrower, the Lender and each Other Lender shall be required in order to amend or waive any provision of this Agreement other than Section 2.13 and the Uncommitted Advance Note, or the Note which would have the effect of (a) a reduction in principal, interest

or fees payable to the Lender under this Agreement, (b) the postponement of any date fixed for the payment of any principal, interest or fees under this Agreement, (c) an increase in the Commitment, (d) amending or waiving compliance with the last sentence of Section 2.01(a), the second sentence of Section 2.01(b), Section 2.08, Section 2.09(e), Section 5.02(c) or this Section 7.01, or (e) amending the definition of Required Lenders. No amendment or waiver referred to in the preceding sentence (other than amendments to or waivers of Section 2.13 and the Uncommitted Advance Note) shall be effective unless each Other Agreement is similarly amended or waived. Notwithstanding the foregoing, only the written consent of the Borrower and the Lender shall be required in order to amend and restate this Agreement pursuant to Section 7.06, and the Borrower shall, without the consent of any Person being required therefor, amend and provide an amended copy of Schedule I hereto to the Lender promptly upon being advised by the Lender or any Other Lender of any changes in the information set forth therein (provided that the failure to provide such Schedule I to the Lender shall be deemed not to be a Default or Event of Default hereunder).

SECTION 7.02. Notices, etc. All notices and other communications provided for hereunder shall be in writing (including telecopier or telex communication) and mailed, telecopied, telexed or delivered, if to the Borrower, at its address at 1000 Stanley Drive, New Britain, Connecticut 06050, Attention: Secretary, telecopy no. 203-827-3911 with a copy to Craig A. Douglas, Director, Corporate Finance at the same address and telecopy no. 203-827-3848; if to the Lender or any Other Lender at the address for notices set forth for such Person on Schedule I hereto; or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when telecopied or telexed, be effective when telecopied (with receipt confirmed by telephone) or confirmed by telex answerback, respectively, and when mailed or delivered, when received.

SECTION 7.03. No Waiver; Remedies. No failure on the part of the Lender to exercise, and no delay in exercising, any right hereunder or under the 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. The Lender agrees that it shall not be entitled to exercise any of its remedies hereunder

except with the prior written consent of the Required Lenders, provided that the Lender may, without such prior written consent, exercise its remedies hereunder with respect to any Obligations as to which (a) pro rata payments are not required to be made under Section 2.09(e) in the case of an Event of Default under Section 6.01(a) with respect to any such payments or (b) a pro rata payment is required to be made under Section 2.09(e) and the Lender does not receive its pro rata payment when due and payable hereunder in the case of an Event of Default under Section 6.01(a). In the event that any Lender intends to exercise remedies pursuant to the immediately preceding proviso, the Lender shall, prior to taking any action with respect thereto, notify the Borrower and the Borrower shall immediately notify each Other Lender to such effect. In the event that the prior written consent of the Required Banks is required in connection with the exercise of remedies hereunder, the Borrower shall, immediately upon the Lender's request, furnish the then outstanding amounts of each Other Lender's Committed Advances (as defined in the related Other Credit Agreement).

SECTION 7.04. 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 Lender in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Uncommitted Advance Note and the Note 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 7.04(a).

(b) If any payment, prepayment or conversion of any Eurodollar Rate Advance or a Fixed Rate Advance is made other than on the last day of the Interest Period for such Advance, as a result of acceleration of the maturity of the Advances, the Uncommitted Advance Note and the Note 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 Lender, pay to the Lender any amounts required to compensate the 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 the Lender to fund or maintain such Advance.

SECTION 7.05. Sharing of Payments. If the Lender shall receive payment in respect of any Obligation through the exercise of any right of set-off, bankers' lien, counterclaim or similar right or otherwise, such that the amount so received is more than the Lender's Ratable Share (as defined below) of payments simultaneously received by the Other Lenders in respect of the Other Credit Agreements, the Lender shall promptly purchase from the Other Lenders participations in the advances to the Borrower made by the Other Lenders under the Other Credit Agreements in such amounts, and make such other adjustments from time to time as shall be equitable to the end that the Lender and all the Other Lenders shall each receive its Ratable Share of the benefit of such payment. To such end all the Lenders shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. The Borrower agrees that any Person so purchasing a participation in such advances made by other Persons may exercise all rights of set-off, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Person were a direct holder of such advances in the amount of such participation. Nothing contained herein shall require any such Person to exercise any such right or shall affect the right of any such Person to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrower. The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in an Advance hereunder or an advance under the Other Credit Agreement, if acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation. As used herein, "Ratable Share" for the Lender or any Other Lender means a fraction (expressed as a percentage), (x) the numerator of which is the amount of outstanding Obligations (as defined in this Agreement or the Other Credit Agreement, as the case may be) owed to the Lender or the Other Lender, as the case may be and (y) the denominator of which is the total amount of outstanding Obligations (as defined in this Agreement and all Other Credit Agreements).

SECTION 7.06. Binding Effect; Assignments. This Agreement shall become effective when it shall have been executed and delivered by the Borrower and the Lender and the condition precedents set forth in Section 3.01 shall have been satisfied, and thereafter shall be binding upon and inure to the benefit of the Borrower and the Lender and

their respective successors and assigns, except that the Borrower shall not have the right to assign its rights or obligations hereunder or under the Note or Uncommitted Advance Note or any interest herein or therein (other than as permitted by Section 5.02(b)) without the prior written consent of the Lender and Other Lenders, and the Lender shall not have the right to assign its rights and obligations hereunder or as holder of the Note or the Uncommitted Advance Note or any interest herein or therein (other than an assignment to any affiliate of the Lender) without the prior written consent of the Borrower, which consent shall not be unreasonably withheld; provided that the Lender shall not enter into any such assignment unless prior thereto or simultaneously therewith the assignee agrees in writing with 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. Such instrument 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. Promptly after the consummation of any such assignment, the transferor and the Borrower shall make appropriate arrangements so that a replacement Note and Uncommitted Advance Note are issued to such transferee, in each case in principal amounts reflecting such transfer. Notwithstanding the foregoing provisions of this Section 7.06, in the event that the Lender desires to assign its rights hereunder or any interest herein prior to the time of any other such assignment, it shall so notify the Borrower, and in connection therewith the original Lender shall agree to act as the attorney-in-fact for the assignee and the assignee shall agree that the original Lender shall so act as its attorney-in-fact and the Borrower shall continue to deal solely and directly with the original Lender in connection with the assignee's rights and obligations under this Agreement. Anything in this Section 7.06 to the contrary notwithstanding, the Lender and each Other Lender may assign and pledge all or any portion of its rights to payment of the Advances owing to it hereunder or under any Other Credit Agreement as the case may be 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 the Lender or such Other Lender from its obligations hereunder or under such Other Credit Agreement, as the case may be.

SECTION 7.07. Participations. The Lender may sell participations to one or more banks or other financial institutions in all or a portion of its rights and/or obligations under this Agreement (including, without limitation, all or a portion of the Commitment and the Advances); provided, that (i) the Lender's obligations under this Agreement (including, without limitation, the Commitment) shall remain unchanged, (ii) the 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 the Lender in connection with the 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 the 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) increase in the Commitment, and (D) any amendments to the foregoing clauses (A), (B) and (C).

SECTION 7.08. Limitation on Assignments and Participations. (a) The Lender may, in connection with any actual or proposed assignment or participation pursuant to Section 7.06 or 7.07, disclose to the actual or proposed assignee or participant, any information relating to the Borrower furnished to the 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 the Lender or the Borrower.

(b) Notwithstanding anything in Section 7.06 and 7.07 to the contrary, the Lender shall not 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, or 7.04 or would otherwise result in an increase in the Borrower's obligations.

SECTION 7.09. Withholding. If the Lender, or any Person that becomes a party to this Agreement pursuant to Section 7.06, 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 the Borrower (i) two duly completed copies of United States Internal Revenue Service Form 1001 or 4224 or successor applicable form, as the case may be, certifying in each case that such Person is entitled to receive payments under this Agreement and the Note payable to it, without deduction or withholding of any United States federal income taxes, and (ii) an Internal Revenue Service Form W-8 or W-9 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 1001 or 4224 and Form W-8 or W-9 pursuant to the preceding sentence further undertakes to deliver to the Borrower two further copies of Form 1001 or 4224 and Form W-8 or W-9, 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 such extensions or renewals thereof as may reasonably be requested by the Borrower, certifying in the case of a Form 1001 or 4224 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 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-8 or W-9, establishing an exemption from United States backup withholding tax.

SECTION 7.10. Mitigation. In the event that the Lender claims any amounts under Sections 2.02(d), 2.06, 2.08, 2.10 or 7.04(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 the Lender shall not be required to take any action if, in its reasonable judgment, such action would be materially disadvantageous to it.

SECTION 7.11. GOVERNING LAW; WAIVER OF JURY TRIAL. THIS AGREEMENT, THE NOTE AND THE UNCOMMITTED ADVANCE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN

ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. EACH OF 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 OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 7.12. 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.

SECTION 7.13. 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, the Note or the Uncommitted Advance Note. 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.

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: Richard Huck
Title: Vice President, Finance
and Chief Financial Officer

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE I

ADDRESS AND APPLICABLE LENDING OFFICES

Name of Lender and Other Lenders And Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
Citibank, N.A. 399 Park Avenue New York, N.Y. 10022	Citibank, N.A. 399 Park Avenue New York, N.Y. 10022	Citibank, N.A. 399 Park Avenue New York, N.Y. 10022
Telecopy: 212-793-7712 Telephone: 212-559-7241/212-559-4424 Attn: Paolo de Alessandrini/ Aaron Kim		
Banque Nationale de Paris 499 Park Avenue New York, N.Y. 10022 Telecopy: 212-415-9695 Telephone: 212-415-9785 Attn: Charmaine Robinson/ Jessie Griffiths	BNP - New York 499 Park Avenue New York, N.Y. 10022	BN - Georgetown c/o BNP - N.Y. 499 Park Avenue New York, N.Y. 10022
Payment instructions: Federal Reserve Bank of New York ABA Routing No. 026007689 Acct. #70015370150 Reference: Stanley Works		

Name of Lender
and Other Lenders
And Addresses
For Notices

Domestic
Lending
Office

Eurodollar
Lending
Office

Morgan Guaranty
Trust Company of
New York
60 Wall Street
New York, N.Y. 10260

Loan Department
60 Wall Street
New York, New York
10260

c/o J.P. Morgan
Services, Inc.
Euro-Loan
Servicing Unit
902 Market St.
Wilmington, DE
19801

Telecopy: 212-648-6997
Attn: Martin Atkin

J.P. Morgan Delaware
902 Market Street
Wilmington, DE 19801

J.P. Morgan Delaware
500 Stanton Christiana
Road
Newark, Delaware
19713-2107

J.P. Morgan Delaware
500 Stanton Christiana
Road
Newark, Delaware
19713-2107

Telecopy: 302-654-5336
Attn: George A. Kent
Vice President
Telephone: 302-651-2387

Attn: Credit Support
Services
Execution and/or
Conformed copies to:
George A. Kent
Vice President
J.P. Morgan Delaware
902 Market Street
Wilmington, DE
19801

Attn: Credit Support
Services
Execution and/or
Conformed copies to:
George A. Kent
Vice President
J.P. Morgan Delaware
902 Market Street
Wilmington, Delaware
19801

Royal Bank of Canada
Grand Cayman (North
America No. 1) Branch
c/o New York Branch
Financial Square
23rd Floor
New York, New York
10005-3531

Royal Bank of Canada
Grand Cayman (North
America No. 1) Branch
c/o New York Branch
Financial Square
23rd Floor
New York, New York
10005-3531

Royal Bank of Canada
Grand Cayman (North
America No. 1) Branch
c/o New York Branch
Financial Square
23rd Floor
New York, New York
10005-3531

Telecopy: (212) 428-2372

Attn: Manager, Credit
Administration

Name of Lender and Other Lenders And Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
---	-------------------------------	---------------------------------

Copy to:
Royal Bank of Canada
Financial Square, 24th Floor
New York, New York
10005-3531
Attn: Sheryl L. Greenberg,
Manager
Telephone: 212-428-6476

Wachovia Bank of Georgia, N.A. 191 Peachtree St., NE Atlanta, GA 30303 Telecopy: 404-332-6898 Telephone: 404-332-1090 Attn: Terrence Snellings, MC370	Wachovia Bank of Georgia, N.A. 191 Peachtree St., NE Atlanta, GA 30303 Telecopy: 404-332-6898 Telephone: 404-332-1090 Attn: Terrence Snellings, MC370	Wachovia Bank of Georgia, N.A. 191 Peachtree St., NE Atlanta, GA 30303 Telecopy: 404-332-6898 Telephone: 404-332-1090 Attn: Terrence Snellings, MC 370
--	--	---

Name of Lender	Domestic Lending Office	Eurodollar Lending Office	Uncommitted Lending Office
Barclays Bank PLC P.O. Box 544 34 Lombard Street London EC3V 9EX	Barclays Bank PLC London c/o Barclays Bank PLC 75 Wall Street New York, N.Y. 10265	Barclays Bank PLC Central Loan Admin. Dept., 5th Floor St. Swithins House 11/12 St. Swithins Lane London EC4N 8AS	Barclays Bank PLC 8th Floor 222 Broadway New York, N.Y. 10038
Telecopy: 171-699-2298	Ref: Stanley Works Base Rate Advances	Ref: Stanley Works Eurodollar Advances	Ref: Stanley Works Uncommitted Bid Option
Contacts: Jonathan Gray Tel. No. 171-699-2301	Telecopy: 212-412-5002	Telecopy: 171-621-4583 Telex: 8950821	Contacts: Tom Connolloy Greg Hurley 212-412-2091
	Contacts: Kevin Jones 212-412-5022	Contacts: Tanya Bond 171-621-4599	Telecopy: 212-412-4020

Repayment instructions:
Barclays Bank PLC,
New York
FEDWIRE ABA: 026002574
Credit: CLAD CONTROL
ACCOUNT 050 019104.
Ref: CSU2/Stanley Works/
(Prin/Int/Repayment)

CHIPS ABA: 257
UID: 306393
Ref: CSU2/Stanley Works
(Prin/Int/Repayment)

Also send instructions
to Barclays Bank PLC,
Central Loan Administration Dept.
London

Repayment Instructions:
Barclays Bank PLC
New York
Account: CLAD
No. 050-019104

Name of Lender
and Other Lenders
And Addresses
For Notices

Domestic
Lending
Office

Eurodollar
Lending
Office

Mellon Bank, N.A.
Three Mellon Center
Pittsburgh, Pa.
15259-0001

Mellon Bank, N.A.
Three Mellon Center
Pittsburgh, Pa.
15259-0001

Mellon Bank, N.A.
Three Mellon Center
Pittsburgh, Pa.
15259-0001

Telecopy: 412-236-2027
Telephone: 412-234-8347
Attn: Rhonda Ashbaugh

Telecopy: 412-236-2027
Telephone: 412-234-8347
Attn: Rhonda Ashbaugh

Telecopy: 412-236-2027
Telephone: 412-234-8347
Attn: Rhonda Ashbaugh

Shawmut Bank
Connecticut, N.A.
777 Main Street
Hartford, Ct.
06115
Telecopy: 203-722-9378
Telephone: 203-728-4426
Attn: Paul Veiga

Shawmut Bank
Connecticut, N.A.
777 Main Street
Hartford, Ct.
06115
Telecopy: 203-722-9378
Telephone: 203-548-7098
Attn: Zoraida Sanchez

Shawmut Bank
Connecticut, N.A.
777 Main Street
Hartford, Ct.
06115
Telecopy: 203-722-9378
Telephone: 203-548-7098
Attn: Zoraida Sanchez

EXHIBIT A
PROMISSORY NOTE
(Committed Advances)

\$ _____ Dated: _____, 199_

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 the Lender at the address set forth in the Credit Agreement referred to below (or at such other place as the Lender may specify to the Borrower in writing) 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 the Note referred to in, and is entitled to the benefits of, the Facility B (Five Year) Credit Agreement dated as of

November 15, 1994 (as amended, modified or supplemented from time to time, the "Credit Agreement"), between the Borrower and the Lender. 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 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:

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Amount of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By
------	-------------------	-------------------------------------	--------------------------	------------------

EXHIBIT B-1

RATE REQUEST

[NAME AND
ADDRESS OF
REFERENCE BANK]

[Date]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility B (Five Year) Credit Agreement, dated as of November 15, 1994 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined) between you and the undersigned 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 _____, 19__ 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 .

[NAME OF REFERENCE BANK]

By:
Authorized Officer

EXHIBIT B-2

NOTICE OF BORROWING

[NAME AND
ADDRESS OF LENDER]

[Date]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility B (Five Year) Credit Agreement, dated as of November 15, 1994 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), between you and the undersigned and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests [a] Committed Advance[s]* under the Credit Agreement, and in that connection sets forth below the information relating to such Advance[s] (the "Proposed Advance[s]") as required by Section 2.02(b) of the Credit Agreement:

(i) The Business Day of the Proposed Advance is _____, 19 ____.

(ii) The Type of Advance is [Base Rate] [Eurodollar Rate].

(iii) The amount of the Proposed Advance is \$ _____ and the aggregate amount of all Committed Advances requested from you and the Other Lenders with respect to the Proposed Advance in accordance with Section 2.01 of the Credit Agreement is \$ _____.

[(iv)] The Interest Period for the Proposed Advance is month[s]].

*Information required for an Advance may be repeated as necessary if more than one Advance is being requested in one Notice of Borrowing.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Advance[s]:

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement are correct in all material respects, before and after giving effect to the Proposed Advance[s] and any other Committed Advances being made by the Lender and the Other Lenders on the same day as the Proposed Advance[s] 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 Advance[s] or such other Advances 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.

The Borrower's account information for funding purposes is Account No. _____, [NAME OF BANK], ABA No. _____, [CITY], [STATE], Ref. _____.

Very truly yours,

The Stanley Works

By: _____

Name:

Title:

EXHIBIT C

NOTICE OF CONVERSION OR CONTINUATION

[Date]

[NAME AND
ADDRESS OF LENDER]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility B (Five Year) Credit Agreement, dated as of November 15, 1994 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), between you and the undersigned and hereby gives you notice, pursuant to Section 2.04(b) of the Credit Agreement that the undersigned hereby elects to [convert][continue] the [Base Rate][Eurodollar Rate] Advance:

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

(ii) which, in the case of a Eurodollar Rate Advance, has an Interest Period of _____ month(s);(1) and

(iii) which was borrowed (or previously converted or continued) on _____, 199 .

Such [conversion][continuation] shall become effective on _____, 199 , at which time such Advance shall be [converted into] [continued as] a [Base Rate][Eurodollar Rate] Advance:

(1) Omit clause (ii) if Advance is a Base Rate Advance.

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

and

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

The aggregate amount of all related Advances made by the Lender and Other Lenders being [converted] [continued] in accordance with Section 2.01 of the Credit Agreement and the Other Credit Agreements is \$ _____ .

Very truly yours,

The Stanley Works

By:
Name:
Title:

(2) Omit clause (i) if conversion or continuation is for entire amount of Advance.

EXHIBIT D

PROMISSORY NOTE
(Uncommitted Advances)

\$

Dated: , 199_

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 the Lender at the address set forth in the Credit Agreement referred to below (or at such other place as the Lender may specify to the Borrower in writing) 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 the Uncommitted Advance Note referred to in, and is entitled to the benefits of, the Facility B (Five Year) Credit Agreement dated as of November 15, 1994 (as amended, modified or supplemented from time to time, the "Credit Agreement"), between the Borrower and the Lender. 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:

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Amount of Principal Paid or Prepaid	Maturity Date	Notation Made By
------	-------------------	-------------------------------------	---------------	------------------

EXHIBIT E
FORM OF QUOTE REQUEST

[Date]

NAMES AND ADDRESSES OF LENDERS]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the substantially identical Facility B (Five Year) Credit Agreements, dated as of November 15, 1994 (as amended, modified or supplemented from time to time, the "Credit Agreements", the terms defined therein being used herein as therein defined), between each of you and the undersigned, and hereby gives you notice pursuant to Section 2.13 of the Credit Agreements that the undersigned hereby requests offers to make [an] Uncommitted Advance[s]* under the Credit Agreements, and in that connection sets forth the terms on which such borrowing[s] (the "Proposed Uncommitted Advance[s]") [is] [are] requested to be made:

(i) The Business Day of the Proposed Uncommitted Advance is _____, 19 ____ .

(ii) The proposed aggregate amount of the Proposed Uncommitted Advance is \$ ____ .

(iii) The duration of the proposed Interest Period for the Proposed Uncommitted Advance is ____ .

(iv) The Type of Proposed Uncommitted Advance 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 Advance:

*Information required for an Advance may be repeated as necessary if more than one Advance is being requested in one Notice of Borrowing.

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement are correct in all material respects, before and after giving effect to the Proposed Uncommitted Advance and any other Uncommitted Advances being made by the Lender or any other Lender 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 Advance or such other Uncommitted Advances 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 F
FORM OF QUOTE

[Date]

THE STANLEY WORKS
[ADDRESS]

Re: Facility B (Five Year) Credit Agreement dated as of November 15, 1994
between the undersigned and The Stanley Works (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 , 19 , 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 .(3)

The undersigned hereby confirms that it is prepared, subject to the conditions

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

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:

EXHIBIT G

FORM OF ACCEPTANCE

[Date]

[NAMES AND ADDRESSES OF LENDERS]

Re: Substantially identical Facility B (Five Year) Credit Agreements, dated as of November 15, 1994 (as amended, modified or supplemented from time to time, the "Credit Agreements") between each of the addressees and the undersigned

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the above referenced Credit Agreements. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreements. 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 Advance[s] to occur on , and in accordance with Section 2.13(d) of the Credit Agreements, we hereby accept the following offer/offers for the Interest Period of []:

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

The Borrower's account information for funding purposes is Account No. , [NAME OF BANK], ABA No. , [CITY], [STATE], Ref. .

Very truly yours,

The Stanley Works

By:
Name:
Title:

EXHIBIT H

FORM OF OPINION OF GENERAL COUNSEL

November 15, 1994

[Name and Address of Lender]

Ladies and Gentlemen:

I am the General Counsel of The Stanley Works, a Connecticut corporation (the "Borrower"), and have acted as counsel to the Borrower in connection with the Facility B (Five Year) Credit Agreement, dated as of November 15, 1994 (the "Credit Agreement"), between the Borrower and the addressee (the "Lender").

This opinion is being delivered to you pursuant to Section 3.01(d) of the Credit Agreement. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

In rendering the opinions set forth herein, I have examined and relied on originals or copies of the following:

- Agreement; (a) a counterpart executed by the Borrower of the Credit
- (b) the executed Note and the executed Uncommitted Advance Note;
- Borrower; (c) copies of the Certificate of Incorporation and By-laws of the
- Directors of the Borrower; (d) a certified copy of certain resolutions of the Board of
- (e) certificates from public officials in the State of Connecticut as to the good standing of the Borrower in the State of Connecticut; and

(f) such other documents as I have deemed necessary or appropriate as a basis for the opinions set forth below.

In my examination, I have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified or photostatic copies, and the authenticity of the originals of such copies. As to any facts material to this opinion which I did not independently establish or verify, I have relied upon written statements and certificates of the Borrower and its officers and other representatives and of public officials.

Unless otherwise indicated, references in this opinion to the "Loan Documents" shall mean the documents listed in clauses (a) and (b) above. In addition, references to (i) "Applicable Laws" shall mean the laws and regulations of the States of Connecticut and New York and the United States of America (including, without limitation, Regulations U and X of the Board of Governors of the Federal Reserve System) which are applicable to the transactions contemplated by the Loan Documents; (ii) the term "Governmental Authorities" means any Connecticut, New York and federal executive, legislative, judicial, administrative or regulatory body; (iii) the term "Applicable Contracts" shall mean the agreements and instruments set forth in the index of exhibits to the Borrower's Annual Report on Form 10-K for the year ended January 1, 1994 filed with the Securities and Exchange Commission and (iv) the term "Governmental Approval" means any consent, approval, license, authorization or validation of, or filing, recording or registration with, any Governmental Authority pursuant to any Applicable Law.

I am admitted to the bar in the States of Connecticut and New York. This opinion is limited to the laws of the State of Connecticut, the State of New York and the United States of America to the extent specified herein.

In rendering this opinion, I have assumed, with your consent, that:

(a) the execution, delivery or performance by the Borrower of the Loan Documents 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 I express my opinion in paragraph 5 herein) or any agreement or instrument to which the Borrower or the Borrower's property is subject (except and to the extent that I express my opinion in paragraph 5 herein);

(b) and 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 I express my opinion in paragraph 6 herein) is required to authorize or is required in connection with the execution, delivery or performance by the Borrower of any Loan Document or the transactions contemplated thereby.

My opinions are also subject to the following assumptions and qualifications:

(a) the Credit Agreement constitutes the valid and binding obligation of the Lender and is enforceable against the Lender in accordance with its terms; and

(b) I express no opinion as to the effect on the opinions herein stated of (i) the compliance or non-compliance of the Lender with any state, federal or other laws or regulations applicable to the Lender or (ii) the legal or regulatory status or the nature of the business of the Lender.

Based upon the foregoing and such investigations that I have deemed necessary, and subject to the limitations, qualifications, exceptions and assumptions set forth herein, I am of the opinion that:

1. The Borrower has been duly incorporated, is validly existing and in good standing under the laws of the State of Connecticut.
2. The Borrower has the corporate power and corporate authority to execute, deliver and perform all of its obligations under the Loan Documents.
3. The execution and delivery of each Loan Document has been duly authorized by all requisite corporate action on the part of the Borrower.
4. Each Loan Document has been duly executed and delivered by the Borrower, constitutes a valid and binding obligation of the Borrower and is enforceable against the Borrower in accordance with its terms, subject to the following qualifications:

(i) enforcement may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law);

(ii) I express no opinion as to the enforceability of any rights to indemnification provided for in the Loan Documents which may violate the public policy underlying any law, rule or regulation (including any federal or state securities law, rule or regulation); and

(iii) I express no opinion as to the enforceability of Section 7.05 of the Credit Agreement insofar as this provision purports to authorize a Person who has purchased a participation in Advances under the Credit Agreement to set off, appropriate or apply any deposit or property or indebtedness of the Borrower against any obligation of the Borrower.

5. Neither the execution, delivery or performance by the Borrower of the Loan Documents nor the compliance by the Borrower with the terms and provisions thereof will conflict with, contravene, violate or constitute a default under (i) any provision of any Applicable Contract or, to the best of my knowledge, after due investigation, 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 my knowledge, after due investigation, any judicial or administrative order or decree of any Governmental Authority or (iv) its Certificate of Incorporation and By-laws. As used in this paragraph, "due investigation" means solely that, as to agreements and instruments, I have interviewed the officers of the Borrower responsible for its financing activities, and, as to orders and decrees, I have interviewed the lawyers under my supervision.

6. Based on my review of Applicable Laws, but without my 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 any of the Loan Documents by the Borrower.

7. The Borrower is not required to be registered under the Investment Company Act of 1940, as amended.

This opinion is being furnished only to you and is solely for your benefit in connection with the transactions contemplated by the Loan Documents and is not to be used, circulated, quoted, relied upon or otherwise referred to for any other purpose without my prior written consent.

Very truly yours,

FORM OF CERTIFICATE

[Date]

TO: THE STANLEY WORKS
AND THE OTHER LENDERS AS DEFINED
IN THE CREDIT AGREEMENT REFERRED
TO BELOW

Re: Facility B (Five Year) Credit Agreement dated as of November 15, 1994
between the undersigned and The Stanley Works (as amended, modified or
supplemented from time to time, the "Credit Agreement")

Ladies and Gentlemen:

The undersigned (the "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 certifies and agrees pursuant to Section 3.01(e) of the Credit Agreement, as follows:

(i) the Lender shall abide by the provisions of the Credit Agreement with the Borrower;

(ii) attached hereto is a true and correct conformed copy of the Credit Agreement; and

(iii) if the Lender is the Reference Bank, it shall, and in the event that the Lender shall become the Reference Bank, the Lender shall thereupon, abide by the provisions of the Credit Agreement pertaining to the function and duties of the Reference Bank.

Very truly yours,

By:
Name:
Title:

Management Incentive Compensation
Corporate Plan

I. Compensation Plan

The Plan will be based upon (a) the consolidated net earnings of the Company for the Plan year as a percentage return on shareholders' equity, and (b) growth in net sales.

II. Definition of Terms

- A. Shareholder Equity - the average of the opening and closing "Shareholders' equity" of the Company.
- B. Net Earnings - Consolidated full year's net earnings as shown in the Annual Report to Shareholders.
- C. Growth in Net Sales - Consolidated net sales in the Plan Year compared to consolidated net sales in the year immediately preceding the Plan Year, in each case as shown in the Annual Report to Shareholders, expressed as a percent.
- D. Salary - Base salary for the Plan Year.
- E. Threshold - (i) In the case of return on shareholders' equity, the earnings reflecting minimum acceptable performance in terms of return on shareholders' equity, at which incentive compensation based on return on shareholders' equity is warranted; and (ii) in the case of growth in net sales, the percentage increase in net sales reflecting minimum acceptable performance in terms of growth in net sales at which incentive compensation based on growth in net sales is warranted; provided that incentive based on growth in net sales shall not be warranted unless both the return on shareholders' equity threshold and the growth in net sales threshold have been achieved.
- F. Targeted Performance - (i) In the case of return on shareholders' equity, the ratio of return on shareholders' equity that is considered satisfactory and at which performance level management will be compensated at certain targeted incentive compensation levels; and (ii) in the case of growth in net sales, the percentage increase in net sales that is considered satisfactory and at which performance level management will be compensated at certain targeted incentive compensation levels.
- G. Targeted Incentive Rate - The percent of base salary that would be paid if targeted performance is met. A fraction (initially 2/3) of the payment will be based on return on shareholders' equity, and a fraction (initially 1/3) of the payment will be based on net sales growth.
- H. Maximum Payment - The percentage of targeted incentive rate which reflects the maximum annual payment which will be made. A fraction (initially 2/3) of the payment will be based on return on shareholders' equity, and a fraction (initially 1/3) of the payment will be based on net sales growth.
- I. Plan Year - The fiscal year of the Company.

III. Limitations

- A. To be eligible to receive incentive compensation under this plan, the individual must be employed by the Company and rendering services at the end of the fiscal year, except in the case of retirement, death, or disability in which event incentive compensation shall be paid on the basis of the portion of the year for which services were rendered prior to such retirement, death, or disability. Periods of vacation will be considered periods during which services are being rendered.
- B. This plan does not constitute a contract between The Stanley Works and the employee. Participation in the plan in no way constitutes an employment agreement or guarantee of employment.

IV. Definition of Change in Control

For purposes of this Plan, a "Change in Control of the Company" shall be deemed to have occurred if

- A. 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 Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than 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 shareholders 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;
- B. during any period of two consecutive years (not including any period

prior to the adoption of this amendment to this Plan), 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 (a), (c) or (d) of this definition) whose election by the Board or nomination for election by the Company's shareholders 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;

- C. the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (1) 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 (2) 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 (a) of this definition) acquires 25% or more of the combined voting power of the Company's then outstanding securities; or
- D. the shareholders 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.

V. Pro-Rata Payment Following Change in Control

Notwithstanding any of the preceding provisions of this Plan, upon the occurrence of any Change in Control of the Company, it shall be deemed, solely for purposes of this Plan, that the employment of each individual who is covered under this Plan for the Plan Year in which such Change in Control occurs has terminated on the date of such Change in Control by reason of retirement. As soon as may be practicable, each such individual shall then be paid incentive compensation for such Plan Year in accordance with Section III(A) hereof; provided, however, that the calculation of such incentive compensation shall be based on the Net Earnings and the Net Sales of the Company and the individual's Salary during an abbreviated Plan Year which shall include only those Company fiscal months completed prior to the Change in Control for which Salary was paid to the individual; and provided further that all elements entering into such calculation shall be appropriately adjusted for such short Plan Year.

VI. Payment of Previously Unpaid Amount Following Change in Control

Notwithstanding any of the preceding provisions of this Plan, upon the occurrence of any Change in Control of the Company, if any incentive compensation which any individual earned under this Plan during any Plan Year which ended prior to the Change in Control has neither been paid to such individual nor credited to such individual's deferred account under The Stanley Deferred Compensation Plan for Participants in Stanley's Management Incentive Plans, such incentive compensation shall be paid to such individual immediately following the first date on which such incentive compensation can be calculated and shall in no event be paid later than the later of (i) the first March 1 following the Plan Year with respect to which such incentive compensation was earned or (ii) the fifteenth (15th) day following the Change in Control.

THE STANLEY WORKS

Deferred Compensation Plan for Participants
in Stanley's Management Incentive Plans

1. Purpose of the Plan.

- a. To offer to certain participants in Stanley's management incentive plans an opportunity to defer the receipt of incentive earnings for tax or other reasons suited to the participant's own financial plans.
- b. To provide an opportunity to participants to reinvest their incentive earnings in the Company under terms which will provide a return related to the future earnings performance of the Company.
- c. To provide an incentive to participants, supplementing that of the management incentive plans, for the achievement of superior earnings performance by the Company.

2. Eligibility.

- a. All participants in Stanley's management incentive plans who are "highly compensated employees" are eligible to participate in this Plan. A "highly compensated employee" is an employee (i) who, for the year in which an election is made under this Plan, is a highly compensated employee, as defined in Section 414(q) of the Internal Revenue Code of 1986, or (ii) whose annual salary (not taking into account bonuses, fringe benefits or non-cash compensation, but including amounts deferred under Section 125 or 401(k) of the Internal Revenue Code) during the calendar year for which an election is made under Section 3a is reasonably expected to equal or exceed the anticipated indexed amount (\$66,000 in 1994) described in Section 414(q)(1)(C) of the Internal Revenue Code for such calendar year.
- b. This Plan is applicable only to incentive earnings earned under the management incentive plans.

3. Election by Participant.

- a. The election by the participant must be made in December of each year with respect to deferral of incentive earnings earned the following year. All or any portion, or none, of the incentive earnings may be deferred.
- b. Once made, an election may not be changed either in amount or method of payment to accelerate the receipt of incentive earnings, except (i) with the

approval of the Compensation and Organization Committee of Stanley's Board of Directors upon demonstration of a financial hardship by the participant, or (ii) upon forfeiture of a penalty equal to that percentage of the amount of the payment equal to the Treasury Bill rate fixed by the Treasurer as provided in the footnote on page 3.

- c. The election must specify when or under what circumstances payment is to be made in the future and whether by lump sum or in a series of payments. The circumstances which may be specified are limited to death, retirement, or termination of employment. In the case of any election made after February 25, 1981, notwithstanding the specifics of the election, any deferred funds and interest thereon not paid out prior to the later of the participant's death or the tenth anniversary of the participant's termination of employment by death, retirement or otherwise will be paid out promptly after the later of such death or such anniversary.
- d. No effect shall be given to an election made by an employee described in Section 2a(ii) if such employee is not a highly compensated employee, as defined in Section 414(q) of the Internal Revenue Code, for the calendar year for which the election was made.

4. Interest Payment Schedule.

- a(i). Interest will be credited annually on deferred amounts of incentive earnings earned prior to 1992 based on the following schedule:

If "Pretax Earnings" on opening Stockholders' equity are:	Interest Credited on Deferred Funds will be:
Less than 10%	-0-
10 to 12	5%
12 to 14	6-1/2
14 to 16	8-1/4
16 to 18	10-1/2
18 to 20	13-1/2
20% and over	17(a)

"Pretax earnings" will be Earnings Before Income Taxes as shown in the Annual Report to Stockholders except that such Earnings Before Income Taxes will be increased by an amount equal to aggregate management incentive compensation.

(a) For 1981 and thereafter: the higher of 17%, or the U.S. Treasury Bill rate, compounded quarterly, all as provided in footnote c.

a(ii). Interest will be credited annually on deferred amounts of incentive earned based on performance in the years 1992-1994 based on the following schedule.

If "Net Earnings" on "Stockholders' Equity" are:	Interest Credited on Deferred Funds will be:
--	--

Less than 9%	8%
9 to 18	12
Over 18	16(b)

"Net Earnings" will be consolidated full year's net earnings and "Stockholders' Equity" is the average of the opening and closing consolidated stockholders' equity, in each case as shown in the Annual Report to stockholders.

a(iii). Interest will be credited annually on deferred amounts of incentive earned based on performance in 1995 or thereafter with interest compounded quarterly at a rate equal to 1 percentage point greater than the yield of 10 year Treasury Notes as reported for the last business day of the preceding calendar quarter.

b. Deferred incentive earnings earned in a given year will be credited to the participant's deferred account in February of the following year. Each February thereafter interest will be credited on the total deferred balance in the account, as of the beginning of the year, based on the Company's earnings performance for the prior year, per the schedule above.

5. Removal of Funds from the Plan.

a. Deferred funds credited to a participant will be removed from the Deferred Compensation Plan in the event of:

- death,
- retirement, or
- termination of employment,

provided that in the event of death or retirement interest earned under the Plan will be credited to the participant's deferred account on a pro rata basis from the beginning of the year to the date of death or retirement.

b. Terminations and retirements will be as defined under the Retirement Plan for

(b) The higher of 16% or the U.S. Treasury Bill rate, compounded quarterly, all as provided in footnote c.

Salaried Employees of The Stanley Works.

- c. For periods after December 31, 1987, such deferred funds removed from the Plan will be credited by the Company with interest compounded quarterly at a rate equal to the yield of 5 year Treasury Notes(c) as reported for the last business day of the preceding calendar quarter.

6. General.

Interest credited on deferred funds under the Plan will not constitute earnings for pension plan purposes.

7. Definition of Change in Control

For purposes of this Plan, a "Change in Control of the Company" shall be deemed to have occurred if:

- (a) any "person," as such term is defined in Section 3(a)(9) and modified and used in Sections 3(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than 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;
- (b) during any period of two consecutive years (not including any period prior to the adoption of this amendment to this Plan) 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 (a), (c), (d) or (e) of this definition) whose election by the Board or nomination for election by the Company's stockholders 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 cease for any reason to constitute at least a majority thereof;
- (c) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (1) a merger or consolidation which would result in the voting securities of the Company outstanding

(c) The "U.S. Treasury Bill rate" referred to elsewhere shall be that interest rate equal to the yield for 3-month U.S. Treasury Bills as reported for the last business day of the preceding calendar quarter.

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 (2) 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 (a) of this definition) acquires 25% or more of the combined voting power of the Company's then outstanding securities;

- (d) the stockholders 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
- (e) the Company consummates a merger, consolidation, stock dividend, stock split or combination, extraordinary cash dividend, exchange offer, issuer tender offer (for 20% or more of the combined voting power of the Company's then outstanding securities) 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:
 - (i) 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;
 - (ii) "Rating Agency" means either Standard & Poor's Corporation or its successor ("S&P") or Moody's Investors Service, Inc. or its successor ("Moody's");
 - (iii) "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;

- (iv) "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; and
- (v) 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.

8. Accelerated Payment Following a Change in Control.

Notwithstanding any of the preceding provisions of this Plan, as soon as possible following any Change in Control of the Company, payment shall be made, in cash, of the entire account of each participant hereunder. For purposes of calculating the amount of such payment, with respect to any period for which no interest on the deferred balance has yet been credited to any such participant's account under section 4 or section 5 hereof, pro-rated interest based on the rate of interest credited for the immediately preceding year (in the case of section 4 interest) or the immediately preceding quarter (in the case of section 5 interest) shall be credited to such account.

RESTATED SUPPLEMENTAL RETIREMENT AND SAVINGS PLAN

FOR SALARIED EMPLOYEES OF THE STANLEY WORKS

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

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

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

WHEREAS, the Company has previously amended and restated such Supplemental Plan, effective January 1, 1993; and

WHEREAS, the Company now desires to rename such Supplemental Plan the RESTATED SUPPLEMENTAL RETIREMENT AND SAVINGS PLAN FOR SALARIED EMPLOYEES OF THE STANLEY WORKS and further amend and restate such Supplemental Plan;

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

A R T I C L E 1

Name and Effective Date

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

Section 1.2 This Amendment and Restatement shall be effective as of January 1, 1995, with respect to salaried employees of the Company employed on or after such date.

A R T I C L E 2

Definitions

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

"Applicable Limitation" means each of:

(i) the limitation on elective contributions under Sections 401(a)(30) and 402(g)(1) of the Code;

(ii) the limitation set forth in Section 401(a)(17) of the Code on the compensation that may be taken into account under a plan;

(iii) the limitation on contributions resulting from the application of Section 401(k) or (m) of the Code;

(iv) the omission from the definition of "Compensation" set forth in Article II of the Retirement Plan of amounts deferred pursuant to Section 3 of the Deferred Compensation Plan for Participants in Stanley's Management Incentive Plans; and

(v) the limitation on contributions or benefits, as the case may be, set forth in the Savings Plan or the Retirement Plan as required by Section 415 of the Code.

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

"Committee" means the Finance and Pension Committee of The Stanley Works.

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

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

"Highly Compensated Employee" means a salaried employee of the Company who during the applicable Plan Year is a highly compensated employee, as defined in Section 414(q) of the Code. For purposes of the preceding sentence, the "applicable Plan Year" means, in the case of deferrals under Section 4.1, the year in which an election is made under Section 4.6.

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

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

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

"Savings Plan" means The Stanley Works 401(k) Savings Plan.

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

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

"Unrestricted Qualified Plan Benefit" means the actuarial equivalent, determined as of the date on which distribution commences, of the benefit, if any, that would be payable to the Participant under the Retirement Plan if no Applicable Limitation applied.

A R T I C L E 3

Participation in the Plan

Section 3.1 Each Eligible Employee of the Company shall become a participant in the Plan on the date as of which an amount is first credited to an account established under Article 4 in the name of such Eligible Employee. Subject to Section 4.5, an Eligible Employee shall remain a participant until all amounts to which he is entitled hereunder have been distributed.

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

A R T I C L E 4

Crediting of Accounts; Election to Defer

Section 4.1 (a) If for a Plan Year an Eligible Employee's contributions under Section 4.2 of the Savings Plan are limited by reason of the dollar limitation described in paragraph (i) of the definition herein of Applicable Limitation and such Eligible Employee has elected, in the manner described in Section 4.6, to defer a portion of his or her compensation

from the Company (not to exceed, when added to contributions made under Section 4.2 of the Savings Plan, 12% of such compensation), there shall be credited to a Supplemental Employee Contribution Account an amount equal to the excess of the portion of compensation so elected over such dollar limitation.

(b) If for a Plan Year an Eligible Employee's contributions under Section 4.2 of the Savings Plan are limited by reason of an Applicable Limitation, other than as described in subsection (a), and such Eligible Employee has elected, in the manner described in Section 4.6, to defer a portion of his or her compensation from the Company, there shall be credited to a Supplemental Employee Contribution Account an amount equal to the excess of (i) over (ii) where:

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

(ii) is the amount actually contributed under Section 4.2 of the Savings Plan.

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

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

(ii) is the amount actually contributed by the Company under Section 5.2 of the Savings Plan.

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

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

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

Section 4.3 If a Participant's Unrestricted Qualified Plan Benefit exceeds the actuarial equivalent, determined as of the date on which distribution commences, of the

amount payable to him under the Retirement Plan, subject to Section 5.1, there shall be payable to him or her under this Plan such excess.

Section 4.4 A participant's Supplemental Employee Contribution Account and Supplemental Company Contribution Account shall be adjusted to reflect the rate of return such accounts would have earned if they had been invested in accordance with the provisions of the Savings Plan. Such rate of return shall further reflect any additional amount that would have been payable under the Retirement Plan by reason of the rate of return actually achieved under the Savings Plan. The applicable rate of return shall be calculated from the time when the contributions to the Savings Plan would have been allocated to the participant's account thereunder in the absence of the Applicable Limitation.

Section 4.5 (a) In the event that a participant shall cease to be an Eligible Employee or the Company, in its sole discretion, shall determine that a participant may no longer actively participate in the Plan, any election under Section 4.1 shall be deemed to have been revoked and no election may be made under such section, and no amounts shall be credited under Section 4.2(b).

(b) If a participant described in subsection (a) later becomes an Eligible Employee or the Company determines that such participant may recommence active participation in the Plan, as the case may be, such participant shall again become an active participant in the Plan; crediting under Section 4.2(b) shall recommence; and, upon the filing of an election under Section 4.6, crediting under Section 4.1 shall recommence.

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

Section 4.6 An election to defer compensation under Section 4.1 shall be made, and may be revoked, in such manner as the Committee may from time to time prescribe. Any such election shall be effective only as to compensation to be earned after the date of the election.

A R T I C L E 5

Vesting

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

A R T I C L E 6

Distributions

Section 6.1 (a) Except as otherwise provided in Section 4.5, amounts credited to a participant's Supplemental Employee Contribution Account and Supplemental Company Contribution Account shall be distributed upon a participant's retirement, death, disability or other separation from service with the Company or an Affiliate, or the later date specified in a written election filed by the participant with the Committee under this subsection. Except as otherwise permitted by the Committee in its sole discretion, no election may be filed under this subsection after the beginning of the one-year period ending on the date on which a participant retires, dies, becomes disabled or otherwise separates from service with the Company or an Affiliate. No more than one election may be filed by a participant under this subsection.

(b) Amounts payable under Section 4.3 shall be paid on the date on which distribution commences under the Retirement Plan.

Section 6.2 Distributions under the Plan shall be made in the form of a cash lump sum payment unless an election to receive the benefits due under Section 4.3 in a life annuity form has been made by the participant. An election under this section may be made, and may be revoked or superseded, during the same period as an election may be made under Section 6.1(a).

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

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

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

Section 6.6 No loans shall be permitted under the Plan.

A R T I C L E 7

Miscellaneous

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

Section 7.2 The Plan shall be administered by the Committee. The Committee shall make all determinations as to the right of any person to a benefit and the amount thereof. Any denial by the Committee of a claim by a participant or beneficiary for benefits under the Plan shall be stated in writing by the Committee and delivered or mailed to the participant or beneficiary. Such notice shall set forth the specific reasons for the denial, written in a manner that may be understood without legal counsel. The Committee shall afford to any participant or beneficiary whose claim for benefits has been denied a reasonable opportunity for a review of the denial of the claim.

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

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

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

benefits under the Plan shall be no greater than the right of any unsecured general creditor of The Stanley Works.

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

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

FIRST AMENDMENT TO LOAN AND GUARANTEE AGREEMENT

THIS FIRST AMENDMENT TO LOAN AND GUARANTEE AGREEMENT is dated as of February , 1993 among THE STANLEY WORKS SAVINGS TRUST FOR HOURLY PAID EMPLOYEES, created under a certain Trust Agreement, effective as of January 1, 1987, and forming a part of The Savings Plan for Hourly Paid Employees of The Stanley Works, THE STANLEY WORKS, a Connecticut corporation, and the LENDERS listed on the signature pages hereof.

W I T N E S S E T H:

WHEREAS, on June 6, 1989, the parties hereto entered into a certain Loan and Guarantee Agreement (the "Original Agreement"); and

WHEREAS, the parties now wish to amend Section 7.8(a) of the Original Agreement;

NOW, THEREFORE, in consideration of the agreements contained herein as well as in the Original Agreement, the parties hereby agree that Section 7.8(a) of the Original Agreement is hereby deleted and the following is substituted in its place:

(a) Sale of Assets; Discontinuance of Business. Sell, lease or otherwise transfer all or any substantial part of its assets to any other Person or discontinue or eliminate any business line or segment, provided that the foregoing shall not prohibit, during any fiscal quarter, a transfer of assets or the discontinuance or elimination of a business line or segment (in a single transaction or series of related transactions) unless the aggregate assets to be so transferred or utilized in a business line or segment to be so discontinued, when combined with all other assets transferred and all assets utilized in all other business lines or segments discontinued, during such fiscal quarter and the immediately preceding seven fiscal quarters, either (x) constituted more than 20% of the consolidated total assets (determined in accordance with GAAP) of the Company and its Consolidated Subsidiaries at the end of the eighth fiscal quarter immediately preceding such fiscal quarter, or (y) contributed more than 20% of the aggregate consolidated operating profits (determined in accordance with GAAP) of the Company and its Consolidated Subsidiaries during the eight fiscal quarters immediately preceding such fiscal quarter. Notwithstanding the foregoing, the provisions and limitations of this Section 7.8(a) shall not be applicable to the following transactions to which the Company is currently committed or which are currently under consideration and anticipated by the Company: (A) the sale by the Company, or by one or more Subsidiaries, in a single transaction or in more than one transaction whether related or unrelated, of uncollected accounts receivable (including, without limitation, accounts receivable which the Company or any Subsidiary has acquired from MAC Tool distributors or other third parties) in an aggregate face amount of up to \$150,000,000 to be outstanding at any time; . . . as used in this clause (A), the term "accounts receivable" shall include any right to receive payment of money, whether on open account or evidenced by an instrument or chattel paper or otherwise; (B) the sale and liquidation of the Company's 13% equity investment (having a book value of approximately \$20,000,000) in MAX, Inc., a Japanese corporation; (C) the sale by the Company, or by one or more Subsidiaries, of real estate, which is currently being considered for sale/leaseback or is not currently in use in operations, having an aggregate book value of approximately \$50,000,000; and (D) the sale by the Company, or by one or more Subsidiaries, of miscellaneous tangible assets having an aggregate book value of approximately \$25,000,000.

In all other respects, the Original Agreement, as modified herein, is ratified and confirmed.

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

TRUST:

THE STANLEY WORKS SAVINGS TRUST FOR
HOURLY PAID EMPLOYEES, created under a
certain Trust Agreement, effective as of
January 1, 1987, and forming a part of The
Savings Plan for Hourly Paid Employees of
The Stanley Works

By: STATE STREET BANK AND TRUST
COMPANY, not in its individual
capacity but solely as Trustee

By: Ellen B. Campagna
Title: Vice President

By: THE STANLEY WORKS,
Plan Administrator

By: E. J. Leary
Title: Director - Financial Services

COMPANY:

THE STANLEY WORKS

By: Richard Huck
Title: V.P. Finance & CFO

LENDERS:

WACHOVIA BANK AND TRUST COMPANY, N.A.

By: Robert G. Brookby
Title: Senior Vice President - Group
Executive

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

By: Susan L. Wyka
Title: Second Vice President

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

By: Lincoln National Investment
Management Company, Attorney-in-Fact

By: David C. Patch
Title:

FIRST AMENDMENT TO LOAN AND GUARANTEE AGREEMENT

THIS FIRST AMENDMENT TO LOAN AND GUARANTEE AGREEMENT is dated as of February , 1993 among THE STANLEY WORKS SAVINGS AND RETIREMENT TRUST, created under a certain Trust Agreement, effective as of January 1, 1985, and forming a part of The Savings Plan for Salaried Employees of The Stanley Works, THE STANLEY WORKS, a Connecticut corporation, and the LENDERS listed on the signature pages hereof.

W I T N E S S E T H:

WHEREAS, on June 6, 1989, the parties hereto entered into a certain Loan and Guarantee Agreement (the "Original Agreement"); and

WHEREAS, the parties now wish to amend Section 7.8(a) of the Original Agreement;

NOW, THEREFORE, in consideration of the agreements contained herein as well as in the Original Agreement, the parties hereby agree that Section 7.8(a) of the Original Agreement is hereby deleted and the following is substituted in its place:

(a) Sale of Assets; Discontinuance of Business. Sell, lease or otherwise transfer all or any substantial part of its assets to any other Person or discontinue or eliminate any business line or segment, provided that the foregoing shall not prohibit, during any fiscal quarter, a transfer of assets or the discontinuance or elimination of a business line or segment (in a single transaction or series of related transactions) unless the aggregate assets to be so transferred or utilized in a business line or segment to be so discontinued, when combined with all other assets transferred and all assets utilized in all other business lines or segments discontinued, during such fiscal quarter and the immediately preceding seven fiscal quarters, either (x) constituted more than 20% of the consolidated total assets (determined in accordance with GAAP) of the Company and its Consolidated Subsidiaries at the end of the eighth fiscal quarter immediately preceding such fiscal quarter, or (y) contributed more than 20% of the aggregate consolidated operating profits (determined in accordance with GAAP) of the Company and its Consolidated Subsidiaries during the eight fiscal quarters immediately preceding such fiscal quarter. Notwithstanding the foregoing, the provisions and limitations of this Section 7.8(a) shall not be applicable to the following transactions to which the Company is currently committed or which are currently under consideration and anticipated by the Company: (A) the sale by the Company, or by one or more Subsidiaries, in a single transaction or in more than one transaction whether related or unrelated, of uncollected accounts receivable (including, without limitation, accounts receivable which the Company or any Subsidiary has acquired from MAC Tool distributors or other third parties) in an aggregate face amount of up to \$150,000,000 to be outstanding at any time; . . . as used in this clause (A), the term "accounts receivable" shall include any right to receive payment of money, whether on open account or evidenced by an instrument or chattel paper or otherwise; (B) the sale and liquidation of the Company's 13% equity investment (having a book value of approximately \$20,000,000) in MAX, Inc., a Japanese corporation; (C) the sale by the Company, or by one or more Subsidiaries, of real estate, which is currently being considered for sale/leaseback or is not currently in use in operations, having an aggregate book value of approximately \$50,000,000; and (D) the sale by the Company, or by one or more Subsidiaries, of miscellaneous tangible assets having an aggregate book value of approximately \$25,000,000.

In all other respects, the Original Agreement, as modified herein, is ratified and confirmed.

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

TRUST:

THE STANLEY WORKS SAVINGS AND RETIREMENT TRUST, created under a certain Trust Agreement, effective as of January 1, 1985, and forming a part of The Savings Plan for Salaried Employees of The Stanley Works

By: STATE STREET BANK AND TRUST COMPANY,
not in its individual capacity but
solely as Trustee

By: Ellen B. Campagna
Title: Vice President

By: THE STANLEY WORKS,
Plan Administrator

By: E. J. Leary
Title: Director - Financial Services

COMPANY:

THE STANLEY WORKS

By: Richard Huck

Title: V.P. Finance & CFO

LENDERS:

WACHOVIA BANK AND TRUST COMPANY, N.A.

By: Robert G. Brookby
Title: Senior Vice President - Group
Executive

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

By: Susan L. Wyka
Title: Second Vice President

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

By: Lincoln National Investment
Management Company, Attorney-in-Fact

By: David C. Patch
Title:

FIRST PENN-PACIFIC LIFE INSURANCE COMPANY

By: Lincoln National Investment
Management Company, Attorney-in-Fact

By: David C. Patch
Title:

SECURITY-CONNECTICUT LIFE INSURANCE
COMPANY-UNIVERSAL LIFE

By: Lincoln National Investment
Management Company, Attorney-in-Fact

By: David C. Patch
Title:

ASSIGNMENT AND ASSUMPTION AGREEMENT
AND
SECOND AMENDMENT TO LOAN AND GUARANTEE AGREEMENTS

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT AND SECOND AMENDMENT TO LOAN AND GUARANTEE AGREEMENTS (this "Agreement") is made and entered into as of the 30th day of September, 1994, by and among:

THE STANLEY WORKS SAVINGS TRUST FOR HOURLY PAID EMPLOYEES (the "Hourly Plan Trust"), created under a certain Trust Agreement, effective as of January 1, 1987 (the "Hourly Plan Trust Agreement"), between the Company and State Street Bank and Trust Company as Trustee (in such capacity, the "Hourly Plan Trustee"), and forming a part of The Savings Plan for Hourly Paid Employees of The Stanley Works (the "Hourly Plan");

THE STANLEY WORKS SAVINGS AND RETIREMENT TRUST (the "Salaried Plan Trust" and, together with the Hourly Plan Trust, the "Trusts"), a trust created under a certain Trust Agreement, effective as of January 1, 1985 (the "Salaried Plan Trust Agreement"), between the Company and State Street Bank and Trust Company as Trustee (in such capacity, the "Salaried Plan Trustee" and, together with the Hourly Plan Trustee, the "Trustees"), and forming a part of The Savings Plan for Salaried Employees of The Stanley Works (the "Salaried Plan" and, together with the Hourly Plan, the "Plans");

THE STANLEY WORKS, a Connecticut corporation (the "Company");

THE FINANCIAL INSTITUTIONS IDENTIFIED IN SCHEDULE I ATTACHED HERETO (the "Hourly Plan Lenders"); and

THE FINANCIAL INSTITUTIONS IDENTIFIED IN SCHEDULE II ATTACHED HERETO (the "Salaried Plan Lenders" and, together with the Hourly Plan Lenders, the "Lenders").

RECITALS:

A. The Hourly Plan Lenders are the holders of The Stanley Works Hourly Plan Senior ESOP Notes Due September 30, 2001 (the "Hourly Plan Notes"), issued in the original aggregate principal amount of \$40,500,000 by the Hourly Plan Trust and guaranteed by the Company pursuant to that Loan and Guarantee Agreement, dated as of June 6, 1989, among the Hourly Plan Trust, the Company and the lenders identified on the signature pages thereto, as amended by that First Amendment to Loan and Guarantee Agreement, dated as of February, 1993, among the Hourly Plan Trust, the Company and the lenders identified on the signature pages thereto (said Loan and Guarantee Agreement, as so amended, is referred to herein as the "Hourly Plan Loan Agreement").

B. The Salaried Plan Lenders are the holders of The Stanley Works Salaried Plan Senior ESOP Notes Due September 30, 2001 (the "Salaried Plan Notes" and, together with the Hourly Plan

Notes, the "Notes"), issued in the original aggregate principal amount of \$54,500,000 by the Salaried Plan Trust and guaranteed by the Company pursuant to that Loan and Guarantee Agreement, dated as of June 6, 1989, among the Salaried Plan Trust, the Company and the lenders identified on the signature pages thereto, as amended by that First Amendment to Loan and Guarantee Agreement, dated as of February, 1993, among the Salaried Plan Trust, the Company and the lenders identified on the signature pages thereto (said Loan and Guarantee Agreement, as so amended, is referred to herein as the "Salaried Plan Loan Agreement" and, together with the Hourly Plan Loan Agreement, the "Loan Agreements").

C. The Company has determined that it is desirable to (i) combine and consolidate the Plans into a single employee stock ownership plan for both its salaried and its hourly paid employees, (ii) transfer all of the assets and liabilities of the Hourly Plan Trust to the Salaried Plan Trust, (iii) terminate the Hourly Plan Trust, (iv) amend and restate the Salaried Plan to cover both the Company's salaried and hourly paid employees and change the name of the Salaried Plan to "The Stanley Works 401(k) Savings Plan," and (v) make appropriate amendments to the Salaried Plan Trust Agreement and change the name of the Salaried Plan Trust to "The Stanley Works 401(k) Savings Plan Trust" (the combination and consolidation of the Plans and the Trusts as aforesaid is referred to herein as the "Consolidation").

D. The Consolidation would, without the consent of the Lenders, violate certain covenants set forth in the respective Loan Agreements. The Company and the Trusts have requested that the Lenders grant such consent and the Lenders are willing to do so subject to the terms and the satisfaction of the conditions hereinafter set forth, including, without limitation, the condition that the Salaried Plan Trust shall assume and agree to pay, perform, observe fulfill and be bound by all of the indebtedness, obligations, duties, responsibilities, agreements, terms, conditions and covenants of the Hourly Plan Trust evidenced by or arising under the Hourly Plan Notes, the Hourly Plan Loan Agreement and the other Hourly Plan Loan Documents (as hereinafter defined).

NOW, THEREFORE, in consideration of the premises and mutual covenants and promises set forth below, the legal sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1. DEFINITIONS

1.1. Definitions. In addition to the terms defined in the preamble and Recitals hereto, any capitalized term used but not defined herein shall have the meaning assigned to such term in either of the Loan Agreements, and the following terms shall have the following meanings:

"Amended Hourly Plan Loan Agreement" means the Hourly Plan Loan Agreement as modified and amended by this Agreement and as the same shall be further modified, amended, supplemented or restated and in effect from time to time.

"Amended Hourly Plan Notes" means the Hourly Plan Notes as modified and amended by this Agreement and as the same shall be further modified, amended, supplemented, restated, consolidated, extended or renewed and in effect from time to time.

"Amended Loan Agreements" means the Amended Hourly Plan Loan Agreement and the Amended Salaried Plan Loan Agreement.

"Amended Notes" means the Amended Hourly Plan Notes and the Amended Salaried Plan Notes.

"Amended Plan" means the Salaried Plan as modified, amended and restated by, and as renamed as, "The Stanley Works 401(k) Savings Plan" pursuant to the Salaried Plan Amendment.

"Amended Trust" means the Salaried Plan Trust as organized and constituted under, and as renamed as "The Stanley Works 401(k) Savings Plan Trust" pursuant to, the Amended Trust Agreement.

"Amended Trust Agreement" means the Salaried Plan Trust Agreement, as modified and amended by the Salaried Plan Trust Agreement Amendment.

"Amended Salaried Plan Loan Agreement" means the Salaried Plan Loan Agreement as modified and amended by this Agreement and as the same shall be further modified, amended, supplemented or restated and in effect from time to time.

"Amended Salaried Plan Notes" means the Salaried Plan Notes as modified and amended by this Agreement and as the same shall be further modified, amended, supplemented, restated, consolidated, extended or renewed and in effect from time to time.

"Assigned Rights" has the meaning assigned to such term in Section 2.1.

"Assumed Obligations" has the meaning assigned to such term in Section 2.2.

"Effective Date" has the meaning assigned to such term in Article 5.

"Hourly Plan Loan Documents" means the Amended Hourly Plan Loan Agreement, the Amended Hourly Plan Notes, any other document or instrument evidencing, relating to, securing or guaranteeing the payment of the Hourly Plan Loans, and any other document or instrument delivered from time to time in connection with the Amended Hourly Plan Loan Agreement, the Amended Hourly Plan Notes or the Hourly Plan Loans, as any such other document or instrument shall be modified, amended, supplemented or restated and in effect from time to time.

"Hourly Plan Loans" means loans evidenced by the Amended Hourly Plan Notes, made pursuant to the Amended Hourly Plan Loan Agreement.

"Loan Documents" means the Hourly Plan Loan Documents and the Salaried Plan Loan Documents.

"Salaried Plan Amendment" has the meaning set forth in Section 5.1(b)(i).

"Salaried Plan Loan Documents" means the Amended Salaried Plan Loan Agreement, the Amended Salaried Plan Notes, any other document or instrument evidencing, relating to, securing or guarantying the payment of the Salaried Plan Loans, and any other document or instrument delivered from time to time in connection with the Amended Salaried Plan Loan

Agreement, the Amended Salaried Plan Notes or the Salaried Plan Loans, as any such other document or instrument shall be modified, amended, supplemented or restated and in effect from time to time.

"Salaried Plan Loans" means loans evidenced by the Amended Salaried Plan Notes, made pursuant to the Amended Salaried Plan Loan Agreement.

"Salaried Plan Trust Agreement Amendment" has the meaning set forth in Section 5.1(b)(ii).

1.2. Terminology. Except as otherwise expressly provided in this Agreement: all personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural and the plural shall include the singular; the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole, including the Schedules hereto, if any, that are a part hereof, and not to any particular Section, Article, paragraph or other subdivision; "or" is not exclusive; and the words "include," "includes" and "including" are not limiting. Titles of Articles and Sections in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement.

ARTICLE 2. ASSIGNMENT AND ASSUMPTION

2.1. Assignment. The Hourly Plan Trust hereby sells, transfers, assigns and conveys to the Salaried Plan Trust all of the Hourly Plan Trust's right, title and interest in, to and under the Hourly Plan Loan Documents (collectively, the "Assigned Rights").

2.2. Assumption. Effective as of the date hereof, the Salaried Plan Trust hereby assumes and agrees to pay, perform, observe, fulfill and be bound by all of the indebtedness, obligations, duties, responsibilities, agreements, terms, conditions and covenants of the Hourly Plan Trust evidenced by or arising under any and all of the Hourly Plan Loan Documents (collectively, the "Assumed Obligations").

ARTICLE 3. MODIFICATIONS AND AMENDMENTS

Subject to the satisfaction of the conditions set forth in Article 5, the parties to this Agreement hereby agree that the Loan Agreements and the Notes shall be, and hereby are, amended as follows:

3.1. References to Plan, Trust and Trust Agreement. Each of the respective Loan Agreements and each of the respective Notes is hereby amended as follows:

(a) each reference therein to the term "Plan" shall be deemed to refer to the Amended Plan;

(b) each reference therein to the term "Trust" shall be deemed to refer to the Amended Trust; and

(c) each reference therein to the term "Trust Agreement" shall be deemed to refer to the Amended Trust Agreement.

3.2. References to Loan Documents. Each of the respective Loan Agreements and the respective Notes is hereby amended as follows:

(a) each reference in the Hourly Plan Loan Agreement to the term "Salaried Plan Loan Agreement" shall be deemed to refer to the Amended Salaried Plan Loan Agreement;

(b) each reference in the Salaried Plan Loan Agreement to the term "Hourly Plan Loan Agreement" shall be deemed to refer to the Amended Hourly Plan Loan Agreement;

(c) each reference in the Hourly Plan Notes to the term "Loan Agreement" shall be deemed to refer to the Amended Hourly Plan Loan Agreement;

(d) each reference in the Salaried Plan Notes to the term "Loan Agreement" shall be deemed to refer to the Amended Salaried Plan Loan Agreement;

(e) each reference in the Hourly Plan Loan Agreement or in any Hourly Plan Note to the term "Loan Documents" shall be deemed to refer to the Hourly Plan Loan Documents; and

(f) each reference in the Salaried Plan Loan Agreement or in any Salaried Plan Note to the term "Loan Documents" shall be deemed to refer to the Salaried Plan Loan Documents.

ARTICLE 4. CONSENTS

4.1. Lenders' Consents and Waivers. Subject to the satisfaction of the conditions set forth in Article 5,

(a) each Lender hereby consents to the Consolidation and, in each case as provided herein, the assignment of Assigned Rights by the Hourly Plan Trust to the Salaried Plan Trust and the assumption by the Salaried Plan Trust of the Assumed Obligations,

(b) each Hourly Plan Lender waives any Default or Event of Default under the Hourly Plan Loan Agreement arising from (i) the failure by the Hourly Plan Trust to satisfy (A) the covenant contained in Section 7.2 of the Hourly Plan Loan Agreement with respect to the dissolution and termination of the Hourly Plan Trust pursuant to and in connection with the Consolidation, (B) the covenant contained in Section 7.3 of the Hourly Plan Loan Agreement with respect to the Consolidation and (C) the covenant contained in Section 7.14 of the Hourly Plan Loan Agreement with respect to the assignment made pursuant to Section 2.1 of this Agreement, and (ii) the failure by the Company to satisfy the covenant contained in Section 7.8(e) of the Hourly Plan Loan Agreement with respect to the termination of the Hourly Plan Trust, the changes to the Hourly Plan pursuant to the Salaried Plan Amendment and the adoption of the Amended Plan, in each case in connection with the Consolidation, and

(c) each Salaried Plan Lender waives any Default or Event of Default under the Salaried Plan Loan Agreement arising from (i) the failure by the Salaried Plan Trust to satisfy the covenant contained in Section 7.3 of the Salaried Plan Loan Agreement with respect to the Consolidation, and (ii) the failure by the Company to satisfy the covenant contained in Section 7.8(e) of the Salaried Plan Loan Agreement with respect to the changes to the Salaried Plan pursuant to the Salaried Plan Amendment, the adoption of the Amended Plan and the amendments to the Salaried Trust Agreement pursuant to the Salaried Plan Trust Agreement Amendment, in each case in connection with the Consolidation.

4.2. Company's Consents. The Company hereby (a) consents to, and agrees to be bound by, the modifications and amendments to the Notes and the Loan Agreements provided for in this Agreement and to all of the other terms and provisions of this Agreement, and (b) agrees that (i) notwithstanding the Consolidation or the assignment of Assigned Rights to, and the assumption of the Assumed Obligations by, the Salaried Plan Trust, the Company shall remain bound under the respective Loan Agreements (including, without limitation, the provisions of Sections 4.1, 4.2 and 4.3 of each thereof) as modified and amended hereby, (ii) this Agreement shall not, nor shall the Consolidation or the assignment of Assigned Rights to, or the assumption of the Assumed Obligations by, the Salaried Plan Trust, alter (except as expressly provided for herein), limit or impair, or relieve the Company from, any of the Company's indebtedness, obligations and liabilities under or in respect of either of the Loan Agreements, as modified and amended hereby.

ARTICLE 5. CONDITIONS PRECEDENT

The effectiveness of amendments to the Notes and the Loan Agreements set forth in Article 3, of the Lenders' consents contained in Section 4.1, and of the Lenders' other agreements set forth herein is subject to the satisfaction of, and such amendments, consents and agreements shall become effective on that date (the "Effective Date") on which there shall have been satisfied, all of the following conditions precedent:

5.1. Receipt of Documents. Each Lender shall have received each of the following instruments, agreements and other documents, each in form and substance satisfactory to Lender and its counsel:

(a) counterparts of this Agreement, duly executed by the Hourly Plan Trust, the Salaried Plan Trust and the Company;

(b) copies, certified by the Secretary or an Assistant Secretary of the Company and (in the case of any such instrument, agreement or other document to which either Trust is a party) by an appropriate officer of the Trustee for such Trust, of each of the instruments, agreements and other documents executed or delivered by the Company, the Hourly Plan Trust or the Salaried Plan Trust in connection with the Consolidation, including, without limitation,

(i) the instrument or instruments by which the Plans are merged and by which the Salaried Plan is amended and restated in connection with the Consolidation (the "Salaried Plan Amendment"),

(ii) the instrument or instruments by which the Salaried Plan Trust Agreement is amended in connection with the Consolidation (the "Salaried Plan Trust Agreement Amendment"), and

(iii) the Notice of Transfer of Assets and Liabilities (IRS Form 5310-A) filed with the IRS in connection with the Consolidation;

(c) an opinion of counsel to the Company and the Trusts, dated the Effective Date, substantially in the form attached hereto as Exhibit A;

(d) an opinion of counsel to the respective Trustees, dated the Effective Date, substantially in the form attached hereto as Exhibit B;

(e) a copy, certified by the Secretary or an Assistant Secretary of the Company, of the action or actions of the Board of Directors of the Company authorizing the Consolidation and the execution and delivery of this Agreement;

(f) a copy, certified by the Secretary or an Assistant Secretary of the Company and by an appropriate officer of the Trustee of the respective Plans, of the action of the Company directing the Trustee of each Plan to consummate the Consolidation and to execute and deliver this Agreement;

(g) a copy, certified by an appropriate officer of the Trustee of the respective Plans, of any action taken by such Trustee to authorize or approve the execution and delivery of this Agreement;

(h) a certificate of a senior financial officer of the Company, dated the Effective Date, certifying (i) the truth of the representations and warranties on such date of the Company in Sections 6.1 and 6.4, of the Hourly Plan Trust in Sections 6.2 and 6.4, and of the Salaried Plan Trust in Sections 6.3 and 6.4, (ii) that, after giving effect to the provisions of Section 4.1, no Default or Event of Default under either Loan Agreement has occurred and is continuing on such date, and (iii) that the Company and the Trusts have performed and complied with all the terms and conditions of this Agreement required to be performed or complied with by the Company or the Trusts as a condition to the effectiveness of the Lenders' waivers and consents given pursuant hereto; and

(i) a certificate, dated the Effective Date, of a responsible officer of the Trustee of the respective Plans, certifying (i) the truth of the representations and warranties on such date of the Hourly Plan Trust in Sections 6.2 and 6.4, and of the Salaried Plan Trust in Sections 6.3 and 6.4, (ii) that, to the extent due to any action by either Trust or failure by either Trust to observe or perform any covenant or agreement contained therein, after giving effect to the provisions of Section 4.1, no Default or Event of Default under either Loan Agreement has occurred and is continuing on such date, and (iii) that the Trusts have performed and complied with all the terms and conditions of this Agreement required to be performed or complied with by the Trusts as a condition to the effectiveness of the Lenders' waivers and consents given pursuant hereto.

5.2. Truth of Representations and Warranties. Each of the representations and warranties of the Company and the Trusts set forth herein, and each of the representations and warranties set forth in the Loan Agreements, shall be true and correct on the date of this Agreement and on the Effective Date.

5.3. No Default or Event of Default. On the date hereof and on the Effective Date, no Default or Event of Default (other than the Defaults and Events of Default waived pursuant to paragraphs (b) and (c) of Section 4.1) shall have occurred and be continuing or will occur as a result of giving effect to this Agreement or the Consolidation.

5.4. Completion of Consolidation. The Consolidation shall have been consummated and completed.

ARTICLE 6. REPRESENTATIONS AND WARRANTIES

6.1. Of the Company. The Company hereby represents and warrants to the Lenders that

(a) Each representation and warranty of the Company set forth in the respective Loan Agreements is hereby restated and affirmed as true and correct as of the date hereof and as of the Effective Date;

(b) The execution and delivery by the Company of this Agreement, the Salaried Plan Amendment and the Salaried Plan Trust Agreement Amendment, the consummation of the Consolidation and the performance by the Company of its obligations under this Agreement, the Amended Plan, the Amended Trust Agreement and the Amended Loan Agreements (i) are within the Company's corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) require no action by or in respect of, or (except for such filings as have heretofore been made) filing with, any Governmental Authority, (iv) do not contravene, or constitute a default (other than the Defaults and Events of Default waived pursuant to paragraphs (b) and (c) of Section 4.1) under (A) the Company's articles of incorporation or bylaws, (B) either Plan, either Trust Agreement, the Amended Plan or the Amended Trust Agreement, (C) any law, rule or regulation applicable to the Company or any of its Subsidiaries, (D) any judgment, injunction, order, decree or other instrument binding upon the Company or any of its Subsidiaries, or (E) any agreement, instrument or contract to which the Company or any of its Subsidiaries is a party or by or to which the Company, any Subsidiary or any properties of the Company or any Subsidiary may be affected, bound or subject, and (v) do not result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries; and

(c) This Agreement, the Salaried Plan Amendment and the Salaried Plan Trust Agreement Amendment each has been validly executed and delivered by the Company and this Agreement, the respective Amended Loan Agreements, the Amended Plan and the Amended Trust Agreement each constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as the enforceability hereof or thereof may be limited by general principles of equity (whether considered in a proceeding at law or in equity) and by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally.

6.2. Of the Hourly Plan Trust. The Hourly Plan Trust hereby represents and warrants to the Lenders that

(a) Each representation and warranty of the Hourly Plan Trust set forth in the Hourly Plan Loan Agreement is hereby restated and affirmed as true and correct as of the date hereof and as of the Effective Date, provided that, to extent that the Hourly Plan Lenders have any Lien on the assets of the Hourly Plan Trust to secure the Obligations (as defined in the Hourly Plan Loan Agreement) of the Hourly Plan Trust, the representation of the Hourly Plan Trust set forth in Section 5.7(a) of the Hourly Plan Loan Agreement is incorrect.

(b) The execution and delivery by the Hourly Plan Trust and the Hourly Plan Trustee of this Agreement, the Hourly Plan Trust's performance hereunder and the consummation of the Consolidation (i) are within the powers of the Hourly Plan Trust, (ii) have been duly authorized by all necessary trust and other action, (iii) require no action by or in respect of, or (except for such filings as have heretofore been made) filing with, any Governmental Authority, (iv) do not contravene, or constitute a default (other than the Defaults and Events of Default waived pursuant to paragraphs (b) and (c) of Section 4.1) under, the Hourly Plan Trust Agreement, any law, rule or regulation applicable to the Hourly Plan Trust, any judgment, injunction, order, decree or other instrument binding upon the Hourly Plan Trust, or any agreement, instrument or contract to which the Hourly Plan Trust is a party or by or to which the Hourly Plan Trust or any of its properties may be affected, bound or subject, and (v) do not result in the creation or imposition of any Lien on any asset of the Hourly Plan Trust; and

(c) This Agreement has been validly executed and delivered by the Hourly Plan Trustee and this Agreement constitutes a legal, valid and binding obligation of the Hourly Plan Trust, enforceable against the Hourly Plan Trust in accordance with its terms, except as the enforceability hereof may be limited by general principles of equity (whether considered in a proceeding at law or in equity) and by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally.

6.3. Of the Salaried Plan Trust. The Salaried Plan Trust hereby represents and warrants to the Lenders that

(a) Each representation and warranty of the Salaried Plan Trust set forth in the Salaried Plan Loan Agreement is hereby restated and affirmed as true and correct as of the date hereof and as of the Effective Date, provided that, to extent that the Salaried Plan Lenders have any Lien on the assets of the Salaried Plan Trust to secure the Obligations (as defined in the Salaried Plan Loan Agreement) of the Salaried Plan Trust, the representation of the Salaried Plan Trust set forth in Section 5.7(a) of the Salaried Plan Loan Agreement is incorrect;

(b) Assuming that each reference therein to the Hourly Plan Trust was a reference to the Amended Trust, each representation and warranty of the Hourly Plan Trust set forth in the Hourly Plan Loan Agreement is hereby restated and affirmed as true and correct as of the Effective Date;

(c) The execution and delivery by the Salaried Plan Trust of this Agreement, the Salaried Plan Trust's performance thereunder, the incurrence and performance of the Assumed

Obligations by the Salaried Plan Trust, the consummation of the Consolidation or the performance by the Amended Trust of its obligations under the Amended Loan Agreements and the Amended Notes (i) are within the powers of the Salaried Plan Trust and the Amended Trust, (ii) have been duly authorized by all necessary trust and other action, (iii) require no action by or in respect of, or (except for such filings as have heretofore been made) filing with, any Governmental Authority, (iv) do not contravene, or constitute a default (other than the Defaults and Events of Default waived pursuant to paragraphs (b) and (c) of Section 4.1) under, the Salaried Plan Trust Agreement or the Amended Trust Agreement, any law, rule or regulation applicable to the Salaried Plan Trust or the Amended Trust, any judgment, injunction, order, decree or other instrument binding upon the Salaried Plan Trust or the Amended Trust, or any agreement, instrument or contract to which the Salaried Plan Trust or the Amended Trust is a party or by or to which the Salaried Plan Trust or the Amended Trust or any of its properties may be affected, bound or subject, and (v) do not result in the creation or imposition of any Lien on any asset of the Salaried Plan Trust;

(d) This Agreement has been validly executed and delivered by the Salaried Plan Trustee and this Agreement constitutes a legal, valid and binding obligation of the Salaried Plan Trust, enforceable against the Salaried Plan Trust in accordance with its terms, except as the enforceability hereof or thereof may be limited by general principles of equity (whether considered in a proceeding at law or in equity) and by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally;

(e) The respective Amended Loan Agreements and of the respective Amended Notes each constitutes a legal, valid and binding obligation of the Salaried Plan Trust and of the Amended Trust, enforceable against the Salaried Plan Trust and the Amended Trust in accordance with its terms, except as the enforceability hereof or thereof may be limited by general principles of equity (whether considered in a proceeding at law or in equity) and by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally; and

(f) The Salaried Plan Trust Agreement Amendment has been validly executed and delivered by the Salaried Plan Trustee and the Amended Trust Agreement constitutes a legal, valid and binding obligation of the Salaried Plan Trustee, enforceable against the Salaried Plan Trustee in accordance with its terms, except as the enforceability thereof may be limited by general principles of equity (whether considered in a proceeding at law or in equity) and by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally.

6.4. Of the Company and the Trusts. The Company and each of the Trusts, respectively, each as to itself, hereby represent and warrant to the Lenders that

(a) No Default or Event of Default (other than the Defaults and Events of Default waived pursuant to paragraphs (b) and (c) of Section 4.1) has occurred and is continuing on the date hereof or on the Effective Date;

(b) No litigation, investigation or proceeding of or before any arbitrator, court or Governmental Authority is pending or, to the knowledge of the Company or either Trust, threatened by or against the Company, any of its Subsidiaries or either Trust (i) with respect to

this Agreement or any of the Loan Documents or (ii) which could have a material adverse effect upon ability of the Company or either Trust to perform its obligations under any of the Loan Documents;

(c) The Amended Trust is a trust duly created and validly existing under an "employee stock ownership plan" within the meaning of Section 4975(e)(7) of the Code and is a "qualified trust" within the meaning of Section 401(a) of the Code;

(d) the Amended Plan and the Amended Trust have complied with Section 4975(e)(7) and Section 401(a) of the Code and the Amended Trust is exempt from federal income taxation under Section 501(a) of the Code;

(e) The Amended Plan is an employee stock ownership plan within the meaning of Section 407(d)(6) of ERISA and Section 4975(e)(7) of the Code; and

(f) The consummation of the Consolidation shall not, nor shall the execution and delivery by either Trust or the Company of this Agreement, the performance by the Company or either Trust of this Agreement or the performance by the Company or the Amended Trust of the Amended Loan Agreements or the Amended Notes (i) constitute a violation of, or give rise to any liability under, Title I of ERISA or Section 4975 of the Code or (ii) adversely affect the status of any Loan as a "securities acquisition loan" within the meaning of Section 133(a) of the Code.

ARTICLE 7. MISCELLANEOUS

7.1. Entire Agreement. This Agreement constitutes the entire agreement among the parties as to the subject matter hereof and supersedes any prior written or verbal understanding, and shall be amended only pursuant to a written instrument executed by each of the parties hereto.

7.2. Benefit of Lenders. The execution and delivery of this Agreement is partially for the benefit of the Lenders, and any Lender shall be entitled to enforce against the Company or either of the Trusts the terms and provisions of this Agreement.

7.3. Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

7.4. Effective Date. This Agreement shall be effective on and as of the Effective Date.

7.5. Additional Covenants of the Company. In addition to its covenants set forth in the Amended Loan Agreements, the Company hereby agrees as follows (and the following covenants shall be deemed to be included in the covenants of the Company set forth in Section 7 of each of the respective Loan Agreements):

(a) Determination Letter. The Company shall promptly apply for, and use its best efforts to obtain and deliver to the Lenders as promptly as practicable, a determination letter from the IRS to the effect that the Amended Plan and the Amended Trust meet the

requirements for qualification under Sections 401(a) and 4975(e)(7) of the Code, such letter not to contain any conditions reasonably deemed unacceptable to the Required Lenders.

(b) Expenses. The Company shall pay all out-of-pocket expenses of the Lenders incurred in connection with the preparation and negotiation of this Agreement and the related documents, including the reasonable fees and disbursements of Womble Carlyle Sandridge & Rice, counsel to Wachovia Bank of North Carolina, N.A.

(c) Indemnity. Subject to Section 11.16(b) of the respective Loan Agreements, the Company agrees to indemnify each Lender against, and hold each Lender harmless from, any loss, cost, charge, expense (including reasonable attorneys' fees), claims, demands, suits, damages, penalties, taxes, fines, levies and assessments which may be asserted or imposed against, or suffered or incurred by, any Lender as a direct or indirect result of: (i) any representation or warranty of either Trust or the Company in this Agreement being untrue or inaccurate in any respect; (ii) the failure by either Trust or the Company to observe, perform or comply with any of its covenants, undertakings or obligations set forth in this Agreement; (iii) failure of any Loan to qualify or continue to qualify for the exemption under 4975(d)(3) of the Code from the prohibited transaction tax imposed by Section 4975(a) of the Code or for the exemption from the prohibited transaction provisions of Section 4975(c) of the Code or of Section 406(a) or 406(b) of ERISA; (iv) any and all documentary stamp taxes, transfer taxes or interest equalization taxes or similar excise taxes, assessments or charges which may at any time be determined to be payable by any Lender with respect to the execution and delivery by either Trust or the Company of this Agreement; and/or (v) any claim of whatever nature against any Lender arising from the administration of the Amended Plan or the Amended Trust or any assets thereof, or relating in any manner to this Agreement or the Consolidation, asserted by any participant or beneficiary of the Amended Plan or the Amended Trust or by any shareholder of the Company, which loss or expense under clause (v) occurs after a judicial determination or governmental directive, provided that each Lender shall be indemnified for costs and attorneys' fees incurred by such Lender prior to and irrespective of the occurrence of such judicial determination or governmental directive. The obligations of the Company under this paragraph (c) shall survive the payment of the Loans.

(d) Further Assurances. The Company and the Trusts or (after the Consolidation) the Amended Trust shall execute and deliver to the Lenders such further instruments and take such further actions as any Lender may reasonably request in order to effect the purposes of this Agreement.

7.6. Applicable Law. This Agreement shall be construed in accordance with and governed by, and any dispute arising out of or related to this Agreement (and whether arising in contract, tort, equity, or otherwise) shall be resolved in accordance with, the internal laws and not the conflicts of law provisions of the State of North Carolina, but giving effect to federal laws applicable to national banks. This Agreement is intended to be effective as an instrument executed under seal.

7.7. Severability. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, rules and regulations. If any provision of any of this Agreement or the application hereof to any Person or circumstances shall, for any reason and to any extent, be invalid or unenforceable, neither the remainder of this Agreement nor the application of

such provision to other Persons or circumstances shall be affected thereby, but rather, the same shall be enforced to the greatest extent permitted by law.

7.8. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which, taken together, shall constitute one instrument.

7.9. No Novation. Except as herein expressly modified and amended, the Notes and the Loan Agreements shall be and continue in full force and effect. None of the parties hereto intends that anything in this Agreement shall be construed as a novation, and this Agreement does not effect a novation. The Company and the Amended Trust each hereby ratifies and confirms its indebtedness under and its liabilities, indebtedness, duties, obligations and responsibilities under, the respective Loan Agreements and the respective Notes, each as the same heretofore may have been and by this Agreement hereby are amended, modified and supplemented, and acknowledges that each of the Loan Agreements and each of the Notes, as so amended, modified and supplemented, is fully enforceable in accordance with its terms and that neither the Company nor the Amended Trust has any right of setoff, counterclaim or defense to the payment or enforcement thereof. Each Loan Agreement and Note, all prior amendments, modifications, supplements and extensions thereto and modifications thereof, if any, and this Agreement each shall be construed together as a single instrument.

7.10. No Other Waiver. No waiver by any Lender under either of the Loan Agreements or any other Loan Document is granted or intended except as expressly set forth herein, and the Lenders expressly reserve the right to require strict compliance with the terms of the Loan Agreements and the other Loan Documents in all other respects. The waivers granted herein shall not constitute a modification of either Loan Agreement or a course of dealing with any Lender at variance with either Loan Agreement such as to require further notice by such Lender or any other Lender in order to require strict compliance with the terms of the respective Loan Agreements and the other Loan Documents in the future.

IN WITNESS WHEREOF, each of the undersigned has executed this Assignment and Assumption Agreement and Second Amendment to Loan and Guarantee Agreements.

HOURLY PLAN TRUST:

THE STANLEY WORKS SAVINGS TRUST FOR HOURLY PAID EMPLOYEES, created under a certain Trust Agreement, effective as of January 1, 1987, and forming a part of The Savings Plan for Hourly Paid Employees of The Stanley Works

By: STATE STREET BANK AND TRUST COMPANY,
as Trustee

By: Kelly O. Driscoll
Title: Vice President

By: THE STANLEY WORKS,
Plan Administrator

By: Brenda J. Bembem
Title: Assistant General Counsel and
Assistant Secretary

[Signatures continued from preceding page]

SALARIED PLAN TRUST:

THE STANLEY WORKS SAVINGS AND RETIREMENT TRUST,
created under a certain Trust Agreement, effective
as of January 1, 1985, and forming a part of The
Savings Plan for Salaried Employees of The Stanley
Works

By: STATE STREET BANK AND TRUST COMPANY,
as Trustee

By: Kelly O. Driscoll
Title: Vice President

By: THE STANLEY WORKS,
Plan Administrator

By: Brenda J. Bemben
Title: Assistant General Counsel
and Assistant Secretary

[Signatures continued from preceding page]

COMPANY:

THE STANLEY WORKS

By: Brenda J. Bemben
Title: Assistant General Counsel
and Assistant Secretary

[Signatures continued from preceding page]

LENDERS:

WACHOVIA BANK OF NORTH CAROLINA, N.A., as
an Hourly Plan Lender and a Salaried Plan
Lender

By: Robert G. Brookby
Title: Senior Vice President-Group

Executive

[Signatures continued from preceding page]

LENDERS (Continued):

MASSACHUSETTS MUTUAL LIFE INSURANCE
COMPANY, as an Hourly Plan Lender and a
Salaried Plan Lender

By: Michael L. Klofas
Title: Second Vice President

[Signatures continued from preceding page]

LENDERS (Continued):

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY, as an
Hourly Plan Lender and a Salaried Plan Lender

By: LINCOLN NATIONAL INVESTMENT
MANAGEMENT COMPANY,
Attorney-in-Fact

By: David C. Patch
Title: Vice President

AMERICAN STATES LIFE INSURANCE COMPANY -
UNIVERSAL LIFE, as a Salaried Plan Lender

By: LINCOLN NATIONAL INVESTMENT
MANAGEMENT COMPANY,
Attorney-in-Fact

By: David C. Patch
Title: Vice President

FIRST PENN-PACIFIC LIFE INSURANCE COMPANY,
as a Salaried Plan Lender

By: LINCOLN NATIONAL INVESTMENT
MANAGEMENT COMPANY,
Attorney-in-Fact

By: David C. Patch
Title: Vice President

[Signatures continued from preceding page]

LENDERS (Continued):

LINCOLN NATIONAL LIFE REINSURANCE COMPANY,
as a Salaried Plan Lender

By: LINCOLN NATIONAL INVESTMENT
MANAGEMENT COMPANY,
Attorney-in-Fact

By: David C. Patch
Title: Vice President

SECURITY-CONNECTICUT LIFE INSURANCE
COMPANY - UNIVERSAL LIFE, as a Salaried
Plan Lender

By: LINCOLN NATIONAL INVESTMENT
MANAGEMENT COMPANY,
Attorney-in-Fact

By: David C. Patch
Title: Vice President

THE STANLEY WORKS
1990 STOCK OPTION PLAN
ARTICLE I.
Purpose and Scope of the Plan

1.01 Purpose. The purpose of The Stanley Works 1990 Stock Option Plan (the Plan) is to promote the long-term success of The Stanley Works and its subsidiaries by providing financial incentives to key employees who are in a position to make significant contributions toward such success. The Plan is designed to attract and retain key employees and to encourage them to acquire a proprietary interest in the Company and thereby to increase their personal interest in the long-term success of the Company.

1.02 Definitions. Unless the context clearly indicates otherwise, the following terms have the meanings set forth below:

"Board of Directors" or "Board" means the Board of Directors of the Company.

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

"Committee" means the Compensation and Organization Committee of the Board, no member of which shall be an Employee.

"Common Stock" means the common stock of the Company, par value \$2.50 per share.

"Company" means The Stanley Works, a Connecticut corporation.

"Disability", as applied to a Grantee, means permanent and total disability as defined in Section 22(e)(3) of the Code.

"Employee" means any full-time employee of the Company or any of its subsidiaries, as defined in Section 424(f) of the Code.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means the mean average of the high and the low price of a share of the Common Stock 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 Common Stock on such date, such mean average of the high and the low price on the next preceding date on which there was such trading.

"Grant Date", as used with respect to a particular Option, means the date on which such Option is granted by the Committee pursuant to the Plan.

"Grantee" means an individual to whom an Option has been granted by the Committee pursuant to the Plan.

"Immediate family members" of a Grantee means the Grantee's children, grandchildren and spouse.

"Key Employee" means any Employee who, in the judgment of the Committee, is in a position to contribute significantly to the growth and prosperity of the Company.

"Option" means an option, granted by the Committee pursuant to Article II, to purchase shares of Common Stock.

"Incentive Stock Option" means an Option that qualifies as an Incentive Stock Option as described in Section 422 of the Code.

"Non-Qualified Stock Option" means any Option other than an Incentive Stock Option.

"Option Period" means the period beginning on the Grant Date and ending the day prior to the tenth anniversary of the Grant Date.

"Plan" means The Stanley Works 1990 Stock Option Plan as amended from time to time.

"Retirement", as applied to an Employee, shall have the meaning provided under the qualified pension plan applicable to such Employee.

1.03 Aggregate Limitation.

(a) The aggregate number of shares of Common Stock with respect to which Options may be granted shall not exceed 6,175,000 shares, subject to adjustment in accordance with Section 3.04. No participant may receive, under the Plan, for any Calendar Year Options the aggregate of which shall exceed 50,000 shares, which is .8% of the shares authorized for issuance hereunder.

(b) Any shares of Common Stock to be delivered by the Company upon the exercise of Options shall be issued from the Company's authorized but unissued shares of Common Stock or from shares of Common Stock held in the treasury, at the discretion of the Board.

(c) In the event that any Option expires, lapses or otherwise terminates prior to being fully exercised, any share of Common Stock allocable to the unexercised portion of such Option may again be made subject to an Option.

1.04 Administration of the Plan. The Plan shall be administered by the Committee, which shall determine Key Employees of the Company to whom, and the times at which, Options shall be granted and the number of shares of Common Stock to be subject to each such Option and the terms of such awards, and the waiver or acceleration thereof, taking into account the nature of the services rendered by the Employee, the Employee's potential contribution to the long-term success of the Company and such other factors as the Committee in its discretion shall deem relevant. The Committee shall have the power to interpret the Plan and establish rules and regulations relating to it, to prescribe the terms and provisions of agreements for the grant of Options, to accelerate the exercisability or vesting of all or any portion of any Option or to extend the period during which an Option is exercisable and to make all other determinations necessary or advisable in order to administer the Plan.

1.05 Effective Date and Duration of Plan. The Plan became effective upon its adoption by the Board and was approved by the shareholders of the Company on April 17, 1991. Unless previously terminated by the Board, the Plan shall terminate, as to any shares as to which Options have not theretofore been granted, on the tenth anniversary of its adoption by the Board. The amendments to the Plan contained in Sections 1.02, 1.03, 1.04, 2.02(f), 2.02(g) and 2.02(h) are effective upon adoption by the Board only to grants of Options occurring on or after October 26, 1994, provided that such amendments to the Plan and any grant of Options after that date are subject to the approval of such amendments to the Plan by the Shareholders of the Company.

ARTICLE II. Stock Options

2.01 Grant of Options. Key Employees shall be eligible to receive Options under the Plan. Directors who are not Employees shall not be eligible to receive Options.

Each Option shall be exercisable from time to time during such periods and in such manner and number of shares as determined by the Committee and set forth in the Agreement evidencing such Option, provided that no Option granted under the Plan to a person subject to the requirements of Section 16 of the Exchange Act shall be exercisable in whole or in part prior to the expiration of six (6) months from its Grant Date. The date of exercise shall be the date on which payment is received by the Company. The term of each Option shall be determined by the Committee, but in no event shall the term of an Option exceed ten (10) years.

2.02 Option Requirements.

(a) Each Option shall be designated as an Incentive Stock Option or a Non-Qualified Stock Option and shall be evidenced by a written instrument specifying the number of shares of Common Stock that may be purchased by its exercise and containing such terms and conditions consistent with the Plan as the Committee may determine.

(b) An Option shall not be granted on or after the tenth anniversary of the date upon which the Plan is adopted by the Board or, if earlier, the tenth anniversary of the date upon which the Plan is approved by the shareholders of the Company.

(c) An Option shall not be exercisable after the expiration of the Option Period.

(d) The Committee may provide, in the instrument evidencing an Option, for the lapse of the Option, prior to the expiration of the Option Period, upon the occurrence of any event specified by the Committee.

(e) The option price per share of Common Stock shall not be less than the Fair Market Value of a share of Common Stock on the Grant Date.

(f) 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 Grantee's lifetime, shall be exercisable only by the Grantee, except that the Committee may :

(i) permit exercise, during the Grantee's lifetime, by the Grantee's guardian or legal representative; and

(ii) permit transfer, upon the Grantee's death, to beneficiaries designated by the Grantee 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

(iii) 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 Grantee or to trusts or partnerships for such family members, which in the case of Grantees who are subject to Section 16 of the Exchange Act shall be transferable in accordance with such transferability restrictions, if any, as may be imposed by Rule 16b-3 under the Exchange Act, as hereafter amended, if Rule 16b-3 under the Exchange Act is amended to permit restricted or unrestricted transfers of derivative securities granted under plans intended to qualify for the exemption provided by such rule, provided that any such transferred Non-qualified Stock Option shall continue to be subject to the same terms and conditions that were applicable to such Option prior to its transfer (except that such transferred Option shall not be further transferrable by the transferee inter vivos).

(g) Upon the termination of a Grantee's employment by the Company or any of its subsidiaries for any reason other than death, the Grantee may exercise an Option until the earlier of the expiration of its original term or:

(i) If such termination is due to Retirement, three (3) months after such termination in the case of the exercise of an Incentive Stock Option, and such period of time as determined by the Committee and set forth in the Agreement evidencing such Option in the case of the exercise of a Non-Qualified Stock Option;

(ii) If such termination is due to Disability, one (1) year after such termination in the case of the exercise of an Incentive Stock Option and such period of time as determined by the Committee and set forth in the Agreement evidencing such Option in the case of the exercise of a Non-Qualified Stock Option;

(iii) If such termination is for any other reason, two (2) months after such termination; and

(iv) An Incentive Stock Option not exercised within three months (twelve months in the case of Disability or death) after the date of termination due to Disability, Retirement or death may be exercised within such period of time as determined by the Committee and set forth in the Agreement evidencing such Option (as the permitted period of exercise in such circumstances of a Non-qualified Stock Option) after the date of such termination but no longer will be eligible for the treatment afforded Incentive Stock Options under Section 422 of the Code.

Leaves of absence for such periods and purposes conforming to the personnel policy of the Company as may be approved by the Committee shall not be deemed terminations or interruptions of employment.

(h) If a Grantee should die while employed by the Company or any subsidiary of the Company or after Disability or Retirement, any Option previously granted to the Grantee under this Plan may be exercised by the person designated in such Grantee's last will and testament or, in the absence of such designation, by the Grantee's estate, to the full extent that such Option could have been exercised by such Grantee immediately prior to the Grantee's death, but not later than the anniversary of the Grantee's death in the case of the exercise of an Incentive Stock Option and such period of time as determined by the Committee and set forth in the Agreement evidencing such Option in the case of the exercise of a Non-qualified Stock Option.

(i) A person electing to exercise an Option shall give written notice, in such form as the Committee may require, of such election to the Company and shall tender to the Company the full purchase price of the shares of Common Stock for which the election is made. Payment of the purchase price shall be made in cash or in such other form as the Committee may approve, including shares of Common Stock valued as provided in Section 3.02 hereof or a combination of cash and/or such other form of property.

2.03 Incentive Stock Option Requirements.

(a) An Option designated by the Committee as an "Incentive Stock Option" is intended to qualify as an "incentive stock option" within the meaning of Subsection (b) of Section 422 of the Code and shall satisfy, in addition to the conditions of Section 2.02, the conditions set forth in this Section 2.03.

(b) An Incentive Stock Option shall not be granted to an individual who, on the date of grant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of its parent or any subsidiary corporation.

(c) The aggregate Fair Market Value, determined on the Grant Date, of the shares of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Grantee during any calendar year (under all such plans of the Grantee's employer corporation and its parent and subsidiary corporations) shall not exceed \$100,000.

ARTICLE III.

General Provisions

3.01 Exercise of Options.

(a) No Option may be exercised prior to the approval of the Plan by the Company's shareholders.

(b) No Option may at any time be exercised with respect to a fractional share or exercised in part with respect to fewer than one hundred (100) shares. No fractional shares shall be issued and the Committee shall determine whether cash shall be paid in lieu of such fractional shares or such fractional shares shall be eliminated.

(c) No shares shall be delivered pursuant to the exercise of any Option, in whole or in part, until qualified for delivery under such securities laws and regulations as the Committee may deem to be applicable thereto and until payment in full of the option price is received by the Company in cash, by check or in stock as provided in Section 3.02 hereof or, if authorized by the Committee's regulations and accomplished in accordance therewith, by delivery of a properly executed exercise notice together with irrevocable instructions to a broker to deliver promptly to the Company sale or loan proceeds sufficient to pay the option price. Neither a Grantee nor such Grantee's legal representative, legatee or distributee shall be or be deemed to be a holder of any shares subject to such Option unless and until a certificate or certificates therefor is issued in his or her name or in the name of a person designated by him or her.

3.02 Stock as Form of Exercise Payment. A Grantee may elect to use Common Stock valued at the Fair Market Value on the last business day preceding the exercise date to pay all or part of the exercise price of an Option, subject to such conditions as the Committee may impose through the adoption of rules or regulations or otherwise, provided, however, that such form of payment shall not be permitted unless at least one hundred (100) shares of Common Stock are delivered for such purpose and the shares delivered have been held by the Grantee for at least six months.

3.03 Withholding Taxes for Awards. Each Grantee exercising an Option as a condition to such exercise shall pay to the Company the amount, if any, required to be withheld from distributions resulting from such exercise under applicable Federal and State income tax laws ("Withholding Taxes"). Such Withholding Taxes shall be payable as of the date income from such exercise is includable in the Grantee's gross income for Federal income tax purposes (the "Tax Date"). The Committee may establish such procedures as it deems appropriate for the settling of withholding obligations with shares of Common Stock, including, without limitation, the establishment of such procedures as may be necessary to comply with Rule 16b-3.

3.04 Changes in Common Stock. In the event of a merger, consolidation, reorganization, recapitalization, stock dividend, stock split or other change in corporate structure or capitalization affecting the Common Stock, such appropriate adjustment shall be made in the number, kind, option price, etc. of shares

subject to Options, including appropriate adjustment in the maximum number of shares referred to in Section 1.03 of the Plan, as may be determined by the Committee.

3.05 Change in Control.

(a) Upon the occurrence of a Change in Control (as hereinafter defined), all Options shall become immediately exercisable in full for the remainder of their terms and Grantees shall have the right to have the Company purchase their Options for cash for a period of thirty (30) days following a Change in Control at the Acceleration Price (as hereinafter defined), provided that all Options of Grantees who are subject to the requirements of Section 16 of the Exchange Act shall be purchased for the Acceleration Price on the later of the date of the Change in Control or the date that is six months and one day after the Grant Date and, provided, further, that the Options of such Grantees shall be so purchased following the occurrence of a Change in Control as defined in Section 3.05(c)(v) hereof (i) only after receipt by the Company of a favorable no-action letter from the Staff of the Division of Corporation Finance of the Securities and Exchange Commission concerning the compliance of such subparagraph with the provisions of Rule 16b-3, as amended, promulgated under the Exchange Act, or (ii) if such no-action letter has not been received at the time of such Change in Control, only during the period after such Change in Control beginning on the third business day following the date of release for publication of quarterly and annual summary statements of sales and earnings of the Company and ending on the twelfth business day following such date.

(b) (1) The "Acceleration Price" is the excess over the exercise price of the highest of the following on the date of a Change in Control:

(i) 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,

(ii) 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,

(iii) the highest tender offer price paid for a share of the Common Stock, and

(iv) any cash merger or similar price paid for a share of the Common Stock.

(2) For Incentive Stock Options, the 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 shareholders 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 shareholders 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 shareholders 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 Moodys, 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 (Moodys);

(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.

3.06 Additional Conditions. Any shares of Common Stock issued or transferred under any provision of the Plan may be issued or transferred subject to such conditions (including, without limitation, restrictions on transferability), in addition to those specifically provided in the Plan, as the Committee may impose.

3.07 No Right to Employment. Nothing in the Plan or any instrument executed pursuant hereto shall confer upon any Employee any right to continue in the employ of the Company or any of its subsidiaries nor shall anything in the Plan affect the right of the Company or any of its subsidiaries to terminate the employment of any Employee, with or without cause.

3.08 Legal Restrictions. The Company will not be obligated to issue shares of Common Stock or make any payment if counsel to the Company determines that such issuance or payment would violate any law or regulation of any governmental authority or any agreement between the Company and any national securities exchange upon which the Common Stock is listed. In connection with any stock issuance or transfer, the person acquiring the shares shall, if requested by the Company, give assurances satisfactory to counsel to the Company regarding such matters as the Company may deem desirable to assure compliance with all legal requirements. The Company shall in no event be obliged to take any action in order to permit the exercise of any Option.

3.09 No Rights as Shareholders. No Grantee, and no beneficiary or other person claiming through a Grantee, shall have any interest in any shares of Common Stock allocated for the purposes of the Plan or subject to any Option until such shares of Common Stock shall have been transferred to the Grantee or such person. Furthermore, the existence of the Options shall not affect: the right or power of the Company or its shareholders to make adjustments, recapitalization, reorganizations or other changes in the Company's capital structure; the dissolution or liquidation of the Company, or sale or transfer of any part of its assets or business; or any other corporate act, whether of a similar character or otherwise.

3.10 Choice of Law. The validity, interpretation and administration of the Plan and of any rules, regulations, determinations or decisions made thereunder, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be determined exclusively in accordance with the laws of the State of Connecticut (regardless of the laws that might be applicable under principles of conflicts of laws). Without limiting the generality of the foregoing, the period within which any action in connection with the Plan must be commenced shall be governed by the laws of the State of Connecticut (regardless of the laws that might be applicable under principles of conflicts of laws), without regard to the place where the act or omission complained of took place, the residence of any party to such action or the place where the action may be brought.

3.11 Amendment, Suspension and Termination of Plan. The Board may at any time terminate, suspend or amend the Plan; however, no such amendment shall, without the approval of the shareholders of the Company:

- (i) increase the aggregate number of shares which may be issued in connection with Options;
- (ii) change the Option exercise price;
- (iii) increase the maximum period during which Options may be exercised;
- (iv) extend the effective period of the Plan; or
- (v) materially modify the requirements as to eligibility for participation in the Plan.

THE STANLEY WORKS
STOCK OPTION PLAN

FOR NON-EMPLOYEE DIRECTORS

1. Purpose.

The purpose of The Stanley Works Stock Option Plan for Non-Employee Directors (the "Plan") is to promote the interests of The Stanley Works (the "Company") and its shareholders by encouraging Non-Employee Directors of the Company to have a direct and personal stake in the performance of the Company's Common Stock.

2. Definitions.

Unless the context clearly indicates otherwise, the following terms have the meanings set forth below. Whenever applicable, the masculine pronoun shall include the feminine pronoun and the singular shall include the plural.

"Biennial Option" or "Biennial Option Grant" means an Option granted to a Non-Employee Director in accordance with Section 7(a)(i) of the Plan.

"Board of Directors" or "Board" means the Board of Directors of the Company.

"Business Day" shall mean any day except Saturday, Sunday or a legal holiday in the State of Connecticut.

"Code" means the Internal Revenue Code of 1986, as amended, now in effect or as amended from time to time and any successor provisions thereto.

"Common Stock" means the common stock, par value \$2.50 per share, of the Company.

"Fair Market Value" of a share of Common Stock on any particular date means the mean average of the high and the low price of a share of the Common Stock 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 Common Stock on such date, such mean average of the high and the low price on the next preceding date on which there was such trading.

"Grant Date", as used with respect to a particular Option, means the date on which such Option is granted pursuant to Section 7(a) of the Plan.

"Grantee" means the Non-Employee Director to whom an Option is granted pursuant to the Plan.

"Initial Option" or "Initial Option Grant" means the Option granted to a Non-Employee Director who is first elected or appointed to the Board after September 30, 1994 in accordance with Section 7(a)(ii) of the Plan.

"Option" means an Initial Option or Biennial Option granted pursuant to the Plan to purchase shares of Common Stock which shall be a non-qualified stock option not intended to qualify as an incentive stock option under Section 422 of the Code.

"Non-Employee Director" shall mean a member of the Board of Directors who is not an employee of the Company or any Subsidiary.

"Plan" means The Stanley Works Stock Option Plan for Non-Employee Directors as set forth herein and as amended from time to time.

"Retirement", as applied to a Non-Employee Director, shall mean when such director ceases to serve as a member of the Board following attaining sixty (60) years of age and having served as a member of the Board for a period of at least sixty months.

"Subsidiary" shall mean a "subsidiary corporation" of the Company as defined in Section 424(f) of the Code.

"1934 Act" means the Securities Exchange Act of 1934, as amended, now in effect or as amended from time to time and any successor provisions thereto.

3. Administration.

The Plan shall be administered by the Board, which shall have full power and authority, subject to the provisions of the Plan, to supervise administration of the Plan and interpret the provisions of the Plan and any Options granted hereunder. Any decision by the Board shall be final and binding on all parties. No member of the Board shall be liable for any determination, decision or action made in good faith with respect to the Plan or any Option under the Plan. The Board's administrative functions shall be ministerial in nature in view of the Plan's explicit provisions, including those related to eligibility for, and timing, price and amount of, Option grants.

4. Eligibility.

The persons eligible to receive Options under the Plan are the Non-Employee Directors.

5. Effective Date and Term of the Plan.

The Plan shall become effective upon its adoption by the Board of Directors, provided, that no Option granted pursuant to the Plan will vest or shall be exercised prior to the approval of the Plan by the Company's shareholders within twelve (12) months of its adoption by the Board. Unless

previously terminated by the Board, the term during which awards may be granted under the Plan shall expire on the tenth anniversary of the adoption of the Plan by the Board of Directors.

6. Shares Subject to the Plan.

The shares of Common Stock that may be delivered upon the exercise of Options under the Plan shall be shares of the Company's authorized Common Stock and may be unissued shares or reacquired shares, as the Board of Directors may from time to time determine. Subject to adjustment as provided in Section 13 hereof, the aggregate number of shares to be delivered under the Plan shall not exceed 100,000 shares. If any shares are subject to an Option which for any reason expires or terminates during the term of the Plan prior to the issuance of such shares, the shares subject to but not delivered under such Option shall be available for issuance under the Plan. If, on any Grant Date, the aggregate number of shares of Common Stock subject to Option grants on that date exceeds the remaining number of shares reserved for issuance under the Plan, the number of Option shares awarded to each Non-Employee Director to whom an Option shall be granted on such date shall be reduced pro rata so that the aggregate number of Option shares awarded to such Non-Employee Directors equals the number of reserved shares of Common Stock remaining under the Plan.

7. Options.

(a) Grant of Options.

(i) Biennial Option Grants. On September 30, 1994 and on every alternate August 1st thereafter during the term of the Plan commencing August 1, 1996 (August 1, 1996, 1998, 2000, 2002 and 2004 or, if such August 1st is not a Business Day, the first preceding Business Day), each Non-Employee Director on that date shall automatically be granted an Option, upon the terms and conditions specified in the Plan, to purchase 500 shares of Common Stock.

(ii) Initial Option Grants to Newly-Elected Non-Employee Directors. Any person who is elected as a Non-Employee Director for the first time after September 30, 1994 shall automatically be granted an Initial Option, upon the terms and conditions specified in the Plan, immediately following the first Annual Meeting of the Company's Shareholders at which such person is first elected a Non-Employee Director by the Shareholders, provided that if a Non-Employee Director who previously received an Initial Option Grant terminates service as a Non-Employee Director and is subsequently elected to the Board, such Non-Employee Director shall not receive a second Initial Option Grant and shall only receive subsequent Biennial Option Grants in accordance with Section 7(a)(i) hereof. The number of shares of Common Stock subject to such Initial Option shall equal the number of shares of Common Stock such Non-Employee Director would have received under Biennial Option Grants under the Plan if such Non-Employee Director had been a Non-Employee Director at all times between September 1, 1994 and the date of such person's election as a Non-Employee Director. For example, if a Non-Employee Director is elected to the Board on December 15, 1997, and is first elected as a Non-Employee Director by the shareholders at the Company's Annual Meeting of Shareholders in 1998 such Non-Employee Director shall receive an Initial Option to purchase 1,000 shares of Common Stock (two Biennial Option Grants for 500 shares each that such Non-Employee Director would have received on September 30, 1994 and August 1, 1996) immediately following the Company's Annual Meeting of Shareholders in 1998.

(b) Terms of Options. Each Option granted under the Plan shall have the following terms and conditions:

(i) Price. The exercise price per share of each Option shall equal the greater of one hundred percent (100%) of the Fair Market Value of a share of Common Stock on the Grant Date or the par value per share of the Common Stock on the date of exercise of such Option.

(ii) Term. The term of each Option shall be for a period of ten (10) years from the Grant Date unless terminated earlier in accordance with Section 12 of the Plan.

(iii) Time of Vesting and Exercise. An Option shall vest and become nonforfeitable when, and only if, the Grantee continues to serve as a Non-Employee Director for a period of six (6) months following the Grant Date of such Option. Unless the time of its exercisability is accelerated in accordance with the Plan, each Option that has vested shall be exercisable in full on or after the first anniversary of its Grant Date.

(iv) Acceleration of Exercisability. Notwithstanding the provisions of subparagraph (iii) hereof, an Option that has vested shall become fully exercisable upon the occurrence of the Grantee's death or withdrawal from the Board of Directors by reason of such Non-Employee Director's Retirement.

(v) Option Agreement. Each Option shall be evidenced by an Option Agreement substantially in the form attached to this Plan as Appendix A.

8. Exercise of Options.

(a) Each Option granted shall be exercisable in whole or in part at any time, or from time to time, during the Option term as specified in the Plan, provided that the election to exercise an Option shall be made in accordance with applicable Federal laws and regulations. Each Option may be exercised by delivery of a written notice to the Company stating the number of shares to be exercised and accompanied by the payment of the Option exercise price therefor in accordance with this Section. The Grantee shall furnish the Company, prior to the delivery of any shares upon the exercise of an Option, with such other documents and representations as the Company may require, to assure compliance with applicable laws and regulations.

(b) No Option may at any time be exercised with respect to a fractional share. In the event that shares are issued pursuant to the exercise of an Option, no fractional shares shall be issued and cash equal to the Fair Market Value of such fractional share on the date of the delivery of the exercise notice shall be given in lieu of such fractional shares.

(c) No shares shall be delivered pursuant to the exercise of any Option, in whole or in part, until qualified for delivery under such securities laws and regulations as the Committee may deem to be applicable thereto and until payment in full of the Option price is received by the Company in cash, by check or in shares of Common Stock as provided in Section 9 hereof. Neither the holder of an Option nor such holder's legal representative, legatee, or distributee shall be or be deemed to be a holder of any shares subject to such Option unless and until a certificate or certificates therefor is issued in his or her name or a person designated by him or her.

9. Stock as Form of Exercise Payment.

A Grantee who owns shares of Common Stock may elect to use the previously acquired shares, valued at the Fair Market Value on the last Business Day preceding the date of delivery of such shares, to pay all or part of the exercise price of an Option, provided, however, that such form of payment shall not be permitted unless at least one hundred shares of such previously acquired shares are required and delivered for such purpose and the shares delivered have been held by the Grantee for at least six months.

10. Withholding Taxes for Awards.

Each Grantee exercising an Option as a condition to such exercise shall pay to the Company the amount, if any, required to be withheld from distributions resulting from such exercise under applicable Federal and State income tax laws ("Withholding Taxes"). Such Withholding Taxes shall be payable as of the date income from the award is includable in the Grantee's gross income for Federal income tax purposes (the "Tax Date"). The Grantee may satisfy this requirement by remitting to the Company in cash or by check the amount of such Withholding Taxes or a number of previously owned shares of Common Stock having an aggregate Fair Market Value as of the last Business Day preceding the Tax Date equal to the amount of such Withholding Taxes.

11. Transfer of Awards.

Options granted under the Plan may not be transferred except 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 Grantee's lifetime, may be exercised only by said Grantee or by said Grantee's guardian or legal representative.

12. Termination of Director Status.

Upon the termination of a Grantee's service as a member of the Board of Directors for any reason other than death or Retirement, the Grantee may exercise an Option that has vested to the full extent of the number of the shares of Common Stock remaining under such Option, regardless of whether such Option was previously exercisable, until the earlier of the expiration of its original term or one year after the date of such termination. Upon the termination of Board membership of any such Grantee due to Retirement, the Grantee may purchase some or all of the shares covered by the Grantee's Options that have vested prior to such termination, regardless of whether such Option was previously exercisable, until the expiration of such Option's original term. Upon the death of any such Grantee while serving on the Board or of any retired Grantee, the person or persons to whom the rights under the Option are transferred by will or the laws of descent and distribution may exercise some or all of the Grantee's Options that have vested prior to such termination of Board membership, regardless of whether such Option was previously exercisable, until the expiration of such Option's original term.

13. Changes in Common Stock.

In the event of a merger, consolidation, reorganization, recapitalization, stock dividend, stock split, or other changes in corporate structure or capitalization affecting the Common Stock, such appropriate adjustment shall be made in the number, kind, option price, etc., of shares subject to Options granted under the Plan, including appropriate adjustment in the maximum number of shares referred to in Section 6 of the Plan, as may be determined by the Board.

14. Legal Restrictions.

The Company will not be obligated to issue shares of Common Stock or make any payment if counsel to the Company determines that such issuance or payment would violate any law or regulation of any governmental authority or any agreement between the Company and any national securities exchange on which the Common Stock is listed. In connection with any stock issuance or transfer, the person acquiring the shares shall, if requested by the Company, give assurances satisfactory to counsel to the Company regarding such matters as the Company may deem desirable to assure compliance with all legal requirements. The Company shall in no event be obliged to take any action in order to cause the exercise of any award under the Plan.

15. No Rights as Shareholders.

No Grantee, and no beneficiary or other person claiming through a Grantee, shall have any interest in any shares of Common Stock allocated for the purposes of the Plan or subject to any award until such shares of Common Stock shall have been transferred to the Grantee or such person. Furthermore, the existence of awards under the Plan shall not affect: the right or power of the Company or its shareholders to make adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure; the dissolution or liquidation of the Company, or the sale or transfer of any part of its assets or business; or any other corporate act, whether of a similar character or otherwise.

16. Board Membership.

Nothing in the Plan or in any Option shall confer upon any Grantee any right to continue as a director of the Company or interfere in any way with the right of the Company's shareholders to remove a director at any time.

17. Choice of Law.

The validity, interpretation and administration of the Plan and of any rules, regulations, determinations or decisions made thereunder, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be determined exclusively in accordance with the laws of the State of Connecticut.

18. Amendment and Discontinuance.

Subject to the limitation that the provisions of the Plan shall not be amended more than once every six months other than to comport with changes in the Code or regulations thereunder, the Board of Directors may alter, suspend, or discontinue the Plan, but may not, without the approval of a majority of the holders of the Common Stock, make any alteration or amendment thereof which operates (a) to increase the total number of shares which may be granted under the Plan, (b) to extend the term of the Plan or the option periods provided in the Plan, (c) to decrease the option price provided in the Plan, or otherwise materially increase the benefits accruing to Grantees through awards under the Plan, or (d) to modify the eligibility requirements for participation in the Plan.

COMPUTATION OF EARNINGS PER SHARE Exhibit 11
 THE STANLEY WORKS AND SUBSIDIARIES
 (dollars and shares in thousands except per share amounts)

	Fiscal Year Ended		
	December 31	January 1	January 2
	1994	1994	1993
	(52 Weeks)	(52 Weeks)	(53 Weeks)
Earnings per common share:			
Weighted average shares outstanding	44,775	44,935	45,703
Earnings before cumulative effect of accounting change	\$125,296	\$92,630	\$98,118
Cumulative effect of accounting change for Postemployment Benefits		(8,489)	
Net earnings	\$125,296	\$84,141	\$98,118
Per share amounts:			
Before cumulative effect of accounting change	\$ 2.80	\$ 2.06	\$ 2.15
Cumulative effect of accounting change for Postemployment Benefits		(0.19)	
Net earnings	\$ 2.80	\$ 1.87	\$ 2.15
Primary:			
Weighted average shares outstanding	44,775	44,935	45,703
Dilutive common stock equivalents-- based on the treasury stock method using average market price	553 45,328	713 45,648	718 46,421
Per share amounts:			
Before cumulative effect of accounting change	\$ 2.76	\$ 2.03	\$ 2.11
Cumulative effect of accounting change for Postemployment Benefits		(0.19)	
Net earnings	\$ 2.76	\$ 1.84	\$ 2.11
Fully Diluted:			
Weighted average shares outstanding	44,775	44,935	45,703
Dilutive common stock equivalents-- based on the treasury stock method using the quarter end market price if higher than average market price	557 45,332	757 45,692	779 46,482
Per share amounts:			
Before cumulative effect of accounting change	\$ 2.76	\$ 2.03	\$ 2.11
Cumulative effect of accounting change for Postemployment Benefits		(0.19)	
Net earnings	\$ 2.76	\$ 1.84	\$ 2.11

Note: This calculation is submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because it results in dilution of less than 3%.

THE STANLEY WORKS AND SUBSIDIARIES
COMPUTATION OF EARNINGS TO FIXED CHARGES
(in Millions of Dollars)

	Fiscal Year Ended				
	December 31 1994	January 1 1994	January 2 1993	December 28 1991	December 29 1990
Earnings before income taxes and cumulative adjustment for accounting change	\$201.8	\$148.0	\$158.1	\$156.5	\$172.0
Add:					
Portion of rents representative of interest factor	\$ 12.7	\$ 11.7	\$ 12.2	\$ 11.5	\$ 11.2
Interest expense	33.1	31.4	32.6	37.2	35.9
Amortization of expense on long-term debt	0.2	0.4	0.7	0.5	0.8
Amortization of capitalized interest	0.4	0.4	0.4	0.4	0.4
Income as adjusted	\$248.2	\$191.9	\$204.0	\$206.1	\$220.3
Fixed charges:					
Interest expense	\$ 33.1	\$ 31.4	\$ 32.6	\$ 37.2	\$ 35.9
Amortization of expense on long-term debt	0.2	0.4	0.7	0.5	0.8
Capitalized interest	--	0.1	0.1	0.4	1.3
Portion of rents representative of interest factor	12.7	11.7	12.2	11.5	11.2
Fixed charges	\$ 46.0	\$ 43.6	\$ 45.6	\$ 49.6	\$ 49.2
Ratio of earnings to fixed charges	5.40	4.40	4.47	4.16	4.47

[Close-up photo of hammer]

The Stanley Works
1994 Annual Report

Management Report on Responsibility for Financial Reporting

The management of The Stanley Works is responsible for the preparation, integrity and objectivity of the accompanying financial statements. The statements were prepared in accordance with generally accepted accounting principles. Preparation of financial statements and related data involves our best estimates and the use of judgment. Management also prepared the other information in the Annual Report and is responsible for its accuracy and consistency with the financial statements.

The company maintains a system of internal accounting controls which is designed to provide reasonable assurance, at appropriate cost, as to the reliability of financial records and the protection of assets. This system includes monitoring by a staff of internal auditors. It is further characterized by care in the selection of competent financial managers, by organizational arrangements that provide for delegation of authority and divisions of responsibility and by disseminating policies and procedures throughout the company.

The Stanley Works also recognizes its responsibility for fostering a strong, ethical climate so that the company's affairs are conducted according to the highest standards of personal and business conduct. This responsibility is reflected in the company's Business Conduct Guidelines which are publicized throughout the organization. The company has a long-established reputation of integrity in business conduct and maintains a systematic program to assess compliance with these policies.

The adequacy of Stanley's internal accounting controls, the accounting principles employed in its financial reporting and the scope of independent and internal audits are reviewed by the Audit Committee of the Board of Directors, consisting solely of outside directors. Both the independent auditors and our internal auditors have unrestricted access to the Audit Committee, and they meet with it periodically, with and without management present.

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

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

Report of Ernst & Young LLP, Independent Auditors

The Shareholders
The Stanley Works

We have audited the accompanying consolidated balance sheets of The Stanley Works and subsidiaries as of December 31, 1994 and January 1, 1994, and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for each of the three fiscal years in the period ended December 31, 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Stanley Works and subsidiaries at December 31, 1994 and January 1, 1994, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note K to the consolidated financial statements, the company changed its method of accounting for postemployment benefits in 1993.

/s/ Ernst & Young LLP

Hartford, Connecticut
January 31, 1995

Business Segment Information

Industry Segments

The company operates worldwide in three reportable segments: Tools, Hardware and Specialty Hardware. Additional detail is provided for the Consumer, Industrial and Engineered tool categories within the Tools segment.

Geographic Areas

The company has manufacturing and warehouse facilities and sales offices in the United States, Europe and Other Areas. The company's operations in Europe are principally located in the European Economic Community. Other Areas principally include Canada, Australia, the Far East and Latin America.

General Information

Intercompany sales between geographic areas and between business segments were not significant. Segment information includes insignificant allocations of expenses and assets shared by the segments.

Operating profit represents net sales less operating expenses. In computing operating profit, the following have been excluded: net corporate expenses, interest expense, income taxes and the cumulative effect of accounting changes.

Identifiable assets are those assets used in the company's operations in each segment or area.

Industry Segments (Millions of Dollars)	1994	1993	1992
Net Sales			
Tools			
Consumer	\$ 716.0	\$ 676.8	\$ 689.6
Industrial	524.4	460.3	411.1
Engineered	643.5	568.5	540.0
Total Tools	1,883.9	1,705.6	1,640.7
Hardware	311.1	299.4	297.2
Specialty Hardware	315.9	268.1	257.7
Consolidated	\$2,510.9	\$2,273.1	\$2,195.6
Operating Profit			
Tools	\$ 217.0	\$ 158.1	\$ 171.7
Hardware	33.3	32.9	25.6
Specialty Hardware	24.0	13.2	18.3
Total	274.3	204.2	215.6
Net corporate expenses	(38.8)	(24.0)	(24.5)
Interest expense	(33.7)	(32.2)	(33.0)
Earnings before income taxes	\$ 201.8	\$ 148.0	\$ 158.1
Identifiable Assets			
Tools	\$1,324.6	\$1,238.6	\$1,199.3
Hardware	186.4	173.3	171.0
Specialty Hardware	92.5	83.9	91.3
Total	1,603.5	1,495.8	1,461.6
General corporate assets	97.6	81.1	146.0
Total	\$1,701.1	\$1,576.9	\$1,607.6
Capital Expenditures			
Tools	\$ 53.3	\$ 53.6	\$ 47.4
Hardware	7.4	8.2	10.7
Specialty Hardware	5.7	3.8	3.8
Depreciation and Amortization			
Tools	65.6	63.9	63.6
Hardware	10.9	10.6	10.7
Specialty Hardware	3.8	4.4	4.0

Geographic Areas

(Millions of Dollars)	1994	1993	1992
Net Sales			
United States	\$1,808.6	\$1,649.5	\$1,534.4
Europe	357.6	317.3	354.0
Other Areas	344.7	306.3	307.2
Consolidated	\$2,510.9	\$2,273.1	\$2,195.6
Operating Profit			
United States	\$ 215.4	\$ 148.0	\$ 143.7
Europe	31.9	27.4	38.5
Other Areas	27.0	29.2	32.4
Eliminations		(.4)	1.0
Total	\$ 274.3	\$ 204.2	\$ 215.6
Identifiable Assets			
United States	\$1,050.4	\$1,004.8	\$ 990.6
Europe	319.4	270.0	259.9
Other Areas	274.4	260.2	234.6
Eliminations	(40.7)	(39.2)	(23.5)
Total	\$1,603.5	\$1,495.8	\$1,461.6

Note: In 1993, net corporate expenses include a gain of \$29.0 million from the sale of the company's investment in Max Co., Ltd.

In 1992, net corporate expenses include a gain of \$25.8 million from the sale of a portion of the company's investment in Max Co., Ltd., expenses of \$14.1 million related to planned closings of certain company-owned stores and reduction of the goodwill of the company's Taylor Rental operation.

Certain 1993 and 1992 amounts were reclassified to conform with the 1994 presentation.

Summary of Selected Financial Information

(Millions of Dollars, except per share amounts)	1994	1993	1992	1991	1990
Continuing Operations(A)					
Net sales	\$ 2,511	\$ 2,273	\$ 2,196	\$ 1,942	\$ 1,956
Earnings	125	93	98	97	106
Earnings per share	\$ 2.80	\$ 2.06	\$ 2.15	\$ 2.24	\$ 2.51
Percent of Net Sales:					
Cost of sales	67.1%	68.3%	66.8%	66.0%	65.3%
Selling, general and administrative	22.3%	22.5%	24.0%	23.8%	23.7%
Interest-net	1.2%	1.1%	1.2%	1.3%	1.3%
Other-net	1.4%	1.6%	.8%	.8%	.9%
Earnings before income taxes	8.0%	6.5%	7.2%	8.1%	8.8%
Earnings	5.0%	4.1%	4.5%	5.0%	5.4%
Other Key Information					
Total assets	\$ 1,701	\$ 1,577	\$ 1,608	\$ 1,548	\$ 1,494
Long-term debt	387	377	438	397	398
Shareholders' equity	\$ 744	\$ 681	\$ 696	\$ 689	\$ 679
Ratios:					
Current ratio	2.1	2.1	2.4	2.4	2.6
Total debt to total capital	39.2%	38.7%	40.1%	37.6%	38.7%
Income tax rate	37.9%	37.4%	37.9%	38.0%	38.4%
Return on average equity(A)	17.6%	13.5%	14.1%	14.1%	15.8%
Common Stock Data:					
Dividends per share	\$ 1.38	\$ 1.34	\$ 1.28	\$ 1.22	\$ 1.14
Equity per share at year-end	\$ 16.74	\$ 15.23	\$ 15.32	\$ 15.22	\$ 16.50
Market price--high	44-7/8	47-7/8	48-1/8	44	39-3/4
--low	34-7/8	37-7/8	32-1/2	26	26-5/8
Average shares outstanding (in thousands)	44,775	44,935	45,703	43,266	42,192
Other Information:					
Earnings from continuing operations	\$ 125	\$ 93	\$ 98	\$ 97	\$ 106
Earnings from discontinued operations	--	--	--	--	--
Cumulative effect of accounting change	--	(9)	--	(12)	--

Net earnings	\$ 125	\$ 84	\$ 98	\$ 85	\$ 106
Net earnings per share	\$ 2.80	\$ 1.87	\$ 2.15	\$ 1.95	\$ 2.51
Average number of employees	19,445	18,988	18,650	17,420	17,784
Shareholders of record at end of year	17,599	20,018	20,661	21,297	22,045

(Millions of Dollars, except per share amounts)	1989	1988	1987	1986	1985	1984
Continuing Operations(A)						
Net sales	\$ 1,951	\$ 1,888	\$ 1,744	\$ 1,355	\$ 922	\$ 936
Earnings	117	102	96	78	70	64
Earnings per share	\$ 2.70	\$ 2.37	\$ 2.22	\$ 1.84	\$ 1.70	\$ 1.54
Percent of Net Sales:						
Cost of sales	64.8%	65.6%	64.7%	64.9%	63.2%	63.5%
Selling, general and administrative	23.0%	23.0%	23.4%	23.9%	24.3%	24.1%
Interest-net	1.3%	1.7%	1.7%	1.4%	.2%	.1%
Other-net	1.0%	.6%	.7%	.1%	.1%	.4%
Earnings before income taxes	9.9%	9.1%	9.5%	9.7%	12.2%	11.9%
Earnings	6.0%	5.4%	5.5%	5.8%	7.1%	6.8%
Other Key Information						
Total assets	\$ 1,491	\$ 1,405	\$ 1,388	\$ 1,208	\$ 755	\$ 697
Long-term debt	416	339	354	363	81	74
Shareholders' equity	\$ 659	\$ 684	\$ 626	\$ 555	\$ 503	\$ 444
Ratios:						
Current ratio	2.6	2.6	2.4	2.9	3.7	2.8
Total debt to total capital	39.6%	35.0%	40.9%	43.4%	15.7%	19.4%
Income tax rate	39.6%	40.8%	41.7%	40.7%	42.0%	42.5%
Return on average equity(A)	17.3%	15.5%	14.7%	14.9%	16.5%	16.5%
Common Stock Data:						
Dividends per share	\$ 1.02	\$.92	\$.82	\$.73	\$.67	\$.60
Equity per share at year-end	\$ 15.32	\$ 15.97	\$ 14.59	\$ 13.05	\$ 12.03	\$ 11.00
Market price--high	39-1/4	31-1/4	36-5/8	30-7/8	22-1/2	19-5/8
--low	27-1/2	24-3/8	21-1/4	20-1/2	16-3/8	13
Average shares outstanding (in thousands)	43,378	43,109	43,357	42,279	41,243	41,816
Other Information:						
Earnings from continuing operations	\$ 117	\$ 102	\$ 96	\$ 78	\$ 70	\$ 64
Earnings from discontinued operations	--	--	(10)	1	8	8
Cumulative effect of accounting change	--	(13)	--	--	--	--
Net earnings	\$ 117	\$ 89	\$ 86	\$ 79	\$ 78	\$ 72
Net earnings per share	\$ 2.70	\$ 2.07	\$ 2.00	\$ 1.86	\$ 1.90	\$ 1.73
Average number of employees	18,464	18,988	19,142	16,128	13,069	12,788
Shareholders of record at end of year	22,376	23,031	23,051	21,752	22,870	23,238

A Excluding the cumulative after-tax effect of accounting changes for postemployment benefits of \$8.5 million, or \$.19 per share, in 1993; postretirement benefits of \$12.5 million, or \$.29 per share, in 1991; and income taxes of \$13.1 million, or \$.30 per share, in 1988.

Management's Discussion and Analysis

Results Of Operations

Overview

Net earnings for 1994 of \$125 million, or \$2.80 per share, represented a 35% increase over 1993 before the effect of a change in accounting principle, and a 23% increase after excluding the effects of fourth quarter legal settlements from 1993 results. Net sales increased 10% to a record \$2.5 billion. Return on average shareholders' equity also established a new record of 17.6%. The improvement in earnings was primarily the result of increased sales volume, process improvements and cost-reduction efforts.

Net earnings for 1993 reflected an after-tax charge of \$8.5 million, or \$.19 per share, for the adoption of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits". Earnings before the cumulative effect of this accounting change were \$93 million, or \$2.06 per share, which compares with \$98 million, or \$2.15 per share, reported in 1992. Earnings in 1993 were reduced by a \$15 million, or \$.21 per share, charge related to the settlement of lawsuits involving the company's Mac Tools, Inc. subsidiary.

Consolidated Operations

Revenues

The strength of the company's markets, both in the U.S. and internationally, along with the company's strategic initiatives provided the foundation for achieving a 10% increase in sales, virtually all of which was generated by unit volume growth. Internal growth was experienced across all product lines and geographic areas, with the most significant increases in the U.S. Industrial Tools, Engineered Tools and Specialty Hardware businesses. Price changes had a slightly favorable impact on sales, while foreign currency translation and net acquisition/ divestiture activity had a negligible decremental effect.

Sales in 1993 were 4% higher than 1992, primarily the result of U.S. internal volume growth. Acquisitions and minor price increases were offset by the negative effect of translating foreign revenues.

The following table provides the year-to-year components of net sales changes:

Net Sales Change	Comparison		
	1994 with 1993	1993 with 1992	1992 with 1991
Unit Volume:			
Existing Operations	9%	4%	2%
Acquisitions/Divestitures		2	10
Price	1	1	1%
Foreign Currency		(3)	
	10%	4%	13%

Gross Profit

Gross profit margins improved to 32.9% of sales from 31.7% in 1993, primarily the result of manufacturing efficiencies realized from increased volume, process improvements and cost reduction efforts, especially in connection with the successful transition of previously foreign-sourced fastening tools to U.S. in-house manufacture. Much of the margin decline in 1993 from 1992 related to costs associated with the fastening tools transition and to abnormally high wood prices experienced in the company's Door Systems business and the associated expenses of manufacturing process adjustments.

Operating and Other Expenses

Operating expenses were 22.3% of sales in 1994 compared with 22.5% in 1993 and 24.0% in 1992. Operating efficiencies achieved through higher sales volume in 1994 more than offset the costs of company initiatives for long-term growth, resulting in a small improvement. The improvement in 1993 also reflected increased sales volume and the absence of certain non-recurring expenses which were included in 1992.

Interest-net expense of \$29 million was slightly higher than \$25 million and \$27 million reported in 1993 and 1992, respectively, generally reflecting higher interest rates on higher average borrowings and a lower amount of interest income.

Other-net expense for 1994 of \$36 million included reserves established for plant consolidation, divestiture activities and environmental remediation. Other-net expense in 1993 included a \$15 million charge for distributor litigation issues at the company's Mac Tools, Inc. subsidiary. Also included in 1993 was a gain on the sale of the company's investment in Max Co., Ltd of \$29 million, which was offset by additional charges for contingency reserves. Other-net expense in 1992 included charges of \$14 million related to planned closings of certain company-owned Taylor Rental stores along with a reduction of the goodwill of the company's Taylor Rental business and \$8 million for reserves for litigation pending at the company's Mac Tools, Inc. subsidiary. Also included in Other-net in 1992 was a \$26 million gain from the sale of a portion of the company's investment in Max Co., Ltd.

The effective income tax rates in 1994, 1993, and 1992 were 37.9%, 37.4% and 37.9%, respectively. A reconciliation of the effective tax rate for each year is provided in the footnotes to the financial statements.

Business Segment Results

Sales increased in the Tools segment almost entirely due to 9% internal volume growth. Continued strengthening in the U.S. industrial, construction and automotive markets produced the most significant sales increases. This was especially evident in the Industrial and Engineered tool categories. More modest growth in the Consumer category was supplemented by successful efforts to expand consumer mechanics tools sales. Increased sales resulting from recent acquisitions in Europe and Japan were offset by the divestiture of Taylor Rental and other small businesses. Price increases in all businesses aggregated to a 1% increase in sales with the more substantial gains being realized in the Industrial and Engineered tool categories. Operating profits increased 25% after excluding the effects of a fourth quarter non-recurring charge from

1993 results, largely the result of increased sales volume, operating efficiencies, and the successful transition of previously foreign-sourced fastening products to in-house manufacture.

Sales in 1993 for the Tools segment were 4% higher than in 1992. Unit volume gains were 4% while price increases and net acquisition/divestiture activity were offset by unfavorable foreign currency translation. Operating profits were depressed in 1993 by the inclusion of \$15 million for the settlement of lawsuits and \$4 million for a plant closing at the company's Mac Tools, Inc. subsidiary. Profits were also negatively affected by costs related to the transition to in-house manufacture of certain fastening products.

Hardware segment sales for 1994 increased 4% over the prior year, reflecting internal growth of 3% and price increases of 1%. Sales in the U.S. generally reflected strong gains; however, these increases were dampened by a decision to de-emphasize low margin products in the home decor product line. Canadian and European sales of closet doors and organizers showed important gains as those economies strengthened and new products were introduced in the marketplace. Operating profit margins were reduced slightly from the prior year, especially in the fourth quarter, due to operating inefficiencies in the Acmetrack facility located in France. Business disruptions at this facility, which were compounded by a sharp increase in demand, were caused as investments were undertaken to modernize facilities, operations and information technology. When successfully implemented, the company expects that these changes will increase its long-term competitiveness in this business segment.

Hardware segment sales increased 1% in 1993 as negative currency effects partially offset 3% unit volume growth. Operating margins improved from 1992, primarily due to greater operating efficiencies and the integration of acquisitions.

Specialty Hardware segment sales for 1994 increased 18%. Virtually all of the increase came from U.S. internal growth while the impact of modest price increases was largely offset by the negative effects of currency. Volume growth was driven by increased penetration of entry doors in the national home center channel and continued growing demand for power operated doors. Operating profits were up 82% over last year and reflected efficiencies obtained from increased volume and the successful implementation of process improvements at the company's Door Systems business.

Specialty Hardware segment sales for 1993 were 4% higher than in 1992. Virtually all of the increase was generated by internal growth, as the impact of modest price increases was offset by the negative effect of foreign currency translation. Operating profits were negatively affected by abnormally high raw material costs and the expenses of related manufacturing process adjustments at the company's Door Systems business.

Geographic Area Results

Strength in the U.S. economy along with the company's strategic growth initiatives fueled unit volume gains and resulted in a 10% increase in sales in 1994. Volume increases were particularly strong in the Industrial and Engineered Tools categories as well as the Specialty Hardware segment. Price increases contributed 1% to sales but were offset by divestiture activity. Operating profits increased 29%, after excluding non-recurring charges from 1993 results, as a result of increased volume, process improvements and cost reduction efforts.

In 1993 the company experienced strong internal growth, reflecting the improvement in U.S. industrial and construction markets and the company's efforts in introducing new products. Domestic unit volume growth was 6% for 1993. While the company's consumer businesses experienced only modest growth, engineered and industrial businesses saw higher levels of sales increases. Many of the company's businesses did not raise prices during 1993; consequently, pricing had no net effect on U.S. sales. The incremental effect of acquisitions contributed 2% to sales. Operating profits were negatively affected by legal and plant closing expenses recorded in 1993 at the company's Mac Tools, Inc. subsidiary.

Net sales in Europe for 1994 increased 13% over the prior year. This increase included internal volume growth of 7% with the strongest year-to-year comparison occurring in the fourth quarter. The incremental effect of acquisitions added 4% to sales and the strengthening of European currencies provided a 2% increase. Operating profits grew 16% despite the negative impact of operating inefficiencies in the company's Acmetrack facility in France. Excluding that business, operating profits grew 22%.

Sales in Europe for 1993 were 10% lower than the previous year as European markets remained depressed, resulting in a 3% volume decline. European currencies also weakened during 1993 resulting in an approximately \$40 million, or 11%, reduction in sales. A combination of small price increases and acquisitions added 4% to sales.

Net sales in Other areas in 1994 increased 12% over the prior year, reflecting internal growth of 8% realized generally across all regions. The incremental effect of acquisitions added 3% to sales. Price increases, although substantially offset by the negative effects of currency, increased sales by 1%. Despite the strong sales performance, operating profits declined \$2.2 million, or 8%, for the year. Profitability increased in Canada and Australia due to sales growth; however, these gains were offset by a slight decline in Latin America and the Far East. Results in the Pacific Rim were depressed as 1994 included the full year results of a late 1993 acquisition in Japan along with the cost of other investments made to expand our presence in Asia.

Other area net sales in 1993 decreased slightly from the previous year as a result of foreign currency translation and weak sales in Canada. Sales increases in the Far East and Latin America continued to exceed the growth rate

experienced by the company overall.

To protect against the reduction in value of forecasted foreign currency cash flows resulting from cross-currency trade flows, the company uses purchased currency options. The options are used to hedge a portion of the next year's anticipated trade flows after giving consideration to natural hedge positions. When the dollar strengthens significantly against the foreign currencies, the decline in value of future foreign currency trade

flows is partially offset by the gains in the value of purchased currency options. Conversely, when the dollar weakens, the increase in the value of future foreign currency trade flows is reduced only by the premium paid to acquire the options.

Financial Condition

Liquidity, Sources and Uses of Capital

The company continues to be in a strong financial position. Growth has been funded primarily through cash generated by operations and, to a small extent, short-term borrowings. Cash flow from operations in 1994, 1993 and 1992 was \$129 million, \$147 million and \$185 million, respectively. Operating cash flow in 1994 was reduced as working capital was needed to fund increased sales as well as some building of inventory in support of growth initiatives, especially for new Mechanics' Tools programs. Operating cash flows in 1994 also reflected higher than normal cash outlays for legal and tax settlements. Excluding those items, cash flow from operations would have been approximately \$170 million. The reduced level of operating cash flow in 1993 also reflected the increased need for working capital to fund volume growth in the company's businesses.

No significant changes to long-term debt occurred in 1994. The debt to capital ratio in 1994 was 39.2% compared with 38.7% in 1993. Excluding the company's guarantee on its ESOP debt, the debt to capital ratio was 33.1% in 1994 and 31.2% in 1993. The company manages its debt portfolio with the objectives of minimizing interest expense and optimizing the leverage of foreign investments. In order to achieve those objectives, the company utilizes selected derivative financial instruments, primarily interest rate and interest rate/currency swaps. Information regarding the company's use of derivative financial instruments is provided in the footnotes to the financial statements. The company's overall financing strategy does not expose it to significant market or credit risk.

The company has access to financial resources and borrowing capabilities around the world. As of December 31, 1994, the company has approximately \$260 million of unused lines of credit. The company also has \$100 million of unissued debt securities registered with the Securities and Exchange Commission. The company believes that its strong financial position, operating cash flows and borrowing capacity will provide the financial flexibility necessary to continue its record of annual dividend payments, to invest in the capital needs of its businesses and to make appropriate acquisitions as those opportunities arise.

Capital Expenditures

The company invests in facilities, equipment and technology to position itself for operational excellence in manufacturing, new product innovation and enhanced customer service. Capital expenditures were \$69 million in 1994 and 1993, and \$64 million in 1992. Capital expenditures in 1995 are expected to increase to approximately \$80 million. In support of key growth strategies the company anticipates additional investments in technology and software of approximately \$20 million in 1995.

The company's productivity gains in 1994, as measured by net sales per employee in constant 1994 dollars, reflects a 5.4% improvement. Net Sales per employee in 1994 was \$122,700 compared with \$116,400 in 1993.

Other Matters

The company has been advised by the U.S. Customs Service that it intends to modify or revoke certain ruling letters it has issued relating to country-of-origin markings on imported articles. In reliance on these existing rulings, the company imports certain forgings which it substantially transforms into mechanics tools for sale in the U.S. Despite the U.S. manufacturing involved in this substantial transformation, there is some uncertainty as to market acceptance for these tools if they are marked as being manufactured outside the U.S.

On February 10, 1995 the company submitted comments in opposition to the proposed withdrawal of these ruling letters, asserting that the proposed changes constituted an impermissible attempt by Customs to change the substantive law regarding country-of-origin markings in violation of Section 304 of the Tariff Act of 1930 and the cases decided thereunder. If the Customs Service proceeds and modifies its long-held position with respect to these rulings, the company anticipates initiating litigation against the Customs Service, seeking injunctive relief and seeking concurrence by the courts that the Customs Service's proposed withdrawal is impermissible. Given the uncertainties associated with the various possible outcomes, and actions that would be taken in response, management is unable to quantify the potential impact on future results.

The company incurs costs related to environmental protection as a result of various laws and regulations governing current operations as well as its internal waste-minimization initiatives. Costs are also incurred to remediate previously contaminated sites. Future laws and regulations are expected to be increasingly stringent and will likely increase the company's expenditures related to 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 environmental 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 does not expect that any sum it may have to pay in connection with environmental matters in excess of the amounts recorded will have a material adverse effect on

its financial position, results of operations or liquidity.

Consolidated Statements of Earnings

Fiscal years ended December 31, 1994,
January 1, 1994 and January 2, 1993

(Millions of Dollars, except per share amounts)	1994	1993	1992
Net Sales	\$2,510.9	\$2,273.1	\$2,195.6
Costs and Expenses			
Cost of sales	1,684.0	1,553.0	1,466.0
Selling, general and administrative	560.4	512.3	526.7
Interest-net	29.0	25.2	26.5
Other-net	35.7	34.6	18.3
	2,309.1	2,125.1	2,037.5
Earnings before Income Taxes and Cumulative Effect of Accounting Change	201.8	148.0	158.1
Income Taxes			
Currently payable	90.3	61.0	72.2
Deferred	(13.8)	(5.6)	(12.2)
	76.5	55.4	60.0
Earnings before Cumulative Effect of Accounting Change	125.3	92.6	98.1
Cumulative effect of accounting change for postemployment benefits		(8.5)	
Net Earnings	\$ 125.3	\$ 84.1	\$ 98.1
Earnings Per Share of Common Stock:			
Before cumulative effect of accounting change	\$ 2.80	\$ 2.06	\$ 2.15
Cumulative effect of accounting change		(.19)	
Net Earnings Per Share of Common Stock	\$ 2.80	\$ 1.87	\$ 2.15

See notes to consolidated financial statements.

Consolidated Balance Sheets

December 31, 1994 and January 1, 1994

(Millions of Dollars)	1994	1993
Assets		
Current Assets		
Cash and cash equivalents	\$ 69.3	\$ 43.7
Accounts and notes receivable	410.3	371.2
Inventories	369.2	308.1
Other current assets	39.7	35.6
Total Current Assets	888.5	758.6
Property, Plant and Equipment	559.8	566.5
Goodwill and Other Intangibles	164.6	171.5
Other Assets	88.2	80.3
Total Assets	\$1,701.1	\$1,576.9
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term borrowings	\$ 82.8	\$ 42.3
Current maturities of long-term debt	10.9	9.8
Accounts payable	125.3	103.3
Accrued expenses	195.1	197.6
Income taxes	7.4	4.1
Total Current Liabilities	421.5	357.1
Long-Term Debt	387.1	377.2
Deferred Income Taxes	14.4	36.0
Other Liabilities	133.9	125.7
Shareholders' Equity		
Preferred Stock, without par value:		
Authorized and unissued 10,000,000 shares		
Common Stock, par value \$2.50 per share:		
Authorized 110,000,000 shares;		
issued 46,171,705 shares in 1994 and 1993	115.4	115.4
Capital in excess of par value	70.1	73.1
Retained earnings	937.8	871.1
Foreign currency translation adjustment	(56.3)	(56.7)
ESOP debt	(253.7)	(261.5)
	813.3	741.4
Less: cost of common stock in treasury (1,722,330 shares in 1994 and 1,476,074 shares in 1993)	69.1	60.5
Total Shareholders' Equity	744.2	680.9
Total Liabilities and Shareholders' Equity	\$1,701.1	\$1,576.9

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Fiscal years ended December 31, 1994,
January 1, 1994 and January 2, 1993

(Millions of Dollars)	1994	1993	1992
Operating Activities:			
Net earnings	\$125.3	\$ 84.1	\$ 98.1
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	81.8	80.7	78.5
Gain on sale of non-operating asset		(29.0)	(25.8)
Provision for postemployment benefits		13.6	
Other non-cash items	18.3	9.4	16.0
Changes in operating assets and liabilities:			
Accounts and notes receivable	(46.2)	(19.7)	13.1
Inventories	(69.8)	(15.5)	(6.6)
Accounts payable and accrued expenses	34.9	16.0	17.2
Income taxes	(11.9)	1.0	1.8
Other	(3.9)	5.9	(7.3)
Net cash provided by operating activities	128.5	146.5	185.0
Investing Activities:			
Capital expenditures	(66.4)	(69.7)	(65.1)
Proceeds from sales of assets	11.0	6.6	8.2
Proceeds from sale of non-operating asset		38.9	35.2
Business acquisitions	(5.1)	(13.3)	(105.8)
Other	(9.7)	(13.2)	(10.6)
Net cash used by investing activities	(70.2)	(50.7)	(138.1)
Financing Activities:			
Payments on long-term debt	(2.9)	(133.8)	(69.8)
Proceeds from long-term borrowings		78.5	120.2
Net short-term financing	40.9	22.3	5.1
Proceeds from issuance of common stock	4.2	4.6	3.6
Purchase of common stock for treasury	(16.3)	(42.3)	(25.0)
Cash dividends on common stock	(61.5)	(60.5)	(57.5)
Net cash used by financing activities	(35.6)	(131.2)	(23.4)
Effect of exchange rate changes on cash	2.9	(2.0)	(.7)
Increase (decrease) in cash and cash equivalents	25.6	(37.4)	22.8
Cash and cash equivalents, beginning of year	43.7	81.1	58.3
Cash and cash equivalents, end of year	\$ 69.3	\$ 43.7	\$ 81.1

See notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

Fiscal years ended December 31, 1994,
January 1, 1994 and January 2, 1993

(Millions of Dollars)

	Common Stock	Capital In Excess of Par Value	Retained Earnings	Translation Adjustments	ESOP debt	Treasury Stock	Shareholders' Equity
Balance December 28, 1991	\$115.4	\$77.3	\$800.5	\$ (8.1)	\$(276.1)	\$(10.7)	\$698.3
Net earnings			98.1				98.1
Currency translation adjustment				(33.4)			(33.4)
Cash dividends declared-- \$1.28 per share			(58.5)				(58.5)
Issuance of common stock		(1.5)				10.1	8.6
Purchase of common stock						(27.7)	(27.7)
ESOP debt					7.3		7.3
ESOP tax benefit			3.6				3.6
Balance January 2, 1993	115.4	75.8	843.7	(41.5)	(268.8)	(28.3)	696.3
Net earnings			84.1				84.1
Currency translation adjustment				(15.2)			(15.2)
Cash dividends declared-- \$1.34 per share			(60.1)				(60.1)
Issuance of common stock		(2.7)				15.7	13.0
Purchase of common stock						(47.9)	(47.9)
ESOP debt					7.3		7.3
ESOP tax benefit			3.4				3.4
Balance January 1, 1994	115.4	73.1	871.1	(56.7)	(261.5)	(60.5)	680.9
Net earnings			125.3				125.3
Currency translation adjustment				.4			.4
Cash dividends declared-- \$1.38 per share			(61.9)				(61.9)
Issuance of common stock		(3.0)				13.3	10.3
Purchase of common stock						(21.9)	(21.9)
ESOP debt					7.8		7.8
ESOP tax benefit			3.3				3.3
Balance December 31, 1994	\$115.4	\$70.1	\$937.8	\$ (56.3)	\$(253.7)	\$(69.1)	\$744.2

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

A

Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the company and its majority-owned subsidiaries, after the elimination of intercompany accounts and transactions.

Fiscal Year-End

The company's fiscal year ends on the Saturday nearest to December 31. There were 52 weeks in fiscal years 1994 and 1993 and 53 weeks in fiscal year 1992.

Foreign Currency Translation

For most foreign operations, asset and liability accounts are translated at the year-end exchange rate; earnings statement items are translated at the average exchange rate for the year. Resulting translation adjustments are made directly to a separate component of shareholders' equity. Translation adjustments for operations in highly inflationary countries and gains and losses on transactions are included in earnings. These transactional gains and losses, together with the translation adjustments related to foreign operations in highly-inflationary economies, amounted to net losses for 1994, 1993 and 1992 of \$5.5 million, \$6.0 million, and \$8.5 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 cost or market. Other inventories are valued generally at the lower of first-in, first-out cost or market.

Property, Plant and Equipment

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.

Intangibles

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.

Financial Instruments

To manage interest rate exposure, the company enters into interest rate swap agreements. The difference to be paid or received is recognized as an adjustment to interest expense. Gains on terminations of interest rate swap agreements are deferred and amortized as adjustments to interest expense over the original lives of the agreements. The company, at times, enters into forward exchange contracts to hedge foreign currency exposures on firm commitments. In addition, the company enters into purchased foreign currency options to hedge anticipated transactions. Purchased currency option premiums are recognized as cost of sales over the life of the contract. Gains and losses resulting from these foreign currency instruments are deferred and recognized in cost of sales in the same period as the hedged transactions.

Income Taxes

Deferred taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Deferred tax expense represents the change in the deferred tax asset and liability balances.

Earnings per Share

Earnings per share are based on the weighted average number of shares of common stock outstanding during each year (44,775,000 shares, 44,935,000 shares, and 45,703,000 shares in 1994, 1993 and 1992, respectively). The issuance of additional shares under employee stock plans would not result in a material dilution of earnings per share.

B

Acquisitions and Divestitures

The company acquired businesses in 1993 for a total of \$24.0 million. The most significant of the businesses acquired were Friess & Co. KG, a German manufacturer and marketer of paint rollers and brushes and Rikkoh-Sha Co. Ltd., a mechanics tools distributor in Japan.

The company acquired several businesses in 1992 for \$90.4 million. The acquisitions included: Goldblatt Tool Co., a manufacturer of masonry, tile and

drywall tools; Mail Media (Jensen Tools, Inc. and Direct Safety), known principally as a marketer of precision tool kits through catalog sales; American Brush Co., Inc., a U.S. manufacturer of paint brushes and decorator tools; and a controlling interest in Tona a.s. Pecky, a major Czech manufacturer of mechanics tools.

The 1993 and 1992 consolidated statements of earnings include the results of these operations, which were accounted for as purchases, from the respective dates of their acquisitions.

In connection with the aforementioned purchase transactions, the fair value of assets acquired and liabilities assumed aggregated \$34.5 million and \$10.5 million, respectively, for 1993 and \$115.8 million and \$25.4 million, respectively, for 1992. The acquisitions did not have a material pro forma impact on operations.

On January 16, 1992, the company exchanged 642,940 shares of common stock for all of the issued and outstanding common stock of LaBounty Manufacturing, Inc., a manufacturer of large hydraulic tools. This business combination was accounted for as a pooling of interests.

On June 30, 1993, the company sold the franchise operations of its wholly owned subsidiary, Taylor Rental Corporation, and on June 18, 1994 sold the related company owned stores.

C

Accounts and Notes Receivable

Trade receivables are dispersed among a large number of retailers, distributors and industrial accounts in many countries. No individual customer balance is material. Adequate provisions have been established to cover anticipated credit losses. At December 31, 1994 and January 1, 1994, allowances for doubtful receivables of \$20.9 million and \$24.8 million, respectively, have been applied as a reduction of current accounts and notes receivable. The company believes it has no significant concentrations of credit risk as of December 31, 1994.

Throughout the year, the company sold, with recourse, certain domestic accounts receivable under a revolving sales agreement. The proceeds from these sales were \$59 million in 1994, \$39 million in 1993, and \$64 million in 1992. At December 31, 1994 and January 1, 1994, the balance of these receivables subject to recourse was approximately \$69 million and \$62 million, respectively. Provisions have been made to cover anticipated losses.

D

Inventories

(Millions of Dollars)	1994	1993
Finished products	\$238.6	\$195.7
Work in process	68.4	61.1
Raw materials	59.4	48.7
Supplies	2.8	2.6
	\$369.2	\$308.1

Inventories in the amount of \$203.6 million at December 31, 1994 and \$158.9 million at January 1, 1994 were valued at the lower of last-in, first-out (LIFO) cost or market. If LIFO inventories had been valued at FIFO costs, they would have been \$120.2 million and \$118.5 million higher than reported at December 31, 1994 and January 1, 1994, respectively.

E

Property, Plant and Equipment

(Millions of Dollars)	1994	1993
Land	\$ 34.2	\$ 32.4
Buildings	245.2	239.7
Machinery and equipment	849.2	846.9
	1,128.6	1,119.0
Less: accumulated depreciation	568.8	552.5
	\$ 559.8	\$ 566.5

The provisions for depreciation for 1994, 1993, and 1992 were \$63.3 million, \$63.1 million, and \$62.4 million, respectively.

F

Goodwill and Other Intangibles

Goodwill and other intangibles, net of accumulated amortization of \$86.8 million and \$73.5 million, respectively, at the end of each fiscal year were as follows:

(Millions of Dollars)	1994	1993
Goodwill	\$128.7	\$130.9
Other	35.9	40.6
	\$164.6	\$171.5

G

Accrued Expenses

(Millions of Dollars)	1994	1993
Salaries and wages	\$ 40.2	\$ 33.4
Insurance	30.3	39.1

Taxes, other than income taxes	19.2	16.9
Dividends payable	15.0	14.6
Litigation	11.6	24.0
Other	78.8	69.6
	\$195.1	\$197.6

H

Long-Term Debt and Financing Arrangements

(Millions of Dollars)		1994	1993
Notes payable in 2002	7.4%	\$100.0	\$100.0
Commercial Paper	5.9%	62.3	62.3
Dutch Guilder notes payable in 1996	5.9%	75.0	66.9
Notes payable in 1998	9.0%	34.8	34.8
Industrial Revenue Bonds due in varying amounts to 2011	5.8 - 8.4%	29.9	30.5
ESOP loan guarantees, payable in varying monthly installments through 2001	7.7%	75.5	82.8
Other		20.5	9.7
		398.0	387.0
Less: current maturities		10.9	9.8
		\$387.1	\$377.2

Commercial paper outstanding at December 31, 1994 of \$62.3 million is classified as non-current pursuant to the company's intention and ability to continue to refinance this obligation on a long-term basis. Commercial paper classified as current as of December 31, 1994 and January 1, 1994 was \$61.7 million and \$36.5 million, respectively.

In 1992 the company filed a shelf registration statement with the Securities and Exchange Commission covering the issuance of up to \$200 million of debt securities; as of December 31, 1994, \$100 million remained unused. The company has unused short and long-term credit arrangements with several banks to borrow up to \$205 million at the lower of prime or money market rates. Of this amount, \$137 million is long-term. Commitment fees range from .08% to .1%. In addition, the company has short-term lines of credit with numerous foreign banks aggregating \$75.3 million of which \$57.2 million was available at December 31, 1994. Short-term arrangements are reviewed annually for renewal. Of the long-term and short-term lines, \$200 million is available to support the company's commercial paper program. The weighted average interest rates on short-term borrowings at December 31, 1994 and January 1, 1994 were 6.4% and 4.6%, respectively.

The company has guaranteed the long-term notes payable to banks of its employee stock ownership plan (ESOP). The guarantee is reflected in the consolidated balance sheets as long-term debt with a corresponding reduction in shareholders' equity.

Aggregate annual maturities of long-term debt for the years 1996 to 1999 are \$85.8 million, \$11.5 million, \$46.9 million and \$12.9 million, respectively. Interest paid during 1994, 1993 and 1992 amounted to \$45.1 million, \$34.0 million and \$33.9 million, respectively.

I

Financial Instruments

The company's primary objective in using debt related financial instruments is to obtain the lowest cost source of funds and minimize interest expense, within an acceptable range of variable to fixed rate debt proportions (30% to 40%), as well as to minimize the currency risk of obligations that are denominated in currencies other than those of the leveraged assets. To meet this objective the company enters into interest rate swaps, currency swaps and interest rate cap agreements. A summary of instruments and weighted average interest rates as of December 31, 1994 follows. The weighted average variable pay and receive rates are based on rates in effect at December 31, 1994. Variable rates are generally based on LIBOR with no leverage features.

	Notional Amount	Maturity Dates	Pay Rate	Receive Rate	Capped Rate
Pay fixed and receive variable swaps	\$174.1	1996 - 98	7.8%	6.0%	
Pay variable and receive fixed swaps	157.6	1996 - 02	5.6%	6.5%	
Currency swaps	125.4	1996 - 98	7.9%	8.3%	
Interest rate caps	50.0	1996			7.5%

The company uses purchased currency options to hedge a portion of the currency risk in cross border trade flows expected to occur over the next one year period. In addition, the company enters into forward exchange contracts to hedge certain firm commitments. These contracts and options generally mature within the next one year period. The objective of these practices is to minimize the impact of foreign currency fluctuations on operating results. At December 31, 1994 and January 1, 1994, the company had forward exchange contracts outstanding of \$2.7 million and \$44 million, respectively, to exchange European currencies for U.S. dollars. At December 31, 1994, purchased currency options which hedge anticipated transactions totaled \$32.6 million and were primarily denominated in European currencies.

The counterparties to these interest rate and currency financial instruments are major international financial institutions. The company is exposed to credit risk for net coupon 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 31, 1994 and January 1, 1994 is as follows:

	1994		1993	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current portion	\$384.1	\$377.9	\$380.1	\$392.7
Currency and interest rate swaps	14.5	25.8	9.0	12.3
	\$398.6	\$403.7	\$389.1	\$405.0

Generally, the carrying value of the debt related financial instruments is included in the balance sheet in long-term debt. The fair values of long-term debt are estimated using discounted cash flow analysis, based on the company's incremental 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.

Capital Stock

Common Stock Share Activity

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

	1994	1993	1992
Outstanding, beginning of year	44,695,631	45,438,854	45,240,591
Issued for:			
Employee stock plans	323,739	387,196	263,805
Acquisitions			642,940
Purchased	(569,995)	(1,130,419)	(708,482)
Outstanding, end of year	44,449,375	44,695,631	45,438,854

Common Stock Reserved

At December 31, 1994 and January 1, 1994, the number of shares of common stock reserved for future issuance under various employee stock plans was as follows:

	1994	1993
Employee Stock Purchase Plan	2,938,052	3,061,462
Stock Option Plans	5,741,078	2,316,805
Long-Term Stock Incentive Plan	1,478,526	1,507,945
	10,157,656	6,886,212

Long-Term Stock Incentive Plan

The Long-Term Stock Incentive Plan provides for the granting of awards to senior management employees for achieving company performance measures over five year cycles. The final cycle of this plan is payable in 1998. The Plan is administered by a committee of the Board of Directors consisting of non-employee directors. Awards are payable 55% in cash and 45% in shares of common stock or 100% in shares of common stock. The amounts of \$.3 million, \$.5 million and \$2.2 million were charged to expense in 1994, 1993 and 1992, respectively. Shares totaling 8,267, 10,092 and 33,067 were issued in 1994, 1993 and 1992, respectively.

Preferred Stock Purchase Rights

Each outstanding share of common stock has two-thirds of a share purchase right, which, under certain conditions, may be exercised to purchase one two-hundredth of a share of Series A Junior Participating Preferred Stock at an exercise price of \$125.00, subject to adjustment to prevent dilution. The rights, which do not have voting rights, expire on March 10, 1996, and may be redeemed by the company at a price of \$.05 per right at any time prior to their expiration or within 30 days following the acquisition of 10 percent of the company's common stock. In the event that the company were acquired in a merger or other business combination transaction, provision shall be made so that each holder of a right (other than a holder who is 10%-or-more shareholder) shall have the right to receive, upon exercise thereof, that number of shares of common stock of the surviving company having a market value equal to two times the exercise price of the right. Similarly, if anyone becomes the beneficial owner of more than 10% of the then outstanding shares of common stock, provision will be made so that each holder of a right (other than a holder who is a 10%-or-more shareholder) shall thereafter have the right to receive, upon exercise thereof, common stock (or, in certain circumstances, cash, property or other securities of the company) having a market value equal to two times the exercise price of the right. At December 31, 1994, there were 44,449,375 outstanding rights. There are 175,000 shares of Series A Junior Participating Preferred Stock reserved for issuance in connection with these rights.

Stock Options

The company has a stock option plan to provide nonqualified and incentive stock options to officers and key employees. In 1994, the company amended the employee stock option plan to provide for annual option grants, and also adopted a stock option plan that provides for an automatic, biennial option grant to each outside director of the company. The company reserved additional shares of 3,500,000 and 100,000 in 1994 for the employee and director stock option plans, respectively. The company intends to seek shareholder approval of the amendment to the key employee stock option plan and the adoption of the non-employee director plan at the next shareholders' meeting. Options are generally for a ten year term and are granted at the market price of the common stock on the date of grant. Outstanding options granted prior to October, 1994 are subject to a two year transfer restriction on at least half the shares issued upon exercise. Options granted subsequent to October, 1994 are not subject to transfer restrictions. In the event of a change of control in the company, all outstanding stock options held by employees become immediately exercisable, all transfer restrictions lapse and optionees have the right to sell options to the company at market-related values.

Information relative to the stock option plans is summarized as follows:

	1994	1993	1992
At end of year:			
Options outstanding	2,130,801	1,827,936	2,006,305
Options exercisable	1,597,054	1,716,936	1,929,805
Shares available for grants	3,610,277	488,869	535,924

During the year:			
Options granted	533,747	111,000	76,500
Options exercised	175,727	225,424	114,847
Options canceled	55,155	63,945	107,424
Average price per share:			
Options outstanding	\$33.67	\$31.27	\$30.64
Options granted	40.37	40.25	37.13
Options exercised	30.13	30.47	30.15

Employee Benefit Plans

Employee Stock Purchase Plan

The Employee Stock Purchase Plan enables substantially all employees in the United States and Canada to subscribe to shares of common stock on annual offering dates at a purchase price of 85% of the fair market value of the shares on the offering date or, if lower, 85% of the fair market value of the shares on the exercise date. A maximum of 4,000,000 shares are authorized for subscription over a ten year period. During 1994, 1993 and 1992, shares totaling 123,410, 139,010 and 106,738, respectively, were issued under the Plan at average prices of \$34.30, \$33.07 and \$33.31 per share, respectively. At December 31, 1994, subscriptions were outstanding for 72,394 shares at \$36.60 per share.

Employee Stock Ownership Plan (ESOP)

The Savings Plan provides opportunities for tax-deferred savings, enabling eligible U.S. employees to acquire a proprietary interest in the company. Such employees may contribute from 1% to 12% of their salary to the Plan. The company contributes an amount equal to one-half of the first 7% of employee contributions. The amounts in 1994, 1993 and 1992 under this matching arrangement were \$8.3 million, \$7.8 million and \$6.9 million, respectively.

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. Shareholders' equity reflects both the internal and the external borrowing arrangements.

Shares are released to participant accounts based on principal and interest payments of the underlying debt. These shares along with allocated dividends and shares purchased on the open market are assigned to fund share requirements of the employee contribution, the associated employer match and the dividends earned on participant account balances.

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 income of \$2.3 million in 1994, \$5.6 million in 1993 and \$6.1 million in 1992.

Dividends on ESOP shares, which are charged to shareholders' equity as declared, were \$14.5 million, \$14.2 million and \$13.7 million in 1994, 1993 and 1992, respectively. Interest costs incurred by the Plan on external debt for 1994, 1993 and 1992 were \$6.1 million, \$6.7 million and \$7.2 million, respectively. ESOP shares not yet allocated to participants are treated as outstanding for purposes of computing earnings per share. As of December 31, 1994, the number of ESOP shares allocated to participant accounts was 4,477,105 and the number of unallocated shares was 6,200,196.

Pension Plans

The retirement benefit for U.S. salaried and non-union hourly employees was changed effective January 1, 1995. Previously, benefits were provided by both a defined benefit plan and a defined contribution plan. The defined contribution plan provided for benefits as a varying percentage of payroll and the defined benefit plan provided a benefit based on salary and years of service. Upon retirement, plan participants received the greater of the two benefits. Effective January 1, 1995, the two plans were merged and restated as a defined benefit plan. The assets of both plans were combined in order to fund the plan's guaranteed benefit which is based on salary and years of service. 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 also sponsors defined benefit plans for its non-U.S. employees and U.S. collective bargaining employees. Benefits generally are based on salary and years of service for non-U.S. employees, while those for collective bargaining employees are based on a stated amount for each year of service.

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

Additionally, the company contributes to several union-sponsored multiemployer plans which provide defined benefits. Total pension expense includes the following components:

(Millions of Dollars)	1994	1993	1992
Defined benefit plans:			
Service cost	\$ 9.6	\$ 9.0	\$ 9.2
Interest cost	21.0	20.3	20.5
Actual return on plan assets	10.6	(25.3)	(25.9)
Net amortization and deferral	(35.1)	1.0	.6
Net pension expense	6.1	5.0	4.4
Defined contribution plan	8.1	8.0	7.8
Multi-employer plans	.6	.5	.5
Total pension expense	\$ 14.8	\$ 13.5	\$ 12.7

The funded status of the company's defined benefit plans, adjusted for the merger of the plans covering U.S. salaried and non-union hourly employees, at the end of each fiscal year was as follows:

(Millions of Dollars)	1994		1993	
	Plans Where Assets Exceed Accumulated Benefits	Plans Where Accumulated Benefits Exceed Assets	Plans Where Assets Exceed Accumulated Benefits	Plans Where Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested	\$296.8	\$ 10.4	\$203.7	\$ 9.6
Non-vested	1.3	2.7	1.5	2.2
Accumulated benefit obligation	298.1	13.1	205.2	11.8
Additional amounts related to projected pay increases	38.7	5.9	52.8	3.3
Total projected benefit obligation (PBO)	336.8	19.0	258.0	15.1
Plan assets at fair value	369.4	6.8	306.8	7.0
Assets in excess of (less than) PBO	32.6	(12.2)	48.8	(8.1)
Unrecognized net (gain) or loss at transition	(9.8)	.3	(11.2)	.4
Unrecognized net (gain) or loss		2.3	(26.9)	.1
Unrecognized prior service cost	5.3	3.1	17.8	1.0
Adjustment required to recognize minimum liability		(2.3)		(1.8)
Prepaid (accrued) pension expense (long-term)	\$ 28.1	\$ (8.8)	\$ 28.5	\$(8.4)

Assumptions used for significant defined benefit plans were as follows:

	1994	1993	1992
Discount rate	8.25%	7.5%	8.0%
Average wage increase	5.0%	5.0%	5.7%
Long-term rate of return on assets	9.0%	9.0%	9.0%

Postretirement and Postemployment Benefits

The company provides medical and dental benefits for certain retired employees in the United States. In addition, domestic employees who retire from active service are eligible for life insurance benefits.

The status of the company's plans at the end of each fiscal year was as follows:

(Millions of Dollars)	1994	1993
Accumulated postretirement benefit obligation:		
Retirees	\$ 19.2	\$ 19.9
Fully eligible active plan participants	1.4	2.6
Active plan participants	3.7	4.7
Accumulated obligation	24.3	27.2
Unrecognized net loss	(7.5)	(10.7)
Accrued postretirement benefit expense	\$ 16.8	\$ 16.5

Net periodic postretirement benefit expense was \$3.0 million in 1994, \$3.3 million in 1993 and \$2.2 million in 1992.

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 10.5% for 1994 reducing gradually to 6% by 2010 and remaining at that level thereafter. A one percentage point increase in the assumed health care cost trend rate would have increased the accumulated benefit obligation by \$1.5 million at December 31, 1994 and net periodic postretirement benefit expense for fiscal year 1994 by \$.2 million. Weighted average discount rates of 8.25% in 1994 and 7.5% in 1993 were used in determining the accumulated benefit obligations.

The company provides certain postemployment benefits to eligible employees and, in some cases, their dependents. These benefits include severance, continuation of medical coverage and other benefits when employees leave the company for reasons other than retirement.

In 1993, the company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." Prior to 1993, postemployment benefits were recognized as expense when paid. The cumulative effect of adopting this new standard was a one-time charge to 1993 earnings of \$8.5 million (\$13.6 million less related deferred income taxes of \$5.1 million) or \$.19 per share. The effect of this change on 1993 operating results was immaterial.

L

Other Costs and Expenses

Interest-net for 1994, 1993 and 1992 included interest income of \$4.6 million, \$6.8 million and \$7.2 million, respectively.

Other-net in 1993 includes a gain of \$29.0 million (\$.39 per share) from the sale of the company's investment in Max Co., Ltd. and a charge of \$15.0 million (\$.21 per share) related to the settlement of lawsuits involving a subsidiary, Mac Tools, Inc. Also included in Other-net were additional charges for a fine levied by U.S. District Court in Missouri for \$5.0 million (\$.07 per share) and contingency reserves of \$23.3 million (\$.32 per share) related to product liability litigation, restructuring activities and environmental remediation.

Other-net in 1992 includes a gain of \$25.8 million (\$.35 per share) from the sale of a portion of the company's investment in Max Co., Ltd., expenses of \$14.1 million (\$.21 per

share) related to planned closings of certain company-owned Taylor Rental stores and reduction of the goodwill of the company's Taylor Rental operation, and expense of \$7.8 million (\$.11 per share) for reserves for litigation pending at the company's Mac Tools, Inc. subsidiary.

Research and development expenses amounted to \$16.4 million in 1994, \$14.6 million in 1993 and \$15.2 million in 1992.

M

Operations by Industry Segment and Geographic Area
Industry Segment and Geographic Area information included on page 15 of this report is an integral part of the financial statements.

N

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)	1994	1993	1992
Depreciation	\$ 74.1	\$ 73.1	\$ 68.8
Other	6.0	12.9	16.0
Total deferred tax liabilities	80.1	86.0	84.8
Employee benefit plans	(20.6)	(20.4)	(12.9)
Doubtful accounts	(5.8)	(6.9)	(7.9)
Amortization of intangibles	(14.5)		
Accruals	(24.4)	(25.6)	(13.5)
Other	(7.4)	(5.0)	(9.1)
Total deferred tax assets	(72.7)	(57.9)	(43.4)
Net deferred tax liabilities \$	7.4	\$ 28.1	\$ 41.4

Income tax expense consisted of the following:

(Millions of Dollars)	1994	1993	1992
Current:			
Federal	\$ 59.3	\$40.2	\$ 47.1
Foreign	18.8	13.6	18.0
State	12.2	7.2	7.1
Total current	90.3	61.0	72.2
Deferred:			
Federal	(8.4)	(4.8)	(12.3)
Foreign	(1.0)	.6	1.2
State	(4.4)	(1.4)	(1.1)
Total deferred	(13.8)	(5.6)	(12.2)
Total	\$ 76.5	\$55.4	\$ 60.0

Income taxes paid during 1994, 1993 and 1992 were \$79.8 million, \$63.4 million and \$64.4 million, respectively.

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

	1994	1993	1992
Statutory federal income tax rate	35.0%	35.0%	34.0%
State income taxes, net of federal benefit	2.5	2.7	2.9
Difference between foreign and federal income tax rates	(.3)		.6
Other -- net	.7	(.3)	.4
Effective tax rate	37.9%	37.4%	37.9%

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

(Millions of Dollars)	1994	1993	1992
United States	\$159.4	\$110.5	\$108.1
Foreign	42.4	37.5	50.0
Total pre-tax earnings	\$201.8	\$148.0	\$158.1

Undistributed foreign earnings of approximately \$197 million as of December 31, 1994 are considered to be invested indefinitely or will be remitted substantially free of additional tax. Accordingly, no provision has been made for taxes that might be payable upon remittance of such earnings, nor is it practicable to determine the amount of this liability.

O

Leases

The company leases certain facilities, vehicles, machinery and equipment under long-term operating leases with varying terms and expiration dates.

Future minimum lease payments under noncancelable operating leases, in millions of dollars, as of December 31, 1994 were \$32.9 in 1995, \$26.5 in 1996, \$19.7 in

1997, \$14.2 in 1998, \$11.3 in 1999 and \$22.8 thereafter. Minimum payments have not been reduced by minimum sublease rentals of \$32.1 million due in the future under noncancelable subleases. Rental expense for operating leases amounted to \$38.1 million in 1994, \$35.0 million in 1993 and \$36.7 million in 1992.

P

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 eight 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 amounts recorded do not take into account any claims for recoveries from insurance or third parties. As assessments and remediation progress at individual sites, the amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information which becomes available. As of December 31, 1994, the company had reserves of \$24 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 which becomes available. Actual costs to be incurred in future periods may vary from the estimates, given the inherent uncertainties in evaluating certain exposures. Subject to the imprecision in estimating future contingent liability costs, the company does not expect that any sum it may have to pay in connection with these matters in excess of the amounts recorded will have a materially adverse effect on its financial position, results of operations or liquidity.

Quarterly Results Of Operations (Unaudited)

(Millions of Dollars, except per share amounts)

1994	Quarter				Year
	First	Second	Third	Fourth	
Net Sales	\$585.7	\$628.8	\$632.6	\$663.8	\$2,510.9
Gross Profit	191.3	210.2	206.9	218.5	826.9
Selling, General and Administrative Expenses	133.8	139.4	139.5	147.7	560.4
Net Earnings	25.6	33.7	32.2	33.8	125.3
Net Earnings Per Share	\$.57	\$.75	\$.72	\$.76	\$ 2.80
1993					
Net Sales	\$553.4	\$565.2	\$576.3	\$578.2	\$2,273.1
Gross Profit	178.7	181.7	179.5	180.2	720.1
Selling, General and Administrative Expenses	130.1	128.5	126.1	127.6	512.3
Earnings Before Cumulative Effect of Accounting Change	23.0	27.0	25.0	17.6	92.6
Net Earnings	14.5	27.0	25.0	17.6	84.1
Per Share:					
Earnings Before Cumulative Effect of Accounting Change	\$.51	\$.60	\$.56	\$.39	\$ 2.06
Net Earnings	.32	.60	.56	.39	1.87

Note: The first quarter of 1993 includes a gain of \$24.0 million (\$.33 per share) from the sale of a portion of the company's investment in Max Co., Ltd., and additional charges for a fine levied by U.S. District Court in Missouri for \$7.0 million (\$.10 per share) and contingency reserves of \$15.7 million (\$.21 per share) related to product liability litigation, restructuring activities and environmental remediation. The third quarter of 1993 includes a gain of \$5.0 million (\$.06 per share) from the sale of the company's investment in Max Co., Ltd., which was substantially offset by reserves established for the closing of a manufacturing facility of the company's subsidiary, Mac Tools, Inc. The fourth quarter of 1993 includes a charge of \$15.0 million (\$.21 per share) related to the settlement of lawsuits involving a subsidiary, Mac Tools, Inc.

The following trademarks of The Stanley Works appear in this Annual Report: Stanley(R) and the notched rectangle around the Stanley name, the slogan Helps You Do Things Right(R); the design of the Powerlock(R) tape rule case; and the names Bostitch(R), Direct Safety(TM), Goldblatt(R), Jensen(R), Leverlock (R), Mac(R), Mac Tools(R), Magic-Access(TM), Monarch(TM), Mosley-Stone(TM), Nirva(R), Powerlock(R), Proto(R), Sidchrome(R), Steel Plank(TM).

Investor Information

Reliable growth best defines our performance for shareholders. Stanley has provided consistent, excellent value for generations of investors:

* Our Record of annual dividend payments is unmatched by any industrial company listed on the New York Stock Exchange -- 128 consecutive years.

* Our quarterly dividend record is the second longest of any industrial company listed on the New York Stock Exchange -- 399 consecutive quarters

* We have increased dividends in each of the past 28 years, and in that same period, an investment in Stanley stock grew at a compound annual rate of 11.9%

Our company-wide strategies to grow profitably are working, and they are enabling us to provide continued superior value for our shareholders.

Common Stock (Dollars per share)

	Price				Dividends	
	1994		1993		1994	1993
	High	Low	High	Low		
First Quarter	44-7/8	38-5/8	45-7/8	39-1/8	\$.34	\$.33
Second Quarter	42-5/8	36-1/4	47-7/8	39-1/8	.34	.33
Third Quarter	43-7/8	38-1/2	43-1/2	37-7/8	.35	.34
Fourth Quarter	41-3/4	34-7/8	44-1/2	38-3/4	.35	.34
					\$1.38	\$1.34

Annual Meeting

The annual shareholders' meeting of The Stanley Works will be held at 9:30 a.m. on Wednesday, April 19, 1995, in New Britain, Connecticut at the Stanley Center, 1255 Corbin Avenue.

Stock Listing

The Stanley Works is listed in the New York and Pacific Stock Exchanges with the symbol SWK.

Transfer Agent and Registrar

All shareholder inquiries, including transfer-related matters, should be directed to Mellon Securities:

Mellon Securities Trust Company
85 Challenger Road, Overpeck Center
Ridgefield Park, NJ 07660
1-800-228-9541
1-800-231-5469 (TTY -- for the hearing impaired)

For More Information

If you would like a copy of Form 10-K filed with the Securities and Exchange Commission, or additional information about Stanley, please write:

Patricia R. McLean, Mgr., Corp. Communications
The Stanley Works
1000 Stanley Drive
New Britain, CT 06053

["Recycled" logo] Printed on Recycled Paper

[Back Cover]

[Photo of nails used in a power nailer]

EXHIBIT 21

(All subsidiaries are included in the Consolidated Financial Statements of The Stanley Works)

Corporate Name	Jurisdiction of Incorporation
The Stanley Works	Connecticut
The Farmington River Power Company	Connecticut
Mac Tools, Inc.	Ohio
Stanley-Vidmar, Inc.	Connecticut
Stanley-Vidmar Systems, Inc.	Delaware
Stanley Germany Inc.	Delaware
Stanley International Sales, Inc.	Delaware
Stanley Inter-America Distribution Center, Inc.	Delaware
Stanley Foreign Sales Corporation	Virgin Islands
Stanley Works Financial Inc.	Delaware
Stanley Magic-Door, Inc.	Delaware
Stanley Home Automation, Inc.	Delaware
General Rental Co., Inc.	Florida
Taylor Financial Corp.	Nevada
American Brush Company, Inc.	Massachusetts
Jensen Tools, Inc.	Delaware
Wondura Products, Inc.	New Jersey
LaBounty Manufacturing, Inc.	Minnesota
Allied Construction (49%) Equipment, Ltd.	U.K.

EXHIBIT 21

(The Stanley Works)	Jurisdiction of Incorporation
Stanley-Bostitch, Inc.	Delaware
Stanley-Bostitch Holding Corporation	Delaware
Hartco Company	Illinois
The Stanley Works Funding Corporation	Delaware
Stanley Mail Media, Inc.	Delaware
Stanley Canada Inc.	Ontario, Canada
Stanley Acmetrack Limited	Ontario, Canada
Stanley Tools (N.Z.) Ltd.	New Zealand
Ferramentas Stanley Ltda.	Brazil
Herramientas Stanley S.A. de C.V.	Mexico
Herramientas Stanley S.A.	Colombia
Stanley-Bostitch, S.A. de C.V.	Mexico
Stanley Tools SpA	Italy
S.I.C.F.O.-Stanley S.A.	France
Stanley Europe B.V.	Netherlands
Stanley Atlantic, Inc.	Delaware
The Stanley Works Ltd.	U.K.
Mosley-Stone Ltd.	U.K.
Stanley Works (Nederland) B.V.	Netherlands
Stanley Magic-Door Netherlands B.V.	Netherlands

EXHIBIT 21

	Jurisdiction of Incorporation
(The Stanley Works)	
Placements et Rangements	
Nirva S.a.R.L.	France
Societe Civile Immobiliere WAT	France
Stanley Iberica	Spain
Stanley Vaerktoej ApS	Denmark
Stanley Svenska A.B.	Sweden
Suomen Stanley OY	Finland
Bostitch G.m.b.H.	Germany
Friess G.m.b.H.	Germany
Stanley Bostitch S.A.	France
Soc. de Fab. Bostitch S.A. (Simax)	France
Bostitch (Europe) AG	Switzerland
Bostitch AG	Switzerland
S.A. Stanley Works Belgium N.V.	Belgium
Stanley International Holdings Inc.	Delaware
Stanley Pacific Inc.	Delaware/Australia
Stanley-Bostitch Pty. Limited	Australia
The Stanley Works Pty. Ltd.	Australia
Stanley Works Asia Pacific Pte. Ltd.	Singapore
The Stanley Works (Hong Kong) Ltd.	Hong Kong
The Stanley Works Sales (Philippines), Inc.	Philippines

EXHIBIT 21

	Jurisdiction of Incorporation
(The Stanley Works)	
Stanley Tools Ltd.	Taiwan
Chiro Tool Manufacturing Corporation	Taiwan
The Stanley Works (Bermuda) Ltd.	Bermuda
The Stanley Works Japan K.K.	Japan
Stanley Works Ltd.	Thailand
Stanley Tools Poland Ltd. (51%)	Poland
Tona a.s. Pecky (78%)	Czech Republic
Dudley Shearing Sales Limited	U.K.
P.T. Stanley Works Indonesia	Indonesia
Stanley Works Malaysia Sdn. Bhd.	Malaysia
Stanley Fastening Systems Poland Ltd.	Poland

The names of certain subsidiaries have been omitted because such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STANLEY WORKS AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS AND STATEMENT OF EARNINGS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR	
DEC-31-1994	
DEC-31-1994	69,300
	0
	431,200
	20,900
	369,200
	888,500
	1,128,600
	568,800
	1,701,100
421,500	
	387,100
	115,400
0	
	0
	628,800
1,701,100	
	2,510,900
2,510,900	
	1,684,000
	1,684,000
	0
	0
29,000	
	201,800
	76,500
	0
	0
	0
	0
	125,300
	2.80
	0

The Stanley Works 401(k) Savings Plan

Audited Financial Statements
and Supplemental Schedules

Years ended December 31, 1994 and 1993

Contents

Report of Independent Auditors	1
Audited Financial Statements	
Statement of Financial Condition at December 31, 1994	2
Statement of Financial Condition at December 31, 1993	3
Statement of Income and Changes in Plan Equity for the Year Ended December 31, 1994	4
Statement of Income and Changes in Plan Equity for the Year Ended December 31, 1993	5
Notes to Financial Statements	6
Supplemental Schedules	
Assets Held for Investment	12
Transactions or Series of Transactions in Excess of 5% of the Current Value of Plan Assets	13

Report of Independent Auditors

Pension Committee of The Board of Directors
The Stanley Works

We have audited the accompanying statements of financial condition of The Stanley Works 401(k) Savings Plan as of December 31, 1994 and 1993, and the related statements of income and changes in plan equity for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of the Plan at December 31, 1994 and 1993, and its income and changes in plan equity for the years then ended, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets held for investment as of December 31, 1994, and transactions or series of transactions in excess of 5% of the current value of plan assets for the year then ended, are presented for purposes of complying with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, and are not a required part of the financial statements. The supplemental schedules have been subjected to the auditing procedures applied in our audit of the 1994 financial statements and, in our opinion, are fairly stated in all material respects in relation to the 1994 financial statements taken as a whole.

ERNST & YOUNG LLP

Hartford, Connecticut
March 16, 1995

The Stanley Works 401(k) Savings Plan

Statement of Financial Condition
December 31, 1994

	Stanley Stock Fund	Loan Fund	Unallocated Stanley Stock Fund	Total
Assets				
Investments, at current market value:				
The Stanley Works				
Common Stock:				
4,477,105 shares (cost				
\$123,673,967)	\$160,056,504			\$160,056,504
6,200,196 shares (cost				
\$221,522,506)			\$221,657,007	221,657,007
Short-term investments	4,282,565		1,386	4,283,951
	164,339,069		221,658,393	385,997,462
Dividends and interest receivable	1,573,695		2,192,646	3,766,341
Loans to participants		\$8,863,783		8,863,783
	\$165,912,764	\$8,863,783	\$223,851,039	\$398,627,586
Liabilities and plan equity				
Liabilities:				
Due to Retirement Plan for				
Salaried Employees of The				
Stanley works				
	\$159,553			\$159,553
Debt				
Deferred employer contributions	822,907		\$253,018,883	253,018,883
Plan forfeitures	150,082			822,907
	1,132,542		253,018,883	254,151,425
Plan equity/(deficit)	164,780,222	\$8,863,783	(29,167,844)	144,476,161
	\$165,912,764	\$8,863,783	\$223,851,039	\$398,627,586

See accompanying notes.

The Stanley Works 401(k) Savings Plan

Statement of Financial Condition
December 31, 1993

	Stanley Stock Fund	Loan Fund	Unallocated Stanley Stock Fund	Total
Assets				
Investments, at current market value:				
The Stanley Works				
Common Stock:				
3,165,104 shares (cost				
\$77,647,302)	\$140,847,128			\$140,847,128
5,044,086 shares (cost				
\$181,564,822)			\$224,461,827	224,461,827
Short-term investments	1,021,005		7,683	1,028,688
	141,868,133		224,469,510	366,337,643
Dividends and interest receivable	1,073,558		1,724,163	2,797,721
Loans to participants		\$5,500,195		5,500,195
Due from Savings Plan for Hourly Paid Employees of The Stanley Works	157,530			157,530
	\$143,099,221	\$5,500,195	\$226,193,673	\$374,793,089
Liabilities and plan equity				
Liabilities:				
Due to Retirement Plan for Salaried Employees of The Stanley works				
	\$163,434			\$163,434
Debt				
Deferred employer contributions	1,088,466		\$199,879,591	199,879,591
Plan forfeitures	206,022			1,088,466
	1,457,922		199,879,591	201,337,513
Plan equity	141,641,299	\$5,500,195	26,314,082	173,455,576
	\$143,099,221	\$5,500,195	\$226,193,673	\$374,793,089

See accompanying notes.

The Stanley Works 401(k) Savings Plan

Statement of Income and Changes in Plan Equity
Year ended December 31, 1994

	Stanley Stock Fund	Loan Fund	Unallocated Stanley Stock Fund	Total
Investment income:				
Dividends	\$4,864,710		\$7,270,720	\$12,135,430
Interest	94,012	\$386,968	49,083	530,063
	4,958,722	386,968	7,319,803	12,665,493
Net realized and unrealized depreciation in The Stanley Works Common Stock	(32,663,095)		(51,684,810)	(84,347,905)
Contributions:				
Employee	13,509,551			13,509,551
Employer	9,651,498			9,651,498
	23,161,049			23,161,049
Withdrawals:				
In cash	(10,884,570)			(10,884,570)
In The Stanley Works Common Stock	(5,150,919)			(5,150,919)
	(16,035,489)			(16,035,489)
Transfers from Savings Plan for Hourly Paid Employees of The Stanley Works - net	914,625			914,625
Merger of the Savings Plan for Hourly Paid Employees of The Stanley Works	47,986,494	3,661,748	592,742	52,240,984
Transfer from Monarch Mirror Door, Inc.	324,081	6,824		330,905
Transfers to the Retirement Plan Salaried Employees of The Stanley Works	(332,808)			(332,808)
Administrative expenses	(111,805)			(111,805)
Plan forfeitures	(150,082)			(150,082)
Interest expense			(17,314,382)	(17,314,382)
Interfund transfers - net	(4,912,769)	(691,952)	5,604,721	-
Net increase/(decrease)	23,138,923	3,363,588	(55,481,926)	(28,979,415)
Plan equity at beginning of year	141,641,299	5,500,195	26,314,082	173,455,576
Plan equity at end of year	\$164,780,222	\$8,863,783	(\$29,167,844)	\$144,476,161

See accompanying notes.

The Stanley Works 401(k) Savings Plan

Statement of Income and Changes in Plan Equity
Year ended December 31, 1993

	Stanley Stock Fund	Loan Fund	Unallocated Stanley Stock Fund	Total
Investment income:				
Dividends	\$4,188,809		\$6,921,604	\$11,110,413
Interest	41,528	\$384,173	33,853	459,554
	4,230,337	384,173	6,955,457	11,569,967
Net realized and unrealized appreciation in The Stanley Works Common Stock	9,730,283		6,717,900	16,448,183
Contributions:				
Employee	11,294,400			11,294,400
Employer	5,994,747			5,994,747
	17,289,147			17,289,147
Withdrawals:				
In cash	(9,034,982)			(9,034,982)
In The Stanley Works Common Stock	(3,581,491)			(3,581,491)
	(12,616,473)			(12,616,473)
Transfers from Savings Plan for Hourly Paid Employees of The Stanley Works, net	139,047			139,047
Transfers to the Retirement Plan for Salaried Employees of The Stanley Works	(284,789)			(284,789)
Administrative expenses	(120,533)			(120,533)
Plan forfeitures	(206,022)			(206,022)
Interest expense			(16,502,001)	(16,502,001)
Interfund transfers - net	(4,359,983)	(453,672)	4,813,655	0
Net increase/(decrease)	13,801,014	(69,499)	1,985,011	15,716,526
Plan equity at beginning of year	127,840,285	5,569,694	24,329,071	157,739,050
Plan equity at end of year	\$141,641,299	\$5,500,195	\$26,314,082	\$173,455,576

See accompanying notes.

The Stanley Works 401(k) Savings Plan

Notes to Financial Statements

December 31, 1994

1. Description of the Plan

The Stanley Works 401(k) Savings Plan (the "Savings Plan"), formerly known as the Savings Plan for Salaried Employees of The Stanley Works (the "Salaried Plan"), operates as a leveraged employee stock ownership plan, is designed to comply with the Internal Revenue Code of 1986, as amended, and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended. The Savings Plan is a defined contribution plan for eligible United States salaried and hourly paid employees of The Stanley Works (the "Company").

Effective October 1, 1994, the Savings Plan for Hourly Paid Employees of The Stanley Works (the "Hourly Plan") was merged into the Salaried Plan and renamed The Stanley Works 401(k) Savings Plan. The Savings Plan assumed all assets and obligations of the Hourly Plan. (See Note 6)

Each year, participants may contribute, through pre-tax payroll deductions, generally up to 12% of their compensation, as defined in the Savings Plan Agreement. Such contributions are matched by the Company in an amount equal to 50% of the participant's contribution up to a maximum of 3 1/2% of participant's compensation. Effective January 1, 1995 the Savings Plan was amended to allow participants to contribute up to 15% of their compensation, as defined.

Participant and Company contributions are invested in the Stanley Stock Fund with a guarantee, which, if necessary, is satisfied by the Retirement Plan for Salaried Employees of The Stanley Works or by the Pension Plan for Hourly Paid Employees of The Stanley Works, that the investment return on such stock acquired with employee contributions will not be less than an investment return based on two-year U.S. Treasury notes.

Employees are fully vested as to amounts in their savings accounts attributable to their own contributions and earnings thereon and amounts transferred from the other qualified plans on their behalf. All participants are vested in 100% of the value of the Company matching contributions made on their behalf after five years of service, with no vesting in the matching contributions during the first through fifth years of service.

The Stanley Works 401(k) Savings Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

The assets of the Savings Plan are held in trust by an independent corporate trustee, State Street Bank and Trust Company (the "Trustee") pursuant to the terms of a written Trust Agreement between the Trustee and the Company.

Benefits generally are distributed upon termination of employment. Normally, a lump-sum distribution is made in cash or shares of the Company's Common Stock (hereinafter referred to as Common Stock, Stanley Stock, or shares), at the election of the participant, from the Stanley Stock Fund.

During active employment, subject to financial hardship rules, participants may withdraw, in cash only, all or a portion of vested amounts in their accounts.

Participants may borrow from their savings account up to an aggregate amount equal to the lesser of \$50,000 or 50% of the value of their vested interest in such accounts with a minimum loan of \$1,000. The \$50,000 loan amount limitation is reduced by the participant's highest outstanding loan balance during the 12 months preceding the date the loan is made. Each loan is evidenced by a negotiable promissory note bearing a rate of interest equal to the prime rate as reported in The Wall Street Journal on the first business day of the month immediately preceding the calendar quarter during which the loan was made, which is payable, through payroll deductions, over a term of not more than five years. Participants are allowed ten years to repay the loan if the proceeds are used to purchase a principal residence. Only one loan per participant may be outstanding at any time.

If a loan is outstanding at the time a distribution becomes payable to a participant (or beneficiary), the distribution is made net of the loan outstanding, and the distribution shall fully discharge the Savings Plan with respect to the participant's account value attributable to the outstanding loan balance.

The Savings Plan borrowed \$54,500,000 in 1989 from a group of financial institutions and \$153,500,000 in 1991 from the Company (see Notes 3 and 4) to acquire 1,683,213 and 4,134,680 shares, respectively, of Common Stock from the Company's treasury and previously unissued shares. In addition, the former Hourly Plan borrowed \$40,500,000 in 1989 and \$26,500,000 in 1991 to acquire 1,250,831 and 713,804 shares, respectively. The shares purchased from the proceeds of the loans were placed in the Unallocated Stanley Stock Fund (the "Unallocated Fund").

The Stanley Works 401(k) Savings Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Under the 1989 loan agreement, the Company guaranteed the loan and is obligated to make annual contributions sufficient to enable the Plan to repay the loan plus interest.

The Unallocated Fund makes monthly transfers of shares, in accordance with The Savings Plan provisions, to the Stanley Stock Fund in return for proceeds equivalent to the average fair market value of the shares for the month subsequent to the last transfer. These proceeds, along with dividends received on allocated and unallocated shares and additional Company contributions, if necessary, are used to make monthly payments of principal and interest on the debt. As dividends on the allocated shares are applied to the payment of debt service, a number of shares having a fair market value at least equal to the amount of the dividends so applied are allocated to the savings accounts of participants who would otherwise have received cash dividends. The excess of unallocated dividends over the amount necessary for principal and interest along with forfeitures of nonvested employee accounts are used to reduce future Company matching contributions.

The fair market value of shares released from the Unallocated Fund pursuant to loan repayments made during any year may exceed the total of employee contributions and Company matching contributions for that year. If that occurs, all participants who made contributions at any time during that year and who are employed by the Company on the last day of that year receive, on a pro rata basis, such excess value as an additional allocation of Stanley Stock for that year.

Each participant is entitled to exercise voting rights attributable to the shares allocated to their account. The Trustee is not permitted to vote participant shares for which instructions have not been given by the participant. Shares in the Unallocated Fund are voted by the Trustee in the same proportion as allocated shares.

The Company reserves the right to terminate the Savings Plan at any time, subject to its provisions. Upon such termination of the Savings Plan, the interest of each participant in the trust fund will become vested and be distributed to such participant or his or her beneficiary at the time prescribed by the Savings Plan terms and the Internal Revenue Code.

The Stanley Works 401(k) Savings Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

The Savings Plan sponsor has engaged William Mercer, Inc., to maintain separate accounts for each participant. Such accounts are credited with each participant's contributions, the allocated portion of the Company's matching contributions, related gains, losses and dividend income, and loan activity. William Mercer, Inc. replaced The Wyatt Company effective October 1, 1994.

There were 9,111 and 4,547 participants (8,508 and 4,002 of whom were active employees) in the plan as of December 31, 1994 and 1993, respectively, of whom 2,234 and 1,127, respectively, had loans outstanding.

At December 31, 1994 and 1993, benefits payable to terminated vested participants amounted to \$2,008,532 and \$1,402,969, respectively.

2. Significant Accounting Policies

Investments

The Savings Plan investments consist primarily of shares of Stanley Stock. Stanley Stock is traded on a national exchange and is valued at the last reported sales price on the last business day of the plan year. Short-term investments consist of short-term bank-administered trust funds which earn interest daily at rates approximating U.S. Government securities; cost approximates market value.

Dividend Income

Dividend income is accrued on the ex-dividend date.

Gains or Losses on Sales of Investments

Gains or losses realized on the sales of investments are determined based on average cost.

Expenses

Administrative expenses not paid by the Company are paid by the Savings Plan.

The Stanley Works 401(k) Savings Plan
Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 1993 financial statements have been reclassified to conform to the 1994 presentation.

3. Debt

Debt consisted of the following at December 31:

	1994	1993
Notes payable in monthly installments to 2001 with interest at 7.71%	\$ 74,777,497	\$ 47,496,679
Notes payable to the Company in monthly installments to 2026 with interest at 8.3%	178,241,386	152,382,912
	\$253,018,883	\$199,879,591

The scheduled maturities of debt for the next five years are as follows: 1995--\$9,548,000; 1996--\$9,496,000; 1997--\$10,211,000; 1998--\$11,067,000; and 1999--\$11,994,000.

The notes payable to the Company are secured by shares held in the Unallocated Stock Fund. The number of shares held as security is reduced as shares are released to Stanley Stock Fund pursuant to principal and interest payments. During the year 117,219 shares were released and at December 31, 1994, 4,375,737 shares are pledged as security.

Payment of the Savings Plan's debt has been guaranteed by the Company. Should the principal and interest due exceed the dividends paid on shares in the Stanley Stock and Unallocated Stock Funds, and employee and Company matching contributions, the Company is responsible for funding such shortfall.

The Stanley Works 401(k) Savings Plan

Notes to Financial Statements (continued)

4. Transactions with Parties-in-Interest

Fees paid during 1994 and 1993 for management and other services rendered by parties-in-interest were based on customary and reasonable rates for such services. The majority of such fees were paid by the Company. Fees incurred and paid by the Savings Plan during 1994 and 1993 were \$110,855 and \$120,533, respectively.

In 1991, the Savings Plan borrowed \$153,500,000 from the Company, the proceeds of which were used to purchase 4,134,680 shares of stock from the Company. In addition, the former Hourly Plan borrowed \$26,500,000 from the Company to purchase 713,804 shares. The Savings Plan made \$15,263,135 of principal and interest payments related to such debt in 1994; at December 31, 1994, \$178,241,386 was outstanding on such debt.

5. Income Tax Status

The Internal Revenue Service has ruled that the Savings Plan and the trust qualify under Sections 401(a) and 401(k) of the Internal Revenue Code (IRC) and are therefore not subject to tax under present income tax law. Once qualified, the Savings Plan is required to operate in accordance with the IRC to maintain its qualification. The Pension Committee is not aware of any course of action or series of events that have occurred that might adversely affect the Savings Plan's qualified status.

6. Plan Merger

Effective October 1, 1994, the Finance and Pension Committee of the Board of Directors of the Company adopted an amendment to merge the Savings Plan for Hourly Paid Employees of The Stanley Works into the Savings Plan for Salaried Employees of The Stanley Works to form a single leveraged employee stock ownership plan within the meaning of the Internal Revenue Code section 4975 (e) (7) known as The Stanley Works 401(k) Savings Plan.

The Savings Plan assumed all assets and obligations of the Hourly Plan, and vesting rights of participants under the Hourly Plan were unaffected.

The Stanley Works 401(k) Savings Plan

Assets Held for Investment

December 31, 1994

Identity of Issue, Borrower, Lessor or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Par or Maturity Value	Cost	Current Value
Common Stock:			
The Stanley Works*	10,677,301 shares of Common Stock	\$345,196,473	\$381,713,511
Trust Fund:			
State Street Bank and Trust Company* (GSTIF)	Short-Term Investment Fund- United States Government securities	3,956,417	3,956,417
State Street Bank and Trust Company*	Short-Term Investment Fund- Yield Plus Fund	324,184	324,184
State Street Bank and Trust Company* (STIF)	Short-Term Investment Fund- Pooled Bank Fund	3,350	3,350
Loans to participants	Promissory notes at prime rate with maturities of five years or ten years	8,863,783	8,863,783
Total Investments		\$358,344,207	\$394,861,245

* Indicates party-in-interest to the Plan.

The Stanley Works 401(k) Savings Plan

Transactions or Series of Transactions in Excess of 5% of the Current Value of Plan Assets

Year Ended December 31, 1994

Identity of Party Involved Category (iii) - Series of transactions in excess of 5 percent of plan assets	Purchase Description of Assets	Selling Price	Lease Price	Rental	Expenses Incurred with Transaction	Cost of Asset	Current Value of Asset on Transaction Date	Net Gain (Loss)
State Street Bank and Trust Company*	Short-Term Investment Fund-United States Government Securities					\$24,937,573	\$24,937,573	
State Street Bank and Trust Company*	Short-Term Investment Fund-United States Government Securities		\$23,277,646			23,277,646	23,277,646	
The Stanley Works*	132,262 shares of The Stanley Works Common Stock					4,383,422	4,383,422	
The Stanley Works*	303,954 shares of The Stanley Works Common Stock		10,872,958			8,105,318	10,872,958	\$2,767,840

There were no category (i), (ii) or (iv) reportable transactions during 1994.

* Indicates party-in-interest to the Plan.