

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 30, 1995

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

(860) 225-5111  
(REGISTRANT'S TELEPHONE NUMBER)  
SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Common Stock--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 20, 1996 was approximately \$ 2.45 billion. As of March 20,  
1996, there were 44,214,043 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 30, 1995 are incorporated by reference into Parts I and II.

Portions of the definitive Proxy Statement dated March 6, 1996, filed with the Commission pursuant to Regulation 14A, are incorporated by reference into Part III.

## Part I

## Item 1. Business

1(a) Introduction. (i) General. The Stanley Works ("Stanley" or the "Company") was founded in 1843 by Frederick T. Stanley and incorporated in 1852. Stanley is a worldwide manufacturer and marketer of tools, hardware and specialty hardware offering a wide range of products for home improvement, consumer, industrial and professional use. Stanley(R) is a brand recognized around the world for quality and value.

In 1995, Stanley had net sales of \$2.6 billion and employed approximately 19,000 people worldwide. The Company's principal executive office is located at 1000 Stanley Drive, New Britain, Connecticut 06053 and its telephone number is (860) 225-5111.

(ii) Strategic Restructuring. In July 1995, the Company announced a multi-year restructuring program involving a fundamental review of the Company's business units, product lines and how the Company operates, and established goals for both restructuring and growth. The restructuring goal includes the reduction of \$150 million from the Company's cost structure (half of which is targeted for reinvestment in the business) as well as a \$250 million reduction in working capital and other assets by the year 1997. The growth goal is to achieve net sales of \$4 billion in 1999.

The Company has developed several key strategies to meet these goals. The Company is currently evaluating all of its businesses and product lines to determine their full potential. The Company intends to eliminate businesses, product categories and product lines that are not performing. There is now greater corporate involvement in setting and achieving operational goals and the Company has made the sharing of resources a top priority company-wide. In order to meet the goal for profitable growth, the Company is focusing on maintaining and strengthening relationships with its key customers and is looking to increase sales to international markets with a target of 40% of sales and profits coming from these markets. Lastly, the Company has recognized that it needs to fill key positions with the most talented people from both inside and outside the Company.

1(b) Industry Segment Information. Financial information regarding the Company's industry segments is incorporated herein by reference from page 17 of the Company's Annual Report to shareholders for the year ended December 30, 1995.

1(c) Narrative Description of Business. The Company's operations are classified into three industry segments: Tools, Hardware and Specialty Hardware.

Tools. The Tools segment manufactures and markets consumer, industrial and engineered tools. Consumer tools includes hand tools such as measuring instruments, planes, hammers, knives and blades, 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 STANLEY-BOSTITCH(R) fastening tools and fasteners used for commercial, industrial, construction, packaging and consumer use; hydraulic tools (these are hand-held hydraulic tools used by contractors, utilities, railroads and public works as well as mounted demolition hammers and compactors designed to work on skid steer loaders, mini-excavators, backhoes and large excavators); and air tools (these are high performance, precision assembly tools, controllers and systems for tightening threaded fasteners used chiefly by vehicle manufacturers).

Hardware. The hardware segment manufactures and markets hardware products ranging from hinges, hasps, shelf brackets, bolts, latches to a line of closet organizing systems and mirrored closet doors, door hardware and wall mirrors.

Specialty Hardware. The specialty hardware segment manufactures and markets residential insulated steel and reinforced fiberglass entrance door systems, sectional roll up steel garage doors, automatic doors, remote control garage door openers and electronic controls.

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

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 1995, the Company invested approximately \$87 million in facilities, new equipment, technology and software 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 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 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 hand-held 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 entrance 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 actions being taken in connection with one of the five key initiatives of the Company's Restructuring Program, the initiative to enhance customer relationships will help to preserve and strengthen these relationships. These actions include: developing special partnership teams, coordinating the Company's customer support systems to provide a wide variety of

services from one source in the Company and improving logistics by consolidating order fulfillment and distribution centers of the Company's consumer products and centralizing credit services.

**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 3, 1996, the Company had approximately \$137 million in unfilled orders compared with \$155 million in unfilled orders at February 4, 1995. 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 the Company's business is dependent, to any significant degree, on patents, licenses, franchises or concessions and the loss of such patents, licenses, franchises or concessions would not have a material adverse effect on any segment. The Company owns numerous patents, none of which are material to the Company's operations as a whole. These patents expire from time to time over the next 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 quality and value and are among the world's most trusted brand names. 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 nine Superfund sites. Current laws potentially impose joint and several liability upon each PRP. In assessing its potential liability at these sites, the Company has considered the following: the solvency of the other PRP's, whether responsibility is being disputed, the terms of existing agreements, experience at similar sites, and the fact that its volumetric contribution at these sites is relatively small.

The Company's policy is to accrue environmental investigatory and remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The amount of liability recorded is based on an evaluation of currently available facts with respect to each individual site and includes such factors as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. The liabilities recorded do not take into account any claims for recoveries from insurance or third parties. As of December 30, 1995, 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 1995, the Company had approximately 19,000 employees, approximately 13,000 of whom were employed in the U.S. Of these U.S. employees, approximately 21% are covered by collective bargaining agreements with approximately 11 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 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 17 of the Annual Report to shareholders for the year ended December 30, 1995 is incorporated herein by reference.

#### Item 2. Properties.

As of December 30, 1995, Registrant and its subsidiaries owned or leased facilities for manufacturing, distribution and sales offices in 29 states and 34 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, Manchester 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.

In March 1993, the U.S. Environmental Protection Agency issued a Notice of Violation and Reporting Requirement to the Company's wholly-owned subsidiary Stanley-Bostitch, Inc. alleging violation of Air Pollution Control Regulation No. 15 and source specific requirements of the Rhode Island state implementation plan and the Clean Air Act at the Stanley-Bostitch facility in East Greenwich, Rhode Island. In November 1993, the U.S. Environmental Protection Agency issued a Notice of Violation and Draft Administrative Order to Stanley-Bostitch alleging violation of Air Pollution Control Regulation No. 9 of the Rhode Island state implementation plan and the Clean Air Act at the Stanley Bostitch facility in East Greenwich, Rhode Island. The violations have been corrected and these matters were settled for \$225,000 on January 12, 1996.

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 -----
R.H. Ayers (53) (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.W. Bennett(52) (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.B. Gustafson (52) (5/10/43)	Vice President, Information Systems. Joined Stanley in 1977; 1986 Director of Information Systems.	1/1/90
R. Huck (51) (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 (49) (12/15/46)	President and Chief Operating Officer. Joined Stanley in 1974; 1987 Vice President, Finance and Chief Financial Officer.	7/1/93
T.E. Mahoney (54) (3/20/42)	Vice President, Marketing Development and President and General Manager of Stanley Customer Support Division. Joined Stanley in 1965; 1988 President and General Manager, National Hand Tools business unit; 1992 President and General Manager, Stanley Hardware.	6/5/95
P.W. Russo (42) (5/22/53)	Vice President, Strategy and Development. Joined Stanley in 1995; 1991 Co-Chairman and Co-Chief Executive Officer, SV Corp. (formerly Smith Valve Corp.); 1988 Co-founder and Managing Director, Cornerstone Partners Limited.	9/18/95
S.S. Weddle (57) (11/9/38)	Vice President, General Counsel and Secretary. Joined Stanley in 1978.	1/1/88

T. F. Yerkes (40) (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
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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 line item "Shareholders of record at end of year" from pages 18 and 19 and the material captioned "Investor Information" on page 37 of its Annual Report to shareholders for the year ended December 30, 1995.

Item 6. Selected Financial Data. Registrant incorporates by reference pages 18 and 19 of its Annual Report to shareholders for the year ended December 30, 1995.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. Registrant incorporates by reference pages 20 through 23 of its Annual Report to shareholders for the year ended December 30, 1995.

Item 8. Financial Statements and Supplementary Data. The consolidated financial statements and report of independent auditors included on pages 24 to 36 and page 16, respectively, of the Annual Report to shareholders for the year ended December 30, 1995 are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure. None.

#### Part III

Item 10. Directors and Executive Officers of the Registrant. Registrant incorporates by reference pages 2 through 6 of its definitive Proxy Statement, dated March 6, 1996.

Item 11. Executive Compensation. Registrant incorporates by reference the last paragraph of "Information Concerning Directors Continuing in Office" on page 6 and the material captioned "Executive Compensation" on pages 8 through 15

of its definitive Proxy Statement, dated March 6, 1996.

Item 12. Security Ownership of Certain Beneficial Owners and Management. Registrant incorporates by reference the material captioned "Security Ownership" on pages 6 and 7 of its definitive Proxy Statement, dated March 6, 1996.

Item 13. Certain Relationships and Related Transactions. None.

## PART IV

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

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

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

The response to this portion of Item 14 is submitted as a separate section of this report (see page F-1).

3. Exhibits

See Exhibit Index on page E-1.

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

Date of Report -----	Items Reported -----
October 5, 1995	Press release, dated October 5, 1995, announcing the Company's plans to close a manufacturing plant. Press Release, dated October 9, 1995 announcing the Company's initial phase of restructuring.
October 18, 1995	Press release dated October 18, 1995 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

February 28, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 28, 1996 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

Eileen S. Kraus  
-----  
Eileen S. Kraus, 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

Mannie L. Jackson  
-----  
Mannie L. Jackson, Director

Walter W. Williams  
-----  
Walter W. Williams, Director

James G. Kaiser  
-----  
James G. Kaiser, Director

FORM 10-K--ITEM 14(a) (1) and (2)

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 30, 1995, are incorporated by reference in Item 8:

Report of Independent Auditors

Consolidated Statements of Earnings--fiscal years ended December 30, 1995, December 31, 1994 and January 1, 1994.

Consolidated Balance Sheets--December 30, 1995 and December 31, 1994.

Consolidated Statements of Cash Flows--fiscal years ended December 30, 1995, December 31, 1994 and January 1, 1994.

Consolidated Statements of Changes in Shareholders' Equity--fiscal years ended December 30, 1995, December 31, 1994 and January 1, 1994.

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.

F-1

## 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, 1996, included in the 1995 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, 1996, 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)  
Registration Statement (Form S-8 No. 33-62565)  
Registration Statement (Form S-8 No. 33-62567)  
Registration Statement (Form S-8 No. 33-62575)

ERNST & YOUNG LLP

Hartford, Connecticut  
March 22, 1996

## 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 22, 1996, with respect to the financial statements and schedules of The Stanley Works 401(k) Savings Plan for the year ended December 31, 1995 included as Exhibit 99(i) to this Annual Report (Form 10-K) for the fiscal year ended December 30, 1995.

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 22, 1996

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

Fiscal years ended December 30, 1995, December 31, 1994, and January 1, 1994 (In Millions of Dollars)

COL. A	COL. B	COL. C		COL. D	COL. E
Description	Balance at	Additions		Deductions	Balance
	Beginning	(1)	(2)		
	Of Period	Charged to Costs	Charged to Other	-Describe	of Period
		and Expenses	Accounts-Describe		
Fiscal year ended December 30, 1995					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts:					
Current	\$20.9	\$9.7	\$0.3 (B)	\$12.8 (A)	\$18.2
Noncurrent	0.5	0.3	0.1 (C)		0.8
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	\$6.0 (B)	\$18.4 (A)	\$24.8
Noncurrent	0.0		1.6 (C)		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 July 1, 1995)
- (ii) By-laws (incorporated by reference to Exhibit (3)(i) to Annual Report on Form 10-K for the year ended December 31, 1994)
- (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) Rights Agreement, dated January 31, 1996 (incorporated by reference to Exhibit (4)(i) to Current Report on Form 8-K dated January 31, 1996)
- (iv) Facility A (364 Day) Credit Agreement, dated as of October 25, 1995, with the banks named therein and Citibank, N.A. as agent
- (v) Facility B (Five Year) Credit Agreement, dated as of October 25, 1995, with the banks named therein and Citibank, N.A. as agent

- (10) (i) Executive Agreements (incorporated by reference to Exhibit 10(i) to Annual Report on Form 10-K for year ended January 3, 1987)\*
- (ii) Deferred Compensation Plan for Non-Employee Directors as amended January 31, 1996 (incorporated by reference to Exhibit 10(i) to Current Report on Form 8-K dated January 31, 1996)\*
- (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 effective January 1, 1996\*
- (v) Deferred Compensation Plan for Participants in Stanley's Management Incentive Plan effective January 1, 1996\*
- (vi) Restated Supplemental Retirement and Savings Plan for Salaried Employees of The Stanley Works effective as of January 1, 1996\*
- (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 (incorporated by reference to Exhibit 10(viii)(a) to Annual Report on Form 10-K for year ended December 31, 1994)
- (ix) Loan and Guarantee Agreement dated as of June 6,
- \* Management contract or compensation plan or arrangement

1989 among The Stanley Works Savings and Retirement Trust, The Stanley Works and Wachovia Bank and Trust Company, N.A., Massachusetts Mutual Life Insurance Company, The Lincoln National Life Insurance Company, First Penn Pacific Life Insurance Company, Security-Connecticut Life Insurance Company-Universal Life, Lincoln National Life Reinsurance Company and American States Life Insurance Company-Universal Life (incorporated by reference to Exhibit (10)(ii) to Quarterly Report on Form 10-Q for quarter ended July 1, 1989)

(a) First Amendment to Loan and Guarantee Agreement dated as of February , 1993 (incorporated by reference to Exhibit 10(ix)(a) to Annual Report on Form 10-K for year ended December 31, 1994)

- (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 (incorporated by reference to Exhibit 10(x) to Annual Report on Form 10-K for year ended December 31, 1994)
- (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 thereof, 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)
  - (a) First Amendment to Receivables Purchase Agreement, dated as of December 20, 1995, among The Stanley Works, Stanley Mechanics Tools, Inc. (formerly known as Mac Tools, Inc.), Stanley-Bostitch, Inc. and the Purchasers listed on the signature pages thereof and Wachovia Bank of Georgia, N.A. as Agent
- (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)
- (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 (incorporated by reference to Exhibit 10(xiii) to the Annual Report on Form 10-K for the year ended December 31, 1994)\*
- (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 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 Nonemployee Directors (incorporated by reference to Exhibit 10(xvii) to the Annual Report on Form 10-K for the year ended December 31, 1994)\*
- (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 30, 1995
- (21) Subsidiaries of Registrant
- (23) Consents of Independent Auditors (at page F-2 and F-3)

\* Management contract or compensation plan or arrangement

- (27) Financial Data Schedule
- (99) (i) Financial Statements and report of independent auditors for the year ended December 31, 1995, 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)

FACILITY A (364 DAY) CREDIT AGREEMENT

dated as of October 25, 1995

between

THE STANLEY WORKS

as Borrower

and

THE INITIAL LENDERS NAMED HEREIN

as Initial Lenders

and

CITIBANK, N.A.

as Agent

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## FACILITY A (364 DAY) CREDIT AGREEMENT

This Facility A (364 Day) Credit Agreement (as amended, supplemented or otherwise modified from time to time, the "Agreement") is made as of this 25th day of October, 1995 between THE STANLEY WORKS, a Connecticut corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, and CITIBANK, N.A. ("Citibank"), as agent (the "Agent") for the Lenders (as hereinafter defined).

## W I T N E S S E T H

WHEREAS, the Borrower and Citibank, Shawmut Bank Connecticut, N.A., Mellon Bank, N.A., Wachovia Bank of Georgia, N.A., Royal Bank of Canada, New York Branch, Banque Nationale de Paris and Barclays Bank PLC are each parties to a Credit Agreement, dated as of November 15, 1994 (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, their respective Existing Credit Agreement 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 (as defined in and issued under the Existing Credit Agreements).

WHEREAS, State Street Bank and Trust desires to become a party to this Agreement.

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

NOW THEREFORE, in consideration of the foregoing and the mutual promises and covenants contained herein the Borrower and the Initial Lenders 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 (other than the ESOP) who is or becomes the beneficial owner, directly or indirectly, of 10% or more of the Borrower's outstanding common stock.

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

"Agent's Account" means the account of the Agent maintained by the Agent at Citibank with its office at 7th Floor, Zone 1, One Court Square, Long Island City, New York, 11120, Account No. 36852248, Attention: Mr. John Makrinos.

"Applicable Eurodollar Margin" means, with respect to any Interest Period for each Eurodollar Rate Advance, (i) .2800% 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 & Poor's") and A3 or higher by Moody's Investors Service, Inc. ("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 .0700% 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 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 Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance and, in the case of an Uncommitted Advance, the office of such Lender notified by such Lender to the Agent and the Borrower as its Applicable Lending Office with respect to such Uncommitted Advance.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit I hereto.

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

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

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

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

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

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

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

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

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

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

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

"Commitment" means, with respect to any Lender, the amount specified opposite such Lender's name on the signature pages hereof or, if such Lender has entered into any Assignment and Acceptance, set forth for such Lender in the Register maintained by the Agent pursuant to Section 8.07(d), as such amount may be reduced pursuant to Section 2.01(b).

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

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

"Committed Note" means a promissory note of the Borrower payable to the order of any Lender, in substantially the form of Exhibit A hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the Committed Advances made by such Lender.

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

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

"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).

"Contingent Obligation" as to any Person means any obligation of such Person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of such primary obligation

against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

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

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

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

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

"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.

"ESOP" means The Stanley Works 401(k) Savings Plan or any successor plan.

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

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

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

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

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

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

"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).

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

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

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

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

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

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

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

"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.

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

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

(i) the Borrower may not select any Interest Period which ends after the Termination Date;

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

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

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

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

(vi) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Committed Borrowing or for Fixed Rate

Advances or Floating Rate Advances comprising part of the same Uncommitted Borrowing shall be of the same duration.

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

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

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

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

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

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

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

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

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

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

"Other Taxes" has the meaning provided in Section 2.10.

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

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

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

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

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

(iii) hereafter become the responsibility of the Borrower or a member of its ERISA Controlled Group,

including any such plans as may have been, or may hereafter be, terminated for whatever reason.

"Principal Property" means all real property and tangible personal property constituting a manufacturing plant owned by the Borrower or any of its Subsidiaries, exclusive of (i) motor vehicles, mobile materials handling equipment and other rolling stock, (ii) office furnishings and equipment, information and electronic data processing equipment, (iii) any property financed through obligations issued by a state, territory or possession of the United States, or any political subdivision or instrumentality of the foregoing, on which the interest cannot, in the opinion of tax counsel of recognized standing or in accordance with a ruling issued by the Internal Revenue Service, be included in gross income of the holder under Section 103(a)(1) of the Internal Revenue Code (or any successor to such provision) as in effect at the time of the issuance of such obligations, (iv) any real property held for development or sale, or (v) any property and equipment included therein without deduction of any depreciation reserves which is less than 10% of Consolidated Net Tangible Assets or which the Board of Directors of the Borrower determines is not material to the operation of the business of the Borrower and its Subsidiaries taken as a whole.

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

"Pro Rata Share" means, with respect to any Lender, the percentage corresponding to the fraction the numerator of which shall be the amount of the Commitment

of such Lender and the denominator of which shall be the aggregate amount of the Commitments of all Lenders.

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

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

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

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

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

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

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

"Taxes" has the meaning provided in Section 2.10.

"Termination Date" means the earlier of the date that is 364 days after the date hereof or the date of termination in whole of the Commitments pursuant to Section 2.01(b) or 6.01.

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

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

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

"Uncommitted Note" means a promissory note of the Borrower payable to the order of any Lender, in substantially the form of Exhibit D hereto, evidencing the indebtedness of the Borrower to such Lender resulting from the Uncommitted Advances made by such Lender.

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

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

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

SECTION 2.02. Making the Committed Advances. (a) Determination of Eurodollar Rate. The Borrower may request the Reference Bank, no earlier than 9:00 A.M. (New York City time) and no later than 11:00 A.M. (New York City time) on the third Business Day before a proposed Eurodollar Rate Advance, to notify the Borrower of the Eurodollar Rate that would be applicable to a Committed Advance in the principal amount and with the Interest Period as described by the Borrower in such request, which request shall be substantially in the form of Exhibit 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 Lenders absent manifest error.

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

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

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

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

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

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

(d) Effect of Failure to Fulfill Conditions. Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Committed Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Committed Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding anticipated profits), cost or expense reasonably incurred by reason of the liquidation or reemployment of deposits or other funds

acquired by such Lender to fund the Committed Advance to be made by such Lender as part of such Committed Borrowing when such Advance, as a result of such failure, is not made on such date, such indemnity to be paid promptly upon receipt by the Borrower of a certificate of such Lender setting forth the calculation of the amount of the indemnity claimed by such Lender.

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

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

SECTION 2.03. Fees. (a) Facility Fee. The Borrower agrees to pay to the Agent for the account of each Lender a facility fee on the aggregate amount of such Lender's Commitment from the date hereof in the case of each Initial Lender and from the effective date specified in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date at the Applicable Facility Fee Rate, payable quarterly in arrears on the last day of each March, June, September and December during the term hereof and on the Termination Date. All computations of the facility fee shall be based on a year of 365 or 366 days, as the case may be.

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

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

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

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

SECTION 2.05. Interest on Advances. The Borrower shall pay interest on the unpaid principal amount of each Advance owing to each Lender from the date 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 in arrears quarterly on the last Business Day of each fiscal quarter during the period such Base

Rate Advance remains outstanding and on the date such Base Rate Advance shall be paid in full;

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

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

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

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

SECTION 2.06. Additional Interest on Eurodollar Rate Advances.

The Borrower shall pay to each Lender, during each period as such Lender shall be required under regulations of the Federal Reserve Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar Rate Advance of such Lender outstanding during such

period, from the later of the date such reserves are required and the making of such Advance until the earlier of the date such reserves are no longer required and such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the Interest Period applicable to such Advance from (ii) the rates obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the average Eurodollar Rate Reserve Percentage of such Lender during such period, payable on each date on which interest is payable on such Advance. Such Lender shall determine the amount of such additional interest, if any, and promptly notify the Borrower through the Agent of the amount thereof.

SECTION 2.07. Repayment and Prepayment of Advances. (a) The Borrower shall repay to the Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the Committed Advances then outstanding and shall repay to the Agent for the account of the Lenders to which Uncommitted Advances comprising part of the same Borrowing are owing the aggregate principal amount of such Uncommitted Advances then outstanding on the last day of the Interest Period with respect thereto. The Borrower shall have no right to prepay any principal amount of any Advances other than as provided in this Section 2.07. The Borrower may, upon at least two Business Days' notice to the Agent stating the proposed date and principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amount of the Committed Advances comprising part of the same Committed Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that each partial prepayment shall be in the aggregate principal amount of at least \$10,000,000 or a larger whole multiple of \$1,000,000 and, in the case of a payment or prepayment of a Eurodollar Rate Advance other than on the last day of the Interest Period for such Advance as provided herein, shall have the consequences set forth in Section 8.04(b).

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

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

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

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

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

(b) Setoff. The Borrower hereby authorizes each Lender, if and to the extent payment owed to such Lender is not made when due hereunder or under the Note or Notes held by such Lender, to charge from time to time against any or all of the Borrower's accounts with such Lender any amount so due.

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

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

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

(f) Rate Information. The Reference Bank shall notify the Borrower and the Agent of the Base Rate in effect on the first Business Day on which a Base Rate or Floating Rate Advance is outstanding and each day on which a change in the Base Rate occurs, each in sufficient detail to enable the Borrower to calculate interest payments hereunder with respect to Base Rate Advances and Floating Rate Advances, and shall provide such information to any Lender promptly upon its request. The Borrower will provide to each 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 or under the Notes shall be made in accordance with Section 2.09, free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, not in effect or not imposed on the date of this Agreement; excluding, in the case of each Lender and the Agent, taxes imposed on its income, and franchise taxes imposed on it by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes").

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

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

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

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

SECTION 2.11. Evidence of Debt. The Committed Advances owing to each Lender shall be evidenced by the Committed Note to the order of such Lender and the Uncommitted Advances owing to each Lender shall be evidenced by the Uncommitted Note to the order of such Lender, in each case delivered to such Lender pursuant to Article III. The entries made in each Committed Note and each Uncommitted 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, including, without limitation, for the acquisition of Margin Stock.

SECTION 2.13. Uncommitted Advances. (a) The Uncommitted Advances Option. In addition to Committed Advances pursuant to Section 2.01, the Borrower may, as set forth in this Section 2.13, request the Lenders to make offers to make Uncommitted Advances to the Borrower. Each Lender may, but shall have no obligation to, make such offers and the Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in this Section 2.13; provided that, following the making of each Uncommitted Borrowing, the aggregate amount of the Advances then outstanding shall not exceed the aggregate amount of the Commitments of the Lenders (computed without regard to any Uncommitted Advances then outstanding). The Uncommitted Advances may be Floating Rate Advances or Fixed Rate Advances.

(b) Quote Request. When the Borrower wishes to request offers to make Uncommitted Advances as part of an Uncommitted Borrowing, it shall transmit to the Agent, by telecopier or telex, 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 Agent shall in turn promptly notify each Lender of each request for an Uncommitted Borrowing received by it from the Borrower by sending such Lender a copy of the related Quote Request. The Borrower may request offers to make Uncommitted Advances for more than one Interest Period in a single Quote Request. No Quote Request shall be given within five Business Days of any other Quote Request.

(c) Submission and Contents of Quotes. (i) Each Lender may but shall not be required to submit a Quote containing an offer or offers to make an Uncommitted Advance as part of a proposed Uncommitted Borrowing in response to any Quote Request. Each Quote must comply with the requirements of this Section 2.13(c) and must be submitted to the Agent (which shall give prompt notice thereof to the Borrower) in writing (including by telecopy) no later than (A) 11:00 A.M. (New York City time) on the third Business Day prior to the proposed date of borrowing in the case of a Fixed Rate Auction or (B) 11:00 A.M. (New York City time) on the Business Day immediately preceding the proposed date of borrowing, in the case of a Floating Rate Auction; provided that if the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer at least 30 minutes before the time and on the date on which notice of such election is to be given to the Agent by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent, before 11:00 A.M. (New York City time) on the date on which notice of such election is to be given to the Agent by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Uncommitted Advance as part of such Uncommitted Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Uncommitted Advance as part of such proposed Uncommitted Borrowing. Any Quote so made shall be irrevocable except with the written consent of the Borrower.

(ii) A Quote may set forth each separate offer by a Lender with respect to each Interest Period specified in the related Quote Request. Each Quote shall be in substantially the form of Exhibit 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 such Lender, (2) must be a whole multiple of \$1,000,000, (3) may not exceed (but may be less than) the proposed principal amount of the proposed Uncommitted Borrowing set forth in the related Quote Request, and (4) may be subject to an aggregate limitation as to the principal amount of Uncommitted Advances for which offers being made by such Lender may be accepted;

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

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

(iii) Any Quote shall be disregarded if it:

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

(B) contains qualifying, conditional or similar language;

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

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

(d) Acceptance and Notice by Borrower. Not later than (i) 1:00 P.M. (New York City time) on the third Business Day prior to the proposed date of borrowing, in the case of a Fixed Rate Auction or (ii) 1:00 P.M. (New York City time) on the Business Day immediately preceding the proposed date of borrowing, in the case of a Floating Rate Auction, the Borrower shall notify the Agent (which shall give prompt notice thereof to the Lenders) of its acceptance or nonacceptance of the offers so notified to it pursuant to Section 2.13(c) substantially in the form of Exhibit G hereto; provided that if the Borrower shall fail to so notify the Agent by the times set forth above, the Borrower shall be deemed to have notified the Agent of its nonacceptance of each such offer. In the case of acceptance, each such notice shall specify the aggregate principal amount of offers that are accepted. The Borrower may accept any such offer in whole or in part; provided that:

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

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

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

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

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

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

### ARTICLE III

#### CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Condition Precedent to Effectiveness of Sections 2.01 and 2.13. Sections 2.01 and 2.13 shall become effective on and as of the first date on which the Agent shall have received the following, each dated such day, in form and substance satisfactory to the Agent and (except for the Notes) in sufficient copies for each Lender:

(a) Notes. The Committed Notes and the Uncommitted Notes to the order of the Lenders, respectively;

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

(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 Committed Notes, the Uncommitted Notes and the other documents to be delivered hereunder; and

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

SECTION 3.02. Conditions Precedent to Each Advance. The obligation of each Lender to make each Advance (including the initial Advance) as part of a Borrowing shall be subject to the further conditions precedent that (i) on the date of such Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Borrowing or the notice of acceptance under Section 2.13(d), as the case may be, and the acceptance by the Borrower of the proceeds of such Advance shall constitute a representation and warranty by the Borrower that on the date of such Advance the following statements shall be true): (x) the representations and warranties contained in Section 4.01 are correct in all material respects on and as of the date of such Borrowing, before and after giving effect to such Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and (y) no event has occurred and is continuing, or would result from such Borrowing or from the application of the proceeds therefrom, that would constitute an Event of Default, or would constitute an Event of Default but for the requirement that notice be given or time elapse or both and (ii) in the case of a requested Borrowing the proceeds of which are to be used to purchase or carry any Margin Stock, the Borrower shall deliver to the Agent a certificate of the chief financial officer of the Borrower accompanying the relevant Notice of Borrowing setting forth in reasonable detail the basis upon which the Borrower has made the representation set forth in the third sentence of Section 4.01(l) on and as of the date of such Borrowing, before and after giving effect to such Borrowing and to the application of the proceeds therefrom.

#### 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 and the Notes are within the Borrower's corporate

powers, have been duly authorized by all necessary corporate action and do not contravene (i) the Borrower's charter or 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 or the Notes.

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

(e) Financial Information. The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 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 Lenders, fairly present in all material respects the financial condition of the Borrower and its Consolidated Subsidiaries as of such date and the results of the operations of the Borrower and its Consolidated Subsidiaries for the period ended on such date, all in accordance with GAAP consistently applied.

(f) No Litigation. Except as disclosed or otherwise reflected in the Borrower's Annual Report on Form 10-K for the year ended December 31, 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 or any Note.

(g) No Material Adverse Effect. Since December 31, 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 December 31, 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 Lenders in connection with the negotiation, execution and delivery of this Agreement does not contain any material misstatements of fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

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

(l) Use of Proceeds, Etc. All proceeds of each Advance will be used by the Borrower only in accordance with the provisions of Section 2.12. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock and no proceeds of any Advance will be used to extend credit to others for the purpose of purchasing or carrying any Margin Stock. Neither the making of any Advance nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulations G, U, or X issued by the Board of Governors of the Federal Reserve System.

#### ARTICLE V

##### COVENANTS OF THE BORROWER

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

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

(i) Quarterly Financial Statements. Within 50 days after the close of each quarterly accounting period in each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at the end of such quarterly period and the related consolidated and consolidating

statements of income, retained earnings and cash flows for such quarterly period and for the elapsed portion of the fiscal year ended with the last day of such quarterly period, in each case setting forth comparative figures for the related periods in the prior fiscal year.

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

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

(iv) Notice of Default or Litigation. Promptly after the Borrower obtains knowledge thereof, notice of (i) the occurrence of any Default or Event

of Default, or (ii) any litigation or governmental proceeding pending or threatened against the Borrower or other event, act or condition which could reasonably be expected to result in a Material Adverse Effect.

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

(vi) Other Information. From time to time, and as soon as reasonably practicable, such other information or documents (financial or otherwise) as any Lender through the Agent may from time to time 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 Agent or any of the Lenders shall have the right to visit and inspect any of the properties of the Borrower and of any of its Subsidiaries, to examine their books of account and records and take notes and make transcripts therefrom, and to discuss their affairs, finances and accounts with, and be advised as to the same by, their officers 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 any Lender shall have any Commitment hereunder:

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Merger, Etc. The Borrower shall not (i) enter into any merger or consolidation, or liquidate, wind-up or dissolve (or suffer any liquidation, wind-up or dissolution), discontinue its business or convey, lease, sell, transfer or otherwise dispose of, in one transaction or series of transactions, all or substantially all of its business or property, whether now or hereafter acquired, or (ii) permit any of its Subsidiaries to do so, if such action could reasonably be expected to have a Material Adverse Effect, except that any wholly-owned Subsidiary of the Borrower may merge into or convey, sell, lease or transfer all or substantially all of its assets to, the Borrower or any other wholly-owned Subsidiary of the Borrower and the Borrower or any of its Subsidiaries may enter into any merger or consolidation so long as in the case of a transaction involving the Borrower, the Borrower, or in the case of any other transaction, a Subsidiary of the Borrower, is the surviving entity in such transaction and, after giving effect thereto, no Default or Event of Default shall have occurred or be continuing.

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

which has been or is to be sold or transferred by the Borrower or such Subsidiary to any other Person in connection with such lease.

#### ARTICLE VI

##### EVENTS OF DEFAULT

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

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

(b) Any representation or warranty made by the Borrower herein or pursuant to this Agreement or any 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

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

## ARTICLE VII

### THE AGENT

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

SECTION 7.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may treat the payee of any Note as the holder thereof until the Agent receives and accepts an Assignment and Acceptance entered into by the Lender that is the payee of such Note, as assignor, and an Eligible Assignee, as assignee, as provided in Section 8.07; (ii) may consult with legal counsel (including counsel for the Borrower), independent public

accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) believed by it to be genuine and signed or sent by the proper party or parties.

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

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

SECTION 7.05. Indemnification. The Lenders agree to indemnify the Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of the Committed Notes then held by each of them (or if no Committed Notes are at the time outstanding or if any Committed Notes are held by Persons that are not Lenders, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action

taken or omitted by the Agent under this Agreement, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by the Borrower.

SECTION 7.06. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower and may be removed at any time with or without cause by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Agent, which shall be (i) a Lender or (ii) if no Lender shall accept appointment as the Agent within 30 days after such resignation or removal, any other Person, which Person, so long as no Default shall have occurred and be continuing, shall be reasonably acceptable to the Borrower. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be (i) a Lender or (ii) any other Person, which Person, so long as no Default shall have occurred and be continuing, shall be reasonably acceptable to the Borrower. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

#### ARTICLE VIII

#### MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Notes, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower and the Required Lenders, or in the case of Section 2.13 and any Uncommitted Note, the Borrower and the Lender to which such Note is payable, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, that the written consent of the Borrower and all the Lenders shall be required in order to

amend or waive any provision of the Agreement or the Notes other than Section 2.13 and the Uncommitted Notes which would have the effect of (a) a reduction in principal, interest or fees payable to the Lenders under this Agreement or the Committed Notes, (b) the postponement of any date fixed for the payment of any principal, interest or fees under this Agreement or the Committed Notes, (c) an increase in the Commitments, (d) amending or waiving compliance with the last sentence of Section 2.01(a), Section 2.08, Section 8.05 or this Section 8.01, or (e) amending the definition of Required Lenders; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note.

SECTION 8.02. 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 any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender; and if to the Agent, at its address at 7th Floor, Zone 1, One Court Square, Long Island City, New York 11120, Attention: Loan Investor Services Department; or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent. 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, except that notices and communications to the Agent pursuant to Article II, III or VII shall not be effective until received by the Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

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

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

including, without limitation, reasonable counsel fees and expenses in connection with the enforcement of rights under this Section 8.04(a).

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

(c) The Borrower agrees to indemnify and hold harmless the Agent and each Lender and each of their affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with the actual or proposed use of the proceeds of the Advances in connection with any acquisition or proposed acquisition by the Borrower or any Subsidiary of the Borrower of another Person or one or more businesses of another Person (whether by means of a stock purchase, asset acquisition or otherwise), whether or not such investigation, litigation or proceeding is brought by the Borrower, its directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct.

SECTION 8.05. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of the Committed Advances owing to it (other than pursuant to Section 2.02(d), 2.06, 2.08, 2.10 or 8.04(b)) in excess of its ratable share of payments on account of the Committed Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Committed Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the

extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 8.05 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 8.06. Binding Effect. This Agreement shall become effective (other than Sections 2.01 and 2.13, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed and delivered by the Borrower and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it, and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent and the Lenders and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights or obligations hereunder or under any Note or any interest herein or therein (other than as permitted by Section 5.02(b)) without the prior written consent of the Lenders.

SECTION 8.07. Assignments and Participations. (a) Each Lender may assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Committed Advances owing to it and the Committed Note or Notes held by it); provided, however, that (i) each such assignment (other than assignment to an affiliate of such Lender) shall require the prior written consent of the Borrower, which consent shall not be unreasonably withheld, (ii) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Uncommitted Advances, Uncommitted Advances owing to it and Uncommitted Notes), (iii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof, and (iv) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance (which shall include the agreement of the assignee party to such assignment, for the benefit of the Borrower, to be bound by the terms and provisions of this Agreement to the same extent as if it were an original party hereto), together with any Committed Note subject to such assignment and a processing and recordation fee of \$3,000. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the

rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

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

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

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

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

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

SECTION 8.08. Limitation on Assignments and Participations.

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

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

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

SECTION 8.09. Withholding. If any Lender, or any Person that becomes a party to this Agreement pursuant to Section 8.07, is not incorporated under the laws of the United States of America or a state thereof, such Person agrees that, prior to the first date on which any payment is due to it hereunder, it will deliver to each of the Borrower and the Agent (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 or Notes 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 each of the Borrower and the Agent 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 the Agent, and such extensions or renewals thereof as may reasonably be requested by the Borrower or the Agent, 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 and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax, and in the case of a Form W-8 or W-9, establishing an exemption from United States backup withholding tax.

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

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

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

SECTION 8.13. Submission to Jurisdiction. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or any 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 Craig A. Douglas

-----  
Name: Craig A. Douglas  
Title: Director Corp. Finance

52  
\$22,500,000

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

By Paolo de Alessandrini  
-----  
Name: Paolo de Alessandrini  
Title: Managing Director

INITIAL LENDERS

\$20,000,000

WACHOVIA BANK OF GEORGIA, N.A.

By Terrence A. Snellings  
-----  
Name: Terrence A. Snellings  
Title: Senior Vice President

\$20,000,000

BANQUE NATIONALE DE PARIS

By Richard L. Sted  
-----  
Name: Richard L. Sted  
Title: Senior Vice President

By Sophie Revillard Kaufman  
-----  
Name: Sophie Revillard Kaufman  
Title: Vice President

\$ 5,000,000

BARCLAYS BANK PLC

By Jonathan L. Gray  
-----  
Name: Jonathan L. Gray  
Title: Associate Director

\$15,000,000

SHAWMUT BANK CONNECTICUT, N.A.

By Paul A. Veiga  
-----  
Name: Paul A. Veiga  
Title: Vice President

53  
\$20,000,000

ROYAL BANK OF CANADA  
NEW YORK BRANCH

By Sheryl L. Greenberg  
-----  
Name: Sheryl L. Greenberg  
Title: Manager

\$15,000,000

MELLON BANK, N.A.

By John Paul Marotta  
-----  
Name: John Paul Marotta  
Title: Assistant Vice President

\$20,000,000

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK

By James E. Condon  
-----  
Name: James E. Condon  
Title: Vice President

\$12,500,000

STATE STREET BANK & TRUST CO.

By F. Andrew Beise  
-----  
Name: F. Andrew Beise  
Title: Vice President

SCHEDULE I  
ADDRESS AND APPLICABLE LENDING OFFICES

Name of Lenders And Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
Citibank, N.A. 7th Floor, Zone 1 One Court Square Long Island City, N.Y. 11120  Telecopy: 212-793-7712 Telephone: 212-559-7241/212-559-4424 Attn: Paolo de Alessandrini/ Aaron Kim	Citibank, N.A. 7th Floor, Zone 1 One Court Square Long Island City, N.Y. 11120	Citibank, N.A. 7th Floor, Zone 1 One Court Square Long Island City, N.Y. 11120
Banque Nationale de Paris 499 Park Avenue New York, N.Y. 10022 Telecopy: 212-415-9606 Telephone: 212-415-9601 Attn: Ms. Sophie Kaufman	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
Morgan Guaranty Trust Company of New York 60 Wall Street New York, N.Y. 10260 Telecopy: 212-648-5019 Phone: 212-648-7738 Attn: James Condon	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

SCHEDULE I-1

Name of Lenders And Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
State Street Bank & Trust Co. 225 Franklin Street Boston, MA 02110-2804 Attn: Mr. F. Andrew Beise Telecopy: 617-654-4176 Phone: 617-654-3120	State Street Bank & Trust Co. 225 Franklin Street Boston, MA 02110-2804 Attn: Mr. F. Andrew Beise Telecopy: 617-654-4176 Phone: 617-654-3120	State Street Bank & Trust Co.225 225 Franklin Street Boston, MA 02110-2804 Attn: Mr. F. Andrew Beise Telecopy: 617-654-4176 Phone: 617-654-3120

SCHEDULE I-2

Name of Lenders And Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
Royal Bank of Canada New York Branch One Financial Square 23rd Floor New York, New York 10005-3531 Telecopy: (212) 428-2372 Telephone: (212) 428-6311 Attn: Manager, Credit Administration	Royal Bank of Canada New York Branch One Financial Square 23rd Floor New York, New York 10005-3531	Royal Bank of Canada New York Branch One Financial Square 23rd Floor New York, New York 10005-3531
Copy to: Royal Bank of Canada One Financial Square, 24th Floor New York, New York 10005-3531 Attn: Sheryl L. Greenberg Manager Telecopy: (212) 428-6459 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

SCHEDULE I-3

Name of Lenders  
And Addresses  
For Notices  
-----

Barclays Bank PLC  
P.O. Box 544  
34 Lombard Street  
London EC3V 9EX

Telecopy:  
171-699-2298

Contacts:  
Jonathan Gray  
Tel. No.  
171-699-2301

Domestic  
Lending Office  
-----

Barclays Bank PLC  
London c/o  
Barclays Bank PLC  
75 Wall Street  
New York, N.Y. 10265

Ref: Stanley Works  
Base Rate Advances

Telecopy: 212-412-5002

Contacts:  
Kevin Jones  
212-412-5022

SCHEDULE I-4

Eurodollar  
Lending Office  
-----

Barclays Bank PLC  
Central Loan Admin.  
Dept., 5th Floor  
St. Swithins House  
11/12 St. Swithins Lane  
London EC4N 8AS

Ref: Stanley Works  
Eurodollar Rate Advances

Telecopy: 171-621-4583  
Telex: 8950821

Contacts:  
Tanya Bond  
171-621-4599

Uncommitted  
Lending Office  
-----

Barclays Bank PLC  
8th Floor  
222 Broadway  
New York, N.Y. 10038

Ref: Stanley Works  
Uncommitted Bid Option

Contacts:  
Tom Connolly  
Greg Hurley  
212-412-2091  
Telecopy:

212-412-402

Name of Lenders And Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
Mellon Bank, N.A. Three Mellon Center Pittsburgh, Pa. 15259-0001  Telecopy: 412-236-2027 Telephone: 412-234-8347 Attn: Rhonda Ashbaugh	Mellon Bank, N.A. Three Mellon Center Pittsburgh, Pa. 15259-0001  Mellon Financial Services 65 East 55th Street New York, NY 10260  Telecopy: 212-702-5269 Telephone: 212-702-4029 Attn: John Paul Marotta	Mellon Bank, N.A. Three Mellon Center Pittsburgh, Pa. 15259-0001  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

SCHEDULE I-5

EXHIBIT A  
PROMISSORY NOTE  
(Committed Advances)

\$

Dated:

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

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

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

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Agent, at 399 Park Avenue, New York, New York 10043 in same day funds. Each Committed Advance made by the Lender to the Borrower and the maturity thereof, and all payments made on account of the principal amount thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is a part of this Promissory Note, which recordation shall be conclusive and binding absent manifest error but the failure to make such recording shall not have any effect on the Lender's rights hereunder.

This Promissory Note is one of the Committed Notes referred to in, and is entitled to the benefits of, the Facility A (364 Day) Credit Agreement dated as of October 25, 1995 (as amended, modified or supplemented from time to time, the "Credit Agreement"), among the Borrower, the Lender and certain other lenders parties thereto, and Citibank, N.A., as Agent for the Lender and such other lenders. The Credit Agreement, among other things,

(i) provides for the making of Committed Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Committed Advance being evidenced by this Promissory Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

THE STANLEY WORKS

By \_\_\_\_\_  
Name:  
Title:

By \_\_\_\_\_  
Name:  
Title:



RATE REQUEST

Citibank, N.A., as Reference Bank  
under the Credit Agreement  
referred to below  
7th Floor, Zone 1  
One Court Square  
Long Island City, New York 11120  
Attn: Mr. John Makrinos

[Date]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility A (364 Day) Credit Agreement, dated as of October 25, 1995 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined) among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Agent for said Lenders and hereby requests notification from you pursuant to Section 2.02(a) thereof of the Eurodollar Rate which is applicable to the Committed Advance to be made (or converted or continued) on \_\_\_\_\_, 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 .

CITIBANK, N.A., as Reference Bank  
By  
-----  
Authorized Officer

B1-2

## EXHIBIT B-2

## NOTICE OF BORROWING

Citibank, N.A., as Agent  
for the Lenders parties  
to the Credit Agreement  
referred to below  
7th Floor, Zone 1  
One Court Square  
Long Island City, New York 11120  
Attn: Mr. John Makrinos

[Date]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility A (364 Day) Credit Agreement, dated as of October 25, 1995 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Committed Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Committed Borrowing (the "Proposed Committed Borrowing ") as required by Section 2.02(b) of the Credit Agreement:

(i) The Business Day of the Proposed Committed Borrowing is\_\_\_ , 19\_\_ .

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

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

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

B2-1

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

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

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

The Borrower's account information for funding purposes is Account No. 36852248, Citibank, N.A., ABA No. 021-00-0089, Long Island City, New York, Ref. .

Very truly yours,

The Stanley Works

By

-----

Name:

Title:

## NOTICE OF CONVERSION OR CONTINUATION

[Date]

Citibank, N.A., as Agent  
 for the Lenders parties  
 to the Credit Agreement  
 referred to below  
 7th Floor, Zone 1  
 One Court Square  
 Long Island City, New York 11120  
 Attn: Mr. John Makrinos

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility A (364 Day) Credit Agreement, dated as of October 25, 1995 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Agent for said Lenders, and hereby gives you notice, pursuant to Section 2.04(b) of the Credit Agreement that the undersigned hereby elects to [convert][continue] the Committed Borrowing consisting of [Base Rate][Eurodollar Rate] Advances:

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

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

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

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

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

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

and

(ii) which has an Interest Period of\_\_\_\_\_ month(s)\*\*.

Very truly yours,

The Stanley Works

By\_\_\_\_\_

Name:

Title:

\* Omit clause (i) if conversion or continuation is for entire amount of Committed Borrowing.

\*\* Omit clause (ii) if conversion is into Base Rate Advance. 364-Day Credit Agreement

## EXHIBIT D

PROMISSORY NOTE  
(Uncommitted Advances)

\$150,000,000

Dated: \_\_\_\_\_

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

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

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

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Agent, for the account of the Lender, at 399 Park Avenue, New York, New York 10043 in same day funds. Each Uncommitted Advance made by the Lender to the Borrower and the maturity thereof, and all payments made on account of the principal amount thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is a part of this Promissory Note, which recordation shall be conclusive and binding absent manifest error but the failure to make such recording shall not have any effect on the Lender's rights hereunder.

This Promissory Note is one of the Uncommitted Notes referred to in, and is entitled to the benefits of, the Facility A (364 Day) Credit Agreement dated as of October 25, 1995 (as amended, modified or supplemented from time to time, the "Credit Agreement"), among the Borrower, the Lender and certain other lenders parties thereto, and Citibank, N.A., as Agent for the Lender and such other Lenders. The Credit Agreement, among other things, (i) provides for the making of Uncommitted Advances by the Lender to the Borrower from time to time, the indebtedness of the Borrower resulting from each such Uncommitted Advance being evidenced by this Promissory Note, and (ii) contains provisions for acceleration

of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

THE STANLEY WORKS

By \_\_\_\_\_  
Name:  
Title:

By \_\_\_\_\_  
Name:  
Title:



## EXHIBIT E

## FORM OF QUOTE REQUEST

[Date]

Citibank, N.A., as Agent  
for the Lenders parties  
to the Credit Agreement  
referred to below  
7th Floor, Zone 1  
One Court Square  
Long Island City, New York 11120  
Attn: Mr. John Makrinos

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the substantially identical Facility B (Five Year) Credit Agreement, dated as of October 25, 1995 (as amended, modified or supplemented from time to time, the "Credit Agreements", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Agent for said Lenders, and hereby gives you notice pursuant to Section 2.13 of the Credit Agreements that the undersigned hereby requests offers to make an Uncommitted Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Borrowing (the "Proposed Uncommitted Borrowing") is requested to be made\*:

(i) The Business Day of the Proposed Uncommitted Borrowing is \_\_\_\_\_,  
19\_\_\_\_ .

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

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

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

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

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

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

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

Very truly yours,

The Stanley Works

By\_\_\_\_\_

Name:

Title:

EXHIBIT F  
FORM OF QUOTE

[Date]

THE STANLEY WORKS  
1000 Stanley Drive  
New Britain, CT 06050

Re: Facility A (364 Day) Credit Agreement dated as of October 25, 1995 among The Stanley Works, certain Lenders parties thereto, and Citibank, N.A., as Agent for said Lenders (as amended, modified or supplemented from time to time, the "Credit Agreement")

Ladies and Gentlemen:

The undersigned, [Name of Lender], refers to the above-referenced Credit Agreement. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The undersigned hereby makes [a] Quote[s] pursuant to Section 2.13 of the Credit Agreement, in response to the Quote Request made by the Borrower on , 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\_\_\_\_\_.\*

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

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:

EXHIBIT G

FORM OF ACCEPTANCE

[Date]

Citibank, N.A., as Agent  
for the Lenders parties  
to the Credit Agreement  
referred to below  
7th Floor, Zone 1  
One Court Square  
Long Island City, New York 11120  
Attn: Mr. John Makrinos

Re: Facility A (364 Day) Credit Agreement, dated as of October 25, 1995 (as amended, modified or supplemented from time to time, the "Credit Agreement") among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Agent for said Lenders

Ladies and Gentlemen:

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

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

The Borrower's account information for funding purposes is Account No. 36852248, Citibank, N.A., ABA No. 021-00-0089, Long Island City, New York, Ref.\_\_\_\_\_.

Very truly yours,

The Stanley Works

By \_\_\_\_\_  
Name:  
Title:

To each of the Lenders parties  
to the Credit Agreement referred  
to below and to  
Citibank, N.A., as Agent  
for said Lenders

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 October 25, 1995 (the "Credit Agreement"), among the Borrower, certain Lenders parties thereto (the "Lenders"), and Citibank, N.A., as Agent for said Lenders.

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) each of the executed Notes and each of the executed Uncommitted Notes;
- (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 , 19 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 Lenders and is enforceable against the Lenders 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 Lenders with any state, federal or other laws or regulations applicable to the Lenders or (ii) the legal or regulatory status or the nature of the business of the Lenders.

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 8.05 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,

H-4

EXHIBIT I  
ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement dated as of October 25, 1995 (as amended or modified from time to time, the "Credit Agreement") among The Stanley Works, a Connecticut corporation (the "Borrower"), the Lenders (as defined in the Credit Agreement) and Citibank, N.A., as agent for the Lenders (the "Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

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

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

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

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit

analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; (vi) agrees, for the benefit of the Borrower, that it will be bound by the terms and provisions of the Credit Agreement to the same extent as if it were an original party thereto and (vii) attaches any U.S. Internal Revenue Service forms required under Section 8.09 of the Credit Agreement.

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

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

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

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

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

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

Schedule 1  
to  
Assignment and Acceptance

Percentage interest assigned:

\_\_\_\_\_ %

Assignee's Commitment:

\$ \_\_\_\_\_

Aggregate outstanding principal amount of Committed

\$ \_\_\_\_\_

Advances assigned:

Principal amount of Committed Note payable to Assignee:

\$ \_\_\_\_\_

Principal amount of Committed Note payable to Assignor:

\$ \_\_\_\_\_

Effective Date(1): \_\_\_\_\_, 199\_

[NAME OF ASSIGNOR], as Assignor

By \_\_\_\_\_

Name:  
Title:

Dated: \_\_\_\_\_, 199\_

[NAME OF ASSIGNEE], as Assignee

By \_\_\_\_\_

Name:  
Title:

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

Dated: \_\_\_\_\_, 199\_

Domestic Lending Office:  
[Address]

Eurodollar Lending Office:  
[Address]

Accepted [and Approved](2) this  
\_\_\_\_\_ day of \_\_\_\_\_, 199\_

Citibank, N.A., as Agent

By \_\_\_\_\_  
Name:  
Title:

[Approved this \_\_\_\_\_ day  
of \_\_\_\_\_, 199\_

The Stanley Works

By \_\_\_\_\_](2)  
Name:  
Title:

2 Required if the Assignee is an Eligible Assignee solely by reason of  
clause (iii) of the definition of "Eligible Assignee".

FACILITY B (FIVE YEAR) CREDIT AGREEMENT

dated as of October 25, 1995

between

THE STANLEY WORKS

as Borrower

and

THE INITIAL LENDERS NAMED HEREIN

as Initial Lenders

and

CITIBANK, N.A.

as Agent

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## FACILITY B (FIVE YEAR) CREDIT AGREEMENT

This Facility B (Five Year) Credit Agreement (as amended, supplemented or otherwise modified from time to time, the "Agreement") is made as of this 25th day of October, 1995 between THE STANLEY WORKS, a Connecticut corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, and CITIBANK, N.A. ("Citibank"), as agent (the "Agent") for the Lenders (as hereinafter defined).

## W I T N E S S E T H

WHEREAS, the Borrower and Citibank, Shawmut Bank Connecticut, N.A., Mellon Bank, N.A., Wachovia Bank of Georgia, N.A., Royal Bank of Canada, New York Branch, Banque Nationale de Paris and Barclays Bank PLC are each parties to a Credit Agreement, dated as of November 15, 1994 (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, their respective Existing Credit Agreement 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 (as defined in and issued under the Existing Credit Agreements).

WHEREAS, State Street Bank and Trust desires to become a party to this Agreement.

WHEREAS, each Existing Credit Agreement having been terminated, the Borrower desires to enter into this Agreement as well as the Facility A (364 Day) Credit Agreement with the Lenders being executed simultaneously herewith.

NOW THEREFORE, in consideration of the foregoing and the mutual promises and covenants contained herein the Borrower and the Initial Lenders 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 (other than the ESOP) who is or becomes the beneficial owner, directly or indirectly, of 10% or more of the Borrower's outstanding common stock.

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

"Agent's Account" means the account of the Agent maintained by the Agent at Citibank with its office at 7th Floor, Zone 1, One Court Square, Long Island City, New York, 11120, Account No. 36852248, Attention: Mr. John Makrinis.

"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 Ratings Group, a division of McGraw-Hill, Inc. ("Standard & Poor's") and Baa1 or higher by Moody's Investors Service, Inc. ("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, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance and, in the case of an Uncommitted Advance, the office of such Lender notified by such Lender to the Agent and the Borrower as its Applicable Lending Office with respect to such Uncommitted Advance.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit I hereto.

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

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

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

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

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

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

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

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

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

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

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

"Commitment" means, with respect to any Lender, the amount specified opposite such Lender's name on the signature pages hereof or, if such Lender has entered into any Assignment and Acceptance, set forth for such Lender in the Register maintained by the Agent pursuant to Section 8.07(d), as such amount may be reduced pursuant to Section 2.01(b).

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

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

"Committed Note" means a promissory note of the Borrower payable to the order of any Lender, in substantially the form of Exhibit A hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the Committed Advances made by such Lender.

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

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

"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).

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

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

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

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

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

"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.

"ESOP" means The Stanley Works 401(k) Savings Plan or any successor plan.

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

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

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

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

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

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

"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).

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

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

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

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

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

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

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

"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.

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

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

(i) the Borrower may not select any Interest Period which ends after the Termination Date;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Other Taxes" has the meaning provided in Section 2.10.

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

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

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

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

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

(iii) hereafter become the responsibility of the Borrower or a member of its ERISA Controlled Group,

including any such plans as may have been, or may hereafter be, terminated for whatever reason.

"Principal Property" means all real property and tangible personal property constituting a manufacturing plant owned by the Borrower or any of its Subsidiaries, exclusive of (i) motor vehicles, mobile materials handling equipment and other rolling stock, (ii) office furnishings and equipment, information and electronic data processing equipment, (iii) any property financed through obligations issued by a state, territory or possession of the United States, or any political subdivision or instrumentality of the foregoing, on which the interest cannot, in the opinion of tax counsel of recognized standing or in accordance with a ruling issued by the Internal Revenue Service, be included in gross income of the holder under Section 103(a)(1) of the Internal Revenue Code (or any successor to such provision) as in effect at the time of the issuance of such obligations, (iv) any real property held for development or sale, or (v) any property and equipment included therein without deduction of any depreciation reserves which is less than 10% of Consolidated Net Tangible Assets or

which the Board of Directors of the Borrower determines is not material to the operation of the business of the Borrower and its Subsidiaries taken as a whole.

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

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

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

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

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

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

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

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

"Subsidiary" of any Person means (i) any corporation 50% or more of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock

of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries and (ii) any partnership, association, joint venture, limited liability company or other entity in which such Person, directly or indirectly through Subsidiaries, is either a general partner or has a 50% or more equity interest at the time.

"Taxes" has the meaning provided in Section 2.10.

"Termination Date" means the earlier of the date that is five years after the date hereof or the date of termination in whole of the Commitments pursuant to Section 2.01(b) or 6.01.

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

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

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

"Uncommitted Note" means a promissory note of the Borrower payable to the order of any Lender, in substantially the form of Exhibit D hereto, evidencing the indebtedness of the Borrower to such Lender resulting from the Uncommitted Advances made by such Lender.

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

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

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

SECTION 2.02. Making the Committed Advances. (a) Determination of Eurodollar Rate. The Borrower may request the Reference Bank, no earlier than 9:00 A.M. (New York City time) and no later than 11:00 A.M. (New York City time) on the third Business Day before a proposed Eurodollar Rate Advance, to notify the Borrower of the Eurodollar Rate that would be applicable to a Committed Advance in the principal amount and with the Interest Period as described by the Borrower in such request, which request shall be substantially in the form of Exhibit 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 Lenders absent manifest error.

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

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

(i) if any Lender shall, at least one Business Day before the date of any requested Advance or the date of any conversion to or continuation of a Eurodollar Rate Advance, notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or that any central bank or

other governmental authority asserts that it is unlawful, for such Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, the Agent shall forthwith given notice thereof to the other Lenders and the Borrower, whereupon (A) such Lender shall have no obligation to make Eurodollar Rate Advances, or to convert Advances into Eurodollar Rate Advances, until such Lender notifies the Borrower and the Agent that the circumstances causing such suspension no longer exist and (B) the Borrower shall be deemed to have converted all Eurodollar Rate Advances of such Lender then outstanding into Base Rate Advances in accordance with Section 2.04 on and as of the date of the Agent's receipt of such notice, unless and to the extent such notice directs that one or more Eurodollar Rate Advances shall be so converted on the last day of the applicable Interest Period, provided that (w) before giving any such notice, such Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such a designation would avoid the need for such suspension and conversion and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender, (x) any request by the Borrower for Eurodollar Rate Advances during a time when a Lender's obligation to make, or convert Advances into, Eurodollar Rate Advances shall be suspended hereunder shall be deemed to be a request for, or for conversion into, Base Rate Advances from such Lender, (y) all Advances that would otherwise be made by such Lender as Eurodollar Rate Advances during any such suspension shall instead be made as Base Rate Advances, and (z) in the event any Lender shall notify the Agent and the Borrower of the occurrence of the circumstances causing such suspension under this Section 2.02(c), all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Rate Advances that would have been made by such Lender or the converted Eurodollar Rate Advances shall instead be applied to repay the Base Rate Advances made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Rate Advances;

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

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

Advances into, Eurodollar Rate Advances until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

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

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

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

SECTION 2.03. Fees. (a) Facility Fee. The Borrower agrees to pay to the Agent for the account of each Lender a facility fee on the aggregate amount of such Lender's

Commitment from the date hereof in the case of each Initial Lender and from the effective date specified in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date at the Applicable Facility Fee Rate, payable quarterly in arrears on the last day of each March, June, September and December during the term hereof and on the Termination Date. All computations of the facility fee shall be based on a year of 365 or 366 days, as the case may be.

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

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

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

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

Eurodollar Rate Advances into Base Rate Advances in accordance with this Section 2.04 if such Advances are outstanding after the last day of the Interest Period with respect thereto.

SECTION 2.05. Interest on Advances. The Borrower shall pay interest on the unpaid principal amount of each Advance owing to each Lender from the date 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 in arrears quarterly on the last Business Day of each fiscal quarter during the period such Base Rate Advance remains outstanding and on the date such Base Rate Advance shall be paid in full;

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

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

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

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

6.01(a) shall have occurred and be continuing, the outstanding principal amount of the Advance with respect to which such Default has occurred and is continuing shall bear interest at a rate per annum equal to the sum of two percent (2%) plus the interest rate otherwise applicable hereunder to such principal amount in effect from time to time.

SECTION 2.06. Additional Interest on Eurodollar Rate Advances.

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

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

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

(b) The Borrower shall notify the Agent immediately upon becoming aware of any Change of Control. Upon receipt of such notice and for a period of 90 days thereafter, the Required Lenders shall be entitled, by written notice to the Borrower received within such period, to terminate the Commitments in whole and require the Borrower to prepay all outstanding Advances within 5 Business Days of its receipt of such notice, together with any

accrued and unpaid interest thereon to the date of such prepayment and any other amounts due hereunder. Notwithstanding any other provision contained herein, a Change of Control shall not, in and of itself, constitute a Default hereunder.

SECTION 2.08. Increased Costs. (a) Changes in Law, Etc. If, due to (i) the introduction of or any change in or in the interpretation of any law or regulation on or after the date of this Agreement, or (ii) the compliance with any guideline or request not applicable on the date of this Agreement from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Advances, then the Borrower shall from time to time, promptly upon demand by such Lender (with a copy of such demand to the Agent) accompanied by the certificate described in the next sentence, pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to the Borrower and the Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

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

SECTION 2.09. Payments and Computations. (a) Manner of Payment. The Borrower shall make each payment hereunder and under the Notes not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Agent at the Agent's Account in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.02(d), 2.06, 2.08, 2.10, 2.13(f) or 8.04(b)) to the Lenders for the

account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) Setoff. The Borrower hereby authorizes each Lender, if and to the extent payment owed to such Lender is not made when due hereunder or under the Note or Notes held by such Lender, to charge from time to time against any or all of the Borrower's accounts with such Lender any amount so due.

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

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

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

each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at the Federal Funds Rate.

(f) Rate Information. The Reference Bank shall notify the Borrower and the Agent of the Base Rate in effect on the first Business Day on which a Base Rate or Floating Rate Advance is outstanding and each day on which a change in the Base Rate occurs, each in sufficient detail to enable the Borrower to calculate interest payments hereunder with respect to Base Rate Advances and Floating Rate Advances, and shall provide such information to any Lender promptly upon its request. The Borrower will provide to each 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 or under the Notes shall be made in accordance with Section 2.09, free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, not in effect or not imposed on the date of this Agreement; excluding, in the case of each Lender and the Agent, taxes imposed on its income, and franchise taxes imposed on it by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes").

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

(c) Tax Indemnity. The Borrower will indemnify each Lender and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.10) paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest

and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor.

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

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

SECTION 2.11. Evidence of Debt. The Committed Advances owing to each Lender shall be evidenced by the Committed Note to the order of such Lender and the Uncommitted Advances owing to each Lender shall be evidenced by the Uncommitted Note to the order of such Lender, in each case delivered to such Lender pursuant to Article III. The entries made in each Committed Note and each Uncommitted 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, including, without limitation, for the acquisition of Margin Stock.

SECTION 2.13. Uncommitted Advances. (a) The Uncommitted Advances Option. In addition to Committed Advances pursuant to Section 2.01, the Borrower may, as set forth in this Section 2.13, request the Lenders to make offers to make Uncommitted Advances to the Borrower. Each Lender may, but shall have no obligation to, make such offers and the Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in this Section 2.13; provided that, following the making of each Uncommitted Borrowing, the aggregate amount of the Advances then outstanding shall not exceed the aggregate amount of the Commitments of the Lenders (computed without regard to any Uncommitted Advances then outstanding). The Uncommitted Advances may be Floating Rate Advances or Fixed Rate Advances.

(b) Quote Request. When the Borrower wishes to request offers to make Uncommitted Advances as part of an Uncommitted Borrowing, it shall transmit to the Agent, by telecopier or telex, 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 Agent shall in turn promptly notify each Lender of each request for an Uncommitted Borrowing received by it from the Borrower by sending such Lender a copy of the related Quote Request. The Borrower may request offers to make Uncommitted Advances for more than one Interest Period in a single Quote Request. No Quote Request shall be given within five Business Days of any other Quote Request.

(c) Submission and Contents of Quotes. (i) Each Lender may but shall not be required to submit a Quote containing an offer or offers to make an Uncommitted Advance as part of a proposed Uncommitted Borrowing in response to any Quote Request. Each Quote must comply with the requirements of this Section 2.13(c) and must be submitted to the Agent (which shall give prompt notice thereof to the Borrower) in writing (including by telecopy) no later than (A) 11:00 A.M. (New York City time) on the third Business Day prior to the proposed date of borrowing in the case of a Fixed Rate Auction or (B) 11:00 A.M. (New York City time) on the Business Day immediately preceding the proposed date of borrowing, in the case of a Floating Rate Auction; provided that if the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer at least 30 minutes before the time and on the date on which notice of such election is to be given to the Agent by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent, before 11:00 A.M. (New York City time) on the date on which notice of such election is to be given to the Agent by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Uncommitted Advance as part of such Uncommitted Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Uncommitted Advance as part of such proposed Uncommitted Borrowing. Any Quote so made shall be irrevocable except with the written consent of the Borrower.

(ii) A Quote may set forth each separate offer by a Lender with respect to each Interest Period specified in the related Quote Request. Each Quote shall be in substantially the form of Exhibit 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 such Lender, (2) must be a whole multiple of \$1,000,000, (3) may not exceed (but may be less than) the proposed principal amount of the proposed Uncommitted Borrowing set

forth in the related Quote Request, and (4) may be subject to an aggregate limitation as to the principal amount of Uncommitted Advances for which offers being made by such Lender may be accepted;

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

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

(iii) Any Quote shall be disregarded if it:

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

(B) contains qualifying, conditional or similar language;

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

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

(d) Acceptance and Notice by Borrower. Not later than (i) 1:00 P.M. (New York City time) on the third Business Day prior to the proposed date of borrowing, in the case of a Fixed Rate Auction or (ii) 1:00 P.M. (New York City time) on the Business Day immediately preceding the proposed date of borrowing, in the case of a Floating Rate Auction, the Borrower shall notify the Agent (which shall give prompt notice thereof to the Lenders) of its acceptance or nonacceptance of the offers so notified to it pursuant to Section 2.13(c) substantially in the form of Exhibit G hereto; provided that if the Borrower shall fail to so notify the Agent by the times set forth above, the Borrower shall be deemed to have notified the Agent of its nonacceptance of each such offer. In the case of acceptance, each such notice shall specify the aggregate principal amount of offers that are accepted. The Borrower may accept any such offer in whole or in part; provided that:

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

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

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

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

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

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

### ARTICLE III

#### CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Condition Precedent to Effectiveness of Sections 2.01 and 2.13. Sections 2.01 and 2.13 shall become effective on and as of the first date on which the Agent shall have received the following, each dated such day, in form and substance satisfactory to the Agent and (except for the Notes) in sufficient copies for each Lender:

(a) Notes. The Committed Notes and the Uncommitted Notes to the order of the Lenders, respectively;

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

(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 Committed Notes, the Uncommitted Notes and the other documents to be delivered hereunder; and

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

SECTION 3.02. Conditions Precedent to Each Advance. The obligation of each Lender to make each Advance (including the initial Advance) as part of a Borrowing shall be subject to the further conditions precedent that (i) on the date of such Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Borrowing or the notice of acceptance under Section 2.13(d), as the case may be, and the acceptance by the Borrower of the proceeds of such Advance shall constitute a representation and warranty by the Borrower that on the date of such Advance the following statements shall be true): (x) the representations and warranties contained in Section 4.01 are correct in all material respects on and as of the date of such Borrowing, before and after giving effect to such Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and (y) no event has occurred and is continuing, or would result from such Borrowing or from the application of the proceeds therefrom, that would constitute an Event of Default, or would constitute an Event of Default but for the requirement that notice be given or time elapse or both and, (ii) in the case of a requested Borrowing the proceeds of which are to be used to purchase or carry any Margin Stock, the Borrower shall deliver to the Agent a certificate of the chief financial officer of the Borrower accompanying the relevant Notice of Borrowing setting forth in reasonable detail the basis upon which the Borrower has made the representation set forth in the third sentence of Section 4.01(1) on and as of the date of such Borrowing, before and after giving effect to such Borrowing and to the application of the proceeds therefrom.

## 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 and the Notes are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action and do not contravene (i) the Borrower's charter or 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 or the Notes.

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

(e) Financial Information. The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 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 Lenders, fairly present in all material respects the financial condition of the Borrower and its Consolidated Subsidiaries as of such date and the results of the operations of the Borrower and its Consolidated Subsidiaries for the period ended on such date, all in accordance with GAAP consistently applied.

(f) No Litigation. Except as disclosed or otherwise reflected in the Borrower's Annual Report on Form 10-K for the year ended December 31, 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 or any Note.

(g) No Material Adverse Effect. Since December 31, 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 December 31, 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 Lenders in connection with the negotiation, execution and delivery of this Agreement does not contain any material misstatements of fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

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

(l) Use of Proceeds, Etc. All proceeds of each Advance will be used by the Borrower only in accordance with the provisions of Section 2.12. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock and no proceeds of any Advance will be used to extend credit to others for the purpose of purchasing or carrying any Margin Stock. Neither the making of any Advance nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulations G, U, or X issued by the Board of Governors of the Federal Reserve System.

## ARTICLE V

## COVENANTS OF THE BORROWER

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

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

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

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

(iii) Officer's Certificates. At the time of the delivery of the financial statements under clauses (i) and (ii) above, a certificate of the chief financial officer of the Borrower which certifies (x) that such financial statements fairly present the financial condition and the results of operations of the Borrower and its Subsidiaries on the dates and for the periods indicated, and (y) that such officer has reviewed the terms of this Agreement and has made, or caused to be made under his or her supervision, a review in reasonable detail of the business and condition of the Borrower and its Consolidated Subsidiaries during the

accounting period covered by such financial statements, and that as a result of such review such officer has concluded that no Default or Event of Default has occurred during the period commencing at the beginning of the accounting period covered by the financial statements accompanied by such certificate and ending on the date of such certificate or, if any Default or Event of Default has occurred, specifying the nature and extent thereof and, if continuing, the action the Borrower proposes to take in respect thereof. Such certificate shall set forth the calculations required to establish whether the Borrower was in compliance with the provisions of Section 5.01(f) for the twelve-month period ending as at the end of the accounting period covered by the financial statements accompanied by such certificate.

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

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

(vi) Other Information. From time to time, and as soon as reasonably practicable, such other information or documents (financial or otherwise) as any Lender through the Agent may from time to time 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 Agent or any of the Lenders shall have the right to visit and inspect any of the properties of the Borrower and of any of its Subsidiaries, to examine their books of account and records and take notes and make transcripts therefrom, and to discuss their affairs, finances and accounts with, and be advised as to the same by, their officers 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 any Lender shall have any Commitment hereunder:

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Merger, Etc. The Borrower shall not (i) enter into any merger or consolidation, or liquidate, wind-up or dissolve (or suffer any liquidation, wind-up or dissolution), discontinue its business or convey, lease, sell, transfer or otherwise dispose of, in one transaction or series of transactions, all or substantially all of its business or property, whether now or hereafter acquired, or (ii) permit any of its Subsidiaries to do so, if such action could reasonably be expected to have a Material Adverse Effect, except that any wholly-owned Subsidiary of the Borrower may merge into or convey, sell, lease or transfer all or substantially all of its assets to, the Borrower or any other wholly-owned Subsidiary of the Borrower and the Borrower or any of its Subsidiaries may enter into any merger or consolidation so long as in the case of a transaction involving the Borrower, the Borrower, or in the case of any other transaction, a Subsidiary of the Borrower, is the surviving entity in such transaction

and, after giving effect thereto, no Default or Event of Default shall have occurred or be continuing.

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

#### ARTICLE VI

##### EVENTS OF DEFAULT

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

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

(b) Any representation or warranty made by the Borrower herein or pursuant to this Agreement or any 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

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

## ARTICLE VII

### THE AGENT

SECTION 7.01. Authorization and Action. Each Lender hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such

instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

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

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

SECTION 7.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it

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

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

SECTION 7.06. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower and may be removed at any time with or without cause by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Agent, which shall be (i) a Lender or (ii) if no Lender shall accept appointment as the Agent within 30 days after such resignation or removal, any other Person, which Person, so long as no Default shall have occurred and be continuing, shall be reasonably acceptable to the Borrower. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be (i) a Lender or (ii) any other Person, which Person, so long as no Default shall have occurred and be continuing, shall be reasonably acceptable to the Borrower. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its

benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

#### ARTICLE VIII

##### MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Notes, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower and the Required Lenders, or in the case of Section 2.13 and any Uncommitted Note, the Borrower and the Lender to which such Note is payable, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, that the written consent of the Borrower and all the Lenders shall be required in order to amend or waive any provision of the Agreement or the Notes other than Section 2.13 and the Uncommitted Notes which would have the effect of (a) a reduction in principal, interest or fees payable to the Lenders under this Agreement or the Committed Notes, (b) the postponement of any date fixed for the payment of any principal, interest or fees under this Agreement or the Committed Notes, (c) an increase in the Commitments, (d) amending or waiving compliance with the last sentence of Section 2.01(a), Section 2.08, Section 8.05 or this Section 8.01, or (e) amending the definition of Required Lenders; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note.

SECTION 8.02. 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 any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender; and if to the Agent, at its address at 7th Floor, Zone 1, One Court Square, Long Island City, New York 11120, Attention: Loan Investor Services Department; or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent. 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, except that notices and communications to the Agent pursuant to Article II, III or VII shall not

be effective until received by the Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

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

SECTION 8.04. Costs and Expenses; Breakage Indemnification.

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

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

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

transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct.

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

SECTION 8.06. Binding Effect. This Agreement shall become effective (other than Sections 2.01 and 2.13, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed and delivered by the Borrower and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it, and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent and the Lenders and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights or obligations hereunder or under any Note or any interest herein or therein (other than as permitted by Section 5.02(b)) without the prior written consent of the Lenders.

SECTION 8.07. Assignments and Participations. (a) Each Lender may assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Committed Advances owing to it and the Committed Note or Notes held by it); provided, however, that (i) each such assignment (other than assignment to an affiliate of such Lender) shall require the prior written consent of the Borrower, which consent shall not be unreasonably withheld, (ii) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Uncommitted Advances,

Uncommitted Advances owing to it and Uncommitted Notes), (iii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof, and (iv) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance (which shall include the agreement of the assignee party to such assignment, for the benefit of the Borrower, to be bound by the terms and provisions of this Agreement to the same extent as if it were an original party hereto), together with any Committed Note subject to such assignment and a processing and recordation fee of \$3,000. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

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

thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Committed Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit I hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. Within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Agent in exchange for the surrendered Committed Note a new Committed Note to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a Commitment hereunder, a new Committed Note to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Committed Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Committed Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A hereto. Such Assignment and Acceptance shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Person as a Lender and the resulting adjustment of the Commitments, if any, arising from such assignment of Commitments to such Person.

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

(e) Each Lender may sell participations to one or more banks or other financial institutions in all or a portion of its rights and/or obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Note or Notes held by it); provided that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment) shall remain unchanged, (ii) such Lender shall remain solely responsible to the Borrower for the performance of such obligations, (iii) the Borrower shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (iv) such

participant's right to consent to any modification, waiver or release of any of the provisions of this Agreement shall be limited to the right to consent to (A) any reduction in principal, interest or fees payable to such Lender under this Agreement, (B) the postponement of any date fixed for the payment of any principal, interest or fees under this Agreement and (C) increase in the Commitment, and (D) any amendments to the foregoing clauses (A), (B) and (C).

SECTION 8.08. Limitation on Assignments and Participations.

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

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

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

SECTION 8.09. Withholding. If any Lender, or any Person that becomes a party to this Agreement pursuant to Section 8.07, is not incorporated under the laws of the United States of America or a state thereof, such Person agrees that, prior to the first date on which any payment is due to it hereunder, it will deliver to each of the Borrower and the Agent (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 or Notes 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 each of the Borrower and the Agent 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 the Agent, and such extensions or renewals thereof as may reasonably be requested by the Borrower or the Agent, 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 and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax, and in the case of a Form W-8 or W-9, establishing an exemption from United States backup withholding tax.

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

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

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

SECTION 8.13. Submission to Jurisdiction. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or any 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 Craig A. Douglas

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Name: Craig A. Douglas

Title: Director Corp. Finance

53  
\$22,500,000

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

By Paolo de Alessandrini

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Name: Paolo de Alessandrini  
Title: Managing Director

INITIAL LENDERS

\$20,000,000

WACHOVIA BANK OF GEORGIA, N.A.

By Terrence A. Snellings

-----  
Name: Terrence A. Snellings  
Title: Senior Vice President

\$20,000,000

BANQUE NATIONALE DE PARIS

By Richard L. Sted

-----  
Name: Richard L. Sted  
Title: Senior Vice President

By Sophie Revillard Kaufman

-----  
Name: Sophie Revillard Kaufman  
Title: Vice President

\$ 5,000,000

BARCLAYS BANK PLC

By Jonathan L. Gray

-----  
Name: Jonathan L. Gray  
Title: Associate Director

\$15,000,000

SHAWMUT BANK CONNECTICUT, N.A.

By Paul A. Veiga

-----  
Name: Paul A. Veiga  
Title: Vice President

54  
\$20,000,000

ROYAL BANK OF CANADA  
NEW YORK BRANCH

By Sheryl L. Greenberg

-----  
Name: Sheryl L. Greenberg  
Title: Manager

\$15,000,000

MELLON BANK, N.A.

By John Paul Marotta

-----  
Name: John Paul Marotta  
Title: Assistant Vice President

\$20,000,000

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK

By James E. Condon

-----  
Name: James E. Condon  
Title: Vice President

\$12,500,000

STATE STREET BANK & TRUST CO.

By F. Andrew Beise

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Name: F. Andrew Beise  
Title: Vice President

SCHEDULE I  
ADDRESS AND APPLICABLE LENDING OFFICES

Name of Lenders And Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
Citibank, N.A. 7th Floor, Zone 1 One Court Square Long Island City, N.Y. 11120  Telecopy: 212-793-7712 Telephone: 212-559-7241/212-559-4424 Attn: Paolo de Alessandrini/ Aaron Kim	Citibank, N.A. 7th Floor, Zone 1 One Court Square Long Island City, N.Y. 11120	Citibank, N.A. 7th Floor, Zone 1 One Court Square Long Island City, N.Y. 11120
Banque Nationale de Paris 499 Park Avenue New York, N.Y. 10022 Telecopy: 212-415-9606 Telephone: 212-415-9601 Attn: Ms. Sophie Kaufman	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
Morgan Guaranty Trust Company of New York 60 Wall Street New York, N.Y. 10260 Telecopy: 212-648-5019 Phone: 212-648-7738 Attn: James Condon	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

SCHEDULE I-1

Name of Lenders And Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
State Street Bank & Trust Co. 225 Franklin Street Boston, MA 02110-2804 Attn: Mr. F. Andrew Beise Telecopy: 617-654-4176 Phone: 617-654-3120	State Street Bank & Trust Co. 225 Franklin Street Boston, MA 02110-2804 Attn: Mr. F. Andrew Beise Telecopy: 617-654-4176 Phone: 617-654-3120	State Street Bank & Trust Co.225 225 Franklin Street Boston, MA 02110-2804 Attn: Mr. F. Andrew Beise Telecopy: 617-654-4176 Phone: 617-654-3120

SCHEDULE I-2

Name of Lenders And Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
Royal Bank of Canada One Financial Square 23rd Floor New York, New York 10005-3531 Telecopy: (212) 428-2372 Telephone: (212) 428-6311 Attn: Manager, Credit Administration	Royal Bank of Canada Grand Cayman (North America No. 1) Branch c/o New York Branch One 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 One Financial Square 23rd Floor New York, New York 10005-3531
Copy to: Royal Bank of Canada One Financial Square, 24th Floor New York, New York 10005-3531 Attn: Sheryl L. Greenberg Manager Telecopy: 212-428-6459 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

SCHEDULE I-3

Name of Lenders  
And Addresses  
For Notices  
-----

Domestic  
Lending Office  
-----

Eurodollar  
Lending Office  
-----

Uncommitted  
Lending Office  
-----

Barclays Bank PLC  
P.O. Box 544  
34 Lombard Street  
London EC3V 9EX

Telecopy:  
171-699-2298

Contacts:  
Jonathan Gray  
Tel. No.  
171-699-2301

Barclays Bank PLC  
London c/o  
Barclays Bank PLC  
75 Wall Street  
New York, N.Y. 10265

Ref: Stanley Works  
Base Rate Advances

Telecopy: 212-412-5002

Contacts:  
Kevin Jones  
212-412-5022

Barclays Bank PLC  
Central Loan Admin.  
Dept., 5th Floor  
St. Swithins House  
11/12 St. Swithins Lane  
London EC4N 8AS

Ref: Stanley Works  
Eurodollar Rate Advances

Telecopy: 171-621-4583  
Telex: 8950821

Contacts:  
Tanya Bond  
171-621-4599

Barclays Bank PLC  
8th Floor  
222 Broadway  
New York, N.Y. 10038

Ref: Stanley Works  
Uncommitted Bid Option

Contacts:  
Tom Connolloy  
Greg Hurley  
212-412-2091  
Telecopy:

212-412-402

SCHEDULE I-4

Name of Lenders And Addresses For Notices	Domestic Lending Office	Eurodollar Lending Office
Mellon Bank, N.A. Three Mellon Center Pittsburgh, Pa. 15259-0001  Telecopy: 412-236-2027 Telephone: 412-234-8347 Attn: Rhonda Ashbaugh	Mellon Bank, N.A. Three Mellon Center Pittsburgh, Pa. 15259-0001  Mellon Financial Services 65 East 55th Street new York, NY 10260 Telecopy: 212-702-5269 Telephone: 212-702-4029 Attn: John Paul Marotta	Mellon Bank, N.A. Three Mellon Center Pittsburgh, Pa. 15259-0001  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

SCHEDULE I-5

## EXHIBIT A

PROMISSORY NOTE  
(Committed Advances)

\$\_\_\_\_\_

Dated:\_\_\_\_\_

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

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

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

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Agent, at 399 Park Avenue, New York, New York 10043 in same day funds. Each Committed Advance made by the Lender to the Borrower and the maturity thereof, and all payments made on account of the principal amount thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is a part of this Promissory Note, which recordation shall be conclusive and binding absent manifest error but the failure to make such recording shall not have any effect on the Lender's rights hereunder.

This Promissory Note is one of the Committed Notes referred to in, and is entitled to the benefits of, the Facility B (Five Year) Credit Agreement dated as of October 25, 1995 (as amended, modified or supplemented from time to time, the "Credit Agreement"), among the Borrower, the Lender and certain other lenders parties thereto, and Citibank, N.A., as Agent for the Lender and such other lenders. The Credit Agreement, among other things,

(i) provides for the making of Committed Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Committed Advance being evidenced by this Promissory Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

THE STANLEY WORKS

By \_\_\_\_\_  
Name:  
Title:

By \_\_\_\_\_  
Name:  
Title:



## EXHIBIT B-1

## RATE REQUEST

Citibank, N.A., as Reference Bank  
under the Credit Agreement  
referred to below  
7th Floor, Zone 1  
One Court Square  
Long Island City, New York 11120  
Attn: Mr. John Makrinos

[Date]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility B (Five Year) Credit Agreement, dated as of October 25, 1995 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined) among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Agent for said Lenders and hereby requests notification from you pursuant to Section 2.02(a) thereof of the Eurodollar Rate which is applicable to the Committed Advance to be made (or converted or continued) on , 19 in the principal amount of \$ with the Interest Period of months.

Very truly yours,

The Stanley Works

By \_\_\_\_\_  
Name:  
Title:

B1-1

TO BE COMPLETED AND RETURNED BY  
REFERENCE BANK:

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

CITIBANK, N.A., as Reference Bank  
By \_\_\_\_\_  
Authorized Officer

B1-2

## EXHIBIT B-2

## NOTICE OF BORROWING

Citibank, N.A., as Agent  
 for the Lenders parties  
 to the Credit Agreement  
 referred to below  
 7th Floor, Zone 1  
 One Court Square  
 Long Island City, New York 11120  
 Attn: Mr. John Makrinos

[Date]

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility B (Five Year) Credit Agreement, dated as of October 25, 1995 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Committed Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Committed Borrowing (the "Proposed Committed Borrowing ") as required by Section 2.02(b) of the Credit Agreement:

(i) The Business Day of the Proposed Committed Borrowing is \_\_\_\_\_, 19\_\_.

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

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

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

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

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

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

The Borrower's account information for funding purposes is Account No. 36852248, Citibank, N.A., ABA No. 021-00-0089, Long Island City, New York, Ref.

Very truly yours,

The Stanley Works

By \_\_\_\_\_

Name:

Title:

## EXHIBIT C

## NOTICE OF CONVERSION OR CONTINUATION

[Date]

Citibank, N.A., as Agent  
 for the Lenders parties  
 to the Credit Agreement  
 referred to below  
 7th Floor, Zone 1  
 One Court Square  
 Long Island City, New York 11120  
 Attn: Mr. John Makrinos

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the Facility B (Five Year) Credit Agreement, dated as of October 25, 1995 (as amended, modified or supplemented from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Agent for said Lenders, and hereby gives you notice, pursuant to Section 2.04(b) of the Credit Agreement that the undersigned hereby elects to [convert][continue] the Committed Borrowing consisting of [Base Rate][Eurodollar Rate] Advances:

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

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

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

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

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

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

and

(ii) which has an Interest Period of \_\_\_month(s)\*\*.

Very truly yours,

The Stanley Works

By \_\_\_\_\_

Name:

Title:

\* Omit clause (i) if conversion or continuation is for entire amount of Committed Borrowing.

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

EXHIBIT D  
PROMISSORY NOTE  
(Uncommitted Advances)

\$150,000,000

Dated: October 25, 1995

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

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

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

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Agent, for the account of the Lender, at 399 Park Avenue, New York, New York 10043 in same day funds. Each Uncommitted Advance made by the Lender to the Borrower and the maturity thereof, and all payments made on account of the principal amount thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is a part of this Promissory Note, which recordation shall be conclusive and binding absent manifest error but the failure to make such recording shall not have any effect on the Lender's rights hereunder.

This Promissory Note is one of the Uncommitted Notes referred to in, and is entitled to the benefits of, the Facility B (Five Year) Credit Agreement dated as of October 25, 1995 (as amended, modified or supplemented from time to time, the "Credit Agreement"), among the Borrower, the Lender and certain other lenders parties thereto, and Citibank, N.A., as Agent for the Lender and such other Lenders. The Credit Agreement, among other things, (i) provides for the making of Uncommitted Advances by the Lender to the Borrower from time to time, the indebtedness of the Borrower resulting from each such Uncommitted Advance being evidenced by this Promissory Note, and (ii) contains provisions for acceleration

of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

THE STANLEY WORKS

By \_\_\_\_\_  
Name:  
Title:

By \_\_\_\_\_  
Name:  
Title:



EXHIBIT E

FORM OF QUOTE REQUEST

[Date]

Citibank, N.A., as Agent  
for the Lenders parties  
to the Credit Agreement  
referred to below  
7th Floor, Zone 1  
One Court Square  
Long Island City, New York 11120  
Attn: Mr. John Makrinos

Ladies and Gentlemen:

The undersigned, The Stanley Works, refers to the substantially identical Facility A (364 Day) Credit Agreement, dated as of October 25, 1995 (as amended, modified or supplemented from time to time, the "Credit Agreements", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Agent for said Lenders, and hereby gives you notice pursuant to Section 2.13 of the Credit Agreements that the undersigned hereby requests offers to make an Uncommitted Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Borrowing (the "Proposed Uncommitted Borrowing") is requested to be made\*:

(i) The Business Day of the Proposed Uncommitted Borrowing is \_\_\_\_\_, 19 .

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

- - - - -

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

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

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

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

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

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

Very truly yours,

The Stanley Works

By -----

Name:  
Title:

EXHIBIT F  
FORM OF QUOTE

[Date]

THE STANLEY WORKS

1000 Stanley Drive  
New Britain, CT 06050

Re: Facility B (Five Year) Credit Agreement dated as of October 25, 1995 among The Stanley Works, certain Lenders parties thereto, and Citibank, N.A., as Agent for said Lenders (as amended, modified or supplemented from time to time, the "Credit Agreement")

Ladies and Gentlemen:

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

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

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:

EXHIBIT G

FORM OF ACCEPTANCE

[Date]

Citibank, N.A., as Agent  
for the Lenders parties  
to the Credit Agreement  
referred to below  
7th Floor, Zone 1  
One Court Square  
Long Island City, New York 11120  
Attn: Mr. John Makrinos

Re: Facility B (Five Year) Credit Agreement, dated as of October 25, 1995 (as amended, modified or supplemented from time to time, the "Credit Agreement") among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Agent for said Lenders

Ladies and Gentlemen:

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

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

The Borrower's account information for funding purposes is Account No. 36852248, Citibank, N.A., ABA No. 021-00-0089, Long Island City, New York, Ref.\_\_\_\_\_.

Very truly yours,

The Stanley Works

By

-----  
Name:  
Title:

## FORM OF OPINION OF GENERAL COUNSEL

[Date]

To each of the Lenders parties  
to the Credit Agreement referred  
to below and to  
Citibank, N.A., as Agent  
for said Lenders

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 October 25, 1995 (the "Credit Agreement"), among the Borrower, certain Lenders parties thereto (the "Lenders"), and Citibank, N.A., as Agent for said Lenders.

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) each of the executed Notes and each of the executed Uncommitted Notes;
- (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 , 19 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 Lenders and is enforceable against the Lenders 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 Lenders with any state, federal or other laws or regulations applicable to the Lenders or (ii) the legal or regulatory status or the nature of the business of the Lenders.

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 8.05 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  
ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement dated as of October 25, 1995 (as amended or modified from time to time, the "Credit Agreement") among The Stanley Works, a Connecticut corporation (the "Borrower"), the Lenders (as defined in the Credit Agreement) and Citibank, N.A., as agent for the Lenders (the "Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

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

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

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

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit

analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; (vi) agrees, for the benefit of the Borrower, that it will be bound by the terms and provisions of the Credit Agreement to the same extent as if it were an original party thereto and (vii) attaches any U.S. Internal Revenue Service forms required under Section 8.09 of the Credit Agreement.

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

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

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

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

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

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

Schedule 1  
to

Assignment and Acceptance

Percentage interest assigned:

- -----%

Assignee's Commitment:

\$-----

Aggregate outstanding principal amount of Committed

\$-----

Advances assigned:

Principal amount of Committed Note payable to Assignee:

\$-----

Principal amount of Committed Note payable to Assignor:

\$-----

Effective Date<sup>1</sup>: \_\_\_\_\_, 199\_

[NAME OF ASSIGNOR], as Assignor

By -----

Name:  
Title:

Dated: \_\_\_\_\_, 199\_

[NAME OF ASSIGNEE], as Assignee

By -----

Name:  
Title:

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

Dated: \_\_\_\_\_, 199\_

Domestic Lending Office:  
[Address]

Eurodollar Lending Office:  
[Address]

Accepted [and Approved](2) this  
\_\_\_\_\_ day of \_\_\_\_\_, 199\_

Citibank, N.A., as Agent

By \_\_\_\_\_  
Name:  
Title:

[Approved this \_\_\_\_\_ day  
of \_\_\_\_\_, 199\_

The Stanley Works

By \_\_\_\_\_ ](2)  
Name:  
Title:

- - - - -

(2) Required if the Assignee is an Eligible Assignee solely by reason  
of clause (iii) of the definition of "Eligible Assignee".

MANAGEMENT INCENTIVE COMPENSATION  
CORPORATE PLAN

## I. COMPENSATION PLAN

The Plan will be based upon such performance measures as are determined from time to time by the Compensation and Organization Committee (the "Committee") such as (a) the consolidated net earnings of the Company as a percentage return on shareholders' equity, (b) growth in net sales, and (c) earnings per share. In the discretion of the Committee (in the case of the Executive Officers) and in the discretion of the Chief Executive Officer (in the case of non-Executive Officers), payment under the Plan may be increased or decreased up to 50%.

## 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. EARNINGS PER SHARE - Consolidated full year's earnings per share, exclusive of restructuring charges, asset write-offs and restructuring related charges, as shown in the Annual Report to Shareholders.
- E. SALARY - Base salary for the Plan Year.
- F. THRESHOLD - Minimum acceptable performance at which incentive compensation is warranted.
- G. TARGETED PERFORMANCE - The performance that is considered satisfactory and at which performance level management will be compensated at certain targeted incentive compensation levels.
- H. TARGETED INCENTIVE RATE - The percent of base salary that would be paid if targeted performance is met.
- I. MAXIMUM PAYMENT - The percentage of targeted incentive rate which reflects the maximum annual payment which will be made, before application of the discretion referred to in Section I.
- J. 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 or special circumstances as determined by the Chief Executive Officer, 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 but without the application of the discretion referred to in Section I; provided, however, that the calculation of such incentive compensation shall be based on the Net Earnings, the Net Sales, and the Earnings Per Share 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 1996) 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 (the "original election") by the participant must be made in December (or such later date determined by the administrator of this Plan, but not later than the March 31 following such 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. The original 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 that may be specified are limited to death, retirement, or termination of employment. Effective with original elections made on or after January 1, 1996, if the election specifies that payment is to be made in a year certain (as opposed to a year related to death, retirement, or termination of employment) such year certain must be at least five years after the year the incentive earnings are earned.
- c. In the case of any original 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. Effective October 1, 1996, once made an election (either an original election or a subsequent election) may not be changed to delay the receipt of incentive earnings to a year certain (as opposed to a delay to a year related to death, retirement, or termination of employment) unless such year certain is at least five years after the year in which such change is being submitted.
- e. 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.
- f. No effect shall be given to an original 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 original 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:
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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(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

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- (a) For 1981 and thereafter: the higher of 17%, or the U.S. Treasury Bill rate, compounded quarterly, all as provided in footnote c.
- (b) The higher of 16% or the U.S. Treasury Bill rate, compounded quarterly, all as provided in footnote c.

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 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,

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- (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.

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 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.

As amended October 25, 1995, effective January 1, 1996

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 Retirement and Savings 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 January 1, 1995; and

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

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

A R T I C L E 1

Name and Effective Date

Section 1.1 This Plan shall be known as the "Restated Supplemental 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, 1996, with respect to salaried employees of the Company employed on or after such date.

As amended October 25, 1995, effective January 1, 1996

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.

As amended October 25, 1995, effective January 1, 1996

"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

As amended October 25, 1995, effective January 1, 1996

from the Company (not to exceed, when added to contributions made under Section 4.2 of the Savings Plan, 15% 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

As amended October 25, 1995, effective January 1, 1996

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.

As amended October 25, 1995, effective January 1, 1996

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.

As amended October 25, 1995, effective January 1, 1996

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 RECEIVABLES PURCHASE AGREEMENT

THIS FIRST AMENDMENT TO RECEIVABLES PURCHASE AGREEMENT (this "Amendment") is made as of the 20th day of December, 1995, among THE STANLEY WORKS, STANLEY MECHANICS TOOLS, INC. (formerly known as Mac Tools, Inc.) and STANLEY- BOSTITCH, INC. (collectively, the "Sellers"); WACHOVIA BANK OF GEORGIA, N.A. as Agent and as an Existing Purchaser; BANQUE NATIONALE DE PARIS, NEW YORK BRANCH, and ROYAL BANK OF CANADA (the other "Existing Purchasers") and FLEET BANK OF MASSACHUSETTS, N.A. (the "Additional Purchaser", the Existing Purchasers and the Additional Purchaser being hereinafter collectively referred to as the "Purchasers").

## Background:

The Sellers, the Existing Purchasers and the Agent have entered into a certain Receivables Purchase Agreement dated as of December 1, 1993 (the "Receivables Purchase Agreement").

The Sellers, the Existing Purchasers and the Agent wish to amend the Receivables Purchase Agreement in certain respects, as hereinafter provided, and wish to add the Additional Purchaser as a Purchaser (as defined in the Receivables Purchase Agreement) party to the Receivables Purchase Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Definitions. Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings assigned to them in the Receivables Purchase Agreement.

SECTION 2. Amendments. The Receivables Purchase Agreement is hereby amended as set forth in this Section 2.

2.1 Amendments to Section 1.01. (a) The following definitions are hereby added to Section 1.01 of the Receivables Purchase Agreement, to be inserted in proper alphabetical order:

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

"Dollar Denominated Receivables" means Receivables payable in Dollars.

"Dollar Equivalent" means the Dollar equivalent of amounts that may be calculated with respect to Foreign Currency Denominated Receivables including, without limitation, the Unpaid Balance and Unearned Charges, determined by the Agent on the basis of its spot rate for the purchase, with Dollars, of the foreign currency in which such Foreign Currency Denominated Receivables are payable.

"Effective Date" means December 20, 1995.

"Foreign Currency Business Day" shall mean any Domestic Business Day, but excluding one on which trading is not carried on by and between banks in deposits of the foreign currency or currencies in which any applicable Foreign Currency Denominated Receivable is payable, in the applicable interbank market for such foreign currency or currencies.

"Foreign Currency Denominated Receivables" means Receivables payable in the official currency of a country, other than the United States, that is a member of the Organization for Economic Cooperation and Development.

"IBOR" means, with respect to all Foreign Currency Denominated Receivables payable in the same currency, the offered rate for deposits in the foreign currency in which such Foreign Currency Denominated Receivables are payable, for amounts equal or comparable to the principal amount of the aggregate Net Balances of such Foreign Currency Denominated Receivables as of the first day of the Settlement Period during which such rate is being determined, and offered for a term of three months, which rate appears on Telerate Page 3750 or the appropriate Telerate page for such currency or if the rate for such currency is not available on Telerate the Reuters page for such currency as of 11:00 A.M. (London, England time) on the day that is two Foreign Currency Business Days prior to the first day of such Settlement Period. If the foregoing rate is unavailable for any reason, then such rate shall be determined by the Agent from any other interest rate reporting service of recognized standing designated in writing by the Agent to the Sellers and the Purchasers.

"IBOR Rate" means, with respect to all Foreign Currency Denominated Receivables payable in the same currency, for any day during any Settlement Period, a rate per annum equal to the sum of the Adjusted Interbank Offered Rate for such currency for such Settlement Period, plus the Applicable IBOR Margin for such day, provided that, upon the occurrence and during the continuance of a Repurchase Event, the IBOR Rate for any day during any Settlement Period means a rate per annum equal to the sum of (x) the Adjusted Interbank Offered Rate for such currency for such Settlement Period, plus (y) the Applicable IBOR Margin for such day, plus (z) 2.00% per annum. The "IBOR Rate" with respect to a particular currency for any Settlement Period means a rate per annum equal to the weighted average of the IBOR Rate in effect for each day with respect to such currency during such Settlement Period.

"IBOR Reserve Percentage" means with respect to a particular currency, for any day that percentage (expressed as a decimal) that is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirements for a member bank of the Federal Reserve System in respect of "Eurocurrency Liabilities" for such currency (or in respect of any other category of liabilities that includes deposits by reference to which the Purchasers' Yield (when calculated by reference to the IBOR Rate) is determined or any category of extensions of credit or other assets that includes loans by a non-United States

office of any Purchaser to United States residents). The Adjusted Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the IBOR Reserve Percentage.

(b) The definition of "Applicable Base Rate Margin" and "Applicable Euro-Dollar Margin" contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

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

PERIOD	DEBT RATING	APPLICABLE EURO-DOLLAR MARGIN	APPLICABLE IBOR MARGIN	APPLICABLE BASE RATE MARGIN
Prior to the Commitment Expiration Date	High	+ 0.2500%	+0.2500%	+ 0.0000%
	Medium	+ 0.3750%	+0.03750%	+ 0.1250%
	Low	+ 0.5000%	+0.5000%	+ 0.2500%
From and after the Commitment Expiration Date	High	+ 1.0000%	+1.0000%	+ 0.7500%
	Medium	+ 1.1250%	+1.1250%	+ 0.8750%
	Low	+ 1.2500%	+1.2500%	+ 1.0000%

(c) The definition of Beneficial Interest Percentage contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Beneficial Interest Percentage" of any Purchaser means, at any date, a percentage obtained by dividing (a)(i) the aggregate amount funded by such Purchaser hereunder, on or prior to such date, in respect of the Purchase Price for the Initial Offered Receivables and all Portfolio Increases (calculated by converting any amounts attributable to Foreign Currency Denominated Receivables into their Dollar Equivalents as of such date), minus (ii) the aggregate amount allocated and paid to such Purchaser pursuant to Section 2.09(c), on or prior to such date, in respect of all Portfolio Decreases (calculated by converting any amounts attributable to Foreign Currency Denominated Receivables into their Dollar Equivalents as of such date) by (b) the Portfolio Balance as of the Cutoff Date or, if later, the Domestic Business Day next preceding the Reset

Date for the last Settlement Period that shall have ended on or prior to such date. In the event of a permitted assignment by a Purchaser of a portion of its Beneficial Interest, such Purchaser's Beneficial Interest Percentage shall be allocated proportionately between such Purchaser and such Purchaser's Assignee.

(d) The definition of Closing Balance contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Closing Balance" with respect to all Purchased Receivables payable in the same currency (calculated separately for each currency in which Purchased Receivables are payable) for any Settlement Period means the aggregate Net Balances of the Closing Receivables payable in such currency for such Settlement Period as of the Domestic Business Day next preceding the Reset Date for such Settlement Period.

(e) The second sentence in the definition of Commitment contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

The total of the Commitments initially shall be \$80,000,000 and on and after the Effective Date shall be \$110,000,000.

(f) The definition of Commitment Expiration Date contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Commitment Expiration Date" means December 20, 1998 or such later date as the Sellers and all of the Purchasers may agree in writing.

(g) Clause (c)(i) of the definition of Eligible Receivables contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

(i) is payable in Dollars or in the official currency of a country that is a member of the Organization for Economic Cooperation and Development (excluding, however, Receivables payable in the official currencies of Greece, Iceland, Mexico and Turkey),

(h) Clause (c)(v) of the definition of Eligible Receivables contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

(v) was created in a country that is a member of the Organization for Economic Cooperation and Development;

(i) Clause (e)(iv) of the definition of Eligible Receivables contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

(iv) constitutes the only Contract with respect to the goods sold or leased thereunder and the services, if any, related thereto (or if more than one Contract exists, all rights under such Contracts will be assigned to the Purchasers hereunder),

(j) Clause (e)(vi) of the definition of Eligible Receivables contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

(vi) has a remaining term of no longer than 60 months from the date such Receivable is purchased hereunder,

(k) The definition of Facility Fee Rate contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Facility Fee Rate" means, for any day, a rate per annum equal to (a) before the Effective Date, (i) 0.1500% per annum at all times when the Debt Rating of Unsupported Stanley Debt is High, or (ii) 0.1875% per annum at all other times, and (b) on and after the Effective Date, (i) 0.1000% per annum at all times when the Debt Rating of Unsupported Stanley Debt is High, or (ii) 0.1375% per annum at all other times.

(l) The definition of London Interbank Offered Rate contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended by inserting on the third line thereof, immediately after the term "Opening Balance", and on the last line thereof, immediately after the term "Opening Balance", the following phrase:

consisting solely of Dollar Denominated Receivables

(m) The definition of MAC contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Mechanics Tools" means Stanley Mechanics Tools, Inc., an Ohio corporation (formerly known as Mac Tools, Inc.), and its permitted successors and assigns.

All references in the Receivables Purchase Agreement to MAC shall be deemed to refer to Mechanics Tools, and all references to Mac Tools, Inc. shall be deemed to refer to Stanley Mechanics Tools, Inc.

(n) The definition of Net Balance contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended by adding an additional sentence at the end of such definition, to read as follows:

The Net Balance of each Foreign Currency Denominated Receivable shall be calculated in the foreign currency in which such Foreign Currency Denominated Receivable is payable.

(o) The definition of Opening Balance contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Opening Balance" with respect to Purchased Receivables payable in the same currency (calculated separately for each currency in which Purchased Receivables are payable) for any Settlement Period means the aggregate Net Balances of the Opening Receivables payable in such currency for such Settlement Period as of the first day of such Settlement Period.

(p) The definition of Portfolio Balance contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Portfolio Balance" means, at any time, the aggregate amount of the Net Balances of all Purchased Receivables at such time. For purposes of this definition, the Dollar Equivalent of the Net Balance of each Foreign Currency Denominated Receivable as of the date of calculation shall be used.

(q) The definition of Portfolio Decrease contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Portfolio Decrease" means, with respect to Purchased Receivables payable in any currency (calculated separately for each currency in which Purchased Receivables are payable) for any Settlement Period, the positive sum, if any, of the Opening Balance with respect to Purchased Receivables payable in such currency for such Settlement Period minus the Closing Balance with respect to Purchased Receivables payable in such currency for such Settlement Period.

(r) The definition of Portfolio Increase in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Portfolio Increase" means, with respect to Purchased Receivables payable in any currency (calculated separately for each currency in which Purchased Receivables are payable) for any Settlement Period, the negative sum, if any, of the Opening Balance with respect to Purchased Receivables payable in such currency for such Settlement Period minus the Closing Balance with respect to

Purchased Receivables payable in such currency for such Settlement Period. The Portfolio Increase with respect to Purchased Receivables payable in a particular currency for any Settlement Period represents the amount of the aggregate Purchase Price for all Subsequently Offered Receivables payable in such currency to be purchased by the Purchasers hereunder on the Ending Date for such Settlement Period, net of the amount by which the Opening Balance with respect to Purchased Receivables payable in such currency for such Settlement Period exceeds the aggregate Net Balances of the Opening Receivables with respect to Purchased Receivables payable in such currency for such Settlement Period as of such Ending Date.

(s) The definition of Purchasers' Yield contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Purchasers' Yield" with respect to Purchased Receivables payable in a particular currency (calculated separately for each currency in which Purchased Receivables are payable) for any Settlement Period means an amount equal to the product obtained by multiplying (a) the Opening Balance with respect to Purchased Receivables payable in such currency for such Settlement Period times (b) the Yield Rate applicable to Purchased Receivables payable in such currency for such Settlement Period times (c) a fraction, the numerator of which is the number of days in such Settlement Period, including the first but excluding the last, and the denominator of which is 360.

(t) The definition of Reset Date contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Reset Date" for any Settlement Period means the earlier of (i) the Second Euro- Dollar Business Day next preceding the Ending Date for such Settlement Period, or (ii) if a Net Balance is outstanding with respect to any Foreign Currency Denominated Receivables, of if any Foreign Currency Denominated Receivables will be purchased on the Ending Date for such Settlement Period, the second Foreign Currency Business Day next preceding the Ending Date for such Settlement Period.

(u) The definition of Settlement Period contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

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

Period shall end on the next succeeding day which is a Euro-Dollar Business Day and a Foreign Currency Business Day).

(v) The definition of Standard & Poor's contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Standard & Poor's" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto that is a nationally recognized rating agency.

(w) The definition of Yield Rate contained in Section 1.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Yield Rate" for any Settlement Period means (i) with respect to Dollar Denominated Receivables, the Adjusted Base Rate or the Euro-Dollar Rate for such Settlement Period, as Stanley shall select or be deemed to have selected pursuant to Section 2.04; and (ii) with respect to Foreign Currency Denominated Receivables, the IBOR Rate for such Settlement Period for each different foreign currency in which such Foreign Currency Denominated Receivables are payable.

2.2 Amendment to Section 2.01. Section 2.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

SECTION 2.01. Commitments to Purchase Receivables. Each Purchaser severally agrees, on the terms and conditions set forth herein, to purchase Receivables, up to such Purchaser's Commitment, owned by one or more of the Sellers and offered for sale pursuant to Section 2.02 on the Closing Date and on any Ending Date for any Settlement Period ending prior to the Commitment Expiration Date or the Commitment Termination Date, as applicable; provided that, (i) immediately after each such Purchase the Portfolio Balance shall not exceed the total Commitments; (ii) the aggregate Net Balances, as of the Cutoff Date, of Receivables so offered for sale on the Closing Date, shall not be less than \$25,000,000; and (iii) immediately after each such Purchase the Portfolio Balance of Foreign Currency Denominated Receivables shall not exceed \$20,000,000. Notwithstanding anything in this Agreement to the contrary, neither the Agent or any Purchaser shall assume or be deemed or considered to have assumed the duties, liabilities or obligations of any Seller or any other Person under any Contract by reason of any Purchase hereunder or otherwise.

2.3 Amendment to Section 2.02(b). Section 2.02(b) of the Receivables Purchase Agreement is hereby amended by changing each reference therein to Closing Balance and Net Balance to Closing Balances and Net Balances, respectively, and by adding, on the seventh line thereof, immediately after the term "Net Balances", the following parenthetical:

(using the Dollar Equivalent of the Net Balance of each Foreign Currency Denominated Receivable)

2.4 Amendment to Section 2.02(c). Section 2.02(c) of the Receivables Purchase Agreement is hereby amended by deleting the word "and" immediately prior to clause (vi) thereof and by adding an additional clause (vii) at the end of the second sentence thereof, to read as follows:

and (vii) the currency in which such Receivables are payable.

2.5 Amendment to Section 2.04(b). Section 2.04(b) of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

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

2.6 Amendment to Section 2.05. Section 2.05 of the Receivables Purchase Agreement is hereby amended by changing the reference to Closing Balance in the second line thereof to Closing Balances, and by inserting immediately after the phrase Closing Balances the following parenthetical:

(calculated using the Dollar Equivalent of the Net Balance of each Foreign Currency Denominated Receivable)

2.7 Amendment to Section 2.07(a). Section 2.07(a)(iv) of the Receivables Purchase Agreement is hereby amended by adding immediately before clause (x) in the fifth line from the bottom thereof the following phrase:

such Contract covers goods with an original value in excess of \$5,000 and

2.8 Amendment to Section 2.09(b). Section 2.09(b) of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

(b) Prior to 4:00 p.m. (Atlanta, Georgia time) on the Domestic Business Day prior to the Reset Date for each Settlement Period, the Sellers shall submit to the Agent and the Purchasers a settlement statement, bill of sale and assignment, substantially in the form attached hereto as Exhibit D-1 (each a "Settlement Statement"), dated the Ending Date for such Settlement Period and specifying among other things (i) the Opening Balances and the Closing Balances for such Settlement Period, (ii) the Portfolio Decreases, if any, for such Settlement Period, (iii) the Portfolio Increases, if any, for such Settlement Period, (iv) the amount and computation of the Purchasers' Yields for such Settlement Period, (v) the amount and computation of the Facility Fee for such Settlement Period, and (vi) the amount of all Agent's Servicing Fees and Agent's Costs and Expenses, if any, that became due to the Agent on or before, but remain unpaid as of, such Ending Date. In connection with the Settlement Statement for each Settlement Period, Stanley shall deliver to the Agent, for receipt not later than 10:00 a.m. (Atlanta, Georgia time) on the Ending Date for such Settlement Period, a Receivables Schedule for such Settlement Period, dated as of the Domestic Business Day next preceding the Reset Date for such Settlement Period, conforming to the requirements of Section 2.02. Notwithstanding the foregoing, in the event the Agent shall have assumed the Sellers' responsibilities for the billing and collection of Purchased Receivables, such Settlement Statements shall be prepared by the Agent (with copies furnished to the Sellers and the Purchasers) and the calculations and information therein shall be conclusive, absent manifest error.

2.9 Amendment to Section 2.09(c). The reference to Portfolio Decrease in clause (i) and the reference to Purchasers' Yield in clause (ii) of the first sentence of Section 2.09(c) of the Receivables Purchase Agreement is hereby changed from the singular to the plural, or to Portfolio Decreases and Purchasers' Yields, respectively.

2.10 Amendment to Section 2.09(d). Section 2.09(d) of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

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

2.11 Amendment to Section 2.09(e). All references to Portfolio Increase, Portfolio Decrease, and Purchasers' Yield contained in Section 2.09(e) of the Receivables Purchase Agreement are hereby changed from the singular to the plural, or to Portfolio Increases, Portfolio Decreases and Purchasers' Yields, respectively.

2.12 Amendment to Section 2.09(f). Section 2.09(f) of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

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

2.13 Amendment to Section 2.10(a). Section 2.10(a) of the Receivables Purchase Agreement is hereby amended by adding an additional sentence to the end thereof to read as follows:

All payments to be made by the Sellers hereunder shall be made in Dollars, except for amounts attributable to Portfolio Decreases with respect to Foreign Currency Denominated Receivables, to Purchasers' Yields with respect to Foreign Currency Denominated Receivables, and to repurchases of Foreign Currency Denominated Receivables pursuant to Section 6.02 which shall be payable in the currency or currencies in which such Foreign Currency Denominated Receivables are payable.

2.14 Amendment to Section 2.10(b). Section 2.10(b) of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

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

for such day plus the Applicable Base Rate Margin for such day plus 2.0% per annum and (ii) if such amount is payable in a foreign currency, the IBOR Rate with respect to such currency for such day plus the Applicable IBOR Margin for such day plus 2.0% per annum.

2.15 Amendments to Section 2.10(c). (a) Section 2.10(c) is hereby amended by changing the first reference to Portfolio Increase therein, on the fifth line thereof, to Portfolio Increases and by inserting on the fifth line thereof, immediately after the term "Portfolio Increases", the following phrase:

in the currency or currencies in which such Portfolio Increases are payable,

(b) Section 2.10(c) is hereby amended by inserting on the twenty fourth line thereof, immediately after the term "Federal Funds Rate", the following phrase:

with respect to Dollar Denominated Receivables and a rate per annum equal to the IBOR for such day with respect to Foreign Currency Denominated Receivables (calculated separately for each currency in which such Foreign Currency Denominated Receivables are payable)

2.16 Amendments to Section 2.13. (a) Section 2.13(a)(i) of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

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

(b) Section 2.13(b) of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

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

2.17 Amendment to Section 5.10. The last sentence of Section 5.10 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

Stanley agrees upon the reasonable request of the Agent, to deliver to the Agent the most currently available estimate of the Withdrawal Liability of Stanley and members of the Controlled Group with respect to each Multiemployer Plan, if any, in which they participate.

2.18 Amendment to Section 6.02. Section 6.02 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

**SECTION 6.02. Purchase or Repurchase Upon a Repurchase Event.** If a Repurchase Event shall occur and be continuing;

(a) If such Repurchase Event is a Repurchase Event set forth in Section 6.01(l) or Section 6.01(m), any Purchaser may, by notice to Stanley, the Agent and the other Purchasers, (i) terminate and be relieved of all of its obligations to the Sellers hereunder and under its Commitment (which obligations shall thereupon terminate, unless such Purchaser's Commitment is assumed by a third party that acquires such Purchaser's Beneficial Interest) and (ii) require the Sellers to, and the Sellers shall, purchase from such Purchaser such Purchaser's Beneficial Interest on a date specified in such notice (that shall be not less than 5 nor more than 15 Domestic Business Days after such notice is given), at a purchase price (payable to the Agent for such Purchaser's account in the manner and at the time set forth in Section 2.10(a)) equal to the sum of (I) such Purchaser's Beneficial

Interest Percentage multiplied by the Opening Balances (calculated separately with respect to each currency in which the Purchased Receivables are payable) for the Settlement Period during which the date so specified for such purchase shall occur plus (II) subject to any necessary adjustment required by Section 2.10(c)(i)(A), the product obtained by multiplying (A) such Purchaser's Commitment Percentage times (B) the product of such Opening Balances (calculated separately for each currency in which the Purchased Receivables are payable) times the Yield Rates applicable to Purchased Receivables payable in such currencies for such Settlement Period times (C) a fraction, the denominator of which is 360 and the numerator of which is the number of days elapsed from (and including) the first day of such Settlement Period to (but excluding) the date so specified for such purchase plus (III) subject to any necessary adjustment required by Section 2.10(c)(ii), an amount in respect of Facility Fees equal to the product obtained by multiplying (A) such Purchaser's Commitment Percentage times (B) the product of the Facility Fee Rate then in effect times the total Commitments as in effect on the first day of such Settlement Period times (C) a fraction, the denominator of which is 360 and the numerator of which is the number of days elapsed from (and including) the first day of such Settlement Period to (but excluding) the date so specified for such purchase, plus (IV) all other amounts payable to such Purchaser hereunder and under the other Facility Documents;

(b) if such Repurchase Event is a Repurchase Event set forth in Section 6.01(g) or Section 6.01(h), (i) all of the Commitments shall be automatically terminated, immediately upon the occurrence thereof, without notice or other action by or on behalf of the Agent or any Purchaser, and (ii) the Sellers shall purchase from the Purchasers all of the Purchased Receivables on that date that is 5 Domestic Business Days after the occurrence of such Repurchase Event at a purchase price (payable to the Agent for the Purchasers' account (or the Agent's account, as the case may be) in the manner and at the time set forth in Section 2.10(a)) equal to the sum of (I) for each Purchaser, such Purchaser's Beneficial Interest Percentage multiplied by the Opening Balances (calculated separately for each currency in which the Purchased Receivables are payable) for the Settlement Period during which such fifth Domestic Business Day shall occur plus (II) subject to any necessary adjustment required by Section 2.10(c)(i)(A), the products obtained by multiplying (A) the products of such Opening Balances times the applicable Yield Rates (calculated separately for each currency in which the Purchased Receivables are payable) for such Settlement Period times (B) a fraction, the denominator of which is 360 and the numerator of which is the number of days elapsed from (and including) the first day of such Settlement Period to (but excluding) such fifth Domestic Business Day plus (III) subject to any necessary adjustment required by Section 2.10(c)(ii), an amount in respect of Facility Fees equal to the product obtained by multiplying (A) the product of the Facility Fee Rate then in effect times the total Commitments as in effect on the first day of such Settlement Period times (B) a fraction, the denominator of which is 360 and the numerator of which is the number of days elapsed from (and including) the

first day of such Settlement Period to (but excluding) such fifth Domestic Business Day, plus (IV) all other amounts payable to the Purchasers and the Agent hereunder and under the other Facility Documents; and

(c) if such Repurchase Event is any Repurchase Event other than those referred to in paragraph (a) or (b) of this Section, the Required Purchasers may, by notice from the Agent (given at the direction of the Required Purchasers) to Stanley (i) terminate all of the Commitments (which shall thereupon terminate) and (ii) require the Sellers to, and the Sellers shall, purchase from the Purchasers all of the Purchased Receivables on a date specified in such notice (that shall be not less than 5 nor more than 15 Domestic Business Days after such notice is given), at a purchase price (payable to the Agent for the Purchasers' account (or the Agent's account, as the case may be) in the manner and at the time set forth in Section 2.10(a)) equal to the sum of (I) for each Purchaser, such Purchaser's Beneficial Interest Percentage multiplied by the Opening Balances (calculated separately for each currency in which the Purchased Receivables are payable) for the Settlement Period during which the date so specified for such purchase shall occur plus (II) subject to any necessary adjustment required by Section 2.10(c)(i)(A), the products obtained by multiplying (A) the products of such Opening Balances times the applicable Yield Rates (calculated separately for each currency in which the Purchased Receivables are payable) for such Settlement Period times (B) a fraction, the denominator of which is 360 and the numerator of which is the number of days elapsed from (and including) the first day of such Settlement Period to (but excluding) the date so specified for such purchase plus (III) subject to any necessary adjustment required by Section 2.10(c)(ii), an amount in respect of Facility Fees equal to the product obtained by multiplying (A) the product of the Facility Fee Rate then in effect times the total Commitments as in effect on the first day of such Settlement Period times (B) a fraction, the denominator of which is 360 and the numerator of which is the number of days elapsed from (and including) the first day of such Settlement Period to (but excluding) the date so specified for such purchase, plus (IV) all other amounts payable to the Purchasers and the Agent hereunder and under the other Facility Documents.

2.19 Amendment to Section 8.01. Section 8.01 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

SECTION 8.01. Basis for Determining Euro-Dollar Rate or IBOR Rate Inadequate or Unfair. If on or prior to the first day of any Settlement Period:

- (a) the Agent determines in good faith that deposits in Dollars or any foreign currency (in the applicable amounts) are not being offered in the applicable market for such Settlement Period, or
- (b) the Required Purchasers advise the Agent in good faith that the London Interbank Offered Rate or the IBOR Rate for a particular foreign currency as

determined by the Agent will not adequately and fairly reflect the cost to such Purchasers of maintaining the Euro-Dollar Rate or the IBOR Rate for a particular foreign currency as the Yield Rate for such Settlement Period,

the Agent shall forthwith give notice thereof to Stanley and the Purchasers, whereupon until the Agent notifies Stanley that the circumstances giving rise to such suspension no longer exist, the Yield Rate with respect to Dollar Denominated Receivables for each Settlement Period shall be the Adjusted Base Rate for such Settlement Period and the obligation of the Purchasers to purchase Foreign Currency Denominated Receivables payable in the foreign currency subject to such notice shall be suspended. The Agent (in the case of clause (a) above) and the Purchasers (in the case of clause (b) above) agree to deliver to Stanley a written explanation, in reasonable detail, of the basis for their determination.

2.20 Amendment to Section 8.02. Section 8.02 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

SECTION 8.02. Illegality. (a) If, after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, regulatory body, central bank or comparable agency charged with the interpretation or administration thereof (any such authority, bank or agency being referred to as an "Authority" and any such event being referred to as a "Change of Law"), or compliance by any Purchaser (or its Office) with any request or directive (whether or not having the force of law) of any Authority shall make it unlawful or impossible for any Purchaser (or its Office) to maintain the Euro- Dollar Rate or any applicable IBOR Rate as the Yield Rate, and such Purchaser shall so notify the Agent, the Agent shall forthwith give notice thereof to the other Purchasers and Stanley, whereupon until such Purchaser notifies Stanley and the Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Purchaser to maintain the Euro-Dollar Rate or any applicable IBOR Rate as the Yield Rate for any Settlement Period shall be suspended. Before giving any notice to the Agent pursuant to this Section, such Purchaser shall designate a different Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Purchaser, be otherwise disadvantageous to such Purchaser.

(b) If any Purchaser shall determine that it may not lawfully continue to maintain the Euro-Dollar Rate as the Yield Rate for the then-current or any subsequent Settlement Period and shall so specify in such notice, if the Yield Rate for any such affected Settlement Period shall be the Euro-Dollar Rate, the Yield Rate shall then be automatically converted to, and for each Settlement Period thereafter during the period of such suspension for which Stanley shall have selected the Euro-Dollar Rate as the Yield Rate the Yield Rate shall be, a blended rate based on the Adjusted Base Rate for such Settlement Period for

each such Purchaser, to the extent of and in proportion to its Beneficial Interest, and on the Euro-Dollar Rate for such Settlement Period for each other Purchaser; in such circumstance, the Agent shall make appropriate adjustments in distributing to the Purchasers their respective pro rata shares of amounts paid by the Sellers in respect of the Purchasers' Yield for each such Settlement Period.

(c) If any Purchaser shall determine that it may not lawfully continue to maintain an applicable IBOR Rate as the Yield Rate for one or more Foreign Currency Denominated Receivables, the Sellers shall upon notice from such Purchaser, purchase (on the date specified in such notice) such Purchaser's Beneficial Interest in such Foreign Currency Denominated Receivables at a purchase price in the foreign currency or currencies in which such Foreign Currency Denominated Receivables are payable equal to the sum of (I) such Purchaser's Beneficial Interest Percentage multiplied by the Opening Balances with respect to such Foreign Currency Denominated Receivables for the Settlement Period during which the date so specified for such purchase shall occur plus (II) subject to any necessary adjustment required by Section 2.10(c)(i)(A), the product obtained by multiplying (A) such Purchaser's Commitment Percentage times (B) the product of such Opening Balances times the Yield Rates applicable to such Foreign Currency Denominated Receivables for such Settlement Period times (c) a fraction, the denominator of which is 360 and the numerator of which is the number of days elapsed from (and including) the first day of such Settlement Period to (but excluding) the date so specified for such purchase.

2.21 Amendments to Section 8.03 . (a) Section 8.03 of the Receivables Purchase Agreement is hereby amended by inserting, after the term "Euro-Dollar Rate" at each place in Section 8.03 that it appears, the phrase:

or any applicable IBOR Rate

(b) Section 8.03(a)(ii) of the Receivables Purchase Agreement is hereby amended by inserting in line four thereof, immediately after the term "Euro-Dollar Reserve Percentage", the following phrase:

or in an applicable IBOR Reserve Percentage

(c) Section 8.03(a)(iii) of the Receivables Purchase Agreement is hereby amended by deleting the phrase "the London interbank" in line one thereof and substituting in its place the following phrase:

any applicable

2.22 Amendment to Section 8.04. Section 8.04 of the Receivables Purchase Agreement is hereby amended by inserting in the eleventh line thereof immediately after the term "Euro- Dollar Rate", the following phrase:

or any applicable IBOR Rate

2.23 Addition of New Section 8.05. A new section is hereby added to the Receivables Purchase Agreement as Section 8.05 to read as follows:

SECTION 8.05. Failure to Pay in Foreign Currency. If the Sellers are unable for any reason to effect payment in a foreign currency as required by this Receivables Purchase Agreement or if the Sellers shall default in their obligations with respect to Foreign Currency Denominated Receivables, each Purchaser may, through the Agent, require such payment to be made in Dollars in the Dollar Equivalent amount of such payment. In any case in which the Sellers shall make such payment in Dollars, the Sellers agree to hold the Purchasers harmless from any loss incurred by the Purchasers arising from any change in the value of Dollars in relation to such foreign currency between the date such payment became due and the date of payment thereof.

2.24 Addition of New Section 8.06. A new section is hereby added to the Receivables Purchase Agreement as Section 8.06 to read as follows:

SECTION 8.06. Judgment Currency. If for the purpose of obtaining judgment in any court or enforcing any such judgment it is necessary to convert any amount due in any foreign currency into any other currency, the rate of exchange used shall be the Agent's spot rate of exchange for the purchase of the foreign currency with such other currency at the close of business on the Foreign Currency Business Day preceding the date on which judgment is given or any order for payment is made. The obligations of the Sellers in respect of any amount due from them hereunder shall, notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due hereunder or under any judgment or order in any other currency or otherwise be discharged only to the extent that on the Foreign Currency Business Day following receipt by the Agent of any payment in a currency other than the relevant foreign currency the Agent is able (in accordance with normal banking procedures) to purchase the relevant foreign currency with such other currency. If the amount of the relevant foreign currency that the Agent is able to purchase with such other currency is less than the amount due in the relevant foreign currency, notwithstanding any judgment or order, the Sellers shall indemnify the Purchasers for the shortfall.

2.25 Amendment to Section 9.07. Section 9.07 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as follows:

SECTION 9.07. Subrogation. Notwithstanding anything herein to the contrary, Stanley hereby waives until a period of time has expired equal to 366 days after all Obligations of the Sellers to the Purchasers have been paid, and the Commitments have been terminated, any right of subrogation (under contract, Section 509 of the Bankruptcy Code or otherwise) or any other right of indemnity, reimbursement or contribution and hereby waives until the above referenced period of time has expired, any right to enforce any remedy that any Purchaser or the Agent now has or may hereafter have against Bostitch, Mechanics Tools or any endorser or any other guarantor of all or any part of the Guaranteed

Obligations, and Stanley hereby waives, until the above referenced period of time has expired, any benefit of, and any right to participate in, any security or collateral given to any Purchaser or the Agent to secure payment or performance of the Guaranteed Obligations or any other liability of Bostitch or Mechanics Tools to any Purchaser. The waiver contained in this Section shall continue and survive the termination of this Agreement and the final and indefeasible payment in full of the Guaranteed Obligations.

2.26 Amendment to Notice Address for Sellers. The address for notices to the Sellers is hereby amended to be as set forth on the signature pages of this Agreement.

2.27 Amendment Increasing Aggregate Commitments and Adding Fleet Bank of Massachusetts, N.A. as a Purchaser. The Receivables Purchase Agreement shall be amended by increasing the total amount of the Commitments to \$110,000,000. The individual Commitments of the Existing Purchasers set forth on the signature pages of the Receivables Purchase Agreement shall be restated to be equal to the respective amounts set forth on the signature pages hereof opposite such Existing Purchasers' respective names. Fleet Bank of Massachusetts, N.A. is hereby added as a Purchaser (as defined in the Receivables Purchase Agreement) a party to the Receivables Purchase Agreement and Fleet Bank of Massachusetts, N.A. shall have all of the rights and obligations of a Purchaser thereunder. The Office and the Commitment of Fleet Bank of Massachusetts, N.A. shall be as set forth on the signature page hereof.

2.28 Amendment to Exhibit B. Exhibit B of the Receivables Purchase Agreement is hereby amended by deleting the column heading "Original Amount" and replacing it with the following:

Original Amount  
and Currency Denomination

2.29 Amendment to Schedule 2.12. Schedule 2.12 of the Receivables Purchase Agreement is hereby amended and restated in its entirety to read as set forth on Schedule 2.12 hereto.

2.30 Amendment to Exhibit D-1. Exhibit D-1 of the Receivables Purchase Agreement is hereby amended and restated in its entirety, to read as set forth on Exhibit D-1 hereto.

2.31 Amendment to Exhibit D-2. Exhibit D-2 of the Receivables Purchase Agreement is hereby amended and restated in its entirety, to read as set forth on Exhibit D-2 hereto.

2.32 Amendment to Exhibit I. Exhibit I of the Receivables Purchase Agreement is hereby amended and restated in its entirety, to read as set forth on Exhibit I hereto.

SECTION 3. No Other Amendment. Except for the amendments set forth above, the text of the Receivables Purchase Agreement shall remain unchanged and in full force and effect. This Amendment is not intended to effect, nor shall it be construed as, a novation. The Receivables Purchase Agreement and this Amendment shall be construed together as a single instrument and any reference to the "Agreement" or any other defined term for the Receivables

Purchase Agreement in the Receivables Purchase Agreement, any other Facility Document or any certificate, instrument or other document delivered pursuant thereto shall mean the Receivables Purchase Agreement as amended hereby and as it may be amended, supplemented or otherwise modified hereafter.

SECTION 4. Representations and Warranties. The Sellers hereby represent and warrant in favor of the Agent and the Purchasers as follows:

(a) No Default or Event of Default under the Receivables Purchase Agreement has occurred and is continuing on the date hereof;

(b) The Sellers have the corporate power and authority to enter into this Amendment and to do all acts and things as are required or contemplated hereunder to be done, observed and performed by them;

(c) This Amendment has been duly authorized, validly executed and delivered by one or more authorized officers of each of the Sellers and each of this Amendment and the Receivables Purchase Agreement, as amended hereby constitutes the legal, valid and binding obligation of the Sellers enforceable against each of them in accordance with its terms; provided, that the enforceability of each of this Amendment and the Receivables Purchase Agreement as amended hereby is subject to general principles of equity and to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally; and

(d) The execution and delivery of this Amendment and the Sellers' performance hereunder and under the Receivables Purchase Agreement as amended hereby do not and will not require the consent or approval of any regulatory authority or governmental authority or agency having jurisdiction over the Sellers other than those which have already been obtained or given, nor be in contravention of or in conflict with the respective Articles of Incorporation or Bylaws of the Sellers, or the provision of any statute, or any judgment, order or indenture, instrument, agreement or undertaking, to which any Seller is a party or by which any Seller's assets or properties are or may become bound.

SECTION 5. Counterparts. This Amendment may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same agreement.

SECTION 6. Governing Law. This Amendment shall be deemed to be made pursuant to the laws of the State of Georgia with respect to agreements made and to be performed wholly in the State of Georgia and shall be construed, interpreted, performed and enforced in accordance therewith.

SECTION 7. Effective Date. This Amendment shall become effective as of December 20, 1995 upon receipt by the Agent (i) from each of the parties hereto of either a duly executed signature page from a counterpart of this Amendment or a facsimile transmission of a duly executed signature page from a counterpart of this Amendment, signed by such party; (ii) of a certified copy of a resolution of the Board of Directors of The Stanley Works, authorizing the increase in the aggregate Commitments; and (iii) of an incumbency certificate of the Sellers.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

SELLERS:

THE STANLEY WORKS

By: Craig A. Douglas  
-----  
Craig A. Douglas  
Its: Director, Corporate Finance

STANLEY-BOSTITCH, INC.

By: Craig A. Douglas  
-----  
Craig A. Douglas  
Its: Assistant Treasurer

STANLEY MECHANICS TOOLS, INC.

By: Craig A. Douglas  
-----  
Craig A. Douglas  
Its: Assistant Treasurer

Notice Address (All Sellers):

The Stanley Works  
1000 Stanley Drive  
New Britain, Connecticut 06053  
Attention: Director, Corporate Finance  
Telephone: (203) 827-3838  
Telecopy: (203) 827-3848  
Telex: N/A  
Answerback: N/A

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COMMITMENTS

\$37,000,000

WACHOVIA BANK OF GEORGIA, N.A.,  
as a Purchaser

By: Terence P. Snellings  
-----  
Terence P. Snellings  
Title: Senior Vice President

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\$29,000,000

BANQUE NATIONALE DE PARIS,  
NEW YORK BRANCH, as a Purchaser

By: Richard L. Sted  
-----  
Richard L. Sted  
Title: Senior Vice President

and

By: Sophie Revillard Kaufman  
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Sophie Revillard Kaufman  
Title: Vice President

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\$29,000,000

ROYAL BANK OF CANADA,  
as a Purchaser

By: Sheryl L. Greenberg

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Sheryl L. Greenberg  
Title: Manager

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\$15,000,000

FLEET BANK OF MASSACHUSETTS, N.A.  
Purchaser

By: Paul A. Veiga  
-----

Paul A. Viega  
Title: Vice President

Office:

777 Main Street, MSN 203  
Hartford, Connecticut 06115  
Attention: Paul Veiga  
Telephone: (203) 986-4426  
Telecopy: (203) 986-9378

-----  
TOTAL COMMITMENTS

\$110,000,000

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## SCHEDULE 2.12

## Principal Offices, Location of Records, Etc.

## A. Principal Offices and Exclusive Location of Records:

The Stanley Works  
1000 Stanley Drive  
New Britain, Connecticut 06053  
Attention: Director, Corporate Finance

Stanley-Bostitch, Inc.  
Route 2, Briggs Drive  
East Greenwich, Rhode Island 02818  
Attention: Credit Manager

Stanley Mechanics Tools, Inc.  
(Principal Office)  
12827 Valley Branch Lane  
Dallas, Texas 75234  
Attention: Vice President - Controller

Mac Tools, a Division of Stanley Mechanics Tools, Inc.  
(Location of Records)  
4635 Hilton Corporate Drive  
Columbus, Ohio 43232

## B. Federal Employment Identification Numbers:

The Stanley Works	06-0548860
Stanley Mechanics Tools, Inc.	06-1017406
Stanley-Bostitch, Inc.	05-0419891

SETTLEMENT STATEMENT, ASSIGNMENT AND BILL OF SALE

This Settlement Statement, Assignment and Bill of Sale (this "Settlement Statement") is delivered pursuant to the Receivables Purchase Agreement, dated as of December 1, 1993 (as amended from time to time and in effect on the date hereof, the "Purchase Agreement"), by and among The Stanley Works, Stanley Mechanics Tools, Inc. , Stanley-Bostitch, Inc., the purchasers from time to time party thereto and Wachovia Bank of Georgia, National Association, as agent for the Purchasers. Unless otherwise provided herein, terms defined in the Purchase Agreement shall have the meanings herein as therein defined. This Settlement Statement is made as of the Ending Date for the Settlement Period beginning on \_\_\_\_\_, 199\_\_ and ending on \_\_\_\_\_, 199\_\_ (the "Settlement Period").

PART I: RECONCILIATION AND SETTLEMENT

The Sellers hereby warrant and represent to the Purchasers that (a) the Receivables Schedule attached to this Settlement Statement, setting forth the information described therein with respect to each of the Closing Receivables for the Settlement Period, is true and correct and (b) the following information is true and correct and accurately sets forth (i) the Portfolio Increases due from the Purchasers to the Sellers, and/or the Portfolio Decreases due from the Sellers to the Purchasers, as the case may be, for the Settlement Period, (ii) the Purchasers' Yield and the Facility Fees for the Settlement Period due from the Sellers to the Purchasers,1 and (iii) the amount of all Agent's Servicing Fees and Agent's Costs and Expenses, if any, that became due to the Agent on or before, but remain unpaid as of, the Ending Date of the Settlement Period.

A. Portfolio Decrease/Increase:

-----		
1. Dollar Denominated Receivables		
a.	Opening Balance:	\$ _____
b.	Closing Balance:	\$ _____
c.	Portfolio Decrease, if any, Due to Purchasers (positive amount, if any, of a minus b):	\$ _____
d.	Portfolio Increase, if any, Due to Sellers (negative amount, if any, of a minus b):	\$ _____ **
[2.	Foreign Currency Denominated Receivables (_____ currency)	

(1) Purchasers' Yield and Facility Fees may be subject to adjustment as provided in Section 2.10(c)(i) and (ii) of the Purchase Agreement.

- a. Opening Balance \_\_\_\_\_
- b. Closing Balance \_\_\_\_\_
- c. Portfolio Decrease, if any, Due to Purchasers  
(positive amount, if any, of a minus b): \_\_\_\_\_
- d. Portfolio Increase, if any, Due to Sellers  
(negative amount, if any, of a minus b): \_\_\_\_\_](2)

B. Purchasers' Yield Due to Purchasers:

1. Dollar Denominated Receivables

Purchasers' Yield =  $a \times b \times c / 360 =$  \$ \_\_\_\_\_

Where

a = Opening Balance for the Settlement Period

b = Yield Rate applicable to Dollar Denominated Receivables  
for the Settlement Period =  $X + Y =$  \_\_\_\_\_%

Where:

X = Applicable Margin for the Settlement Period = \_\_\_\_\_%  
(weighted average of Applicable Base Rate Margin or Applicable  
Euro-Dollar Margin, as applicable, in effect for each day of  
the Settlement Period)

Y = Adjusted Base Rate or Adjusted London Interbank = \_\_\_\_\_%  
Offered Rate, as applicable, for the Settlement Period

c = Number of days in the Settlement Period

[2. Foreign Currency Denominated Receivables (\_\_\_\_\_currency)(3)

Purchasers' Yield =  $a \times b \times c / 360 =$  \_\_\_\_\_

- - - - -

- (2) Repeat item 2 as item 3, 4 etc. for each currency in which Foreign  
Currency Denominated Receivables are payable.
- (3) Repeat item 2 as item 3, 4 etc. for each currency in which Foreign  
Currency Denominated Receivables are payable.

Where

a = Opening Balance for the Settlement Period

b = Yield Rate applicable to Foreign Currency Denominated  
Receivables payable in \_\_\_\_\_ currency  
for the Settlement Period =  $x + y =$  \_\_\_\_\_%

Where:

x = Applicable Margin for the Settlement Period = \_\_\_\_\_%  
(weighted average of Applicable IBOR Margin in effect for each  
day of the Settlement Period)

y = Adjusted Interbank Offered Rate for the Settlement Period = \_\_\_\_\_%

c = Number of days in the Settlement Period](3)

C. Facility Fees Due to Purchasers:

Facility Fees =  $a \times b \times c / 360 =$  \$ \_\_\_\_\_

Where

a = Total Commitments as of first day of the Settlement Period

b = Facility Fee Rate for the Settlement Period = \_\_\_\_\_%  
(weighted average of Facility Fee Rate in effect for each day of the Settlement  
Period)

c = Number of days in the Settlement Period

D. Unpaid Agent's Servicing Fees: \$ \_\_\_\_\_

E. Unpaid Agent's Costs and Expenses: \$ \_\_\_\_\_

F. Total Due to Purchasers: \$ \_\_\_\_\_

G. Total Due to Sellers: \$ \_\_\_\_\_

## PART II: ASSIGNMENT AND BILL OF SALE

1. Each of the respective Sellers has sold, assigned and conveyed to the Purchasers, and by these presents does hereby sell, assign, transfer, convey and set over unto the Purchasers, all of such Seller's right, title and interest in those Closing Receivables for the Settlement Period, identified in the Receivables Schedule attached hereto, that are owned by such Seller and that were not Opening Receivables for the Settlement Period (such Closing Receivables are referred to herein as the "Subsequently Offered Receivables"), the sale, assignment, transfer and conveyance hereunder being made under and subject to the Purchase Agreement, it being acknowledged and agreed that, with respect to each Subsequently Offered Receivable the Purchasers shall have all of the rights and benefits provided under the Purchase Agreement.

2. Each Seller hereby warrants and represents to the Purchasers, with respect to each Subsequently Offered Receivable so sold, assigned and conveyed hereunder by such Seller, that

(a) such Seller (i) is the true, lawful and sole owner of such Subsequently Offered Receivable, (ii) has good, absolute and marketable title to such Subsequently Offered Receivable, free and clear of all Liens of any nature, and (iii) has the right to sell, transfer and assign such Subsequently Offered Receivable without restriction;

(b) the full Net Balance of such Subsequently Offered Receivable, as shown on the Receivables Schedule attached hereto, is owing;

(c) such Subsequently Offered Receivable (i) is payable in Dollars or in the official currency of a country that is a member of the Organization for Economic Cooperation and Development, (ii) is free from allowances, discounts, credits, adjustments, defenses, set-offs or counterclaims by any Obligor thereon of any kind against such Seller, (iii) is not a Charged-Off Receivable or a Defaulted Receivable, (iv) is not payable by any Obligor that is an Obligor under a Defaulted Receivable or a Charged-Off Receivable, and (v) is not in repossession or litigation; and

(d) to such Seller's best knowledge, such Subsequently Offered Receivable is otherwise an Eligible Receivable in all respects.

3. This Settlement Statement may be signed in three counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

4. This instrument shall be governed by the laws of the State of Georgia.

[Signatures follow on separate page]



AGENT'S SETTLEMENT STATEMENT

This Settlement Statement is delivered pursuant to the Receivables Purchase Agreement, dated as of December 1, 1993 (as amended from time to time and in effect on the date hereof, the "Purchase Agreement"), by and among The Stanley Works, Stanley Mechanics Tools, Inc. , Stanley-Bostitch, Inc., the purchasers from time to time party thereto and Wachovia Bank of Georgia, National Association, as agent for the Purchasers. Unless otherwise provided herein, terms defined in the Purchase Agreement shall have the meanings herein as therein defined. This Settlement Statement is made as of the Ending Date for the Settlement Period beginning on \_\_\_\_\_, 199\_\_ and ending on \_\_\_\_\_, 199\_\_ (the "Settlement Period").

The Agent hereby certifies to the Purchasers that during the Settlement Period (or that portion thereof from and after the date on which, during such Settlement Period, the Agent assumed the Seller's duties for the billing and collection of Purchased Receivables) the Agent has received the aggregate sum of \_\_\_\_\_ of good, collected funds in respect of collections of the principal of and interest on the Opening Receivables (calculated solely with respect to Dollar Denominated Receivables) for the Settlement Period, of which \$\_\_\_\_\_ represents payments of interest on such Opening Receivables, with the \$\_\_\_\_\_ balance representing payments of the principal of such Opening Receivables; [and the Agent has received the aggregate sum of \_\_\_\_\_ of good, calculated funds in respect of collections of the principal and interest on the Opening Receivables (calculated solely with reference to Foreign Currency Denominated Receivables payable in \_\_\_\_\_ currency) for the Settlement Period, of which \_\_\_\_\_ represents payments of or interest on such Opening Receivables with the \_\_\_\_\_ balance representing payments of the principal of such Opening Receivables].(4)

Set forth below is the Agent's calculation of (a) the Portfolio Decreases if any, for the Settlement Period, (b) the Purchasers' Yields and the Facility Fees for the Settlement Period due from the Sellers to the Purchasers, and (c) the amount of all Agent's Servicing Fees and Agent's Costs and Expenses that became due to the Agent on or before, but remain unpaid as of, the Ending Date of the Settlement Period.

A. Portfolio Decrease/Increase:

1. Dollar Denominated Receivables

- 5. Opening Balance: \$ \_\_\_\_\_
- 6. Closing Balance: \$ \_\_\_\_\_

-----  
(4) Repeat bracketed language for each different currency in which Foreign Currency Denominated Receivables are payable.

7. Portfolio Decrease, if any, Due to Purchasers  
(positive amount, if any, of a minus b): \$ \_\_\_\_\_

8. Portfolio Increase, if any, Due to Sellers  
(negative amount, if any, of a minus b): \$ \_\_\_\_\_

[2. Foreign Currency Denominated Receivables (\_\_\_\_\_ currency)

a. Opening Balance \_\_\_\_\_

b. Closing Balance \_\_\_\_\_

c. Portfolio Decrease, if any, Due to Purchasers  
(positive amount, if any, of a minus b): \_\_\_\_\_

d. Portfolio Increase, if any, Due to Sellers  
(negative amount, if any, of a minus b): \_\_\_\_\_](5)

B. Purchasers' Yield Due to Purchasers:

1. Dollar Denominated Receivables

Purchasers' Yield =  $a \times b \times c / 360 =$  \$ \_\_\_\_\_

Where

a = Opening Balance for the Settlement Period

b = Yield Rate applicable to Dollar Denominated Receivables  
for the Settlement Period =  $X + Y =$  \_\_\_\_\_%

Where:

X = Applicable Margin for the Settlement Period = \_\_\_\_\_%  
(weighted average of Applicable Base Rate  
Margin or Applicable Euro-Dollar Margin, as  
applicable, in effect for each day of the Settlement  
Period)

Y = Adjusted Base Rate or Adjusted London Interbank = \_\_\_\_\_%  
Offered Rate, as applicable, for the Settlement Period

-----  
(5) Repeat item 2 as item 3, 4 etc. for each currency in which Foreign  
Currency Denominated Receivables are payable.

c = Number of days in the Settlement Period

[2. Foreign Currency Denominated Receivables (\_\_\_\_\_currency)

Purchasers' Yield =  $a \times b \times c / 360 =$  \$\_\_\_\_\_

Where

a = Opening Balance for the Settlement Period

b = Yield Rate applicable to Foreign Currency Denominated Receivables payable in \_\_\_\_\_ currency for the Settlement Period =  $X + Y =$  \_\_\_\_\_%

Where:

x = Applicable Margin for the Settlement Period = \_\_\_\_\_%  
(weighted average of or Applicable IBOR Margin in effect for each day of the Settlement Period)

y = Adjusted Interbank Offered Rate for the Settlement Period = \_\_\_\_\_%

c = Number of days in the Settlement Period](6)

C. Facility Fees Due to Purchasers:

Facility Fees =  $a \times b \times c / 360 =$  \$\_\_\_\_\_

Where

a = Total Commitments as of first day of the Settlement Period or, if the Commitments shall have expired or been terminated prior to such date, the Opening Balance for the Settlement Period

b = Facility Fee Rate for the Settlement Period = \_\_\_\_\_%  
(weighted average of Facility Fee Rate in effect for each day of the Settlement Period)

c = Number of days in the Settlement Period

D. Unpaid Agent's Servicing Fees: \$\_\_\_\_\_

E. Unpaid Agent's Costs and Expenses: \$\_\_\_\_\_

-----  
(6) Repeat item 2 as item 3, 4 etc. for each currency in which Foreign Currency Denominated Receivables are payable.

35  
Dated:

, 199\_\_

WACHOVIA BANK OF GEORGIA, NATIONAL  
ASSOCIATION, as Agent

By:  
Title:

EXHIBIT I

Form of Assignment and Acceptance

ASSIGNMENT AND ACCEPTANCE

Dated \_\_\_\_\_, \_\_\_\_\_

Reference is made to the Receivables Purchase Agreement dated as of December 1, 1993, (as amended, supplemented or otherwise modified and in effect from time to time, the "Receivables Purchase Agreement"), among The Stanley Works, a Connecticut corporation, Stanley-Bostitch, Inc., a Delaware corporation, Stanley Mechanics Tools, Inc., an Ohio corporation, the Purchasers (as defined in the Receivables Purchase Agreement) and Wachovia Bank of Georgia, National Association, as Agent (the "Agent"). Terms defined in the Receivables Purchase Agreement are used herein with the same meaning.

\_\_\_\_\_ (the "Assignor") and \_\_\_\_\_ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, a \_\_\_\_\_% interest in and to all of the Assignor's rights and obligations under the Receivables Purchase Agreement as of the Effective Date (as defined below) (including, without limitation, a \_\_\_\_\_% interest (which on the Effective Date hereof is \$\_\_\_\_\_ ) in the Assignor's Commitment and a \_\_\_\_\_% interest (which on the Effective Date hereof is \$\_\_\_\_\_ , being the product of the Assignor's Commitment Percentage multiplied by the Portfolio Balance on the Effective Date) in the Assignor's Beneficial Interest). From and after the Effective Date (as hereinafter defined), the Commitment (if the Effective Date shall be prior to the Commitment Expiration Date or the Commitment Termination Date, as applicable), the Commitment Percentage and the Beneficial Interest Percentage of the Assignor and the Assignee, respectively, shall be as set forth below:

	Commitment -----	Commitment Percentage -----	Beneficial Interest Percentage -----
ASSIGNOR	\$ _____	_____%	_____%
ASSIGNEE	\$ _____	_____%	_____%

2. The Assignor (i) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Receivables Purchase Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Receivables Purchase Agreement or any other instrument or document furnished pursuant thereto, other than that it is the legal and beneficial owner of the interest being assigned by it hereunder, that such interest is free and clear of any adverse claim and that as of the date hereof its Commitment (without giving effect to assignments thereof that have not yet become effective) is \$\_\_\_\_\_

and its Beneficial Interest in the Portfolio Balance (without giving effect to assignments thereof that have not yet become effective) is \$ \_\_\_\_\_ (using applicable exchange rates in effect on \_\_\_\_\_, \_\_\_\_\_); and (ii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Seller or the performance or observance by any Seller of any of its obligations under the Receivables Purchase Agreement or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) confirms that it has received a copy of the Receivables Purchase Agreement, together with copies of the financial statements referred to in Section 4.04(a) thereof (or any more recent financial statements of Stanley and its Consolidated Subsidiaries delivered pursuant to Section 5.01(a) or (b) thereof) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Purchaser and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Receivables Purchase Agreement; (iii) confirms that it is an Eligible Purchaser; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Receivables Purchase Agreement and the other Facility Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Receivables Purchase Agreement are required to be performed by it as a Purchaser; (vi) specifies as its Office (and address for notices) the office set forth beneath its name on the signature pages hereof, (vii) represents and warrants that the execution, delivery and performance of this Assignment and Acceptance are within its corporate powers and have been duly authorized by all necessary corporate action, [and (viii) attaches the forms prescribed by the Internal Revenue Service of the United States certifying as to the Assignee's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to the Assignee under the Receivables Purchase Agreement or such other documents as are necessary to indicate that all such payments are subject to such taxes at a rate reduced by an applicable tax treaty].<sup>7</sup>

4. The Effective Date for this Assignment and Acceptance shall be \_\_\_\_\_ (the "Effective Date"). Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acknowledgment by the Agent and to Stanley for execution by Stanley.

5. Upon such acknowledgment by the Agent and execution by Stanley, from and after the Effective Date, (i) the Assignee shall be a party to the Receivables Purchase Agreement and, to the extent rights and obligations have been transferred to it by this Assignment and Acceptance, have the rights and obligations of a Purchaser thereunder and (ii) the Assignor shall, to the extent its rights and obligations have been transferred to the Assignee by this Assignment and Acceptance, relinquish its rights (other than under Sections 8.03 and 8.04 of the Receivables Purchase Agreement) and be released from its obligations under the Receivables Purchase Agreement.

---

(7) If the Assignee is organized under the laws of a jurisdiction outside the United States.

6. Upon such acknowledgment by the Agent and execution by Stanley, from and after the Effective Date, the Agent shall make all payments in respect of the interest assigned hereby to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments for periods prior to such acceptance by the Agent directly between themselves.

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

[NAME OF ASSIGNOR]

By: \_\_\_\_\_

Title: \_\_\_\_\_

[NAME OF ASSIGNEE]

By: \_\_\_\_\_

Title: \_\_\_\_\_

Office:  
[Address]

CONSENTED TO, this \_\_\_\_  
day of \_\_\_\_\_, 199\_\_

THE STANLEY WORKS

By: \_\_\_\_\_  
Title: \_\_\_\_\_

ACKNOWLEDGED, this \_\_\_\_  
day of \_\_\_\_\_, 199\_\_

WACHOVIA BANK OF GEORGIA,  
NATIONAL ASSOCIATION., as Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

COMPUTATION OF EARNINGS PER SHARE  
 THE STANLEY WORKS AND SUBSIDIARIES  
 (dollars and shares in thousands except per share amounts)

## Exhibit 11

	Fiscal Year Ended		
	December 30 1995	December 31 1994	January 1 1994
Earnings per common share:			
Weighted average shares outstanding	44,360	44,775	44,935
Earnings before cumulative effect of accounting change	\$59,099	\$125,296	\$ 92,630
Cumulative effect of accounting change for Postemployment Benefits	--	--	(8,489)
Net earnings	\$59,099	\$125,296	\$ 84,141
Per share amounts:			
Before cumulative effect of accounting change	\$ 1.33	\$ 2.80	\$ 2.06
Cumulative effect of accounting change for Postemployment Benefits	--	--	(0.19)
Net earnings	\$ 1.33	\$ 2.80	\$ 1.87
Primary:			
Weighted average shares outstanding	44,360	44,775	44,935
Dilutive common stock equivalents - based on the treasury stock method using average market price	560	553	713
	44,920	45,328	45,648
Per share amounts:			
Before cumulative effect of accounting change	\$ 1.32	\$ 2.76	\$ 2.03
Cumulative effect of accounting change for Postemployment Benefits	--	--	(0.19)
Net earnings	\$ 1.32	\$ 2.76	\$ 1.84
Fully Diluted:			
Weighted average shares outstanding	44,360	44,775	44,935
Dilutive common stock equivalents - based on the treasury stock method using the quarter end market price if higher than average market price	601	557	757
	44,961	45,332	45,692
Per share amounts:			
Before cumulative effect of accounting change	\$ 1.31	\$ 2.76	\$ 2.03
Cumulative effect of accounting change for Postemployment Benefits	--	--	(0.19)
Net earnings	\$ 1.31	\$ 2.76	\$ 1.84

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 30 1995	December 31 1994	January 1 1994	January 2 1993	December 28 1991
Earnings before income taxes and cumulative adjustment for accounting change	\$112.8	\$201.8	\$148.0	\$158.1	\$156.5
Add:					
Portion of rents representative of interest factor	\$ 13.4	\$ 12.7	\$ 11.7	\$ 12.2	\$ 11.5
Interest expense	35.2	33.1	31.4	32.6	37.2
Amortization of expense on long-term debt	0.3	0.2	0.4	0.7	0.5
Amortization of capitalized interest	0.3	0.4	0.4	0.4	0.4
Income as adjusted	\$162.0 =====	\$248.2 =====	\$191.9 =====	\$204.0 =====	\$206.1 =====
Fixed charges:					
Interest expense	\$ 35.2	\$ 33.1	\$ 31.4	\$ 32.6	\$ 37.2
Amortization of expense on long-term debt	0.3	0.2	0.4	0.7	0.5
Capitalized interest	0.1	--	0.1	0.1	0.4
Portion of rents representative of interest factor	13.4	12.7	11.7	12.2	11.5
Fixed charges	\$ 49.0 =====	\$ 46.0 =====	\$ 43.6 =====	\$ 45.6 =====	\$ 49.6 =====
Ratio of earnings to fixed charges	3.31 =====	5.40 =====	4.40 =====	4.47 =====	4.16 =====

## ORGANIZATION CHANGES

In May, Mannie L. Jackson was elected to the Board. Mr. Jackson is Chairman of Harlem Globetrotters International, a division of MJA, Inc.

In February, Gerald Strecker, President and General Manager of Stanley Hydraulic Tools announced his decision to retire from the company. Gerry helped mold Stanley Hydraulic Tools into an industry leader, and we thank him for his years of outstanding service to Stanley.

Dennis Bishop, formerly Vice President, Manufacturing at Stanley Fastening Systems was appointed to succeed Mr. Strecker.

In May, Stanley-Vidmar announced a divisional name change to Stanley Storage Systems in order to provide its growing world-wide customer base with instant recognition of the core business of the division.

In June, Thomas E. Mahoney, formerly President and General Manager of Stanley Hardware was appointed President and General Manager of the Stanley Customer Support Division and Vice President of Marketing Development for The Stanley Works. He replaced James S. Amtmann who left the company.

Henning N. Kornbrekke replaced Mr. Mahoney as President and General Manager of Stanley Hardware. Mr. Kornbrekke had been President and General Manager of Stanley Access Technologies.

Thomas N. Jones replaced Mr. Kornbrekke as President and General Manager of Stanley Access Technologies. He had previously served as President of Stanley Tools-Europe.

Also in June, the company announced the formation of its newest division, Stanley Home Decor. This new business unit encompasses Stanley Acmetrack closet doors and organizing products as well as Stanley Hardware's decorator products and Stanley Monarch. Raymond J. Martino, formerly Vice President of Operations at Stanley Hardware, was named President and General Manager of Stanley Home Decor.

In August, Thomas K. Clarke, Stanley's Vice-President of Corporate Development, announced his plans to retire from the company. Mr. Clarke's keen analytical and negotiating skills in the area of acquisitions has helped Stanley provide consistently good value for shareholders. In fact, more than half of Stanley's sales and profits today come from businesses acquired under the direction of Mr. Clarke. We appreciate his years of dedicated and thoughtful service.

On September 1, Robert L. Fletcher was appointed to the newly-created position of Vice President, Purchasing. Mr. Fletcher came to Stanley with 30 years of procurement experience with the Xerox Corporation. The focus of this new position is consistent with our company-wide restructuring activities designed to make us more efficient and effective by integrating and coordinating certain critical activities - such as procurement - among all Stanley divisions.

In September, the Board of Directors announced the election of Paul W. Russo as an officer of the company with the title of Vice President, Strategy and Development. This is a new position created to help lead Stanley's effort to refocus its priorities and to guide planning and acquisition activity.

Also in September, John E. Turpin, formerly President and General Manager of Stanley Air Tools, was appointed to the newly-created position of Vice President, Operations. In his new capacity, Mr. Turpin is responsible for identifying and implementing specific strategies and actions that will enable the company to achieve its goals for restructuring and growth.

E. Wayne Foley succeeded Mr. Turpin as President and General Manager of Stanley Air Tools. Prior to joining Stanley, Mr. Foley had been Chief Sales and Marketing Manager at Beta Tech, Inc., a manufacturer of threaded fastening control systems for industrial markets similar to those served by Stanley Air Tools.

In November, C. Stewart Gentsch, President and General Manager of Stanley Tools, announced his decision to retire from the company at the end of 1995. Mr. Gentsch spent most of his 13 year career at Stanley leading our largest division - the division for which our company and our brand are best known. He accepted this critical responsibility with humility, talent and vision. Over the years, he shaped a solid record of success at Stanley Tools, and we are grateful for his truly outstanding service.

In December, the Board of Directors elected Jennifer O. Estabrook an officer of the company with the title of Assistant General Counsel and Assistant Secretary. Ms. Estabrook previously was Corporate Counsel for the company.

## OFFICERS

RICHARD H. AYERS

Chairman and Chief

Executive Officer

(1972)

BARBARA W. BENNETT

Vice President Human Resources

(1984)

JENNIFER O. ESTABROOK

Assistant General Counsel

and Assistant Secretary

(1992)

JAMES B. GUSTAFSON

Vice President

Information Systems

(1977)

RICHARD HUCK

Vice President Finance and

Chief Financial Officer

(1970)

R. ALAN HUNTER

President and Chief

Operating Officer

(1974)

THOMAS E. MAHONEY

Vice President Marketing

Development

President and General Manager,

Stanley Customer

Support Division

(1965)

PAUL W. RUSSO

Vice President Strategy

and Development

(1995)

STEPHEN S. WEDDLE

Vice President, General

Counsel and Secretary

(1978)

THOMAS J. WILLIAMS

Associate General Counsel

and Assistant Secretary

(1981)

THERESA F. YERKES

Vice President and Controller

(1989)

(Joined Stanley)

## BOARD OF DIRECTORS

RICHARD H. AYERS (1)

Chairman and Chief

Executive Officer

The Stanley Works

STILLMAN B. BROWN (1),(2),(4),(6)

Managing General Partner

Harcott Associates-Investments

EDGAR R. FIEDLER (3),(4)

Vice President and

Economic Counselor

The Conference Board

Business Research

MANNIE L. JACKSON (2),(4)

Chairman, Harlem

Globetrotters International,

a division of MJA, Inc.

JAMES G. KAISER (2),(5)

Retired; former President and

GERTRUDE G. MICHELSON (1),(3),(5),(6)

Retired; former Senior Advisor and

Director

R. H. Macy and Co., Inc.

JOHN S. SCOTT (1),(2),(5)

Retired; former Chairman and

Chief Executive Officer

Richardson-Vicks Inc., a

subsidiary of The Proctor and

Gamble Company

HUGO E. UYTERHOEVEN (3),(4)

Professor, Graduate School of

Business Administration

Harvard University

WALTER W. WILLIAMS (3),(5),(6)

Retired; former Chairman and

Chief Executive Officer

Rubbermaid, Incorporated

Chief Executive Officer  
Quanterra Incorporated,  
a subsidiary of Corning, Inc. and  
International Technology Inc.

(1) Member of the Executive Committee

(2) Member of the Audit Committee

EILEEN S. KRAUS (1),(2),(4)  
Chairman, Fleet Bank, N.A.  
(Connecticut)

(3) Member of the Board Affairs and  
Public Policy Committee

(4) Member of the Finance and Pension  
Committee

GEORGE A. LORCH (3),(5),(6)  
Chairman and Chief  
Executive Officer

(5) Member of the Compensation and  
Organization Committee

Armstrong World Industries, Inc.

(6) Member of the Ad Hoc Strategic  
Planning Committee

WALTER J. MCNERNEY (2),(4)  
Professor of Health Policy  
J.L. Kellogg Graduate School  
of Management  
Northwestern University

## 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 &amp; 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 30, 1995 and December 31, 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 30, 1995. 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 30, 1995 and December 31, 1994, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended December 30, 1995, in conformity with generally accepted accounting principles.

As discussed in Note J to the consolidated financial statements, the company changed its method of accounting for postemployment benefits in 1993.

/s/ Ernst & Young LLP

Hartford, Connecticut  
January 31, 1996

## 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.

## INDUSTRY SEGMENTS

(MILLIONS OF DOLLARS)	1995	1994	1993
NET SALES			
Tools			
Consumer	\$ 738.9	\$ 716.0	\$ 676.8
Industrial	552.3	524.4	460.3
Engineered	678.3	643.5	568.5
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Total Tools	1,969.5	1,883.9	1,705.6
Hardware	324.2	311.1	299.4
Specialty Hardware	330.6	315.9	268.1
-----			
Consolidated	\$2,624.3	\$2,510.9	\$2,273.1
=====			
OPERATING PROFIT			
Tools			
	\$ 154.9	\$ 217.0	\$ 158.1
Hardware	13.4	33.3	32.9
Specialty Hardware	17.8	24.0	13.2
-----			
Total	186.1	274.3	204.2
Net corporate expenses	(37.6)	(38.8)	(24.0)
Interest expense	(35.7)	(33.7)	(32.2)
-----			
Earnings before income taxes	\$ 112.8	\$ 201.8	\$ 148.0
=====			
IDENTIFIABLE ASSETS			
Tools			
	\$1,287.5	\$1,324.6	\$1,238.6
Hardware	174.9	186.4	173.3
Specialty Hardware	99.5	92.5	83.9
-----			
	1,561.9	1,603.5	1,495.8
General corporate assets	108.1	97.6	81.1
-----			
Total	\$1,670.0	\$1,701.1	\$1,576.9
=====			
CAPITAL EXPENDITURES			
Tools			
	\$ 53.1	\$ 53.3	\$ 53.6
Hardware	6.9	7.4	8.2
Specialty Hardware	5.1	5.7	3.8
DEPRECIATION AND AMORTIZATION			
Tools			
	63.6	65.6	63.9
Hardware	10.9	10.9	10.6
Specialty Hardware	4.1	3.8	4.4
=====			

## 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.

## GEOGRAPHIC AREAS

(MILLIONS OF DOLLARS)	1995	1994	1993
<b>NET SALES</b>			
United States	\$1,884.9	\$1,808.6	\$1,649.5
Europe	413.4	357.6	317.3
Other Areas	326.0	344.7	306.3
Consolidated	\$2,624.3	\$2,510.9	\$2,273.1
<b>OPERATING PROFIT</b>			
United States	\$ 146.9	\$ 215.4	\$148.0
Europe	26.8	31.9	27.4
Other Areas	12.4	27.0	29.2
Eliminations			(.4)
Total	\$ 186.1	\$ 274.3	\$ 204.2
<b>IDENTIFIABLE ASSETS</b>			
United States	\$1,028.5	\$1,050.4	\$1,004.8
Europe	314.1	319.4	270.0
Other Areas	255.9	274.4	260.2
Eliminations	(36.6)	(40.7)	(39.2)
Total	\$1,561.9	\$1,603.5	\$1,495.8

Note: In 1995, restructuring, asset write-offs and related charges of \$70.0 million, \$14.3 million, and \$2.4 million were included in the Tools, Hardware, and Specialty Hardware segments, respectively, and \$8.3 million was included in net corporate expenses. Restructuring, asset write-offs and related charges of \$62.0 million, \$16.4 million and \$8.3 million were included in the United States, Europe and Other Areas, respectively.

In 1993, net corporate expenses included a gain of \$29.0 million from the sale of the company's investment in Max Co., Ltd.

## SUMMARY OF SELECTED FINANCIAL INFORMATION

(MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)	1995(A)	1994	1993	1992
<b>CONTINUING OPERATIONS(B)</b>				
Net sales	\$ 2,624	\$ 2,511	\$ 2,273	\$ 2,196
Earnings	59	125	93	98
Earnings per share(C)	\$ 1.33	\$ 2.80	\$ 2.06	\$ 2.15
Percent of Net Sales:				
Cost of sales	68.2%	67.1%	68.3%	66.8%
Selling, general and administrative	22.5%	22.3%	22.5%	24.0%
Interest-net	1.2%	1.2%	1.1%	1.2%
Other-net	.5%	1.4%	1.6%	.8%
Restructuring and asset write-offs	3.3%	-	-	-
Earnings before income taxes	4.3%	8.0%	6.5%	7.2%
Earnings	2.3%	5.0%	4.1%	4.5%
<b>OTHER KEY INFORMATION</b>				
Total assets	\$ 1,670	\$ 1,701	\$ 1,577	\$ 1,608
Long-term debt	391	387	377	438
Shareholders' equity	\$ 735	\$ 744	\$ 681	\$ 696
Ratios:				
Current ratio	2.4	2.1	2.1	2.4
Total debt to total capital	39.6%	39.2%	38.7%	40.1%
Income tax rate	47.6%	37.9%	37.4%	37.9%
Return on average equity (B),(C)	8.0%	17.6%	13.5%	14.1%
Common Stock Data:				
Dividends per share	\$ 1.42	\$ 1.38	\$ 1.34	\$ 1.28
Equity per share at year-end	\$ 16.55	\$ 16.74	\$ 15.23	\$ 15.32
Market price-high	53 3/8	44 7/8	47 7/8	48 1/8
-low	35 5/8	34 7/8	37 7/8	32 1/2
Average shares outstanding (in thousands)	44,360	44,775	44,935	45,703
Other Information:				
Earnings from continuing operations	\$ 59	\$ 125	\$ 93	\$ 98
Earnings from discontinued operations	-	-	-	-
Cumulative effect of accounting change	-	-	(9)	-
Net earnings	\$ 59	\$ 125	\$ 84	\$ 98
Net earnings per share(C)	\$ 1.33	\$ 2.80	\$ 1.87	\$ 2.15
Average number of employees	19,784	19,445	18,988	18,650
Shareholders of record at end of year	16,919	17,599	20,018	20,661

(A) Includes charges for restructuring and asset write-offs of \$85.5 million, or \$1.44 per share, and other related non-recurring charges of \$9.5 million, or \$.13 per share.

(B) Excluding the cumulative after-tax effect of accounting changes for postemployment benefits of \$8.5 million, or \$.19 per share, in 1993; postretirement benefits of \$12.5 million, or \$.29 per share, in 1991; and income taxes of \$13.1 million, or \$.30 per share, in 1988.

(C) EPS and Return on average equity for 1995 adjusted to exclude restructuring charges, asset write-offs and related charges were \$2.90 per share and 16.6%, respectively.

## The Stanley Works and Subsidiaries

(MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)	1991	1990	1989	1988	1987	1986	1985
<b>CONTINUING OPERATIONS(B)</b>							
Net sales	\$ 1,942	\$ 1,956	\$ 1,951	\$ 1,888	\$ 1,744	\$ 1,355	\$ 992
Earnings	97	106	117	102	96	78	70
Earnings per share(C)	\$ 2.24	\$ 2.51	\$ 2.70	\$ 2.37	\$ 2.22	\$ 1.84	\$ 1.70
<b>Percent of Net Sales:</b>							
Cost of sales	66.0%	65.3%	64.8%	65.6%	64.7%	64.9%	63.2%
Selling, general and administrative	23.8%	23.7%	23.0%	23.0%	23.4%	23.9%	24.3%
Interest-net	1.3%	1.3%	1.3%	1.7%	1.7%	1.4%	.2%
Other-net	.8%	.9%	1.0%	.6%	.7%	.1%	.1%
Restructuring and asset write-offs	-	-	-	-	-	-	-
Earnings before income taxes	8.1%	8.8%	9.9%	9.1%	9.5%	9.7%	12.2%
Earnings	5.0%	5.4%	6.0%	5.4%	5.5%	5.8%	7.1%
<b>OTHER KEY INFORMATION</b>							
Total assets	\$ 1,548	\$ 1,494	\$ 1,491	\$ 1,405	\$ 1,388	\$ 1,208	\$ 755
Long-term debt	397	398	416	339	354	363	81
Shareholders' equity	\$ 689	\$ 679	\$ 659	\$ 684	\$ 626	\$ 555	\$ 503
<b>Ratios:</b>							
Current ratio	2.4	2.6	2.6	2.6	2.4	2.9	3.7
Total debt to total capital	37.6%	38.7%	39.6%	35.0%	40.9%	43.4%	15.7%
Income tax rate	38.0%	38.4%	39.6%	40.8%	41.7%	40.7%	42.0%
Return on average equity (B),(C)	14.1%	15.8%	17.3%	15.5%	14.7%	14.9%	16.5%
<b>Common Stock Data:</b>							
Dividends per share	\$ 1.22	\$ 1.14	\$ 1.02	\$ .92	\$ .82	\$ .73	\$ .67
Equity per share at year-end	\$ 15.22	\$ 16.50	\$ 15.32	\$ 15.97	\$ 14.59	\$ 13.05	\$ 12.03
Market price-high	44	39 3/4	39 1/4	31 1/4	36 5/8	30 7/8	22 1/2
-low	26	26 5/8	27 1/2	24 3/8	21 1/4	20 1/2	16 3/8
Average shares outstanding (in thousands)	43,266	42,192	43,378	43,109	43,357	42,279	41,243
<b>Other Information:</b>							
Earnings from continuing operations	\$ 97	\$106	\$ 117	\$ 102	\$ 96	\$ 78	\$ 70
Earnings from discontinued operations	-	-	-	-	(10)	1	8
Cumulative effect of accounting change	(12)	-	-	(13)	-	-	-
Net earnings	\$ 85	\$ 106	\$ 117	\$ 89	\$ 86	\$ 79	\$ 78
Net earnings per share(C)	\$ 1.95	\$ 2.51	\$ 2.70	\$ 2.07	\$ 2.00	\$ 1.86	\$ 1.90
Average number of employees	17,420	17,784	18,464	18,988	19,142	16,128	13,069
Shareholders of record at end of year	21,297	22,045	22,376	23,031	23,051	21,752	22,870

(A) Includes charges for restructuring and asset write-offs of \$85.5 million, or \$1.44 per share, and other related non-recurring charges of \$9.5 million, or \$.13 per share.

(B) Excluding the cumulative after-tax effect of accounting changes for postemployment benefits of \$8.5 million, or \$.19 per share, in 1993; postretirement benefits of \$12.5 million, or \$.29 per share, in 1991; and income taxes of \$13.1 million, or \$.30 per share, in 1988.

(C) EPS and Return on average equity for 1995 adjusted to exclude restructuring charges, asset write-offs and related charges were \$2.90 per share and 16.6%, respectively.

## RESULTS OF OPERATIONS

## OVERVIEW

The company reported net earnings of \$59 million, or \$1.33 per share, including charges for restructuring and asset write-offs of \$1.44 per share and other non-recurring charges related to the company's restructuring initiatives of \$.13 per share. Excluding these unusual charges, net earnings would have been \$2.90 per share compared with \$2.80 per share in 1994 and \$2.06 per share in 1993\*.

Net sales in 1995 reached a record \$2.6 billion. This represented a 4.5% increase over the prior year and reflected year to year unit volume growth of 3%, a net increase due to pricing of 1% and a .5% positive contribution from the translation of foreign revenues. Net sales in 1994 increased 10% over 1993 primarily from unit volume growth of 9% along with a 1% increase due to pricing.

In July 1995, the company announced a multi-year restructuring program with two major objectives. The first is to reduce the company's cost structure by \$150 million (half of which will be reinvested in the business) and to reduce working capital and other assets by \$250 million by the end of 1997. The second is to achieve net sales of \$4 billion in 1999. All of Stanley's businesses and product lines are being evaluated to determine their full potential. The company plans to divest businesses and product lines that do not meet its criteria for revenue growth and profitability.

In 1995, the company recognized \$86 million in restructuring charges and asset write-offs in connection with its restructuring program. Restructuring charges of \$65 million were incurred for exiting three product categories; closing six manufacturing plants, three distribution centers and two support facilities; a comprehensive SKU reduction program; and a salaried workforce reduction. An additional charge of \$21 million was recorded for the reduction in value of goodwill, intangibles and underutilized manufacturing equipment impaired as a result of new operational strategies. The company also incurred \$9 million in charges for non-recurring consulting costs related to the restructuring initiatives and, in connection with the company's aggressive program for reducing assets, charges for the elimination of excess inventory. In the following table, reported results have been adjusted for these charges in order to provide a more normalized review of 1995 results. The comments regarding 1995 that follow the table reflect the year to year comparisons using these adjusted amounts.

## OPERATING RESULTS: COMPARATIVE ANALYSIS

(DOLLARS IN MILLIONS)	REPORTED 1995	ADJUSTMENTS		CORE 1995	CORE 1995	1994	1993*
		RESTRUCTURING & ASSET WRITE-OFFS	RESTRUCTURING RELATED				
<b>CONSOLIDATED</b>							
Net Sales	\$ 2,624			\$2,624		\$2,511	\$2,273
Gross Profit	835		4	839		827	720
% of sales	31.8%			32.0%		32.9%	31.7%
Operating Expense	592		5	587		560	512
% of sales	22.5%			22.4%		22.3%	22.5%
Pre-tax Profit	113	86	9	208		202	148
EPS	\$ 1.33	\$ 1.44	\$ .13	\$ 2.90		\$ 2.80	\$ 2.06

## INDUSTRY SEGMENTS

Operating Profit							
Tools	\$ 155	\$ 65	\$ 5	\$ 225	11.4%	11.5%	9.3%
Hardware	13	14	1	28	8.5%	10.7%	11.0%
Specialty Hardware	18	2		20	6.1%	7.6%	4.9%
Total	186	81	6	273	10.4%	10.9%	9.0%
Net corporate expenses	(37)	5	3	(29)			
Interest expense	(36)			(36)			
Pre-tax Profit	\$ 113	\$ 86	\$ 9	\$ 208			

## GEOGRAPHIC AREAS

Operating Profit							
U.S.	\$ 147	\$ 56	\$ 6	\$ 209	11.1%	11.9%	9.0%
Europe	27	16		43	10.4%	8.9%	8.6%
Other Areas	12	9		21	6.3%	7.8%	9.5%
Total	\$ 186	\$ 81	\$ 6	\$ 273	10.4%	10.9%	9.0%

\* 1993 EPS before the cumulative effect of an accounting change.

Gross profit margins were 32.0% in 1995 compared with 32.9% in 1994. The reduction was primarily due to costs associated with the closure and integration of manufacturing facilities at Mechanics Tools. The margin improvement realized in 1994 from 1993 resulted from manufacturing efficiencies from higher production 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.

Operating expenses were 22.4% of sales and were relatively consistent with operating expense ratios in 1994 and 1993. Interest-net expense also remained consistent year to year representing 1.2% of sales in 1995 and 1994 and 1.1% of sales in 1993.

Other-net expense in 1995 was \$14 million compared with \$36 million in 1994 reflecting lower charges for environmental remediation, divestiture activity and the 1994 write-down and sale of equipment, primarily for the Mechanics Tools manufacturing integration. Other-net expense of \$35 million in 1993 included a \$15 million charge for distributor litigation issues at the company's Mac Tools business. 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.

The effective income tax rate for 1995 excluding the effect of non-deductible restructuring costs was 38.0% and compared with 37.9% in 1994 and 37.4% in 1993.

#### BUSINESS SEGMENT RESULTS

Net sales in the Tools segment increased 4% in 1995 reflecting 3% growth from unit volume, 2% from pricing and a 1% decrease from divestiture activity. Consumer tools sales grew 3% and were affected by slowing demand in the U.S. market coupled with a loss of sales volume in Mexico. Industrial and Engineered tools sales both increased 5% primarily from volume gains, although growth in these categories had softened to some degree during the fourth quarter. Operating profit margins were slightly below the prior year reflecting the effects of Mechanics Tools' integration costs.

Sales in 1994 in the Tools Segment were 10% higher than 1993. The sales gain was driven primarily by volume growth of 9% along with a 1% increase due to pricing. Operating profits increased 25%, after excluding non-recurring charges from 1993 results, the result of increased sales volume, operating efficiencies and the successful transition of previously foreign-sourced fastening products to in-house manufacture.

Net sales in the Hardware segment increased 4% in 1995, with 2% from pricing, 1% from volume and 1% from foreign currency translation. Operating profits declined to \$28 million from \$33 million and reflected increases in certain raw material costs, especially corrugated and steel, and the competitive pricing environments in these markets. In addition, efforts to control inventories at a time of weakening demand resulted in the underabsorption of factory overheads.

Sales in the Hardware segment increased 4% in 1994, reflecting volume growth of 3% and price increases of 1%. Operating profit margins were reduced slightly from 1993 due to operating inefficiencies in the Acmetrack facility located in France.

Net sales in the Specialty Hardware segment increased 5% in 1995 due primarily to a 4% gain in internal volume. The net effect of recent acquisitions also added 1% to sales. Operating profits declined as a percent of sales, reflecting a shift in product mix and increased promotional support in the entry door business.

Sales in the Specialty Hardware segment in 1994 increased 18% with virtually all of the increase from internal growth in the U.S. Operating profits increased 82% over 1993 and reflected efficiencies obtained from higher volumes and process improvements.

#### GEOGRAPHIC AREA RESULTS

Net sales in the U.S. increased 4% in 1995 from internal volume growth. A 1% gain from pricing was offset by the effects of recent divestitures. While businesses generally realized unit volume gains, the lackluster demand in consumer channels had a dampening effect on the year. Operating profit margins declined from the prior year due to integration costs associated with the Mechanics Tools business.

Net sales in 1994 in the U.S. increased 10% primarily from internal volume gains. Price increases contributed 1% to sales but were offset by divestiture activity. Operating profits increased 29%, after excluding non-recurring charges from 1993 results, due to increased sales volume, process improvements and cost reduction efforts.

Net sales in Europe increased 16% in 1995, with 5% from volume growth, 2% from pricing, 1% from recent acquisitions and 8% from currency translation. On the strength of this increased volume, operating profit margins increased to 10.4% from 8.9% in the prior year.

Net sales in Europe in 1994 increased 13% over 1993, with 7% contributed by volume growth, 4% from acquisitions and 2% from the translation of foreign currencies. Operating profits increased 16%.

Net sales in Other Areas in 1995 decreased 5% from the prior year primarily from volume declines. All markets, with the exception of the Pacific Rim, experienced weakness with the most notable declines occurring in Mexico and Canada. Operating profits declined by 23% reflecting this weakness as well as increased costs related to investments to expand the company's presence in some of these markets.

Net sales in Other Areas in 1994 increased 12% over 1993, reflecting internal growth of 8%, acquisitions adding 3% and a net 1% added from the effect of price increases offset by the negative effects of currency. 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 declines in the Pacific Rim 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.

## FINANCIAL CONDITION

### LIQUIDITY, SOURCES AND USES OF CAPITAL

Cash flow from operations in 1995 was \$178 million compared with \$129 million in 1994 and continued to provide the primary source of funds to finance operating needs and capital expenditures. The increase in operating cash flows was due to improved core operating profitability, the absence of abnormally high cash outlays for legal settlements as well as improvements in working capital utilization.

While capital expenditures of \$67 million in 1995 were comparable to 1994 and 1993 levels, higher levels of investment in technology and software were reflected in the increase in Investing - Other cash outflows. Expenditures in 1996 are anticipated to be \$20 to \$30 million higher than 1995 primarily due to increased expenditures for consolidating distribution and order management as well as additional strategic manufacturing investments to establish a more competitive cost structure.

Consistent with its policy to mitigate any dilutive impact of its employee benefit programs, the company purchased \$13 million of its common stock on the open market. Dividends paid in 1995 of \$75 million reflected five dividend payments compared with four payments in 1994 and 1993 due solely to the timing of scheduled dividend payments.

The company's total borrowing level remained relatively consistent from 1994 to 1995. During the year the company refinanced approximately \$80 million of maturing Guilder notes with long-term borrowing arrangements that included a variable rate note with final maturity in 2005 and commercial paper classified as non-current. Substantially all of the new borrowings are effectively denominated in Guilders and Swiss Francs as a result of swap agreements. The company's total debt to capital ratio was 39.6% in 1995 compared with 39.2% in 1994. Excluding the company's guarantee of its ESOP debt, the debt to capital ratio was 34.1% in 1995 and 33.1% in 1994.

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. Infor-

mation 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 30, 1995, the company had approximately \$375 million of unused lines of credit. In recognition of increased business levels over the past two years the company increased its commercial paper facility and back-up credit facility by \$100 million in 1995. 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 and to invest in the capital needs of its businesses. Strategic acquisitions made in connection with the company's revenue objectives may require external financing.

#### RESTRUCTURING ACTIVITIES

The company's restructuring activities in 1995 resulted in a total charge of \$86 million of which \$21 million related to the write-down of impaired assets; \$44 million related to the write-down of assets from businesses or product lines to be exited; \$4 million related to cash payments, primarily employee termination benefits; and \$17 million related to reserves established for closing facilities. The reserve balance, which is primarily severance related, is anticipated to be adequate to cover the actions taken in 1995 and associated cash outlays are expected to be substantially completed in 1996. The company anticipates that these activities will reduce revenues by \$30 million and will also generate annualized savings of \$30 million. Additional restructuring charges are anticipated in 1996 and possibly beyond as the company continues the evaluation of its businesses. While the company is unable to estimate the amount of these charges currently, it is anticipated that they may approximate the amounts recorded in 1995.

#### OTHER MATTERS

In the normal course of business the company becomes involved in various lawsuits and claims. The company has estimated the potential cost of these activities and has established appropriate reserves.

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

In 1995 the company adopted the provisions of Financial Accounting Standards Board Statement No. 121, "Accounting for the Impairment of Long-lived Assets". The new standard, which is required to be adopted in 1996, requires companies to evaluate whether long-lived assets have suffered a loss in value when indicators of impairment are present. It also provides a standard methodology to value the amount of impairment. This methodology formed the basis for determining the write-downs necessary to reflect the impairment in the company's assets which resulted from new operational plans developed as part of its restructuring activities.

## CONSOLIDATED STATEMENTS OF EARNINGS

Fiscal years ended December 30, 1995, December 31, 1994, and January 1, 1994

(MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)	1995	1994	1993
NET SALES	\$2,624.3	\$2,510.9	\$2,273.1
COSTS AND EXPENSES			
Cost of sales	1,789.7	1,684.0	1,553.0
Selling, general and administrative	591.7	560.4	512.3
Interest-net	30.3	29.0	25.2
Other-net	14.3	35.7	34.6
Restructuring and asset write-offs	85.5		
	2,511.5	2,309.1	2,125.1
EARNINGS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE			
	112.8	201.8	148.0
INCOME TAXES			
	53.7	76.5	55.4
EARNINGS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE			
	59.1	125.3	92.6
Cumulative effect of accounting change for postemployment benefits			(8.5)
NET EARNINGS	\$ 59.1	\$ 125.3	\$84.1
EARNINGS PER SHARE OF COMMON STOCK:			
Before cumulative effect of accounting change	\$ 1.33	\$2.80	\$2.06
Cumulative effect of accounting change			(.19)
NET EARNINGS PER SHARE OF COMMON STOCK	\$ 1.33	\$2.80	\$1.87

See notes to consolidated financial statements.

## The Stanley Works and Subsidiaries

## CONSOLIDATED BALANCE SHEETS

December 30, 1995 and December 31, 1994

(Millions of Dollars)	1995	1994
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 75.4	\$ 69.3
Accounts and notes receivable	438.7	410.3
Inventories	349.1	369.2
Other current assets	51.9	39.7
<b>TOTAL CURRENT ASSETS</b>	<b>915.1</b>	<b>888.5</b>
PROPERTY, PLANT AND EQUIPMENT	532.1	559.8
GOODWILL AND OTHER INTANGIBLES	131.8	164.6
OTHER ASSETS	91.0	88.2
<b>TOTAL ASSETS</b>	<b>\$1,670.0</b>	<b>\$1,701.1</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Short-term borrowings	\$ 77.2	\$ 82.8
Current maturities of long-term debt	14.1	10.9
Accounts payable	112.7	125.3
Accrued expenses	183.7	202.5
<b>TOTAL CURRENT LIABILITIES</b>	<b>387.7</b>	<b>421.5</b>
LONG-TERM DEBT	391.1	387.1
DEFERRED INCOME TAXES	16.4	14.4
OTHER LIABILITIES	140.2	133.9
<b>SHAREHOLDERS' EQUITY</b>		
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 1995 and 1994		
Capital in excess of par value	115.4	115.4
Retained earnings	68.4	70.1
Foreign currency translation adjustment	937.6	937.8
ESOP debt	(70.6)	(56.3)
	(244.3)	(253.7)
	806.5	813.3
Less: cost of common stock in treasury (1,792,290 shares in 1995 and 1,722,330 shares in 1994)	71.9	69.1
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>734.6</b>	<b>744.2</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$1,670.0</b>	<b>\$1,701.1</b>

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal years ended December 30, 1995, December 31, 1994 and January 1, 1994

(MILLIONS OF DOLLARS)	1995	1994	1993
<b>OPERATING ACTIVITIES:</b>			
Net earnings	\$ 59.1	\$ 125.3	\$ 84.1
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	81.2	81.8	80.7
Restructuring and asset write-offs	85.5		
Gain on sale of non-operating asset			(29.0)
Provision for postemployment benefits			13.6
Other non-cash items	32.3	18.3	9.4
Changes in operating assets and liabilities:			
Accounts and notes receivable	(23.3)	(46.2)	(19.7)
Inventories	(4.5)	(69.8)	(15.5)
Accounts payable and accrued expenses	(27.8)	34.9	16.0
Income taxes	(24.1)	(11.9)	1.0
Other	(.3)	(3.9)	5.9
Net cash provided by operating activities	178.1	128.5	146.5
<b>INVESTING ACTIVITIES:</b>			
Capital expenditures	(66.5)	(66.4)	(69.7)
Proceeds from sales of assets	4.3	11.0	6.6
Proceeds from sale of non-operating asset			38.9
Business acquisitions	(3.3)	(5.1)	(13.3)
Other	(19.8)	(9.7)	(13.2)
Net cash used by investing activities	(85.3)	(70.2)	(50.7)
<b>FINANCING ACTIVITIES:</b>			
Payments on long-term debt	(83.5)	(2.9)	(133.8)
Proceeds from long-term borrowings	86.0		78.5
Net short-term financing	(5.1)	40.9	22.3
Proceeds from issuance of common stock	5.7	4.2	4.6
Purchase of common stock for treasury	(13.2)	(16.3)	(42.3)
Cash dividends on common stock	(75.2)	(61.5)	(60.5)
Net cash used by financing activities	(85.3)	(35.6)	(131.2)
Effect of exchange rate changes on cash	(1.4)	2.9	(2.0)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6.1	25.6	(37.4)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	69.3	43.7	81.1
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 75.4	\$ 69.3	\$ 43.7

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Fiscal years ended December 30, 1995, December 31, 1994 and January 1, 1994

(MILLIONS OF DOLLARS)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Translation Adjustments	ESOP debt	Treasury Stock	Shareholders' Equity
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
Net earnings			59.1				59.1
Currency translation adjustment				(14.3)			(14.3)
Cash dividends declared-\$1.42 per share			(62.6)				(62.6)
Issuance of common stock		(1.7)				13.9	12.2
Purchase of common stock						(16.7)	(16.7)
ESOP debt					9.4		9.4
ESOP tax benefit			3.3				3.3
BALANCE DECEMBER 30, 1995	\$ 115.4	\$ 68.4	\$ 937.6	\$ (70.6)	\$ (244.3)	\$ (71.9)	\$ 734.6

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## (A) SIGNIFICANT ACCOUNTING POLICIES

## BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the company and its majority-owned subsidiaries, after the elimination of intercompany accounts and transactions. The company's fiscal year ends on the Saturday nearest to December 31. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as certain financial statement disclosures. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from these estimates.

## FOREIGN CURRENCY TRANSLATION

For most foreign operations, asset and liability accounts are translated at the year-end exchange rate; income and expenses 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 1995, 1994 and 1993 of \$0.7 million, \$5.5 million and \$6.0 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.

## LONG-LIVED ASSETS

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

Goodwill is amortized on a straight-line basis over periods not exceeding forty years. The company periodically evaluates the existence of goodwill impairment on the basis of whether amounts recorded are recoverable from projected undiscounted cash flows of related businesses. Impairment losses are valued by comparing the carrying value of the goodwill to its fair value, generally determined by the discounted cash flow method.

In March 1995, the Financial Accounting Standards Board issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. The company adopted and applied the provisions of this new standard in 1995 to value the impairment of assets affected by restructuring, plant closings and exit plans and of assets impaired by changes in operating plans initiated in the latter half of the year. The resulting impairment losses were charged to operations in 1995 and were included in Restructuring and asset write-offs on the income statement.

## FINANCIAL INSTRUMENTS

To manage interest rate exposure, the company enters into interest rate swap agreements. The net interest paid or received on the swaps is recognized as interest expense. Gains resulting from the early termination of interest rate swap agreements are deferred and amortized as adjustments to interest expense over the remaining period originally covered by the terminated swap. The company manages exposure to fluctuations in foreign exchange rates by creating offsetting positions through the use of forward exchange contracts or purchased currency options. The company enters into forward exchange contracts to hedge firm commitments and 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. Forward contracts related to anticipated intercompany transactions are marked to market in Other-net expense. The company does not use financial instruments for trading or speculative purposes.

## 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 (44,360,000 shares, 44,775,000 shares and 44,935,000 shares in 1995, 1994 and 1993, respectively). The issuance of additional shares under employee stock plans would not result in a material dilution of earnings per share.

#### STOCK BASED COMPENSATION

The company grants stock options for a fixed number of shares to directors and certain employees with an exercise price equal to the fair value of shares at the date of grant. The company accounts for stock option grants in accordance with APB No. 25 "Accounting for Stock Issued to Employees", and accordingly recognizes no related compensation expense.

## (B) 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 30, 1995 and December 31, 1994, allowances for doubtful receivables of \$18.2 million and \$20.9 million, respectively, were applied as a reduction of current accounts and notes receivable. The company believes it has no significant concentrations of credit risk as of December 30, 1995.

The company sells, with recourse, certain domestic accounts receivable under a revolving sales agreement. The proceeds from these sales were \$72 million in 1995, \$59 million in 1994 and \$39 million in 1993. At December 30, 1995 and December 31, 1994, the balance of these receivables subject to recourse was approximately \$81 million and \$69 million, respectively. Provisions have been made to cover anticipated losses.

## (C) INVENTORIES

(MILLIONS OF DOLLARS)	1995	1994
Finished products	\$224.1	\$238.6
Work in process	63.1	68.4
Raw materials	59.4	59.4
Supplies	2.5	2.8
	\$349.1	\$369.2

Inventories in the amount of \$188.6 million at December 30, 1995 and \$203.6 million at December 31, 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 \$127.6 million and \$120.2 million higher than reported at December 30, 1995 and December 31, 1994, respectively.

## (D) PROPERTY, PLANT AND EQUIPMENT

(MILLIONS OF DOLLARS)	1995	1994
Land	\$ 35.7	\$ 34.2
Buildings	241.5	245.2
Machinery and equipment	863.5	849.2
	1,140.7	1,128.6
Less: accumulated depreciation	608.6	568.8
	\$ 532.1	\$ 559.8

The provisions for depreciation for 1995, 1994 and 1993 were \$62.4 million, \$63.3 million and \$63.1 million, respectively.

## (E) GOODWILL AND OTHER INTANGIBLES

Goodwill and other intangibles at the end of each fiscal year, net of accumulated amortization of \$74.3 million and \$86.8 million, were as follows:

(MILLIONS OF DOLLARS)	1995	1994
Goodwill	\$104.4	\$128.7
Other	27.4	35.9
	\$131.8	\$164.6

## (F) ACCRUED EXPENSES

(MILLIONS OF DOLLARS)	1995	1994
Salaries and wages	\$ 38.8	\$ 40.2
Insurance	28.6	30.3
Taxes, other than income taxes	19.9	19.2
Dividends payable	2.4	15.0
Other	94.0	97.8
	\$183.7	\$202.5

## (G) LONG-TERM DEBT AND FINANCING ARRANGEMENTS

(MILLIONS OF DOLLARS)	1995	1994	
Notes payable in 2002	7.4%	\$100.0	\$100.0
Commercial Paper	5.8%	107.0	62.3
Dutch Guilder notes payable in 1996	5.9%		75.0
Notes payable in 1998	9.0%	34.8	34.8
Notes payable due semiannually to 2005	5.9%	41.3	
Industrial Revenue Bonds due in varying amounts to 2011	5.5 - 6.8%	25.1	29.9
ESOP loan guarantees, payable in varying monthly installments through 2001	7.7%	66.8	75.5
Other		30.2	20.5
		405.2	398.0
Less: current maturities		14.1	10.9
		\$391.1	\$387.1

During the year the company refinanced approximately \$80 million of maturing Dutch Guilder notes with long-term borrowing arrangements that included a variable rate note with final maturity in 2005 and commercial paper classified as non-current.

Commercial paper outstanding at December 30, 1995 of \$107.0 million is classified as non-current pursuant to the company's intention and ability to continue to finance this obligation on a long-term basis.

The company has on file with the Securities and Exchange Commission a shelf registration statement covering the issuance of up to \$200 million of debt securities; as of December 30, 1995, \$100 million remained unused. The company has unused short and long-term credit arrangements with several banks to borrow up to \$300 million at the lower of prime or money market rates. Of this amount, \$150 million is long-term. Commitment fees range from .07% to .1%. In addition, the company has short-term lines of credit with numerous foreign banks aggregating \$84.5 million of which \$75.7 million was available at December 30, 1995. Short-term arrangements are reviewed annually for renewal. Of the long-term and short-term lines, \$300 million is available to support the company's commercial paper program. The weighted average interest rates on short-term borrowings at December 30, 1995 and December 31, 1994 were 6.3% and 6.4%, 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.

To manage interest costs and foreign exchange risk, the company maintains a portfolio of interest rate swap agreements. The portfolio includes currency swaps maturing in 1998-1999 that convert \$89.3 million of commercial paper debt into Swiss Franc debt (5.8% weighted average rate). The company also has a currency swap that converts \$41.3 million of variable rate United States dollar debt to variable rate Dutch Guilder debt (4.2% weighted average rate). See Note H for more information regarding the company's interest rate swap agreements.

Aggregate annual maturities of long-term debt for the years 1997 to 2000 are \$15.1 million, \$50.6 million, \$16.9 million and \$124.8 million, respectively. Interest paid during 1995, 1994 and 1993 amounted to \$33.9 million, \$45.1 million and \$34.0 million, respectively.

Commercial paper, utilized to support working capital requirements, classified as current was \$67.9 million and \$61.7 million, as of December 30, 1995 and December 31, 1994, respectively.

## (H) FINANCIAL INSTRUMENTS

The company's objectives in using debt related financial instruments are to obtain the lowest cost source of funds within an acceptable range of variable to fixed rate debt proportions (30% to 40%), and to minimize the foreign exchange risk of obligations. To meet these objectives the company enters into interest rate swaps, currency swaps and interest rate cap agreements. A summary of instruments and weighted average interest rates follows. The weighted average variable pay and receive rates are based on rates in effect at the balance sheet dates. Variable rates are generally based on LIBOR with no leverage features.

(MILLIONS OF DOLLARS)	1995	1994
Interest rate swaps		
Receive fixed-pay variable rates	\$ 62.2	\$157.6
pay rate	3.9%	5.6%
receive rate	5.5%	6.5%
maturity dates	1996	1996-02
Receive variable-pay fixed rates	\$130.0	\$174.1

pay rate	7.8%	7.8%
receive rate	5.1%	6.0%
maturity dates	1996-99	1996-98
Currency swaps	\$301.6	\$125.4
pay rate	6.3%	7.9%
receive rate	7.0%	8.3%
maturity dates	1996-2005	1996-1998

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The company uses purchased currency options and forward contracts 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 firm commitments. The objective

of these practices is to minimize the impact of foreign currency fluctuations on operating results. At December 30, 1995 and December 31, 1994, the company had forward contracts hedging firm commitments totaling \$70.7 million and \$2.7 million, respectively. At December 30, 1995 and December 31, 1994, purchased currency options hedging anticipated transactions totaled \$47.1 million and \$32.6 million, respectively. Forward contracts relating to anticipated intercompany transactions amounted to \$6.0 million at December 30, 1995. The forward contracts and options are primarily denominated in Canadian dollars, Australian dollars, and major European currencies and generally mature within the next one year period.

The counterparties to these interest rate and currency financial instruments are major international financial institutions. The company is exposed to credit risk for net 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 30, 1995 and December 31, 1994 is as follows:

(MILLIONS OF DOLLARS)	1995		1994	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current portion	\$381.3	\$395.0	\$384.1	\$377.9
Currency and interest rate swaps	23.9	33.1	14.5	25.8
	\$405.2	\$428.1	\$398.6	\$403.7

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

#### (I) CAPITAL STOCK

##### COMMON STOCK SHARE ACTIVITY

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

	1995	1994	1993
Outstanding, beginning of year	44,449,375	44,695,631	45,438,854
Issued for employee stock plans	349,298	323,739	387,196
Purchased	(419,256)	(569,995)	(1,130,419)
Outstanding, end of year	44,379,415	44,449,375	44,695,631

##### COMMON STOCK RESERVED

At December 30, 1995 and December 31, 1994, the number of shares of common stock reserved for future issuance under various employee and director stock plans was as follows:

	1995	1994
Employee Stock Purchase Plan	2,859,676	2,938,052
Stock Option Plans	5,506,171	5,741,078
Long-Term Stock Incentive Plan	1,454,659	1,478,526
	9,820,506	10,157,656

##### 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 the Compensation and Organization 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 \$.4 million, \$.3 million and \$.5 million were charged to expense in 1995, 1994 and 1993, respectively. Shares totaling 23,867, 8,267 and 10,092 were issued in 1995, 1994 and 1993, respectively. The Compensation and Organization Committee determined in late 1994 not to make any further awards under this plan. Accordingly, there will be no further payments under this plan subsequent

to the 1992-1996, 1993-1997 and 1994-1998 award cycles.

#### PREFERRED STOCK PURCHASE RIGHTS

Under the existing Rights Plan, 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. On January 31, 1996, the Board of Directors extended the benefits offered by the existing rights by the execution of the Rights Agreement, dated as of January 31, 1996, between the company and the Rights Agent named therein and by declaring a dividend of one share purchase right for each outstanding share of common stock. Each new share purchase right, 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 \$220.00, subject to adjustment. In the event that the company is acquired in a merger or other business combination transaction, provision shall be made so that each holder of a right (other than a holder who is a 10%-or-more 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 (except pursuant to an offer for all outstanding

shares of common stock which the independent directors have deemed to be fair and in the best interest of the company), provision will be made so that each holder of a right (other than a holder who is a 10%-or-more 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 30, 1995, there were 44,379,415 outstanding rights. There are 250,000 shares of Series A Junior Participating Preferred Stock reserved for issuance in connection with the new rights (an increase from 175,000 shares previously reserved for issuance in connection with the prior rights).

#### STOCK OPTIONS

The company has a stock option plan for officers and key employees that provides for nonqualified and incentive stock option grants. The company also has a stock option plan that provides for an automatic, biennial option grant to each outside director of the company. 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 incentive stock options are subject to a two year transfer restriction on half the shares issued upon exercise. Non-qualified stock options 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:

	1995	1994	1993
At end of year:			
Options outstanding	2,410,597	2,130,801	1,827,936
Options exercisable	1,861,297	1,597,054	1,716,936
Shares available for grants	3,095,574	3,610,277	488,869
During the year:			
Options granted	549,300	533,747	111,000
Options exercised	234,907	175,727	225,424
Options canceled	34,597	55,155	63,945
Average price per share:			
Options outstanding	\$36.68	\$33.67	\$31.27
Options granted	46.00	40.37	40.25
Options exercised	31.77	30.13	30.47

#### (J) EMPLOYEE BENEFIT PLANS

##### EMPLOYEE STOCK PURCHASE PLAN

The Employee Stock Purchase Plan enables substantially all employees in the United States and Canada to subscribe at any time to purchase shares of common stock on a monthly basis at the lower of 85% of the fair market value of the shares on the first day of the plan year (\$39.21 per share in 1995), or 85% of the fair market value of the shares on the last business day of each month. A maximum of 3,000,000 shares are authorized for subscription. During 1995, 1994 and 1993, shares totaling 78,376, 123,410 and 139,010, respectively, were issued under the Plan at average prices of \$34.57, \$34.30 and \$33.07 per share, respectively.

##### 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 15% 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 1995, 1994 and 1993 under this matching arrangement were \$8.3 million, \$8.3 million and \$7.8 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 \$2.6 million in 1995, \$2.3 million in 1994 and \$5.6 million in 1993.

Dividends on ESOP shares, which are charged to shareholders' equity as declared, were \$14.8 million, \$14.5 million and \$14.2 million in 1995, 1994 and

1993, respectively. Interest costs incurred by the Plan on external debt for 1995, 1994 and 1993 were \$5.5 million, \$6.1 million and \$6.7 million, respectively. ESOP shares not yet allocated to participants are treated as outstanding for purposes of computing earnings per share. As of December 30, 1995, the number of ESOP shares allocated to participant accounts was 4,707,730 and the number of unallocated shares was 5,831,063.

#### 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 to provide for current and future benefits in accordance with federal law and other regulations. Plan assets are invested in equity securities, bonds, real estate and money market instruments.

Additionally, the company contributes to several union-sponsored multi-employer plans which provide defined benefits.

Total pension expense includes the following components:

(MILLIONS OF DOLLARS)	1995	1994	1993
Defined benefit plans:			
Service cost	\$16.7	\$ 9.6	\$ 9.0
Interest cost	29.8	21.0	20.3
Actual return on plan assets	(39.5)	10.6	(25.3)
Net amortization and deferral	6.5	(35.1)	1.0
Net pension expense	13.5	6.1	5.0
Defined contribution plan		8.1	8.0
Multi-employer plans	.8	.6	.5
Total pension expense	\$ 14.3	\$ 14.8	\$ 13.5

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)	1995		1994	
	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	\$320.5	\$ 11.5	\$296.8	\$ 10.4
Non-vested	3.7	2.0	1.3	2.7
Accumulated benefit obligation	324.2	13.5	298.1	13.1
Additional amounts related to projected pay increases	68.2	4.1	38.7	5.9
Total projected benefit obligation (PBO)	392.4	17.6	336.8	19.0
Plan assets at fair value	425.2	6.5	369.4	6.8
Assets in excess of (less than) PBO	32.8	(11.1)	32.6	(12.2)
Unrecognized net (gain) or loss at transition	(8.1)	.2	(9.8)	.3
Unrecognized net (gain) or loss	(12.5)	.9		2.3
Unrecognized prior service cost	10.8	2.9	5.3	3.1
Adjustment required to recognize minimum liability		(2.8)		(2.3)
Prepaid (accrued) pension expense (long-term)	\$ 23.0	\$ (9.9)	\$ 28.1	\$ (8.8)

Assumptions used for significant defined benefit plans were as follows:

	1995	1994	1993
Discount rate	7.0%	8.25%	7.5%
Average wage increase	4.5%	5.0%	5.0%
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)	1995	1994
Accumulated postretirement benefit obligation:		
Retirees	\$20.3	\$ 19.2
Fully eligible active plan participants	1.6	1.4
Active plan participants	5.5	3.7
Accumulated obligation	27.4	24.3
Unrecognized net loss	(10.7)	(7.5)
Accrued postretirement benefit expense	\$16.7	\$ 16.8

Net periodic postretirement benefit expense was \$2.9 million in 1995, \$3.0 million in 1994 and \$3.3 million in 1993.

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 9.0% for 1996 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 \$1.6 million at December 30, 1995 and net periodic postretirement benefit expense for fiscal year 1995 by \$.1 million. Weighted average discount rates of 7.0% in 1995 and 8.25% in 1994 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.

#### (K) OTHER COSTS AND EXPENSES

Interest-net for 1995, 1994 and 1993 included interest income of \$5.3 million, \$4.6 million and \$6.8 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 the company's Mac Tools business. 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.

Advertising costs are expensed as incurred and amounted to \$54.3 million in 1995, \$53.4 million in 1994 and \$46.5 million in 1993.

#### (L) RESTRUCTURING AND ASSET WRITE-OFFS

In order to create a more competitive cost base and to fuel long-term growth, the company initiated a multi-year restructuring program in 1995. The program encompasses all Stanley businesses and focuses on the profitability potential of each product category. Businesses or product lines that do not meet the company's criteria for revenue growth and profitability will be divested. Restructuring activities will be directed at creating a more competitive cost structure for the company's business units. Restructuring activities are also being focused on enhancing the company's relationships with its customers in order to create a strategic competitive advantage. This initiative involves the

consolidation of distribution and order management for North American key customers.

Restructuring charges of \$64.8 million included the write-down of assets, severance and other costs totaling \$53.4 million for exiting three product categories, closing six manufacturing plants, three distribution centers and two support facilities. These actions are expected to ultimately result in a workforce reduction of 550 employees. Restructuring charges also included \$5.3 million for severance related to a workforce reduction of 350 employees and \$6.1 million for a comprehensive SKU reduction program. Of the total severance recorded of \$9.2 million, approximately \$6.0 million is reflected as a liability at the end of 1995 and is expected to be paid in 1996.

A charge of \$20.7 million was also recognized for losses on assets that were identified as being impaired in conjunction with the company's restructuring initiatives and strategy changes.

The plant closings and exit activities initiated in 1995 are expected to be completed in 1996 while the consolidation of distribution and order management is targeted for completion in 1997. Additional restructuring alternatives are currently being evaluated and future restructuring charges

will likely result as the various initiatives under consideration are developed and specific operating plans are designed, approved and implemented. Due to the complexity of these initiatives and the early stage of planning, the company is currently unable to estimate the future charges; however, it is likely that those charges will be material and may approximate the amount of charges already incurred in 1995.

(M) OPERATIONS BY INDUSTRY SEGMENT AND GEOGRAPHIC AREA

Industry Segment and Geographic Area information included on page 17 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)	1995	1994	1993
Deferred Tax Liabilities:			
Depreciation	\$75.4	\$74.1	\$73.1
Other	12.9	6.0	12.9
-----			
Total Deferred Tax Liabilities	88.3	80.1	86.0
-----			
Deferred Tax Assets:			
Employee benefit plans	19.8	20.6	20.4
Restructuring charges	19.2		
Amortization of intangibles	15.1	14.5	
Accruals	18.0	24.4	25.6
Other	12.4	13.2	11.9
-----			
Total Deferred Tax Assets	84.5	72.7	57.9
-----			
Net Deferred Tax Liabilities	\$ 3.8	\$ 7.4	\$28.1

Income tax expense consisted of the following:

(MILLIONS OF DOLLARS)	1995	1994	1993
Current:			
Federal	\$26.0	\$59.3	\$40.2
Foreign	21.1	18.8	13.6
State	7.5	12.2	7.2
-----			
Total Current	54.6	90.3	61.0
-----			
Deferred:			
Federal	1.2	(8.4)	(4.8)
Foreign	.3	(1.0)	.6
State	(2.4)	(4.4)	(1.4)
-----			
Total Deferred	(.9)	(13.8)	(5.6)
-----			
Total	\$53.7	\$76.5	\$55.4

Income taxes paid during 1995, 1994 and 1993 were \$74.1 million, \$79.8 million and \$63.4 million, respectively.

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

	1995	1994	1993
Statutory federal income tax rate	35.00%	35.00%	35.00%
State income taxes, net of federal benefits	2.64	2.50	2.70
Difference between foreign and federal income tax rates	1.25	(.30)	
Nondeductible restructuring charges	9.60		
Other-Net	(.89)	.70	(.30)
-----			
Effective Tax Rate	47.60%	37.90%	37.40%

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

(MILLIONS OF DOLLARS)	1995	1994	1993
-----------------------	------	------	------

United States	\$ 78.5	\$159.4	\$110.5
Foreign	34.3	42.4	37.5
-----			
Total pre-tax earnings	\$112.8	\$201.8	\$148.0
=====			

Undistributed foreign earnings of approximately \$183 million at December 30, 1995 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.

(0) 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 30, 1995 were \$37.6 in 1996, \$28.3 in 1997, \$21.6 in 1998, \$14.5 in 1999, \$10.0 in 2000 and \$14.4 thereafter. Minimum payments have not been reduced by minimum sublease rentals of \$28.4 million due in the future under noncancelable subleases. Rental expense for operating leases amounted to \$40.3 million in 1995, \$38.1 million in 1994 and \$35.0 million in 1993.

## (P) CONTINGENCIES

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

The company's policy is to accrue environmental investigatory and remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The amount of liability recorded is based on an evaluation of currently available facts with respect to each individual site and includes such factors as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. The liabilities recorded do not take into account any claims for recoveries from insurance or third parties. As assessments and remediation progress at individual sites, the amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information which becomes available. As of December 30, 1995, 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)

	QUARTER				YEAR
	First	Second	Third	Fourth	
1995					
Net Sales	\$643.3	\$655.5	\$655.7	\$669.8	\$2,624.3
Gross profit	205.7	211.9	207.7	209.3	834.6
Selling, general and administrative expenses	147.3	148.6	148.0	147.8	591.7
Restructuring and asset write-offs	-	-	41.5	44.0	85.5
Net Earnings (Loss)	28.7	31.5	(1.7)	.6	59.1
Net Earnings (Loss) Per Share	\$.65	\$.71	\$(.04)	\$.01	\$1.33
1994					
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

Note: The third quarter of 1995 includes charges for restructuring of \$41.5 million, or \$.71 per share, and other related non-recurring charges of \$2.6 million, or \$.04 per share. The fourth quarter of 1995 includes charges for restructuring and asset write-offs of \$44.0 million, or \$.73 per share, and other related non-recurring charges of \$6.9 million, or \$.09 per share.

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**AN IMPORTANT CHANGE FOR SHAREHOLDERS IN 1996...MORE TIMELY RELEASE OF QUARTERLY INFORMATION**

Beginning with First Quarter results for 1996, The Stanley Works will make quarterly news releases available on-line on the Internet - on the day that results are released to the news media, Stanley releases will be found at the following address on the World Wide Web:

<http://www.prnewswire.com> Click on "Company News On-Call"

Stanley shareholders will also be able to call toll-free 1-800-499-9202 to request a copy of the most recent quarterly news release.

These enhancements to our quarterly communications are designed to replace traditional printed quarterly reports and provide shareholders with information faster and more efficiently. For your records, results are scheduled for release in 1996 on the following dates:

- First Quarter - April 17, 1996
- Second Quarter - July 17, 1996
- Third Quarter - October 16, 1996

**INVESTOR INFORMATION**

The Stanley Works has provided excellent, long-term value for shareholders. Without ever jeopardizing our strong balance sheet and without sacrificing our ability to invest in new technologies and new growth opportunities for our company, we have maintained an impressive and truly unique dividend record over the long haul:

- - Our record of annual dividend payments is unmatched by any industrial company listed on the New York Stock Exchange - 119 CONSECUTIVE YEARS.
- - Our quarterly dividend record is the longest of any industrial company listed on the New York Stock Exchange - 403 CONSECUTIVE QUARTERS.
- - We have increased dividends in each of the past 29 YEARS, and in that same period, an investment in Stanley stock grew at a compound annual rate of 13.0%.

Common Stock (Dollars per Share)

	Price				Dividends	
	1995		1994		1995	1994
	High	Low	High	Low		
First Quarter	41 5/8	35 5/8	44 7/8	38 5/8	\$.35	\$.34
Second Quarter	41 7/8	36 5/8	42 5/8	36 1/4	.35	.34
Third Quarter	46 5/8	37 1/4	43 7/8	38 1/2	.36	.35
Fourth Quarter	53 3/8	43	41 3/4	34 7/8	.36	.35
					\$1.42	\$1.38

**ANNUAL MEETING**

The annual shareholders' meeting of The Stanley Works will be held at 9:30 a.m. on Wednesday, April 17, 1996, in New Britain, Connecticut at the Stanley Center, 1255 Corbin Avenue.

**STOCK LISTING**

The Stanley Works is listed on the New York and Pacific Stock Exchanges with the symbol SWK.

**INCREASED DIVIDENDS EVERY YEAR SINCE 1968**

[Graph showing dividends paid by the Company each year from 1968 to 1995]

**TRANSFER AGENT AND REGISTRAR**

All shareholder inquiries, including transfer-related matters, should be directed to:

Boston EquiServe, Servicing Agent for  
 State Street Bank and Trust Company  
 P.O. Box 8200  
 Boston, MA 02266-8200  
 1-800-426-5523

**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:

Richard Huck, Vice President, Finance  
 and Chief Financial Officer  
 The Stanley Works  
 1000 Stanley Drive  
 New Britain, CT 06053

## 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
Stanley Mechanics Tools, Inc.	Ohio
Stanley Storage Systems, Inc.	Connecticut
Stanley Germany Inc.	Delaware
Stanley International Sales, Inc.	Delaware
Stanley Inter-America, 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
American Brush Company, Inc.	Massachusetts
Jensen Tools, Inc.	Delaware
LaBounty Manufacturing, Inc.	Minnesota
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

## EXHIBIT 21

Jurisdiction of  
-----  
Incorporation  
-----

(The Stanley Works)	
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.
R.J. Lendrum Limited	U.K.
Stanley Works	
(Nederland) B.V.	Netherlands
Stanley Magic-Door	
Netherlands B.V.	Netherlands
Placements et Rangements	
Nirva S.a.R.L.	France
Societe Civile Immobiliere WAT	France
Stanley Iberica S.A.	Spain
Stanley Vaerktoej ApS	Denmark
Stanley Svenska A.B.	Sweden
Suomen Stanley OY	Finland

## EXHIBIT 21

Jurisdiction of  
-----  
Incorporation  
-----

## (The Stanley Works)

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
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

## EXHIBIT 21

Jurisdiction of  
-----  
Incorporation  
-----

(The Stanley Works)

Tona a.s. (LTD) (78%)  
P.T. Stanley Works Indonesia  
Stanley Works Malaysia Sdn. Bhd.  
Stanley Fastening Systems Poland Ltd.

Czech Republic  
Indonesia  
Malaysia  
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.

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES

THE STANLEY WORKS 401 (k) SAVINGS PLAN  
YEARS ENDED DECEMBER 31, 1995 AND 1994

## THE STANLEY WORKS 401(k) SAVINGS PLAN

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES

YEARS ENDED DECEMBER 31, 1995 AND 1994

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## 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, 1995 and 1994, 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, 1995 and 1994, and its income and changes in plan equity for the years then ended, in conformity with generally accepted accounting principles.

Our audits were performed 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, 1995, 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 1995 financial statements and, in our opinion, are fairly stated in all material respects in relation to the 1995 financial statements taken as a whole.

Ernst & Young LLP

Hartford, Connecticut  
March 22, 1996

THE STANLEY WORKS 401(k) SAVINGS PLAN  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 1995

	STANLEY STOCK FUND	LOAN FUND	UNALLOCATED STANLEY STOCK FUND	TOTAL
<b>ASSETS</b>				
Investments, at current market value:				
The Stanley Works				
Common Stock:				
4,864,308 shares (cost				
\$140,995,052)	\$250,511,862			\$250,511,862
5,831,063 shares (cost			\$300,299,745	300,299,745
\$208,984,854)			1,535,453	2,627,739
Short-term investments	1,092,286			
	251,604,148		301,835,198	553,439,346
Dividends and interest receivable	1,762,357		568,340	2,330,697
Loans to participants		\$11,671,739		11,671,739
	\$253,366,505	\$11,671,739	\$302,403,538	\$567,441,782
<b>LIABILITIES AND PLAN EQUITY</b>				
<b>Liabilities:</b>				
Due to Retirement Plan for				
Salaried Employees of The				
Stanley Works	\$262,146			\$ 262,146
Debt			244,296,925	244,296,925
	262,146		244,296,925	244,559,071
Plan equity	253,104,359	11,671,739	58,106,613	322,882,711
	\$253,366,505	\$11,671,739	\$302,403,538	\$567,441,782

See accompanying notes.

THE STANLEY WORKS 401(k) SAVINGS PLAN  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 1994

	STANLEY STOCK FUND	LOAN FUND	UNALLOCATED STANLEY STOCK FUND	TOTAL
	-----	-----	-----	-----
<b>ASSETS</b>				
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
	=====	=====	=====	=====
<b>LIABILITIES AND PLAN EQUITY</b>				
Liabilities:				
Due to Retirement Plan for				
Salaried Employees of The				
Stanley works	\$ 159,553			\$ 159,553
Debt			\$253,018,883	253,018,883
Deferred employer contributions	822,907			822,907
Other	150,082			150,082
	-----		-----	-----
	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 INCOME AND CHANGES IN PLAN EQUITY  
YEAR ENDED DECEMBER 31, 1995

	STANLEY STOCK FUND	LOAN FUND	UNALLOCATED STANLEY STOCK FUND	TOTAL
	-----	-----	-----	-----
Investment income:				
Dividends	\$ 6,727,064		\$ 8,521,529	\$ 15,248,593
Interest	97,704	\$ 379,698	38,082	515,484
	-----	-----	-----	-----
	6,824,768	379,698	8,559,611	15,764,077
Net realized and unrealized appreciation in The Stanley Works Common Stock	75,850,892		91,180,389	167,031,281
Contributions:				
Employee	20,019,947			20,019,947
Employer	14,425,522			14,425,522
	-----			-----
	34,445,469			34,445,469
Withdrawals:				
Cash	(15,517,219)			(15,517,219)
The Stanley Works Common Stock	(4,627,524)			(4,627,524)
	-----			-----
	(20,144,743)			(20,144,743)
Transfers to the Retirement Plan for Salaried Employees of The Stanley Works	(102,594)			(102,594)
Administrative expenses	(51,639)			(51,639)
Interest expense			(18,535,301)	(18,535,301)
Interfund transfers - net	(8,498,016)	2,428,258	6,069,758	-
	-----	-----	-----	-----
Net increase	88,324,137	2,807,956	87,274,457	178,406,550
Plan equity/(deficit) at beginning of year	164,780,222	8,863,783	(29,167,844)	144,476,161
	-----	-----	-----	-----
Plan equity at end of year	\$ 253,104,359	\$ 11,671,739	\$ 58,106,613	\$ 322,882,711
	=====	=====	=====	=====

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	9,501,416			9,501,416
	-----			-----
	23,010,967			23,010,967
Withdrawals:				
Cash	(10,884,570)			(10,884,570)
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 for Salaried Employees of The Stanley Works	(332,808)			(332,808)
Administrative expenses	(111,805)			(111,805)
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/(deficit) 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

## Notes to Financial Statements

December 31, 1995

## 1. DESCRIPTION OF THE PLAN

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

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 the 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 Stanley Works 401(k) Savings Plan

## Notes to Financial Statements (continued)

## 1. DESCRIPTION OF THE PLAN (CONTINUED)

The Savings Plan borrowed \$95,000,000 in 1989 from a group of financial institutions and \$180,000,000 in 1991 from the Company (see Notes 3 and 4) to acquire 2,934,044 and 4,848,484 shares, respectively, of Common Stock from the Company's treasury and previously unissued shares. The shares purchased from the proceeds of the loans were placed in the Unallocated Stanley Stock Fund (the "Unallocated Fund"). Under the 1989 loan agreement, the Company guaranteed the loan and is obligated to make annual contributions sufficient to enable the Plan to repay the loan plus interest.

The Unallocated Fund makes monthly transfers of shares, in accordance with 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 employee and 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 Stanley Works 401(k) Savings Plan

## Notes to Financial Statements (continued)

## 1. DESCRIPTION OF THE PLAN (CONTINUED)

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 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 11,358 and 9,111 participants (10,648 and 8,508 of whom were active employees) in the plan as of December 31, 1995 and 1994, respectively, of whom 2,616 and 2,234, respectively, had loans outstanding.

At December 31, 1995 and 1994, benefits payable to terminated vested participants amounted to \$6,801,190 and \$2,008,532, 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.

The Stanley Works 401(k) Savings Plan  
Notes to Financial Statements (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 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.

## RECLASSIFICATIONS

Certain amounts in the 1994 financial statements have been reclassified to conform to the 1995 presentation.

## 3. DEBT

Debt consisted of the following at December 31:

	1995	1994
	----	----
Notes payable in monthly installments to 2001 with interest at 7.71%	\$ 66,841,290	\$ 74,777,497
Notes payable to the Company in monthly installments to 2026 with interest at 8.3%	177,455,635	178,241,386
	-----	-----
	\$ 244,296,925	\$253,018,883
	=====	=====

The scheduled maturities of debt for the next five years are as follows:  
1996--\$9,496,000; 1997--\$10,211,000; 1998--\$11,067,000; 1999--\$11,994,000;  
and 2000--\$13,000,000.

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, 134,833 shares were released and at December 31, 1995, 4,240,904 shares are pledged as security.

## The Stanley Works 401(k) Savings Plan

## Notes to Financial Statements (continued)

## 3. DEBT (CONTINUED)

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.

## 4. TRANSACTIONS WITH PARTIES-IN-INTEREST

Fees paid during 1995 and 1994 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 1995 and 1994 were \$51,639 and \$111,805, respectively.

In 1991, the Savings Plan borrowed \$180,000,000 from the Company, the proceeds of which were used to purchase 4,848,484 shares of stock from the Company. The Savings Plan made \$14,297,365 and \$15,263,135 of principal and interest payments related to such debt in 1995 and 1994, respectively; at December 31, 1995, \$177,455,635 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.

## THE STANLEY WORKS 401(k) SAVINGS PLAN

## ASSETS HELD FOR INVESTMENT

DECEMBER 31, 1995

IDENTITY OF ISSUE, BORROWER, OR SIMILAR PARTY	DESCRIPTION OF INVESTMENT, INCLUDING MATURITY DATE, RATE OF INTEREST, PAR OR MATURITY VALUE	COST	CURRENT VALUE
-----			
Common Stock:			
The Stanley Works*	10,695,371 shares of Common Stock; par value \$2.50 per share	\$349,979,906	\$550,811,607
Trust Funds:			
State Street Bank and Trust Company* (GSTIF)	Short-Term Investment Fund-United States Government securities	1,092,286	1,092,286
State Street Bank and Trust Company* (STIF)	Short-Term Investment Fund-Pooled Bank Fund	1,535,453	1,535,453
Loans to participants	Promissory notes at prime rate with maturities of five years or ten years	11,671,739	11,671,739
		-----	-----
Total Investments		\$385,605,916	\$565,111,085
		=====	=====

\* 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, 1995

IDENTITY OF PARTY INVOLVED	PURCHASE DESCRIPTION OF ASSETS	SELLING PRICE	COST OF ASSET	CURRENT VALUE OF ASSET ON TRANSACTION DATE	NET GAIN (LOSS)
-----					
Category (iii) - Series of transactions in excess of 5 percent of plan assets					
-----					
State Street Bank and Trust Company*	Short-Term Investment Fund- United States Government Securities		\$23,907,016	\$23,907,016	
State Street Bank and Trust Company*	Short-Term Investment Fund- United States Government Securities	\$26,771,147		\$26,771,147	

There were no category (i), (ii) or (iv) reportable transactions during  
1995.

\* Indicates party-in-interest to the Plan.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STANLEY WORKS AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS AND STATEMENT EARNINGS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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YEAR		
	DEC-30-1995	
	DEC-30-1995	75400
		0
		456900
		18200
		349100
	915100	
		1140700
		608600
		1670000
	387700	
		391100
	0	
		0
		115400
		619200
1670000		
		2624300
	2624300	
		1789700
		1789700
		0
		0
	30300	
		112800
		53700
	59100	
		0
		0
		0
		59100
		1.33
		0