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

FORM 10-Q

(Mark one)

|X| **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **July 1, 2006**

OR

| | **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-7724

Snap-on Incorporated

(Exact name of registrant as specified in its charter)

Delaware	**39-0622040**
(State of incorporation)	*(I.R.S. Employer Identification No.)*
2801 80th Street, Kenosha, Wisconsin	**53143**
(Address of principal executive offices)	*(Zip code)*

(262) 656-5200
(Registrant's telephone number, including area code)

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No | |

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer |X| Accelerated filer | | Non-accelerated filer | |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes | | No |X|

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

Class	Outstanding at July 21, 2006
Common Stock, $1 par value	58,051,396 shares

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SNAP-ON INCORPORATED
CONSOLIDATED STATEMENTS OF EARNINGS
(Amounts in millions, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	July 1, 2006	July 2, 2005	July 1, 2006	July 2, 2005
Net sales	$ 624.4	$ 592.4	$ 1,217.9	$ 1,191.1
Cost of goods sold	(343.4)	(323.8)	(676.6)	(665.6)
Gross profit	281.0	268.6	541.3	525.5
Financial services revenue	11.7	16.2	22.9	30.3
Financial services expenses	(8.7)	(11.2)	(17.9)	(21.0)
Operating income from financial services	3.0	5.0	5.0	9.3
Operating expenses:				
Selling, general and administrative	(225.9)	(226.3)	(448.8)	(453.2)
Litigation settlement	(38.0)	--	(38.0)	--
Total operating expenses	(263.9)	(226.3)	(486.8)	(453.2)
Operating earnings	20.1	47.3	59.5	81.6
Interest expense	(4.7)	(5.6)	(9.1)	(11.5)
Other income (expense) - net	0.3	(0.8)	(0.9)	(1.7)
Earnings before income taxes	15.7	40.9	49.5	68.4
Income tax expense	(3.9)	(14.3)	(15.6)	(23.9)
Net earnings	$ 11.8	$ 26.6	$ 33.9	$ 44.5
Earnings per share:				
Basic	$ 0.20	$ 0.46	$ 0.58	$ 0.77
Diluted	$ 0.20	$ 0.46	$ 0.58	$ 0.76
Weighted-average shares outstanding:				
Basic	58.2	57.7	58.2	57.7
Effect of dilutive options	0.7	0.6	0.7	0.6
Diluted	58.9	58.3	58.9	58.3
Dividends declared per common share	$ 0.27	$ 0.50	$ 0.54	$ 0.75

See notes to Consolidated Financial Statements

SNAP-ON INCORPORATED
CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except share data)
(Unaudited)

	July 1, 2006	December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	$ 190.1	$ 170.4
Accounts receivable - net of allowances	509.2	485.9
Inventories	310.5	283.2
Deferred income tax benefits	69.9	76.3
Prepaid expenses and other assets	75.6	57.1
Total current assets	1,155.3	1,072.9
Property and equipment		
Land	23.6	23.4
Buildings and improvements	230.3	229.2
Machinery and equipment	524.0	556.1
	777.9	808.7
Accumulated depreciation and amortization	(499.2)	(513.2)
Property and equipment - net	278.7	295.5
Deferred income tax benefits	63.2	57.8
Goodwill	416.3	398.3
Other intangibles - net	65.5	64.0
Pension assets	20.8	20.6
Other assets	107.4	99.3
Total assets	$ 2,107.2	$ 2,008.4

See notes to Consolidated Financial Statements

SNAP-ON INCORPORATED
CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except share data)
(Unaudited)

	July 1, 2006	December 31, 2005
Liabilities and shareholders’ equity		
Current liabilities		
Accounts payable	$ 151.9	$ 135.4
Notes payable and current maturities of long-term debt	17.3	24.8
Accrued benefits	36.3	35.4
Accrued compensation	63.9	62.2
Franchisee deposits	41.3	44.4
Deferred subscription revenue	24.1	26.6
Income taxes	27.8	33.1
Accrued litigation settlement	38.0	--
Other accrued liabilities	166.9	144.2

Total current liabilities	567.5	506.1
Long-term debt	196.7	201.7
Deferred income taxes	73.3	75.3
Retiree health care benefits	89.8	90.8
Pension liabilities	102.9	92.7
Other long-term liabilities	76.1	79.6
Total liabilities	1,106.3	1,046.2
Shareholders' equity		
Preferred stock (authorized 15,000,000 shares of $1 par value; none outstanding)	--	--
Common stock (authorized 250,000,000 shares of $1 par value; issued 67,067,056 and 67,049,257 shares)	67.1	67.0
Additional paid-in capital	116.3	113.3
Retained earnings	1,145.9	1,143.8
Accumulated other comprehensive income (loss)	(18.7)	(56.6)
Grantor Stock Trust at fair market value (1,709,898 and 3,204,308 shares)	(66.4)	(120.3)
Treasury stock at cost (7,355,060 and 5,886,864 shares)	(243.3)	(185.0)
Total shareholders' equity	1,000.9	962.2
Total liabilities and shareholders' equity	$ 2,107.2	$ 2,008.4

See notes to Consolidated Financial Statements

SNAP-ON INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in millions)
(Unaudited)

	Six Months Ended	
	July 1, 2006	July 2, 2005
Operating activities:		
Net earnings	$ 33.9	$ 44.5
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Depreciation	24.4	25.7
Amortization of other intangibles	0.8	1.7
Stock-based compensation expense	6.9	--
Deferred income tax benefit (provision)	(2.4)	4.0
Gain on sale of assets	(0.4)	(0.6)
Gain on mark to market for cash flow hedges	(0.2)	(0.2)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(12.1)	6.1
(Increase) decrease in inventories	(19.6)	(41.6)
(Increase) decrease in prepaid and other assets	(15.0)	13.1
Increase (decrease) in accounts payable	14.0	(14.7)
Increase (decrease) in accruals and other liabilities	43.7	13.1
Net cash provided by operating activities	74.0	51.1
Investing activities:		
Capital expenditures	(19.9)	(19.0)
Proceeds from disposal of property and equipment	11.0	4.9
Net cash used in investing activities	(8.9)	(14.1)
Financing activities:		
Net decrease in short-term borrowings	(8.5)	(19.0)
Purchase of treasury stock	(58.3)	(12.7)
Proceeds from stock purchase and option plans	46.0	11.7
Excess tax benefits from stock-based compensation	6.1	--
Cash dividends paid	(31.8)	(28.9)

Net cash used in financing activities	(46.5)	(48.9)
Effect of exchange rate changes on cash and cash equivalents	1.1	(7.5)
Increase (decrease) in cash and cash equivalents	19.7	(19.4)
Cash and cash equivalents at beginning of year	170.4	150.0
Cash and cash equivalents at end of period	$ 190.1	$ 130.6
Supplemental cash flow disclosures:		
Cash paid for interest	$ (7.8)	$ (10.8)
Net cash refunded (paid) for income taxes	(16.0)	5.0

See notes to Consolidated Financial Statements

SNAP-ON INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Consolidated Financial Statements

These financial statements should be read in conjunction with, and have been prepared in conformity with, the accounting principles reflected in the consolidated financial statements and related notes included in Snap-on Incorporated's ("Snap-on" or "the company") 2005 Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

The consolidated financial statements include the accounts of Snap-on, its majority-owned subsidiaries and Snap-on Credit LLC ("SOC"), a 50%-owned joint venture with The CIT Group, Inc. ("CIT"). The consolidated financial statements do not include the accounts of the company's independent franchisees. All significant intercompany accounts and transactions have been eliminated. Certain prior-year amounts have been reclassified on the Consolidated Statements of Earnings to conform to the current-year presentation.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary to a fair statement of financial condition and results of operations for the three and six month periods ended July 1, 2006, and July 2, 2005, have been made. Management believes that the results of operations for the three and six month periods ended July 1, 2006, and July 2, 2005, are not necessarily indicative of the results to be expected for the full fiscal year.

2. New Accounting Standards

Effective January 1, 2006, the company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), "*Share-Based* Payment," ("SFAS No. 123(R)"), using the modified prospective method. See Note 12 for additional information regarding stock-based compensation.

The Financial Accounting Standards Board ("FASB") released SFAS No. 156, "*Accounting for Servicing of Financial Assets*," to simplify accounting for separately recognized servicing assets and servicing liabilities. SFAS No. 156 amends SFAS No. 140, "*Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*." SFAS No. 156 permits an entity to choose either the amortization method or the fair value measurement method for measuring each class of separately recognized servicing assets and servicing liabilities after they have been initially measured at fair value. SFAS No. 156 applies to all separately recognized servicing assets and liabilities acquired or issued after the beginning of an entity's fiscal year that begins after September 15, 2006. SFAS No. 156 will be effective for Snap-on as of December 31, 2006, the beginning of the company's fiscal-2007 year. The company does not believe the adoption of SFAS No. 156 will have a material impact on the company's consolidated financial position or results of operations.

On July 13, 2006, the FASB issued Interpretation No. 48 ("FIN No. 48") "*Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109*." This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, "*Accounting for Income Taxes*." FIN No. 48 prescribes a recognition threshold and measurement principles for financial statement disclosure of tax positions taken or expected to be taken on a tax return. This interpretation is effective for fiscal years beginning after December 15, 2006, and Snap-on will adopt FIN No. 48 as of December 31, 2006, the beginning of the company's fiscal-2007 year. The company is assessing the impact the adoption of FIN No. 48 will have on the company's consolidated financial position and results of operations.

3. Accounts Receivable

Accounts receivable include trade accounts, installment and other receivables, including the current portion of franchisee-financing receivables. The components of Snap-on's current accounts receivable were as follows:

(Amounts in millions)	July 1, 2006	December 31, 2005
Trade accounts receivable	$ 432.1	$ 414.8
Installment receivables, net of unearned finance charges of $7.3 million in both periods	52.7	51.0
Other accounts receivable	57.8	55.0
Total	542.6	520.8
Allowance for doubtful accounts	(33.4)	(34.9)
Total accounts receivable - net	$ 509.2	$ 485.9

The long-term portion of accounts receivable is classified in "Other assets" on the accompanying Consolidated Balance Sheets and is comprised of installment and other receivables, including franchisee-financing receivables, with payment terms that are due beyond one year. The components of Snap-on's long-term accounts receivable were as follows:

(Amounts in millions)	July 1, 2006	December 31, 2005
Installment receivables, net of unearned finance charges of $9.4 million in both periods	$ 41.6	$ 41.2
Other long-term accounts receivable	19.9	18.9
Total	$ 61.5	$ 60.1

4. Inventories

Inventories by major classification were as follows:

(Amounts in millions)	July 1, 2006	December 31, 2005
Finished goods	$ 287.5	$ 269.0
Work in progress	36.1	33.6
Raw materials	65.9	62.7
Total FIFO value	389.5	365.3
Excess of current cost over LIFO cost	(79.0)	(82.1)
Total inventories	$ 310.5	$ 283.2

Inventories accounted for using the first-in, first-out ("FIFO") method as of July 1, 2006, and December 31, 2005, approximated 65% and 63% of total inventories. The company accounts for its non-U.S. inventory on the FIFO basis. As of July 1, 2006, 32% of the company's U.S. inventory was accounted for using the FIFO basis and 68% was accounted for using the last-in, first-out ("LIFO") basis. LIFO inventory liquidations resulted in a reduction of "Cost of goods sold" on the accompanying Consolidated Statements of Earnings in both the six month periods ended July 1, 2006, and July 2, 2005, of $1.4 million. The company did not record a LIFO inventory liquidation in the three month periods ended July 1, 2006, and July 2, 2005.

Snap-on adopted the LIFO inventory valuation method in 1973 for its U.S. locations. Snap-on's U.S. inventories accounted for on LIFO consist of purchased product and inventory manufactured at the company's heritage U.S. manufacturing facilities (primarily hand tools and tool storage). As Snap-on began acquiring businesses in the 1990's, the company retained the FIFO inventory valuation methodology used by the predecessor businesses prior to their acquisition by Snap-on; the company does not adopt the LIFO inventory valuation methodology for new acquisitions.

5. Acquired Intangible Assets

Disclosures related to other intangible assets are as follows:

	July 1, 2006		December 31, 2005	
(Amounts in millions)	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Amortized other intangible assets:				

Trademarks	$ 2.7	$ (0.8)	$ 2.6	$ (0.7)
Patents	33.1	(15.7)	32.6	(14.7)
Other	0.6	(0.1)	--	--
Total	36.4	(16.6)	35.2	(15.4)
Unamortized other intangible assets:				
Trademarks	45.7	--	44.2	--
Total	$ 82.1	$ (16.6)	$ 79.4	$ (15.4)

The weighted-average amortization period is 35 years for trademarks, 16 years for patents and 2 years for other intangible assets. The weighted-average amortization period for trademarks and patents on a combined basis is 20 years.

Amortization expense was $0.3 million and $0.8 million for the three and six month periods ended July 1, 2006, and $0.6 million and $1.7 million for the three and six month periods ended July 2, 2005. Total estimated annual amortization expense is expected to be $1.9 million in 2006, $2.1 million in 2007 and $1.9 million for each of the subsequent three fiscal years, based on current levels of other intangible assets.

Goodwill was $416.3 million and $398.3 million at July 1, 2006, and December 31, 2005. The net increase in goodwill resulted from currency translation and $0.8 million related to the first-quarter 2006 acquisition of the remaining 45% ownership interest in a joint venture.

6. Snap-on Credit LLC Joint Venture

SOC provides a broad range of financial services to Snap-on's U.S. franchisee and customer network and to Snap-on's industrial and other customers. Snap-on receives royalty and management fee income from SOC based on the volume of financings originated by SOC. Snap-on also shares ratably with CIT in any residual net profit or loss of the joint venture after operating expenses, including royalty and management fees, interest costs and credit loss provisions. Snap-on provides extended-term financing internationally through its wholly owned finance subsidiaries.

SOC sells substantially all of its originated contracts on a limited recourse basis to CIT, net of certain fees. SOC continues to service these contracts for an estimated market-rate servicing fee. In 2006, SOC originated contracts totaling $111.8 million and $219.3 million during the three and six month periods ended July 1, 2006, as compared to $105.8 million and $202.3 million during the three and six month periods ended July 2, 2005.

Snap-on has credit risk exposure for certain SOC-originated contracts with recourse provisions against Snap-on (primarily for franchisee van loans). At July 1, 2006, and December 31, 2005, $20.1 million and $19.2 million of loans, with terms ranging from six months to ten years, have a primary recourse provision to Snap-on if the loans become more than 90 days past due. The asset value of the collateral underlying these recourse loans would serve to mitigate Snap-on's loss in the event of default. The estimated fair value of the guarantees for all loan originations with recourse as of July 1, 2006, was not material.

CIT and Snap-on have agreed to lend funds to support SOC's working capital requirements on a 50/50 basis. As of July 1, 2006, and December 31, 2005, SOC owed both Snap-on and CIT $12.2 million and $3.9 million each pursuant to this agreement.

Snap-on's exposure related to SOC as of July 1, 2006, was the $12.2 million working capital loan plus the recourse obligations on customer financings, both discussed above.

7. Exit or Disposal Activities

During the three and six month periods ended July 1, 2006, Snap-on recorded costs associated with exit and disposal activities of $5.8 million and $10.9 million, including charges of $1.8 million and $3.7 million that are included in "Cost of goods sold," and charges of $4.0 million and $7.1 million that are included in "Operating expenses" on the accompanying Consolidated Statements of Earnings. Restructuring charges of $0.1 million incurred during the first six months of 2006 are also included in "Financial services expenses." Of the $5.8 million of costs incurred during the three month period ended July 1, 2006, $4.7 million qualified for accrual treatment. Costs associated with exit and disposal activities in 2006 primarily related to headcount reductions from (i) the realignment of the franchise support structure; (ii) closure of a facility in the Netherlands; (iii) the exit of a facility in Mexico; (iv) transfer of certain production activities from Sweden to lower-cost regions and emerging markets; and (v) various management realignment actions at other Snap-on facilities.

Snap-on's exit and disposal accrual activity for the quarter ended July 1, 2006, related to the company's 2006 actions was as follows:

		Second Quarter		
(Amounts in millions)	Balance at April 1, 2006	Provision	(Usage)	Balance at July 1, 2006

Severance costs:				
Snap-on Tools Group	$ 1.3	$ 1.2	$ (1.2)	$ 1.3
Commercial and Industrial Group	0.6	0.7	(0.4)	0.9
Diagnostics and Information Group	0.6	1.7	(1.0)	1.3
Corporate	0.1	--	--	0.1
Facility or closure costs				
Diagnostics and Information Group	--	0.5	--	0.5
Total	$ 2.6	$ 4.1	$ (2.6)	$ 4.1

Exit and disposal accrual usage of $2.6 million during the second quarter of 2006 primarily reflects severance and related payments for the separation of employees. Since year-end 2005, Snap-on has reduced headcount by approximately 370 employees as part of its 2006 restructuring actions. Snap-on anticipates that the restructuring accrual recorded during 2006 will be fully utilized by the end of 2006.

During the three and six month periods ended July 2, 2005, Snap-on recorded costs associated with exit and disposal activities of $6.8 million and $14.6 million, including charges of $0.8 million and $2.0 million included in "Cost of goods sold," charges of $5.4 million and $11.7 million included in "Operating expenses," and charges of $0.6 million and $0.9 million included in "Financial services expenses" on the accompanying Consolidated Statements of Earnings. Snap-on's exit and disposal accrual activity for the quarter ended July 1, 2006, related to the company's 2005 actions was as follows:

	Balance at April 1, 2006	Second Quarter Provision	Second Quarter (Usage)	Balance at July 1, 2006
(Amounts in millions)				
Severance costs:				
Snap-on Tools Group	$ 0.3	$ --	$ (0.1)	$ 0.2
Commercial and Industrial Group	0.5	--	(0.3)	0.2
Financial Services	0.1	--	(0.1)	--
Corporate	0.4	0.1	(0.3)	0.2
Facility consolidation or closure costs:				
Snap-on Tools Group	0.4	0.5	(0.1)	0.8
Commercial and Industrial Group	0.1	--	(0.1)	--
Total	$ 1.8	$ 0.6	$ (1.0)	$ 1.4

Exit and disposal accrual usage of $1.0 million during the second quarter of 2006 reflects severance and related payments for the separation of employees. Snap-on anticipates that the severance cost accrual associated with its 2005 exit and disposal activities will be fully utilized by the end of 2006. The utilization of the facility consolidation or closure costs will extend beyond 2006 primarily due to longer-term lease obligations.

Snap-on's 2006 exit and disposal accrual activity related to its 2004 actions was completed in the second quarter of 2006. The exit and disposal accrual remaining at April 1, 2006, of $0.5 million was consumed primarily by a facility closure.

Snap-on expects to fund the remaining cash requirements of its exit and disposal activities with cash flows from operations and borrowings under the company's existing credit facilities. The estimated costs for the exit and disposal activities were based on management's best business judgment under prevailing circumstances. Snap-on also expects that it will incur approximately $9 million to $11 million of additional exit and disposal charges during the remainder of 2006.

8. Short-Term and Long-Term Debt

Notes payable and long-term debt at July 1, 2006, and December 31, 2005, were $214.0 million and $226.5 million. Long-term debt of $196.7 million as of July 1, 2006, includes $200 million of unsecured 6.25% notes offset by $3.3 million related to the fair value of interest rate swaps outstanding. See Note 9 for further discussion of interest rate swaps. Notes payable to banks under uncommitted lines of credit were $5.1 million at July 1, 2006, and $20.9 million at December 31, 2005. Amounts payable by SOC to CIT to support SOC's working capital requirements were $12.2 million at July 1, 2006, and $3.9 million at December 31, 2005. See Note 6 for further discussion of SOC.

At July 1, 2006, Snap-on had a $400 million multi-currency revolving credit facility that terminates on July 27, 2009. The $400 million multi-currency revolving credit facility's financial covenant requires that Snap-on maintain a ratio of debt to the sum of total debt plus shareholders' equity of not greater than 0.60 to 1.00. As of July 1, 2006, Snap-on believes that it was in compliance with all covenants of this revolving credit facility.

At July 1, 2006, Snap-on also had $20 million of unused committed bank lines of credit, of which $10 million expires on July 31, 2006, and $10 million expires on August 31, 2006; Snap-on intends to renew both of these lines of credit, during the third quarter of 2006. At July 1, 2006, Snap-on had approximately $420 million of unused available debt capacity under the terms of its revolving credit facility and committed bank lines of credit.

In August 2001, Snap-on issued $200 million of unsecured notes pursuant to a $300 million shelf registration. The August 2001 notes require semi-annual interest payments at the rate of 6.25% and mature in their entirety on August 15, 2011.

9. Financial Instruments

Snap-on uses derivative instruments to manage well-defined interest rate and foreign currency exposures. Snap-on does not use derivative instruments for speculative or trading purposes. The criteria used to determine if hedge accounting treatment is appropriate are (i) the designation of the hedge to an underlying exposure, (ii) whether or not overall risk is being reduced, and (iii) if there is a correlation between the value of the derivative instrument and the underlying obligation. On the date a derivative contract is entered into, Snap-on designates the derivative as a fair value hedge, a cash flow hedge, a hedge of a net investment in a foreign operation, or a natural hedging instrument whose change in fair value is recognized as an economic hedge against changes in the values of the hedged item.

Foreign Currency Derivative Instruments: Snap-on has operations in a number of countries that have transactions outside their functional currencies and, as a result, is exposed to changes in foreign currency exchange rates. Snap-on also has intercompany loans to foreign subsidiaries denominated in foreign currencies. Snap-on manages most of these exposures on a consolidated basis, which allows for netting of certain exposures to take advantage of natural offsets. Forward exchange contracts are used to hedge the net exposures. Gains or losses on net foreign currency hedges are intended to offset losses or gains on the underlying net exposures in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates.

At July 1, 2006, Snap-on had $16.7 million of net outstanding foreign exchange forward buy contracts comprised of net buy contracts of $27.1 million in Swedish kronor, $6.3 million in Australian dollars, $4.4 million in euros, $2.9 million in Japanese yen and $1.3 million in other currencies, and net sell contracts of $13.9 million in British pounds, $4.7 million in Singapore dollars, $3.4 million in Canadian dollars, and $3.3 million in other currencies. At December 31, 2005, Snap-on had $38.4 million of net foreign exchange forward buy contacts outstanding comprised of net buy contracts of $50.6 million in Swedish kronor, $3.3 million in Australian dollars and $3.0 million in other currencies, and net sell contracts of $8.4 million in euros, $5.6 million in Singapore dollars and $4.5 million in other currencies.

The majority of Snap-on’s forward exchange contracts are not designated as hedges under SFAS No. 133. The fair value changes of these contracts are reported in earnings as foreign exchange gain or loss, which is included in “Other income (expense) – net” on the accompanying Consolidated Statements of Earnings.

Interest Rate Swap Agreements: Snap-on enters into interest rate swap agreements to manage interest costs and risks associated with changing interest rates. Interest rate swap agreements are accounted for as either cash flow hedges or fair value hedges. The differentials paid or received on interest rate swap agreements are recognized as adjustments to interest expense. For fair value hedges, the effective portion of the change in fair value of the derivative is recorded in “Long-term debt” on the accompanying Consolidated Balance Sheets, while any ineffective portion is recorded as an adjustment to interest expense. For cash flow hedges, the effective portion of the change in fair value of the derivative is recorded in “Accumulated other comprehensive income (loss),” while any ineffective portion is recorded as an adjustment to interest expense. The notional amount of interest rate swaps outstanding and designated as fair value hedges was $50 million at both July 1, 2006, and December 31, 2005.

Changes in the fair value of derivative financial instruments qualifying for hedge accounting are reflected as derivative assets or liabilities with the corresponding gains or losses reflected in earnings in the period of change. An offsetting gain or loss is also reflected in earnings based upon the changes of the fair value of the debt instrument being hedged. For all fair value hedges qualifying for hedge accounting, the net accumulated derivative loss at July 1, 2006, was $3.4 million. At July 1, 2006, the maximum maturity date of any fair value hedge was five years. During the second quarter of 2006, cash flow hedge and fair value hedge ineffectiveness was not material.

10. Pension Plans

Snap-on’s net pension expense included the following components:

	Three Months Ended		Six Months Ended	
	July 1, 2006	July 2, 2005	July 1, 2006	July 2, 2005
(Amounts in millions)				
Service cost	$ 4.9	$ 5.4	$ 11.4	$ 10.8
Interest cost	11.7	11.5	23.5	22.5
Expected return on assets	(15.3)	(14.3)	(30.4)	(28.4)
Amortization of:				
Actuarial loss	2.7	2.8	5.8	5.2
Prior service cost	0.3	0.4	0.6	0.8
Net transition asset	--	(0.1)	(0.1)	(0.2)
Net pension expense	$ 4.3	$ 5.7	$ 10.8	$ 10.7

Snap-on expects to make contributions to its foreign pension plans throughout 2006 of approximately $6 million. Snap-on is not required to make a contribution to its domestic pension plans in 2006. However, depending on market and other conditions, Snap-on may elect to make a discretionary cash contribution to its domestic pension plans in 2006.

11. Retiree Health Care

Snap-on's net postretirement health care benefits expense included the following components:

	Three Months Ended		Six Months Ended	
	July 1, 2006	July 2, 2005	July 1, 2006	July 2, 2005
(Amounts in millions)				
Service cost	$ 0.1	$ 0.1	$ 0.3	$ 0.3
Interest cost	0.9	1.3	2.1	2.4
Amortization of unrecognized net (gain) loss	(0.5)	0.1	(0.6)	--
Amortization of prior service cost	(0.2)	--	(0.2)	--
Net postretirement expense	$ 0.3	$ 1.5	$ 1.6	$ 2.7

12. Stock-Based Compensation

Effective January 1, 2006, the company adopted SFAS No. 123(R) using the modified prospective method. SFAS No. 123(R) requires entities to recognize the cost of employee services in exchange for awards of equity instruments based on the grant-date fair value of those awards (with limited exceptions). That cost, based on the estimated number of awards that are expected to vest, will be recognized over the period during which the employee is required to provide the service in exchange for the award. No compensation cost is recognized for awards for which employees do not render the requisite service. Upon adoption, the grant-date fair value of employee share options and similar instruments was estimated using the Black-Scholes option valuation model.

Compensation cost for the unvested portions of equity-classified awards granted prior to January 1, 2006, will be recognized in the results of operations over the remaining vesting periods. Changes in fair value of unvested liability instruments during the requisite service period will be recognized as compensation cost over that service period. Changes in the fair value of vested liability instruments during the contractual term will be recognized as an adjustment to compensation cost in the period of the change in fair value.

Snap-on elected to adopt the alternative method of calculating the historical pool of windfall tax benefits as permitted by FASB Staff Position No. FAS123(R)-3, "*Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*." This is a simplified method to determine the pool of windfall tax benefits that is used in determining the tax effects of stock compensation in the results of operations and cash flow reporting for awards that were outstanding as of the adoption of SFAS No. 123(R). The realization of tax benefits from stock-based compensation in excess of amounts recognized for financial reporting purposes is recognized as a financing activity in the accompanying Consolidated Statements of Cash Flows.

Due to the prospective adoption of SFAS No. 123(R), results for prior periods have not been restated. Snap-on has stock-based compensation plans under which directors, officers and other eligible employees receive stock options and other equity-based awards.

2001 Incentive Stock and Awards Plan, as Amended ("2001 Plan")

The 2001 Plan, which was approved by shareholders in 2001 and amended and approved by shareholders in 2006, provides for the grant of stock options, stock appreciation rights, performance share awards and restricted stock awards. Stock options and restricted stock awards have also been issued to nonemployee directors for their services as directors. As of July 1, 2006, the 2001 Plan has 4,094,171 shares available for future grants. Snap-on has undertaken stock repurchases from time to time to offset dilution created by shares issued for employee and franchisee stock purchase plans, stock options, and other corporate purposes, as well as to repurchase shares when market conditions are favorable.

The compensation cost that has been charged against income for the 2001 Plan was $3.6 million and $6.9 million for the three and six month periods ended July 1, 2006. The company recorded $1.9 million and $1.8 million of expense related to stock appreciation rights, performance share awards and restricted stock awards that were valued using the intrinsic method under Accounting Principles Board ("APB") Opinion No. 25, "*Accounting for Stock Issued to Employees*," and related interpretations for the three and six month periods ended July 2, 2005. Cash received from option exercises under all share-based payment arrangements during the three and six month periods ended July 1, 2006, was $20.6 million and $46.0 million as compared with $5.2 million and $11.7 million for the three and six month periods ended July 2, 2005. The tax benefit realized from the exercise of the share-based payment arrangements were $2.8 million and $6.3 million for the three and six month periods ended July 1, 2006, as compared with $0.1 million and $0.9 million for the three and six month periods ended July 2, 2005.

Stock Options

Stock options are granted with an exercise price equal to the market value of a share of common stock on the date of grant. Except for grants to non-employee directors, which vested immediately, awards generally vest within two years of continuous service and have ten-year contractual terms from the date of grant. The stock option awards granted during the first six months of 2006 vest in two annual increments beginning on the first anniversary following the grant date of the award.

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option valuation model. The company uses historical data regarding stock option exercise behaviors for different participating groups to estimate the expected term of options granted (based on the period of time that options granted are expected to be outstanding). Expected volatility is based on the historical volatility of the company's stock for the length of time corresponding to the expected term of the option. The expected dividend yield is based on the company's historical dividend payments. The risk-free interest rate is based on the U.S. treasury yield curve on the grant date for the expected term of the option. The following weighted-average assumptions were used in calculating the fair value of stock options granted during the three and six month periods ended July 1, 2006, and July 2, 2005, using the Black-Scholes option valuation model:

	Three Months Ended		Six Months Ended	
	July 1, 2006	July 2, 2005	July 1, 2006	July 2, 2005
Expected term of option *(in years)*	7.74	7.11	7.20	7.13
Expected volatility factor	28.55%	30.39%	29.19%	30.17%
Expected dividend yield	3.21%	3.40%	3.23%	3.40%
Risk-free interest rate	5.00%	4.16%	4.59%	4.08%

A summary of stock option activity as of and for the six month period ended July 1, 2006, is presented below:

	Shares *(in millions)*	Exercise Price Per Share (*)	Remaining Contractual Term (*) *(in years)*	Aggregate Intrinsic Value *(in millions)*
Outstanding at December 31, 2005	5.0	$ 31.44		
Granted	0.6	39.33		
Exercised	(1.4)	29.21		
Forfeited or expired	(0.1)	36.45		
Outstanding at July 1, 2006	4.1	33.17	5.96	$ 29.9
Exercisable at July 1, 2006	3.2	32.12	5.07	27.0

(*) Weighted-average

The weighted-average grant-date fair value of options granted during the six month periods ended July 1, 2006, and July 2, 2005 was $10.57 and $8.69. The intrinsic value of options exercised during the six month periods ended July 1, 2006, and July 2, 2005 was $14.6 million and $2.5 million. The fair value of stock options vested during the first six month periods ended July 1, 2006, and July 2, 2005 was $3.8 million and $3.9 million.

As of July 1, 2006, there was $6.3 million of unrecognized compensation cost related to non-vested stock option compensation arrangements granted under the 2001 Plan. That cost is expected to be recognized as a charge to earnings over a weighted-average period of 1.3 years.

Performance Awards

Performance awards granted under the 2006 long-term incentive award program are earned over a contractual term of three years. Vesting of the performance awards under the 2006 plan will be dependent upon performance relative to pre-defined goals for revenue growth and return on assets for the years 2006 through 2008. Based on Snap-on's performance relative to these goals, the recipient can earn up to 100% of the performance awards. For performance achieved above a certain level, the recipient may earn cash awards in addition to the performance awards, not to exceed 50% of the number of performance awards initially granted. Cash awards related to the 2006 restricted performance shares represent the right to receive cash of $39.35 per unit, which was the fair market value of the performance awards at the date of grant.

Performance awards granted under the 2005 long-term incentive award program are earned over a contractual term of three years. Vesting of the performance awards will be dependent upon performance relative to pre-defined goals for revenue growth and return on assets for the years 2005 through 2007. Based on Snap-on's performance relative to these goals, the recipient can earn up to 100% of the performance awards with an equal number of cash units that represent the right to receive cash of $31.73 per unit. For performance achieved above a certain level, the recipient may earn additional cash units, not to exceed 100% of the number of performance awards initially awarded. The additional cash units also represent the right to receive cash of $31.73 per unit, which was the fair market value of the performance awards at the date of grant.

The fair value of each performance award is estimated on the date of grant using the Black-Scholes option valuation model. The company uses the vesting period of the performance awards as the expected term of options granted. Expected volatility is based on the historical volatility of the company's stock for the length of time corresponding to the expected term of the performance award. The expected dividend yield is based on the company's historical dividend payments. The risk-free interest rate is based on the U.S. treasury yield curve on the grant date for the length of time corresponding to the expected term of the performance award. The following weighted-average assumptions were used in calculating the fair value of performance awards granted during the six month periods ended July 1, 2006, and July 2, 2005, using the Black-Scholes option valuation model. No performance awards were granted in the three month periods ended July 1, 2006, and July 2, 2005.

	Six Months Ended	
	July 1, 2006	July 2, 2005
Expected term of performance award *(in years)*	3.0	3.0
Expected volatility factor	20.54%	25.37%
Expected dividend yield	3.23%	3.40%
Risk-free interest rate	4.67%	3.91%

The weighted-average grant-date fair value of performance awards granted during the six month period ended July 1, 2006, was $35.74 and $28.68 for the six month period ended July 2, 2005. As performance share awards vest only at the end of the performance-award period, no shares vested or were exercised during the three and six month periods ended July 1, 2006, or July 2, 2005.

A summary of the status of the company's non-vested performance share awards as of July 1, 2006, and changes during the six month period ended July 1, 2006, is as follows:

	Shares *(in millions)*	Grant-Date Fair Value (*)
Non-vested performance awards at December 31, 2005	0.1	$ 28.69
Granted	0.3	35.74
Vested	--	--
Forfeited or expired	--	--
Non-vested performance awards at July 1, 2006	0.4	$ 33.51

(*) Weighted-average

As of July 1, 2006, there was $8.5 million of unrecognized compensation cost related to non-vested performance share awards granted under the 2001 Plan. That cost is expected to be recognized as a charge to earnings over a weighted-average period of 2.3 years.

Stock Appreciation Rights ("SARs")

The company also issues SARs to certain key non-U.S. employees. SARs are granted with an exercise price equal to the market value of a share of common stock on the date of grant and have a contractual term of ten years and vest in two annual increments beginning on the first anniversary following the grant date of the award. SARs provide for the cash payment of the excess of the fair market value of Snap-on's common stock price on the date of exercise over the grant price. SARs have no effect on dilutive shares or shares outstanding as any appreciation of Snap-on's common stock value over the grant price is paid in cash and not in common stock.

The fair value of each SAR is remeasured each reporting period using the Black-Scholes option valuation model. The company uses historical data regarding SARs exercise behaviors for different participating groups to estimate the expected term of the SARs granted based on the period of time that similar instruments granted are expected to be outstanding. Expected volatility is based on the historical volatility of the company's stock for the length of time corresponding to the expected term of the stock appreciation right. The expected dividend yield is based on the company's historical dividend payments. The risk-free interest rate is based on the U.S. treasury yield curve in effect on the grant date for the length of time corresponding to the expected term of the SARs. The following weighted-average assumptions were used in calculating the fair value of SARs granted during the six month periods ended July 1, 2006, and July 2, 2005, using the Black-Scholes option valuation model. No SARs were granted in the three month periods ended July 1, 2006, and July 2, 2005.

Six Months Ended

	July 1, 2006	July 2, 2005
Expected term of SARs *(in years)*	6.79	4.16
Expected volatility factor	27.55%	24.00%
Expected dividend yield	3.21%	3.21%
Risk-free interest rate	5.11%	5.10%

The total intrinsic value of SARs exercised during the three and six month periods ended July 1, 2006, was $0.9 million and $1.4 million, and $0.3 million and $0.7 million during the three and six month periods ended July 2, 2005. The total fair value of SARs vested during the six month period ended July 1, 2006, was $0.9 million, and $1.2 million during the six month period ended July 2, 2005.

A summary of the status of the company's non-vested SARs as of July 1, 2006, and changes during the six month period ended July 1, 2006, is as follows:

	Shares *(in millions)*	Fair Value (*)
Non-vested SARs at December 31, 2005	--	$ --
Granted	0.1	10.96
Vested	--	--
Forfeited or expired	--	--
Non-vested SARs at July 1, 2006	0.1	$ 10.94

(*) Weighted-average

As of July 1, 2006, there was $1.2 million of unrecognized compensation cost related to non-vested SARs granted under the 2001 Plan. That cost is expected to be recognized as a charge to earnings over a weighted-average period of 1.6 years.

Restricted Stock Awards

The company granted 17,613 restricted stock awards to members of the board of directors during the second quarter ended July 1, 2006. All restrictions will lapse upon the recipient's retirement from the Board, death or a change in control.

Other Stock-based Compensation Plans

The company has other stock-based compensation plans that include the directors' fee plan, employee stock purchase plan, franchisee stock purchase plan, and the dividend reinvestment and stock purchase plan. The impact of SFAS No. 123(R) on, and the activity in, these plans was not significant.

Fair Value Disclosures – Prior to Adoption of SFAS No. 123(R)

Prior to January 1, 2006, the company accounted for its share-based instruments under the recognition and measurement provisions of APB No. 25 and related interpretations. No stock-based employee compensation costs related to stock options were recognized prior to 2006. The following table illustrates the effect on net earnings and earnings per share for the three and six month periods ended July 2, 2005, as if Snap-on had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation using the Black-Scholes option valuation model:

(Amounts in millions, except per share data)	Three Months Ended July 2, 2005	Six Months Ended July 2, 2005
Net earnings, as reported	$ 26.6	$ 44.5
Adjustments to net earnings, as reported:		
Stock-based employee compensation expense included in reported net income, net of related tax effects	1.9	1.8
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1.6)	(2.8)
Pro forma net earnings	$ 26.9	$ 43.5
Net earnings per share - basic:		
As reported	$ 0.46	$ 0.77
Pro forma	0.47	0.75
Net earnings per share - diluted:		
As reported	$ 0.46	$ 0.76
Pro forma	0.46	0.75

SNAP-ON INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

13. Earnings Per Share

The shares used in the computation of the company's basic and diluted earnings per common share are as follows:

	Three Months Ended		Six Months Ended	
	July 1, 2006	July 2, 2005	July 1, 2006	July 2, 2005
Weighted-average common shares outstanding	58,208,826	57,757,406	58,204,512	57,766,353
Dilutive effect of employee stock options	680,645	586,945	719,346	576,117
Weighted-average common shares outstanding, assuming dilution	58,889,471	58,344,351	58,923,858	58,342,470

The dilutive effect of the potential exercise of outstanding options to purchase common shares is calculated using the treasury stock method. Options to purchase 312,407 shares and 1,637,368 shares of Snap-on common stock were not included in the computation of diluted earnings per share for the three months ended July 1, 2006, and July 2, 2005, as the exercise prices of the options were greater than the average market price of the common stock for the respective periods and the effect on earnings per share would be anti-dilutive. Options to purchase 851,877 shares and 1,637,368 shares of Snap-on common stock were not included in the computation of diluted earnings per share for the six months ended July 1, 2006, and July 2, 2005, as the exercise prices of the options were greater than the average market price of the common stock for the respective periods and the effect on earnings per share would be anti-dilutive.

14. Comprehensive Income

Total comprehensive income for the three and six month periods ended July 1, 2006, and July 2, 2005, was as follows:

	Three Months Ended		Six Months Ended	
(Amounts in millions)	July 1, 2006	July 2, 2005	July 1, 2006	July 2, 2005
Net earnings	$ 11.8	$ 26.6	$ 33.9	$ 44.5
Foreign currency translation	34.7	(50.6)	38.1	(86.9)
Change in fair value of derivative instruments, net of tax	(0.3)	(0.1)	(0.2)	(0.5)
Total comprehensive income	$ 46.2	$ (24.1)	$ 71.8	$ (42.9)

SNAP-ON INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

15. Commitments and Contingencies

Snap-on provides product warranties for specific product lines and accrues for estimated future warranty cost in the period in which the sale is recorded. Snap-on calculates its reserve requirements based on historic warranty loss experience that is periodically adjusted for recent actual experience. The following summarizes Snap-on's product warranty accrual activity for the three and six month periods ended July 1, 2006, and July 2, 2005:

	Three Months Ended		Six Months Ended	
(Amounts in millions)	July 1, 2006	July 2, 2005	July 1, 2006	July 2, 2005
Warranty reserve:				
Beginning of period	$ 17.9	$ 16.1	$ 16.8	$ 15.7
Additions	4.0	3.0	9.2	6.2
Usage	(3.2)	(2.5)	(7.3)	(5.3)
End of period	$ 18.7	$ 16.6	$ 18.7	$ 16.6

Snap-on's franchise relationships are governed by contract and it is not uncommon for legal disputes to result from the termination – either by Snap-on or the franchisee — of these relationships. As disclosed in the company's Form 8-K filing dated May 16, 2006, in certain legal matters, former franchisees, purportedly on behalf of current and former franchisees, were seeking adjudication of certain claims within an arbitration proceeding. On May 10, 2006, Snap-on reached an agreement to settle these pending lawsuits on a class basis. Snap-on has not admitted to any wrongdoing by way of this settlement. The terms of the settlement are subject to obtaining final court approval, as well as other usual and customary conditions. The settlement contains provisions that allow Snap-on to terminate the settlement agreement if more than a specified percentage of certain franchisees elect to opt out of the class. Under the terms of the settlement, Snap-on will pay an estimated $38.0 million to the claimants, including attorneys' fees, costs and expenses. This amount is subject to change depending on the actual number of claimants and the funds paid out as a result of the payment formulas included in the agreement. Snap-on recorded a pretax charge of $38.0 million ($23.4 million after tax, or $0.40 per diluted share) in its second-quarter 2006 earnings representing its current best estimate of the outcome of this settlement. The $38.0 million pretax charge is included in "Operating Expenses" on the accompanying 2006 Consolidated Statements of Earnings.

Snap-on is also involved in various other legal matters that are being litigated and/or settled in the ordinary course of business. Although it is not possible to predict the outcome of these other legal matters, management believes that the results will not have a material impact on Snap-on's consolidated financial position or results of operations.

16. Segments

Snap-on's business segments are based on the organization structure used by management for making operating and investment decisions and for assessing performance. In the first quarter of 2006, the company changed the name of the Snap-on Dealer Group segment to the Snap-on Tools Group. The organization structure used by management has not changed and the segment name change did not impact previously disclosed segment net sales, operating earnings, identifiable assets or other amounts or disclosures. Snap-on's reportable business segments include: (i) the Snap-on Tools Group (formerly the Snap-on Dealer Group); (ii) the Commercial and Industrial Group; (iii) the Diagnostics and Information Group; and (iv) Financial Services. The Snap-on Tools Group consists of Snap-on's business operations serving the worldwide franchise van channel. The Commercial and Industrial Group consists of the business operations providing tools and equipment products and equipment repair services to a broad range of industrial and commercial customers worldwide through direct, distributor and other non-franchised distribution channels. The Diagnostics and Information Group consists of the business operations providing diagnostics equipment, vehicle-service information, business management systems, and other solutions for vehicle service to customers in the worldwide vehicle service and repair marketplace. Financial Services consists of the business operations of SOC, a consolidated 50%-owned joint venture between Snap-on and CIT, and Snap-on's wholly owned finance subsidiaries in those international markets where Snap-on has franchisee operations. See Note 6 for further discussion of SOC.

Snap-on evaluates the performance of its operating segments based on segment revenues and operating earnings. For the Snap-on Tools, Commercial and Industrial, and Diagnostics and Information Groups, segment net sales include both external and intersegment net sales. Snap-on accounts for intersegment sales and transfers based primarily on standard costs with reasonable mark-ups established between the segments. Segment operating results for the Snap-on Tools Group for the three and six month periods ended July 1, 2006, include the impact of the $38.0 million estimated charge for a pending litigation settlement. See Note 15 for further discussion of the pending litigation settlement. Identifiable assets by segment are those assets used in the respective reportable segment's operations. Intersegment amounts are eliminated to arrive at consolidated financial results.

Neither Snap-on nor any of its segments, except Financial Services, depend on any single customer, small group of customers or government for more than 10% of its revenues. As a result of SOC's relationship with CIT, Snap-on's Financial Services business segment depends on CIT for more than 10% of its revenues. See Note 6 for further discussion of SOC.

Financial data by segment was as follows:

	Three Months Ended		Six Months Ended	
(Amounts in millions)	July 1, 2006	July 2, 2005	July 1, 2006	July 2, 2005
Net sales:				
Snap-on Tools Group	$ 270.8	$ 260.6	$ 519.5	$ 516.4
Commercial and Industrial Group	300.0	294.8	587.2	588.6
Diagnostics and Information Group	128.9	117.2	248.1	231.6

Segment net sales	699.7	672.6	1,354.8	1,336.6
Intersegment eliminations	(75.3)	(80.2)	(136.9)	(145.5)
Total net sales	$ 624.4	$ 592.4	$ 1,217.9	$ 1,191.1
Financial services revenue	11.7	16.2	22.9	30.3
Total revenues	$ 636.1	$ 608.6	$ 1,240.8	$ 1,221.4
Operating earnings (loss):				
Snap-on Tools Group	$ (11.5)	$ 23.4	$ 6.7	$ 41.5
Commercial and Industrial Group	27.6	17.9	50.7	28.9
Diagnostics and Information Group	13.8	13.7	24.1	23.0
Financial Services	3.0	5.0	5.0	9.3
Segment operating earnings	32.9	60.0	86.5	102.7
Corporate	(12.8)	(12.7)	(27.0)	(21.1)
Operating earnings	$ 20.1	$ 47.3	$ 59.5	$ 81.6
Interest expense	(4.7)	(5.6)	(9.1)	(11.5)
Other income (expense) - net	0.3	(0.8)	(0.9)	(1.7)
Earnings before income taxes	$ 15.7	$ 40.9	$ 49.5	$ 68.4

(Amounts in millions)	July 1, 2006	December 31, 2005
Assets:		
Snap-on Tools Group	$ 432.5	$ 415.9
Commercial and Industrial Group	978.6	916.3
Diagnostics and Information Group	205.6	195.4
Financial Services	148.6	149.0
Total assets from reportable segments	$ 1,765.3	$ 1,676.6
Corporate	371.8	362.0
Elimination of intersegment receivables	(29.9)	(30.2)
Total assets	$ 2,107.2	$ 2,008.4

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statement:

Statements in this document that are not historical facts, including statements (i) that include the words "expects," "plans," "targets," "estimates," "believes," "anticipates," or similar words that reference Snap-on or its management; (ii) specifically identified as forward-looking; or (iii) describing Snap-on's or management's future outlook, plans, estimates, objectives or goals, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Snap-on cautions the reader that any forward-looking statements included in this document that are based upon assumptions and estimates were developed by management in good faith and are subject to risks, uncertainties or other factors that could cause (and in some cases have caused) actual results to differ materially from those described in any such statement. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results or regarded as a representation by the company or its management that the projected results will be achieved. For those forward-looking statements, Snap-on cautions the reader that numerous important factors, such as those listed below, as well as the risk factors discussed in Snap-on's Form 10-K filing dated February 21, 2006, and Form 8-K filing dated July 27, 2005, and matters related to the class action settlement agreement such as receiving final court approval, the number of franchisees that opt out of the class, and the amount paid to franchisees, which will ultimately be dependent on the final number of claimants and the agreement's payment formulas, could affect the company's actual results and could cause its actual consolidated results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, Snap-on.

These risks and uncertainties include, without limitation, uncertainties related to estimates, statements, assumptions and projections generally, and the timing and progress with which Snap-on can attain savings from cost reduction actions, including its ability to implement reductions in workforce, achieve improvements in its manufacturing footprint and greater efficiencies in its supply chain, and enhance machine maintenance, plant productivity and manufacturing line set-up and change-over practices, any or all of which could result in production inefficiencies, higher cost and lost revenues. These risks also include uncertainties related to Snap-on's capability to implement future strategies with respect to its existing businesses, refine its brand and franchise strategies, retain and attract franchisees, further enhance service and value to franchisees and thereby enhance their sales and profitability, introduce successful new products, as well as its ability to withstand disruption arising from natural disasters, planned facility closures or other labor interruptions, litigation challenges and external negative factors including significant changes in the current competitive environment, inflation, interest rates and other monetary fluctuations; and the various potential impacts of legal proceedings and/or settlements, terrorist disruptions on business, and energy and raw material supply and pricing (primarily steel and fuel), including the impact of higher fuel prices on franchisees' operations. Snap-on disclaims any responsibility to update any forward-looking statement provided in this document.

RESULTS OF OPERATIONS

Highlights of Snap-on's results of operations for the second quarters of fiscal 2006 and fiscal 2005 are as follows:

	Three Months Ended					
(Amounts in millions)	July 1, 2006		July 2, 2005		Increase / (Decrease)	
Net sales	$ 624.4	100.0%	$ 592.4	100.0%	$ 32.0	5.4%
Cost of goods sold	343.4	55.0%	323.8	54.7%	19.6	6.1%
Gross profit	281.0	45.0%	268.6	45.3%	12.4	4.6%
Financial services revenue	11.7	100.0%	16.2	100.0%	(4.5)	-27.8%
Financial services expenses	8.7	74.4%	11.2	69.1%	(2.5)	-22.3%
Operating income from financial services	3.0	25.6%	5.0	30.9%	(2.0)	-40.0%
Operating expenses:						
Selling, general and administrative	225.9	36.2%	226.3	38.2%	(0.4)	-0.2%
Litigation settlement	38.0	6.1%	--	--	38.0	NM
Total operating expenses	263.9	42.3%	226.3	38.2%	37.6	16.6%
Operating earnings	20.1	3.2%	47.3	7.8%	(27.2)	-57.5%
Interest expense	4.7	0.7%	5.6	1.0%	(0.9)	-16.1%
Other (income) expense - net	(0.3)	0.0%	0.8	0.1%	(1.1)	-137.5%
Earnings before income taxes	15.7	2.5%	40.9	6.7%	(25.2)	-61.6%
Income tax expense	3.9	0.6%	14.3	2.3%	(10.4)	-72.7%
Net earnings	$ 11.8	1.9%	$ 26.6	4.4%	$ (14.8)	-55.6%

NM = not meaningful

Percentage Disclosure: Cost of goods sold, Gross profit and Operating expenses percentages are calculated as a percentage of Net sales. Financial services expenses and Operating income from financial services percentages are calculated as a percentage of Financial services revenue. All other income statement line item percentages are calculated as a percentage of the sum of Net sales and Financial services revenue.

Net sales in the second quarter of 2006 increased $32.0 million or 5.4% from prior-year levels primarily due to higher North American franchisee, increased OEM facilitation sales, increased sales to U.S. commercial and industrial customers, and growth in emerging markets. Favorable currency translation contributed $1.6 million to the year-over-year increase in net sales.

Gross profit was $281.0 million, or 45.0% of net sales, in the second quarter of 2006, as compared to $268.6 million, or 45.3% of net sales, in the second quarter of 2005. Gross profit in 2006 increased $12.4 million from prior-year levels as benefits from the increased sales and higher selling prices, as well as benefits from efficiency and productivity initiatives of $6.4 million, were partially offset by a shift in product mix that included higher sales from OEM facilitation actions. Gross profit in 2006 was also impacted by higher year-over-year production and material costs of $5.4 million and higher restructuring costs of $1.0 million. Restructuring costs included in "Cost of goods sold" on the accompanying Consolidated Statements of Earnings were $1.8 million in the second quarter of 2006, as compared to $0.8 million in the comparable prior-year period.

Financial services operating income was $3.0 million on $11.7 million of revenue in the second quarter of 2006, as compared with $5.0 million of operating income on $16.2 million of revenue in the second quarter of 2005. The decrease in operating income reflects the impact of lower net interest spreads, partially offset by higher originations.

Operating expenses in the second quarter of 2006 were $263.9 million, as compared to $226.3 million in the second quarter of 2005. The $37.6 million increase in year-over-year operating expenses includes the impact of the $38.0 million estimated charge recorded in the second quarter of 2006 related to a pending litigation settlement. See Note 15 for additional information on the pending litigation settlement. Operating expenses in 2006 benefited from lower restructuring costs of $1.4 million, lower year-over-year pension, health care and other costs of $1.1 million and benefits from efficiency and productivity initiatives of $2.7 million. These decreases in year-over-year operating expenses were partially offset by $6.8 million in higher costs related to the company's strategic growth initiatives and $1.8 million in costs associated with the company's January 1, 2006, adoption of Statement of Financial Accounting Standards ("SFAS") No. 123(R), *"Share-Based Payment"* on a prospective basis. Restructuring costs included in "Operating expenses" were $4.0 million in the second quarter of 2006, as compared to $5.4 million in the prior-year period. See Note 12 for additional information on the company's adoption of SFAS No. 123(R).

Interest expense of $4.7 million in the second quarter of 2006 was $0.9 million lower than prior year due to lower average debt levels, including the fourth-quarter 2005 repayment of $100 million of unsecured 6.625% notes.

Other (income) expense – net was income of $0.3 million in the second quarter of 2006, as compared to an expense of $0.8 million in the prior year. This line item includes the impact of all non-operating items such as interest income, hedging and currency exchange rate transactions gains and losses, minority interest and other miscellaneous non-operating items. The year-over-year change in other (income) expense includes $1.0 million of higher foreign exchange gains and $0.8 million of higher interest income, offset by $1.0 million of other expense. Minority interest expense was $0.9 million in the second quarter of 2006, as compared to $1.2 million in the second quarter of 2005.

Snap-on's effective tax rate was 24.8% in the second quarter of 2006, as compared with 35.0% in the second quarter of 2005. The lower effective tax rate in the second quarter of 2006 primarily reflects the mix of U.S. and non-U.S. earnings, including the impact of the $38.0 million pretax litigation settlement charge, which was tax effected at a higher U.S. tax rate.

Net earnings in the second quarter of 2006 were $11.8 million, including the $23.4 million after-tax charge ($38.0 million pretax or $0.40 per diluted share) related to the pending litigation settlement, as compared with net earnings of $26.6 million in the second quarter of 2005. Diluted earnings per share in the second quarter of 2006 were $0.20, including the charge of $0.40 per share related to the pending litigation settlement, as compared with diluted earnings of $0.46 per share in the second quarter of 2005.

Highlights of Snap-on's results of operations for the first six months of fiscal 2006 and fiscal 2005 are as follows:

	Six Months Ended					
	July 1, 2006		July 2, 2005		Increase / (Decrease)	
(Amounts in millions)						
Net sales	$ 1,217.9	100.0%	$ 1,191.1	100.0%	$ 26.8	2.3%
Cost of goods sold	676.6	55.6%	665.6	55.9%	11.0	1.7%
Gross profit	541.3	44.4%	525.5	44.1%	15.8	3.0%
Financial services revenue	22.9	100.0%	30.3	100.0%	(7.4)	-24.4%
Financial services expenses	17.9	78.2%	21.0	69.3%	(3.1)	-14.8%
Operating income from financial services	5.0	21.8%	9.3	30.7%	(4.3)	-46.2%
Operating expenses:						
Selling, general and administrative	448.8	36.9%	453.2	38.0%	(4.4)	1.0%
Litigation settlement	38.0	3.1%	--	--	38.0	NM
Total operating expenses	486.8	40.0%	453.2	38.0%	33.6	7.4%
Operating earnings	59.5	4.8%	81.6	6.7%	(22.1)	-27.1%
Interest expense	9.1	0.7%	11.5	1.0%	(2.4)	-20.9%
Other (income) expense - net	0.9	0.1%	1.7	0.1%	(0.8)	-47.1%
Earnings before income taxes	49.5	4.0%	68.4	5.6%	(18.9)	-27.6%
Income tax expense	15.6	1.3%	23.9	2.0%	(8.3)	-34.7%
Net earnings	$ 33.9	2.7%	$ 44.5	3.6%	$ (10.6)	-23.8%

NM = not meaningful

Percentage Disclosure: Cost of goods sold, Gross profit and Operating expenses percentages are calculated as a percentage of Net sales. Financial services expenses and Operating income from financial services percentages are calculated as a percentage of Financial services revenue. All other income statement line item percentages are calculated as a percentage of the sum of Net sales and Financial services revenue.

Net sales in the first six months of 2006 increased $26.8 million or 2.3%, from prior-year levels. The increase in net sales primarily includes higher OEM facilitation sales, increased sales of hand tools in commercial and industrial channels, higher international franchisee sales, and sales gains in emerging markets. These increases in year-over-year net sales were partially offset by $13.4 million of unfavorable currency translation.

Gross profit was $541.3 million, or 44.4% of net sales, in the first six months of 2006, as compared to $525.5 million, or 44.1% of net sales, in the first six months of 2005. Gross profit in 2006 increased $15.8 million or 30 basis points (100 basis points equals 1.0 percent) as a percentage of net sales. Benefits from lower costs, including benefits from efficiency and productivity initiatives of $13.1 million, as well as benefits from the increased sales volume and higher selling prices, were partially offset by higher production and material costs of $9.8 million, unfavorable currency translation of $5.3 million, and higher year-over-year restructuring costs of $1.7 million. Restructuring costs included in "Cost of goods sold" on the accompanying Consolidated Statements of Earnings were $3.7 million in 2006, as compared to $2.0 million in the comparable prior-year period.

Financial services operating income was $5.0 million on $22.9 million of revenue in the first six months of 2006, as compared with $9.3 million of operating income on $30.3 million of revenue in the first six months of 2005. The decrease in operating income reflects the impact of lower net interest spreads, partially offset by higher originations.

Operating expenses in the first six months of 2006 were $486.8 million, as compared to $453.2 million in the prior-year period. The $33.6 million increase in year-over-year operating expenses is primarily due to the recording of the $38.0 million estimated charge in the second quarter of 2006 related to a pending litigation settlement. Operating expenses in 2006 also included $11.2 million in higher year-over-year costs related to the company's strategic growth initiatives, $5.7 million of higher pension, health care and other costs, and $3.8 million in costs associated with the company's January 1, 2006, adoption of SFAS No. 123(R). These increases in year-over-year operating expenses were partially offset by benefits from efficiency and productivity initiatives of $6.4 million, lower restructuring costs of $4.6 million, favorable currency translation of $4.3 million and lower bad debt and franchisee termination costs of $3.1 million. Operating expenses in 2006 also benefited from the absence of $3.0 million of costs incurred in the first quarter of 2005 to terminate a supplier relationship. Restructuring costs included in "Operating expenses" were $7.1 million in the first six months of 2006, as compared to $11.7 million in the prior-year period. See Note 12 for additional information on the company's adoption of SFAS No. 123(R).

Interest expense of $9.1 million in the first six months of 2006 was $2.4 million lower than prior year due to lower average debt levels, including the fourth-quarter 2005 repayment of $100 million of unsecured 6.625% notes.

Other (income) expense – net was an expense of $0.9 million in the first six months of 2006, as compared to an expense of $1.7 million in the prior year. This line item includes the impact of all non-operating items such as interest income, hedging and currency exchange rate transactions gains and losses, minority interest and other miscellaneous non-operating items. The year-over-year change in other (income) expense includes $0.5 million in lower minority interest expense, $0.2 million in higher foreign exchange gains and $1.4 million of higher interest income offset by $1.3 million in higher other expenses. Minority interest expense was $1.7 million in the first six months of 2006, as compared to $2.2 million in the first six months of 2005.

Snap-on's effective tax rate was 31.5% in the first six months of 2006 compared with 35.0% in the first six months of 2005. The lower effective tax rate in 2006 primarily reflects the mix of U.S. and non-U.S. earnings, including the impact of the $38.0 million pretax litigation settlement charge, which was tax effected at a higher U.S. tax rate.

Net earnings in the first six months of 2006 were $33.9 million, including a $23.4 million after-tax charge ($38.0 million pretax or $0.40 per diluted share) related to the pending litigation settlement, as compared with net earnings of $44.5 million in the comparable prior-year period. Diluted earnings per share in the first six months of 2006 of $0.58 included a charge of $0.40 per share related to the pending litigation settlement. This compares with diluted earnings per share of $0.76 in the comparable prior-year period.

Exit and Disposal Activities

For a discussion of Snap-on's exit and disposal activities, see Note 7.

Segment Results

Snap-on's business segments are based on the organization structure used by management for making operating and investment decisions and for assessing performance. In the first quarter of 2006, the company changed the name of the Snap-on Dealer Group segment to the Snap-on Tools Group. The organization structure used by management has not changed and the segment name change did not impact previously disclosed segment net sales, operating earnings, identifiable assets or other amounts or disclosures. Snap-on's reportable business segments include: (i) the Snap-on Tools Group; (ii) the Commercial and Industrial Group; (iii) the Diagnostics and Information Group; and (iv) Financial Services. The Snap-on Tools Group consists of Snap-on's business operations serving the worldwide franchise van channel. The Commercial and Industrial Group consists of the business operations providing tools and equipment products and equipment repair services to a broad range of industrial and commercial customers worldwide through direct, distributor and other non-franchised distribution channels. The Diagnostics and Information Group consists of the business operations providing diagnostics equipment, vehicle-service information, business management systems, and other solutions for vehicle service to customers in the worldwide vehicle service and repair marketplace. Financial Services consists of the business operations of SOC and Snap-on's wholly owned finance subsidiaries in those international markets where Snap-on has franchisee operations.

Snap-on evaluates the performance of its operating segments based on segment revenues and operating earnings. For the Snap-on Tools, Commercial and Industrial, and Diagnostics and Information Groups, segment net sales include both external and intersegment sales. Snap-on accounts for intersegment sales and transfers based primarily on standard costs with reasonable mark-ups established between the segments. Identifiable assets by segment are those assets used in the respective reportable segment's operations. Intersegment amounts are eliminated to arrive at consolidated financial results.

Snap-on Tools Group

	Three Months Ended					
	July 1, 2006		July 2, 2005		Increase / (Decrease)	
(Amounts in millions)						
Segment net sales	$ 270.8	100.0%	$ 260.6	100.0%	$ 10.2	3.9%
Cost of goods sold	148.4	54.8%	142.4	54.6%	6.0	4.2%
Gross profit	122.4	45.2%	118.2	45.4%	4.2	3.6%
Operating expenses:						
Selling, general and administrative	95.9	35.4%	94.8	36.4%	1.1	1.2%
Litigation settlement	38.0	14.0%	--	--	38.0	NM
Total operating expenses	133.9	49.4%	94.8	36.4%	39.1	41.2%
Segment operating earnings (loss)	$ (11.5)	-4.2%	$ 23.4	9.0%	$ (34.9)	-149.1%

NM = not meaningful

Segment net sales in the second quarter of 2006 increased $10.2 million, or 3.9%, from prior-year levels, including higher sales of $9.6 million and favorable currency translation of $0.6 million. Sales in the North American franchise businesses increased 3.7% year over year. In the United States, Snap-on's sales per franchisee were up 4.1%, but the average number of U.S. franchisees in the quarter was down 3.7% year over year. This decrease in franchisees was anticipated as a consequence of the strategic initiatives being implemented in 2006. Sales in the international franchise business increased 4.6% year over year, primarily due to U.K. sales growth.

Segment gross profit for the second quarter of 2006 was $122.4 million, up $4.2 million from prior-year levels. The year-over-year increase reflects the impact of the increased sales volume and higher selling prices, as well as $3.7 million of benefits from efficiency and productivity initiatives. The year-over-year increase in gross profit was partially offset by $3.0 million of higher production and material costs, including increased steel costs, and by a shift in product mix that included lower sales of hand tools. Operating expenses increased $39.1 million in 2006 over prior-year levels primarily due to the recording of the $38.0 million estimated charge in the second quarter of 2006 related to a pending litigation settlement. Operating expenses also increased year over year due to $3.6 million of higher costs to support strategic supply chain and franchise system initiatives, and $1.0 million of higher bad debt and franchisee termination costs. These increases in year-over-year operating expenses were partially offset by $1.1 million of benefits from cost reduction initiatives. As a result of these factors, segment operating earnings in the second quarter of 2006 declined $34.9 million from the second quarter of 2005.

	Six Months Ended					
	July 1, 2006		July 2, 2005		Increase / (Decrease)	
(Amounts in millions)						
Segment net sales	$ 519.5	100.0%	$ 516.4	100.0%	$ 3.1	0.6%
Cost of goods sold	286.1	55.1%	282.8	54.8%	3.3	1.2%
Gross profit	233.4	44.9%	233.6	45.2%	(0.2)	-0.1%
Operating expenses:						
Selling, general and administrative	188.7	36.3%	192.1	37.2%	(3.4)	-1.8%
Litigation settlement	38.0	7.3%	--	--	38.0	NM
Total operating expenses	226.7	43.6%	192.1	37.2%	34.6	18.0%
Segment operating earnings	$ 6.7	1.3%	$ 41.5	8.0%	$ (34.8)	-83.6%

NM = not meaningful

Segment net sales in the first six months of 2006 increased $3.1 million, or 0.6%, from prior-year levels, including higher sales of $5.4 million partially offset by $2.3 million of unfavorable currency translation. Sales in the North American franchise business were up slightly year over year, while sales volume increases in the international franchise business were more than offset by unfavorable currency translation.

Segment gross profit for the first six months of 2006 was $233.4 million, down slightly from $233.6 million in the prior year. The year-over-year decrease in gross profit primarily reflects higher production and material costs of $7.5 million, including increased steel costs, partially offset by higher sales volume and selling prices, and by $5.3 million of lower costs from efficiency and productivity initiatives. Operating expenses in 2006 were $226.7 million, up $34.6 million from prior-year levels, primarily due to the $38.0 million estimated litigation settlement charge recorded in the second quarter of 2006 for a pending litigation settlement. Operating expenses also increased year over year due to $5.6 million of higher costs to support strategic supply chain and franchise system initiatives. These increases in year-over-year operating expenses were more than offset by $3.0 million of benefits from cost reduction initiatives and $0.9 million of lower bad debt and franchisee termination costs, as well as the absence of $3.0 million of costs incurred in the first quarter of 2005 to terminate a supplier relationship. As a result of these factors, segment operating earnings for the first six months of 2006 declined $34.8 million from prior-year levels.

Commercial and Industrial Group

	Three Months Ended					
	July 1, 2006		July 2, 2005		Increase / (Decrease)	
(Amounts in millions)						
External net sales	$ 260.2	86.7%	$ 257.6	87.4%	$ 2.6	1.0%
Intersegment net sales	39.8	13.3%	37.2	12.6%	2.6	7.0%
Segment net sales	300.0	100.0%	294.8	100.0%	5.2	1.8%
Cost of goods sold	190.2	63.4%	192.8	65.4%	(2.6)	-1.3%
Gross profit	109.8	36.6%	102.0	34.6%	7.8	7.6%
Operating expenses	82.2	27.4%	84.1	28.5%	(1.9)	-2.3%
Segment operating earnings	$ 27.6	9.2%	$ 17.9	6.1%	$ 9.7	54.2%

Segment net sales in the second quarter of 2006 increased $5.2 million, or 1.8%, from prior-year levels reflecting $4.1 million of higher sales and $1.1 million of favorable currency translation. The $4.1 million increase in year-over-year net sales primarily reflects growth in emerging markets, increased sales of hand tools for U.S. commercial and industrial applications, and higher sales of alignment products in North America, partially offset by continued softness in certain European markets.

Segment gross profit for the second quarter of 2006 was $109.8 million, up $7.8 million, or 200 basis points as a percentage of segment sales, over prior-year levels. The improvement in year-over-year gross profit primarily reflects benefits from increased sales and higher pricing, as well as $2.8 million of savings from productivity and efficiency initiatives at existing operations, as well as strategic efforts to increase production and sourced materials from lower-cost regions and facilities. These improvements were partially offset by $2.2 million of higher material and production costs. Operating expenses decreased $1.9 million or 110 basis points as a percentage of segment sales. The decrease in operating expenses primarily reflects the impact of lower year-over-year restructuring costs of $1.7 million, and benefits from efficiency and productivity initiatives of $1.5 million, partially offset by $1.9 million of spending to expand Snap-on's sales, distribution and manufacturing presence in emerging markets and lower-cost regions. The $9.7 million increase in operating earnings compared with the second quarter of 2005, reflects the impact of ongoing cost reduction, low cost sourcing and continuous improvement actions, including benefits from prior restructuring actions, as well as higher sales volume and pricing.

	Six Months Ended					
	July 1, 2006		July 2, 2005		Increase / (Decrease)	
(Amounts in millions)						
External net sales	$ 515.8	87.8%	$ 516.8	87.8%	$ (1.0)	-0.2%
Intersegment net sales	71.4	12.2%	71.8	12.2%	(0.4)	-0.6%
Segment net sales	587.2	100.0%	588.6	100.0%	(1.4)	-0.2%
Cost of goods sold	371.6	63.3%	388.8	66.1%	(17.2)	-4.4%
Gross profit	215.6	36.7%	199.8	33.9%	15.8	7.9%
Operating expenses	164.9	28.1%	170.9	29.0%	(6.0)	-3.5%

Segment operating earnings	$ 50.7	8.6%	$ 28.9	4.9%	$ 21.8	75.4%

Segment net sales in the first six months of 2006 decreased $1.4 million from prior-year levels reflecting $9.7 million of unfavorable currency translation, partially offset by $8.3 million of higher sales. The $8.3 million increase in year-over-year net sales primarily reflects growth in emerging markets and increased sales of hand tools for commercial and industrial applications.

Segment gross profit for the first six months of 2006 was $215.6 million, up $15.8 million, or 280 basis points as a percentage of segment sales, over prior-year levels. The improvement in year-over-year gross profit primarily reflects benefits from increased sales of higher margin products and improved pricing, as well as $8.0 million of savings from productivity and efficiency initiatives, including strategic efforts to increase production and sourced materials from lower-cost regions and facilities. These improvements in gross profit were partially offset by $4.2 million of unfavorable currency translation and $1.9 million of higher material and production costs. Operating expenses decreased $6.0 million or 90 basis points as a percentage of segment sales. The decrease in operating expenses primarily reflects $4.7 million of benefits from efficiency and productivity initiatives and $3.2 million of favorable currency translation, partially offset by $3.7 million of higher spending to support the expansion of our sales and manufacturing presence in emerging growth markets and lower-cost regions. As a result of these factors, segment operating earnings in the first six months of 2006 increased $21.8 million as compared with the first six months of 2005.

Diagnostics and Information Group

	Three Months Ended					
	July 1, 2006		July 2, 2005		Increase / (Decrease)	
(Amounts in millions)						
External net sales	$ 93.5	72.5%	$ 74.2	63.3%	$ 19.3	26.0%
Intersegment net sales	35.4	27.5%	43.0	36.7%	(7.6)	-17.7%
Segment net sales	128.9	100.0%	117.2	100.0%	11.7	10.0%
Cost of goods sold	80.1	62.1%	68.8	58.7%	11.3	16.4%
Gross profit	48.8	37.9%	48.4	41.3%	0.4	0.8%
Operating expenses	35.0	27.2%	34.7	29.6%	0.3	0.9%
Segment operating earnings	$ 13.8	10.7%	$ 13.7	11.7%	$ 0.1	0.7%

Segment net sales in the second quarter of 2006 increased $11.7 million, or 10.0%, from prior-year levels largely due to higher OEM facilitation sales, partially offset by continued softness in Europe and lower sales of air conditioning and other equipment.

Segment gross profit for the second quarter of 2006 increased $0.4 million, but decreased 340 basis points as a percentage of segment sales, as benefits from the increased sales were partially offset by a shift in product mix that included higher sales (and lower relative gross margin) from OEM facilitation actions. Operating expenses improved to 27.2% of net sales, as compared to 29.6% of net sales in the prior year, primarily reflecting benefits from efficiency and productivity initiatives. Operating expenses in 2006 also include $1.3 million of higher spending to support strategic growth initiatives. As a result of these factors, segment operating earnings in the second quarter of 2006 increased $0.1 million as compared with the second quarter of 2005.

	Six Months Ended					
	July 1, 2006		July 2, 2005		Increase / (Decrease)	
(Amounts in millions)						
External net sales	$ 182.6	73.6%	$ 157.9	68.2%	$ 24.7	15.6%
Intersegment net sales	65.5	26.4%	73.7	31.8%	(8.2)	-11.1%
Segment net sales	248.1	100.0%	231.6	100.0%	16.5	7.1%
Cost of goods sold	155.8	62.8%	139.5	60.2%	16.3	11.7%
Gross profit	92.3	37.2%	92.1	39.8%	0.2	0.2%
Operating expenses	68.2	27.5%	69.1	29.9%	(0.9)	-1.3%
Segment operating earnings	$ 24.1	9.7%	$ 23.0	9.9%	$ 1.1	4.8%

Segment net sales in the first six months of 2006 increased $16.5 million, or 7.1%, from prior-year levels largely due to higher OEM facilitation sales and increased sales of Mitchell1® information products, partially offset by $1.6 million of unfavorable currency translation.

Segment gross profit for the first six months of 2006 increased $0.2 million from prior-year levels as benefits from the higher sales and lower costs, including $1.0 million of benefits from efficiency and productivity initiatives, were partially offset by $1.4 million of higher restructuring costs and unfavorable currency translation of $0.5 million. Operating expenses decreased $0.9 million, or 240 basis points as a percentage of segment sales, as benefits from efficiency and productivity initiatives, and $1.8 million of lower bad debts were partially offset by $1.9 million of higher spending to support strategic growth initiatives. As a result of these factors, segment operating earnings in the first six months of 2006 increased $1.1 million as compared with the first six months of 2005.

Financial Services

(Amounts in millions)	Three Months Ended July 1, 2006		July 2, 2005		Increase / (Decrease)	
Financial services revenue	$ 11.7	100.0%	$ 16.2	100.0%	$ (4.5)	-27.8%
Financial services expenses	8.7	74.4%	11.2	69.1%	(2.5)	-22.3%
Segment operating income	$ 3.0	25.6%	$ 5.0	30.9%	$ (2.0)	-40.0%

Operating income was $3.0 million on $11.7 million of revenue in the second quarter of 2006, as compared with $5.0 million of operating income on $16.2 million of revenue in the second quarter of 2005. The decrease in operating income primarily reflects the impact of lower net interest spreads, partially offset by higher originations.

(Amounts in millions)	Six Months Ended July 1, 2006		July 2, 2005		Increase / (Decrease)	
Financial services revenue	$ 22.9	100.0%	$ 30.3	100.0%	$ (7.4)	-24.4%
Financial services expenses	17.9	78.2%	21.0	69.3%	(3.1)	-14.8%
Segment operating income	$ 5.0	21.8%	$ 9.3	30.7%	$ (4.3)	-46.2%

Operating income was $5.0 million on $22.9 million of revenue in the first six months of 2006, as compared with $9.3 million of operating income on $30.3 million of revenue in the first six months of 2005. The decrease in operating income primarily reflects the impact of lower net interest spreads, partially offset by higher originations.

Corporate

Snap-on's general corporate expenses were $12.8 million in the second quarter of 2006, up slightly from $12.7 million in the second quarter of 2005. Expenses in 2006 include higher costs related to performance awards and adjustments on liability-based awards, including $1.8 million from the adoption of SFAS No. 123(R), partially offset by lower pension, postretirement and other costs, and benefits from cost reduction initiatives.

Snap-on's general corporate expenses were $27.0 million in the first six months of 2006, up from $21.1 million in the first six months of 2005. Increased expenses in 2006 include $3.8 million of higher insurance and other costs, and higher expenses related to performance awards and adjustments on liability-based awards, including $3.8 million from the adoption of SFAS No. 123(R). These year-over-year increases in general corporate expenses were partially offset by benefits from cost reduction initiatives of $2.3 million.

FINANCIAL CONDITION

Snap-on's growth has historically been funded by a combination of cash provided by operating activities and debt financing. Snap-on believes that its cash from operations, coupled with its sources of borrowings, are sufficient to fund its anticipated requirements for working capital, capital expenditures, restructuring activities, acquisitions, common stock repurchases and dividend payments. Due to Snap-on's credit rating over the years, external funds have been available at a reasonable cost. As of the date of the filing of this Form 10-Q, Snap-on's long-term debt and commercial paper was rated A2 and P-1 by Moody's Investors Service and A and A-1 by Standard & Poor's. Snap-on believes that the strength of its balance sheet affords the company the financial flexibility to respond to both internal growth opportunities and those available through acquisitions.

The following discussion focuses on information included in the accompanying Consolidated Balance Sheets.

Snap-on has been focused on improving asset utilization by making more effective use of its investment in certain working capital items. As of July 1, 2006, working capital (defined as current assets less current liabilities) of $587.8 million was up slightly from $566.8 million as of December 31, 2005 (fiscal 2005 year end). Total working capital as of July 1, 2006, includes the estimated $38.0 million accrual related to the pending litigation settlement. The company assesses operating performance and effectiveness relative to those components of working capital, particularly accounts receivable and inventories, that are more directly impacted by operational decisions. The following represents the company's working capital position as of July 1, 2006, and December 31, 2005.

(Amounts in millions)	July 1, 2006	December 31, 2005
Cash	$ 190.1	$ 170.4
Accounts receivable - net of allowances	509.2	485.9
Inventories	310.5	283.2
Other current assets	145.5	133.4
Total current assets	1,155.3	1,072.9
Accounts payable	(151.9)	(135.4)
Notes payable and current maturities of long-term debt	(17.3)	(24.8)
Other current liabilities	(398.3)	(345.9)
Total current liabilities	(567.5)	(506.1)
Total working capital	$ 587.8	$ 566.8

Accounts receivable at the end of the second quarter of 2006 was $509.2 million, up $23.3 million from year-end 2005 levels, largely reflecting the impact of higher sales in the second quarter of 2006 as compared to the fourth quarter of 2005 and $11.2 million of currency translation. At the end of the second quarter of 2006, days sales outstanding was 77 days, up from 74 days at December 31, 2005. Days sales outstanding at the end of the second quarter of 2005 was 77 days.

Inventories were $310.5 million at the end of the second quarter of 2006, up $27.3 million from year-end 2005 levels, including $7.7 million of currency translation. Inventory turns (trailing 12 months of cost of goods sold, divided by the average of the beginning and ending inventory balance for the trailing 12 months) at July 1, 2006, was 3.8 turns, as compared to 4.1 turns at year-end 2005. Inventory turns were essentially flat compared with the 3.7 turns at the end of the second quarter of 2005. Inventories accounted for using the first-in, first-out ("FIFO") method as of both July 1, 2006, and December 31, 2005, approximated 65% and 63% of total inventories. All other inventories are generally accounted for using the last-in, first-out ("LIFO") cost method. The company's LIFO reserve was $79.0 million at July 1, 2006, compared to $82.1 million at year-end 2005.

Notes payable and long-term debt at July 1, 2006, and December 31, 2005, were $214.0 million and $226.5 million. Notes payable to banks under uncommitted lines of credit were $5.1 million at July 1, 2006, and $20.9 million at December 31, 2005. Amounts payable by SOC to CIT pursuant to a working capital agreement were $12.2 million at July 1, 2006, and $3.9 million at December 31, 2005. See Note 6 for further discussion of SOC.

At July 1, 2006, Snap-on had a $400 million multi-currency revolving credit facility that terminates on July 27, 2009. The $400 million multi-currency revolving credit facility's financial covenant requires that Snap-on maintain a ratio of debt to the sum of total debt plus shareholders' equity of not greater than 0.60 to 1.00. As of July 1, 2006, Snap-on believes that it was in compliance with all covenants of this revolving credit facility.

At July 1, 2006, Snap-on also had $20 million of unused committed bank lines of credit, of which $10 million expires on July 31, 2006, and $10 million expires on August 31, 2006; Snap-on intends to renew both of these lines of credit during the third quarter of 2006. At July 1, 2006, Snap-on had approximately $420 million of unused available debt capacity under the terms of its revolving credit facility and committed bank lines of credit.

The following discussion focuses on information included in the accompanying Consolidated Statements of Cash Flows.

Cash flow provided from operating activities was $74.0 million in the first six months of 2006, as compared to $51.1 million in the first six months of 2005. Capital expenditures were $19.9 million in the first six months of 2006, as compared with $19.0 million in the comparable prior-year period. Capital expenditures in 2006 mainly reflect efficiency and cost-reduction capital investments, including the installation of new production equipment and machine tooling to enhance manufacturing and distribution operations, as well as ongoing replacements of manufacturing and distribution equipment. In addition to equipment investments, the company has also acquired computer hardware to upgrade internal systems and enhance the company's existing global Enterprise Resource Planning ("ERP") management information system. Snap-on anticipates full-year 2006 capital expenditures to be in a range of $50 million to $55 million, as compared to $40.1 million in 2005. Full-year depreciation and amortization expense is anticipated to be approximately $50 million to $53 million in 2006, as compared to $52.2 million in 2005.

Snap-on has undertaken stock repurchases from time to time to offset dilution created by shares issued for employee and franchisee stock purchase plans, stock options, and other corporate purposes, as well as to repurchase shares when market conditions are favorable. During the first six months of 2006, Snap-on repurchased 1,473,618 shares of common stock for $58.3 million under its previously announced share repurchase programs, as compared to repurchases of 375,000 shares of common stock for $12.7 million in the first six months of 2005. As of the end of the second quarter of 2006, Snap-on has remaining availability to repurchase up to an additional $139.8 million in common stock pursuant to the Board of Directors' authorizations. The purchase of Snap-on common stock is at the company's discretion, subject to prevailing financial and market conditions.

Snap-on has paid consecutive quarterly cash dividends, without interruption or reduction, since 1939. Cash dividends paid were $31.8 million in the first six months of 2006, as compared to $28.9 million in the first six months of 2005. On April 27, 2006, the Board of Directors declared a dividend of $0.27 per share, payable June 9, 2006, to shareholders of record on May 19, 2006. In the second quarter of 2005, the Board of Directors declared the second and third quarter dividends in April and June 2005, giving rise to two quarterly dividends in the second quarter of 2005 and, correspondingly, three quarterly dividends in the first six months of 2005. The Board of Directors expects to declare the 2006 third quarter dividend in August 2006.

OTHER MATTERS

Snap-on's franchise relationships are governed by contract and it is not uncommon for legal disputes to result from the termination – either by Snap-on or the franchisee — of these relationships. As disclosed in the company's Form 8-K filing dated May 16, 2006, in certain legal matters, former franchisees, purportedly on behalf of current and former franchisees, were seeking adjudication of certain claims within an arbitration proceeding. On May 10, 2006, Snap-on reached an agreement to settle these pending lawsuits on a class basis. Snap-on has not admitted to any wrongdoing by way of this settlement. The terms of the settlement are subject to obtaining final court approval, as well as other usual and customary conditions. The settlement contains provisions that allow Snap-on to terminate the settlement agreement if more than a specified percentage of certain franchisees elect to opt out of the class. Under the terms of the settlement, Snap-on will pay an estimated $38.0 million to the claimants, including attorneys' fees, costs and expenses. This amount is subject to change depending on the actual number of claimants and the funds paid out as a result of the payment formulas included in the agreement. Snap-on recorded a pretax charge of $38.0 million ($23.4 million after tax, or $0.40 per diluted share) in its second-quarter 2006 earnings representing its current best estimate of the outcome of this settlement. The $38.0 million pretax charge is included in "Operating Expenses" on the accompanying 2006 Consolidated Statements of Earnings.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements and related notes contain information that is pertinent to management's discussion and analysis. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are generally based on historical experience, current conditions and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources, as well as identifying and assessing our accounting treatment with respect to commitments and contingencies. Actual results could differ from those estimates. Snap-on considers the following policies to be the most critical in understanding the judgments that are involved in the preparation of the company's consolidated financial statements and the uncertainties that could impact the company's financial position, results of operations and cash flow.

Revenue Recognition: Snap-on derives revenue primarily from the sale of tool, diagnostic, service and equipment solutions for professional tool and equipment users. Snap-on markets its products and services through the worldwide franchised mobile van channel, company direct sales, and independent distributor and other non-franchised channels, including its public Internet website. Snap-on also derives revenue from various financing programs to facilitate the sales of its products.

Snap-on recognizes revenue from the sale of tool, diagnostic, service and equipment solutions when all of the following conditions are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectibility is reasonably assured; and (iv) delivery has occurred or services have been rendered. Delivery generally occurs when the title and the risks and rewards of ownership have substantially transferred to the customer. For sales contingent upon customer acceptance or product installation, revenue recognition is deferred until such obligations are fulfilled. As required by SFAS No. 48, "*Revenue Recognition When Right of Return Exists,*" estimated product returns are recorded as a reduction in reported revenues at the time of sale based upon historical product return experience and assumptions for the gross profit margin and volume of future sales returns. Provisions for customer volume rebates, discounts and allowances are also recorded as a reduction of reported revenues at the time of sale based on historical experience and known trends. Revenue related to maintenance and subscription agreements is recognized over the term of the agreement.

Financial Services Revenue: In addition to its sales of tool, diagnostic, service and equipment solutions, Snap-on also generates revenue from various financing activities that include (i) loans to franchisees; and (ii) loans to the franchisees' customer network and to Snap-on's industrial and other customers for the purchase of tools and equipment on an extended-term payment plan. These financing programs are offered through Snap-on Credit LLC ("SOC"); a consolidated, 50%-owned joint venture with the CIT Group, Inc., and the Company's wholly owned international finance subsidiaries. Financial services revenue consists of SOC's sales of originated contracts to CIT and service fee income, as well as installment contract revenue and franchisee loan receivable revenue derived from SOC and Snap-on's wholly owned international finance operations. The decision to finance through Snap-on or another financing entity is solely at the election of the customer. When assessing customers for potential financing, Snap-on considers various factors regarding ability to pay including financial condition, collateral, debt-serving capacity, past payment experience and credit bureau information. Contracts originated by SOC and subsequently sold to CIT are also subject to the underwriting approval of CIT.

Financing revenue from SOC is recognized primarily from the sale of originated contracts to CIT net of various fees, including securitization, warehousing, bad debt and prepayment fees. SOC continues to service these contracts for an estimated market-rate servicing fee. Servicing fees are paid to SOC by CIT and such revenue is recognized over the contractual term of the loan, with a portion of the servicing fee recognized at the time of origination. Financing revenue from originated loans that are retained is recognized over the life of the contract, with interest computed on a daily basis.

Snap-on's wholly owned international finance subsidiaries own all of the loans originated through their financing programs. Revenue from interest income is recognized over the life of the contract, with interest computed on a daily basis.

Snap-on also derives revenue from various financing programs to facilitate the sales of its products. Extended-term contracts, generally with an average term of 33 months, are closed-end, fixed rate contracts offered to professional automotive technicians and owners of automotive repair facilities to enable them to purchase tools and equipment on an extended-term payment plan. Financing options are also available to franchisees to meet a number of financing needs, including van and truck leases, working capital loans, and loans to enable new franchisees to fund the purchase of the franchise. The duration of these contracts can be up to 10 years. The majority of Snap-on's finance revenue is derived from the vehicle service industry in North America.

Franchise fee revenue, including nominal, non-refundable initial and ongoing monthly fees (primarily for sales and business training and marketing and product promotion programs), is recognized as the fees are earned.

Allowances for Doubtful Accounts: Snap-on's accounts receivable are reported net of estimated bad debt allowances, which are regularly evaluated by management for adequacy. The evaluations take into consideration various financial and qualitative factors that may affect customers' ability to pay. These factors may include customers' financial condition, collateral, debt-servicing capacity, past payment experience and credit bureau information. Snap-on regularly reviews the allowance estimation process and adjusts the allowances as appropriate. It is possible, however, that the accuracy of Snap-on's estimation process could be adversely impacted if the financial condition of its customers were to deteriorate. The company does not believe that accounts receivable represent significant concentrations of credit risk because of the diversified portfolio of individual customers and geographical areas.

Inventory Valuation: Snap-on values its inventory at the lower of cost or market and adjusts for the value of inventory that is estimated to be excess, obsolete or otherwise unmarketable. Inventory adjustments for raw materials are largely based on analysis of raw material age and actual physical inspection of raw material for fitness for use. As part of evaluating work-in-progress and finished goods, management reviews individual product stock-keeping units (SKUs) by product category and product life cycle. Cost adjustments for each product category/product life-cycle state are generally established and maintained based on a combination of historical experience, forecasted sales and promotions, technological obsolescence, inventory age and other actual known conditions and circumstances. Should actual product marketability and raw material fitness for use be affected by conditions that are different from management estimates, further adjustments to inventory allowances may be required.

Warranty Accruals: Snap-on provides product warranties for specific product lines and accrues for estimated future warranty costs in the period in which the sale is recorded. Snap-on calculates its accrual requirements based on historic warranty loss experience that is periodically adjusted for recent actual experience, including the timing of claims during the warranty period and actual costs incurred. See Note 15 to the Consolidated Financial Statements for further discussion of Snap-on's warranty accrual.

Pension Benefits: The calculation of Snap-on's pension expense and projected benefit obligation requires the use of a number of assumptions. Changes in these assumptions are primarily influenced by factors outside of Snap-on's control and can have a significant effect on the amounts reported in the financial statements. Snap-on believes that the two most critical assumptions are the expected return on plan assets and the assumed discount rate.

For a discussion of the development of Snap-on's pension plans and expected return on plan assets assumptions, see Note 13 to the Consolidated Financial Statements in the company's 2005 Annual Report on Form 10-K.

Income Taxes: The company records a valuation allowance to reduce its deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. While the company has considered future taxable income and ongoing prudent and feasible tax strategies in assessing the need for the valuation allowance, if these estimates and assumptions change in the future, the company may be required to adjust its valuation allowance. This could result in a charge to, or an increase in, income in the period such determination is made.

In addition, the company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions.

The company records accruals for the estimated outcomes of these audits, and the accruals may change in the future due to new developments in each matter.

Stock-Based Compensation: Effective January 1, 2006, the company adopted SFAS No. 123(R) using the modified prospective method. SFAS No. 123(R) requires entities to recognize the cost of employee services in exchange for awards of equity instruments based on the grant-date fair value of those awards (with limited exceptions). That cost, based on the estimated number of awards that are expected to vest, will be recognized over the period during which the employee is required to provide the service in exchange for the award. No compensation cost is recognized for awards for which employees do not render the requisite service. Upon adoption, the grant-date fair value of employee share options and similar instruments was estimated using the Black-Scholes option valuation model.

The Black-Scholes option valuation model requires the input of highly subjective assumptions, including the expected life of the stock-based award and stock price volatility. The assumptions used are management's best estimates, but the estimates involve inherent uncertainties and the application of management judgment. As a result, if other assumptions had been used, the recorded and pro forma stock-based compensation expense could have been materially different from that depicted in the financial statements.

OUTLOOK

Snap-on intends to continue to emphasize the implementation of its 2006 strategic priorities, including focused innovation on product, process and manufacturing cost, growth initiatives in emerging markets, and its actions to further enhance value and service to Snap-on's franchisees and customers.

As previously announced, the expected costs to enhance field support and for other franchise system initiatives in the Snap-on Tools Group is anticipated to be $5 million to $7 million in 2006, of which approximately $4 million has been incurred to date. Snap-on continues to believe that the implementation of its other customer service and supply chain initiatives, along with new marketing programs, will require spending of $8 million to $10 million in 2006, as originally anticipated. Spending in the first half of 2006 for the customer service and supply chain initiatives approximated $2 million, and the remaining spend is expected to be incurred equally over the balance of the year.

The Company is encouraged by the progress to date in its key initiatives, including those in the Commercial and Industrial and Diagnostics and Information segments to support emerging market, new product and other important growth initiatives. The Financial Services segment is expected to continue to be challenged by higher interest rates, and its operating results for the full year are expected to be lower than the results achieved a year ago. Based on these factors, Snap-on expects modest year-over-year earnings improvement in the second half of 2006.

On May 16, 2006, Snap-on disclosed that it had reached an agreement to settle certain legal matters related to certain then current and former franchisees on a class basis. The terms of the settlement are subject to final court approval, as well as other usual and customary conditions. The settlement contains provisions that allow Snap-on to terminate the settlement agreement if more than a specified percentage of certain franchisees elect to opt out of the class. Under the terms of the settlement, Snap-on will pay an estimated $38.0 million to the claimants, including attorneys' fees, costs and expenses. This amount is subject to change depending on the actual number of claimants and the funds paid out as a result of the payment formulas included in the agreement.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

Market, Credit and Economic Risks

Market risk is the potential economic loss that may result from adverse changes in the fair value of financial instruments. Snap-on is exposed to market risk from changes in both foreign currency exchange rates and interest rates. Snap-on monitors its exposure to these risks and attempts to manage the underlying economic exposures through the use of financial instruments such as forward exchange contracts and interest rate swap agreements. Snap-on does not use derivative instruments for speculative or trading purposes. Snap-on's broad-based business activities help to reduce the impact that volatility in any particular area or related areas may have on its operating earnings as a whole. Snap-on's management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in the identification, assessment and control of various risks.

Foreign Currency Risk Management: Snap-on has significant international operations and is subject to certain risks inherent with foreign operations that include currency fluctuations and restrictions on movement of funds. Foreign exchange risk exists to the extent that Snap-on has payment obligations or receipts denominated in currencies other than the functional currency. To manage these exposures, Snap-on identifies naturally offsetting positions and then purchases hedging instruments in an attempt to protect the residual net exposures. Snap-on's financial position and results of operations have not been materially affected by such events to date. For additional information, see Note 9.

Interest Rate Risk Management: Snap-on's interest rate risk management policies are designed to reduce the potential volatility of earnings that could arise from changes in interest rates. Through the use of interest rate swaps, Snap-on aims to stabilize funding costs by managing the exposure created by the differing maturities and interest rate structures of Snap-on's assets and liabilities. For additional information, see Note 9.

Snap-on utilizes a Value-at-Risk ("VAR") model to determine the potential one-day loss in the fair value of its interest rate and foreign exchange-sensitive financial instruments from adverse changes in market factors. The VAR model estimates were made assuming normal market conditions and a 95% confidence level. Snap-on's computations are based on the inter-relationships among movements in various currencies and interest rates (variance/co-variance technique). These inter-relationships were determined by observing interest rate and foreign currency market changes over the preceding quarter.

The estimated maximum potential one-day loss in fair value, calculated using the VAR model, at July 1, 2006, was $0.5 million on interest rate-sensitive financial instruments and $0.2 million on foreign currency-sensitive financial instruments. The VAR model is a risk management tool and does not purport to represent actual losses in fair value that will be incurred by Snap-on, nor does it consider the potential effect of favorable changes in market factors.

Credit Risk: Credit risk is the possibility of loss from a customer's failure to make payments according to contract terms. Prior to granting credit, each customer is evaluated, taking into consideration the borrower's financial condition, collateral, debt-servicing capacity, past payment experience, credit bureau information, and other financial and qualitative factors that may affect the borrower's ability to repay. Specific credit reviews and standard industry credit scoring models are used in performing this evaluation. Loans that have been granted are typically monitored through an asset-quality-review process that closely monitors past due accounts and initiates collection actions when appropriate. In addition to its direct credit risk exposure, Snap-on also has credit risk exposure for certain SOC loan originations with recourse provisions against Snap-on (primarily for franchisee van loans). At July 1, 2006, $20.1 million of loans originated by SOC have a recourse provision to Snap-on if the loans become more than 90 days past due. For additional information on SOC, see Note 6.

Economic Risk: Economic risk is the possibility of loss resulting from economic instability in certain areas of the world. Snap-on continually monitors its exposure in these markets.

As a result of the above market, credit and economic risks, net income and revenues in any particular period may not be representative of full-year results and may vary significantly from year to year and from quarter to quarter. Inflation has not had a significant impact on the company.

Item 4: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Snap-on maintains a system of disclosure controls and procedures that is designed to provide reasonable assurance that material information relating to the company and its consolidated subsidiaries is timely communicated to the officers who certify Snap-on's financial reports and to other members of senior management and the Board of Directors, as appropriate.

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), the company's management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of the company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of July 1, 2006. Based upon their evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of July 1, 2006 to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission rules and forms, and to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the quarter ended July 1, 2006, that have materially affected, or are reasonably likely to materially affect, Snap-on's internal control over disclosure controls and procedures.

Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our internal control over financial reporting will prevent all error or fraud. Because of inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal control over financial reporting may vary over time.

PART II. OTHER INFORMATION

Item 1: Legal Proceedings

See Note 15 for information regarding legal proceedings.

Item 2: Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

The following chart discloses information regarding the shares of Snap-on's common stock repurchased by the company during the second quarter of 2006, all of which were purchased pursuant to Board of Directors' authorizations. Snap-on has undertaken stock repurchases from time to time to offset dilution created by shares issued for employee and franchisee stock purchase plans, stock options, and other corporate purposes, as well as to repurchase shares when the company believes market conditions are favorable. The repurchase of Snap-on common stock is at the company's discretion, subject to prevailing financial and market conditions.

Issuer Purchases of Equity Securities

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Value of Shares that may be Purchased Under the Plans (1) *(in millions)*
04/2/06 to 04/29/06	--	N/A	--	$151.8
04/30/06 to 5/27//06	140,000	$40.06	140,000	$157.1
05/28/06 to 07/01/06	660,000	$40.64	660,000	$139.8
Total / Average	800,000	$40.54	800,000	N/A

(1) Subject to further adjustment pursuant to the 1996 Authorization described below, as of the end of the second quarter of 2006, the approximate value of shares that may yet be purchased pursuant to the three outstanding Board of Directors' authorizations discussed below is $139.8 million.

- In its Annual Report on Form 10-K for the fiscal year ended December 28, 1996, the company disclosed that the company's Board authorized the company to repurchase shares of the company's common stock from time to time in the open market or in privately negotiated transactions (the "1996 Authorization"). The 1996 Authorization allows the repurchase of up to the number of shares issued or delivered from treasury from time to time under the various plans the company has in place that call for the issuance of the company's common stock. Because the number of shares that are purchased pursuant to the 1996 Authorization will change from time to time as (i) the company issues shares under its various plans and (ii) shares are repurchased pursuant to this authorization, the number of shares authorized to be repurchased will vary from time to time. The 1996 Authorization will expire when terminated by the company's Board. When calculating the approximate value of shares that the company may yet purchase under the 1996 Authorization, the company assumed a price of $41.50, $41.19 and $40.42 per share of common stock as of the end of the 2006 fiscal months ended April 29, May 27 and July 1, respectively.

- By press release dated June 29, 1998, the company announced that the company's Board authorized the repurchase of an aggregate of $100 million of the company's common stock (the "1998 Authorization"). The 1998 Authorization will expire when the aggregate repurchase price limit is met, unless terminated earlier by the company's Board.

- By press release dated February 3, 1999, the company announced that the company's Board authorized the repurchase of an aggregate of $50 million of the company's common stock (the "1999 Authorization"). The 1999 Authorization will expire when the aggregate repurchase price limit is met, unless terminated earlier by the company's Board.

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

Snap-on held its Annual Meeting of Shareholders on April 27, 2006. The shareholders (i) elected three members of Snap-on's Board of Directors, whose terms were up for reelection, to serve until the Annual Meeting in the year 2009; (ii) ratified the Audit Committee's selection of Deloitte & Touche LLP as the company's independent registered public accounting firm for 2006; and (iii) approved the company's amended and restated 2001 Incentive Stock and Awards Plan. There were 60,929,551 outstanding shares eligible to vote. The persons elected to the Corporation's Board of Directors, the number of votes cast for and the number of votes withheld with respect to each of these persons are set forth below:

Director	For	Withheld	Term
Bruce S. Chelberg	53,321,660	3,103,896	2009
Karen L. Daniel	55,751,208	674,348	2009
Arthur L. Kelly	53,278,898	3,146,658	2009
Jack D. Michaels	53,628,636	2,796,920	2009

The terms of office for the following directors continue until the Annual Meeting in the year set forth below:

Director	Term
John F. Fiedler	2007
W. Dudley Lehman	2007
Edward H. Rensi	2007
Roxanne J. Decyk	2008
Lars Nyberg	2008
Richard F. Teerlink	2008

The proposal to ratify the Audit Committee's selection of Deloitte & Touche LLP as the company's independent registered public accounting firm for 2006 received the following votes:

55,634,364 Votes for approval
438,025 Votes against
353,167 Abstentions

There were no broker non-votes for this item.

The proposal to amend and restate the Company's 2001 Incentive Stock and Awards Plan received the following votes:

44,819,002 Votes for approval
7,059,254 Votes against
814,928 Abstentions

There were 3,732,372 broker non-votes for this item.

Item 5: Other Information

During the second quarter of 2006, Snap-on recorded costs associated with exit and disposal activities of $5.8 million. Of the $5.8 million of costs incurred in the second quarter of 2006, $4.7 million qualified for accrual treatment. Costs associated with exit and disposal activities incurred in the second quarter of 2006 related to headcount reductions from (i) the realignment of the franchise support structure; (ii) closure of a facility in the Netherlands; (iii) the exit of a facility in Mexico; (iv) transfer of certain production from Sweden to emerging growth markets and lower-cost regions; and (v) various management realignment actions at other Snap-on facilities. Accrual usage of $2.6 million during the second quarter of 2006 for these actions reflects severance and related payments for the separation of approximately 370 employees. Snap-on anticipates that the remaining severance accrual related to the second-quarter 2006 actions will be fully utilized by the end of 2006. Snap-on also expects that it will incur approximately $9 million to $11 million of additional exit and disposal charges during the remainder of 2006.

Item 6: Exhibits

Exhibit 10.1 DeSantis Class Settlement Agreement

Exhibit 10.2 Snap-on Incorporated 2001 Incentive Stock and Awards Plan (Amended and Restated as of April 27, 2006) (incorporated by reference to Appendix A to Snap-on's Proxy Statement on Schedule 14A filed on March 13, 2006)

Exhibit 31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
Exhibit 32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Snap-on Incorporated has duly caused this report to be signed on its behalf by the undersigned duly authorized person.

SNAP-ON INCORPORATED

Date: July 26, 2006

/s/ Martin M. Ellen
Martin M. Ellen, Principal Financial Officer,
Chief Financial Officer,
Senior Vice President - Finance

EXHIBIT INDEX

Exhibit No.	Exhibit
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32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement"), dated May 12, 2006, is made and entered into by and between the Representative Plaintiffs (as defined below) on behalf of themselves and the Class Members (as defined below), and the Defendants (as defined below) in order to settle and compromise the Pending Litigations (as defined below) according to the terms and conditions set forth herein.

I. RECITALS

WHEREAS Aaron Reeves, Anthony Hobby, Paul Vladyka, Dwight Lankart, and Richard Fortuna are all Former Franchisees (as defined below) of Snap-on Tools Company LLC, and are borrowers from Snap-on Credit LLC; and

WHEREAS Aaron Reeves, Anthony Hobby, Paul Vladyka, Dwight Lankart, and Richard Fortuna are Representative Plaintiffs who filed Class Action Complaints on behalf of themselves and all others similarly situated in the United States District Court for the District of New Jersey against Snap-on Tools Company LLC ("Snap-on Tools") (Civil Action No. 2:03 cv 04563 and Snap-on Credit LLC ("Snap-on Credit") (Civil Action No. 2:04 cv 5411 (FSH)) (collectively "the New Jersey Actions") alleging violation of the federal RICO Act; violation of the Fair Labor Standards Act; violation of the New Jersey Franchise Practices Act; violation of the New Jersey Consumer Fraud Act; fraud; negligent misrepresentation; breach of contract; breach of fiduciary duty; breach of the covenant of good faith and fair dealing; and for injunctive relief; and

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WHEREAS the District Court in New Jersey stayed the New Jersey Actions and referred them to arbitration pursuant to the arbitration provisions of certain Franchise Agreements and the arbitration provisions of certain Loan Agreements; and

WHEREAS, separate Demands for Class Action Arbitration were filed with the American Arbitration Association ("AAA") by the Representative Plaintiffs in the New Jersey Actions, including:

Aaron Reeves v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 01821 04 ("the *ReevesArbitration*")

Anthony D. Hobby v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 01884 04 ("the *HobbyArbitration*")

Paul Vladyka v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 01814 04 ("the *VladykaArbitration*")

Richard Fortuna v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 011818 04 ("the *FortunaArbitration*")

Dwight Lankart v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 01931 04 ("the *LankartArbitration*")

and;

WHEREAS the Corporate Defendants (as defined below) filed counterclaims in certain of the above-referenced arbitrations seeking monies alleged to be owed by the Representative Plaintiffs; and

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WHEREAS Clause Construction Hearings were conducted pursuant to the AAA's Rules governing class actions during 2005 in the *Hobby*, *Fortuna* and *Lankart* Arbitrations; and

WHEREAS the arbitrators in the *Hobby* and *Fortuna Arbitrations* ruled in separate Opinions that the arbitration provisions in certain Franchise Agreements and Loan Agreements drafted by the Corporate Defendants permitted class actions in arbitration; and

WHEREAS the arbitrator reserved decision and has not yet rendered a decision on either the Clause Construction issues or Snap-on Tools' Motion to Dismiss the Complaint in the *Lankart Arbitration*; and

WHEREAS the *Vladyka* and *Reeves Arbitrations* have been stayed pending settlement discussions; and

WHEREAS Ronald DeSantis, Shawn Dickmyer, Scott Factor, William Bradley Freeman, Scott Ingenito, and Matt Setser are all Former Franchisees of Snap-on Tools and are borrowers from Snap-on Credit; and

WHEREAS Ronald DeSantis, Shawn Dickmyer, Scott Factor, William Bradley Freeman, Scott Ingenito, and Matt Setser are Representative Plaintiffs who filed a Class Action Complaint on behalf of themselves and all others similarly situated against the Corporate Defendants and Individual Defendants (as defined below) in the Circuit Court Of The Sixth Judicial Circuit In And For Pinellas County, Florida, Civil Case No. 04-8709-Cl-7 (the Florida Action) alleging violation of the Florida Deceptive Trade Practices and Unfair Competition Act, violation of the Florida Franchise Act, fraud, breach of contract, breach of fiduciary duty and breach of the covenant of good faith and fair dealing; and

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WHEREAS the Florida Circuit Court in an Opinion and Order dated September 14, 2005, stayed the Florida Action and referred it to arbitration pursuant to the arbitration provisions of certain Franchise Agreements and certain Loan Agreements; and

WHEREAS separate Demands for Class Action Arbitration were filed with the AAA by the Representative Plaintiffs in the Florida Action, including:

Ronald DeSantis v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 0228605 (“the *DeSantisArbitration*”)

Shawn Dickmyer v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 02285 05 (the *Dickmyer Arbitration*”)

Scott Factor v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 02284 05 (“the *Factor Arbitration*”)

William Bradley Freeman v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 02283 05 (“the *Freeman Arbitration*”)

Scott Ingenito v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 02281 05 (“the *Ingenito Arbitration*”)

Matt Setser v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 02282 05 (“the *Setser Arbitration*”) and;

WHEREAS the AAA has of the date hereof appointed arbitrators in the *DeSantis*, *Dickmyer*, *Factor*, *Freeman*, *Ingenito* and *Setser Arbitrations*; and

WHEREAS various appeals in both the Florida Action and New Jersey Action by Defendants (as defined below) have been denied; and

WHEREAS there is currently pending in the Florida Action a Motion for Rehearing filed by the Defendants before the Florida Circuit Court of Appeals; and

WHEREAS the Parties (as defined below) deny any and all allegations of wrongdoing, fault, liability or damages of any kinds; and

WHEREAS the Parties and Counsel have conducted a thorough examination and investigation of the facts and law relating to the subject matters set forth in the Pending Litigations; and

WHEREAS the Parties and Counsel have determined that settlement is desirable in order to avoid the time and expense of the Pending Litigations; and

WHEREAS this Settlement is in the public interest; and

WHEREAS there have been intensive arm’s length negotiations between Class Counsel and Defendants’ Settlement Counsel which resulted in this Agreement; and

WHEREAS the Parties and Counsel believe that this Agreement offers significant benefits to the Representative Plaintiffs , to the Class Members, to the public interest, and is fair, reasonable, adequate and in the best interests of all members of the Class;

NOW THEREFORE, the Parties and Counsel stipulate and agree that all claims of the Parties by or against the other shall be finally settled, discharged and resolved in accordance with the terms and conditions set forth below.

II. DEFINITIONS

2.1 “Claim Deadline” means the date set forth in the Notice by which Class Members must submit the Claim Form;

2.2 “**Claim Form**” means a document, substantially in the form of Exhibit A, attached hereto, that a Class Member must complete and submit to receive the Class benefits as defined below;

2.3 “**Claimant**” means a Class member who timely submits a properly completed Claim Form in accordance with the procedures set forth in the Notice Order;

2.4 “Class” means the following:

All persons in the United States who are Former Franchisees or Current Franchisees as those terms are defined in Paragraph 2.17. Excluded from the Class are (i) Franchisees that have asserted a claim and were represented by counsel which resulted in a signed settlement agreement, judgment or arbitration award, (ii) Franchisees not represented by counsel against whom an arbitration award or a default judgment was entered in favor of any of the Defendants, and (iii) those Franchisees on the list attached as Exhibit B. The Class also excludes all persons who timely and validly request exclusion from the Class pursuant to the Notice disseminated in accordance with the Notice Order. The identities of the Class Members shall be primarily determined from the databases and records of the Corporate Defendants

2.5 “Class Counsel” means the law firms of Marks & Klein, LLP, and McElroy, Deutsch, Mulvaney & Carpenter, LLP

2.6 “Class Member” means a person who falls within the definition of the Class set forth in Paragraph 2.4.

2.7 “**Corporate Defendants**” means Snap-on Incorporated, and all subsidiary and affiliated companies, including Snap-on Tools Company LLC and

Snap-on Credit LLC.

2.8 “Court” means the United States District Court for the District of New Jersey, Newark vicinage.

2.9 “Counsel” means collectively Class Counsel, Defendants’ Litigation Counsel and Defendants’ Settlement Counsel.

2.10 “Defendants” collectively means the Corporate Defendants and the Individual Defendants.

2.11 “Defendants’ Litigation Counsel” means the law firm of Jenkens & Gilchrist, Wolff & Samson, PC; MacFarlane, Ferguson & McMullen, and Schnader, Harrison Segal & Lewis, LLP

2.12 “Defendants’ Settlement Counsel” means Lew Goldfarb Associates, LLC.

2.13 “**Effective Date**” means the earliest date upon which all of the events and conditions specified in Paragraph 11.1 have been met.

2.14 “**Fee Application**” means the application submitted to the Court by Class Counsel for an award of attorneys’ fees and reimbursement of expenses and costs incurred. As used in this Agreement, attorneys’ fees shall mean “reasonable attorneys’ fees” and expenses and costs incurred shall mean “reasonable and documented expenses and costs incurred”.

2.15 “**Fee Award**” means the attorneys’ fees and reimbursement of expenses and costs awarded by the Court to Class Counsel.

2.16 “Final” means:

(a) if no appeal from the Judgment referred to in Paragraph 11.1(c) is filed: the date of the expiration of the time for the filing or noticing of any appeal from the Judgment; or

(b) if an appeal from the Judgment is filed, and the Judgment is affirmed or the appeal is dismissed: the date of such affirmance or dismissal; or

(c) if a petition for a writ of certiorari is filed and denied: the date the petition is denied; or

(d) if no petition for a writ of certiorari is filed: the date of expiration of the time for the filing of such a petition for a writ of certiorari; or

(e) If such a petition for writ of certiorari is filed and granted: the date of final affirmance or final dismissal of the proceeding initiated by the petition for a writ of certiorari.

2.17 For purposes of this Agreement, “**Franchisee**” means all individuals or entities in the United States who, from January 1, 1998 through April 18, 2006, operated one or more franchises, independent dealerships, and/or conversion franchises, but does not include trial franchisees or employees or independent contractors of Franchisees. “**Former Franchisee”** is a Franchisee who has sent in a notice to terminate or has been sent a letter of termination or has otherwise terminated by April 18, 2006 and has checked in prior to May 30, 2006. **“Current Franchisee”** is a Franchisee who is not a Former Franchisee. An individual or entity may be a Former Franchisee as to a particular franchise or franchises and be a Current Franchisee as to another franchise or franchises.

2.18 “**Incentive Award**” means an additional amount of money to be paid to certain Class Members subject to Court approval.

2.19 “**Individual Defendants**” means the individually named defendants in the Florida Action including Michael Montemurro, Kevin Gallagher, Carol Herald, Joseph Kuebler, Larry Leighton, Rick Smith, David Spence, David Pence and Bart Wignall.

2.20 “**Judgment**” means the final judgment to be entered by the Court pursuant to the Agreement.

2.21 “**Notice**” means a document, substantially in the form of Exhibit C hereto, to be disseminated by First Class Mail in accordance with the Notice Order, informing class members of, among other things, the pendency of the Pending Litigations, the material terms of the proposed Settlement, and their respective rights and obligations with respect to the proposed Settlement.

2.22 “**Notice Order**” means an order, subject to Court approval, substantially in the form of Exhibit D hereto, providing for, among other things, preliminary approval of the Settlement and dissemination of Notice to the Class.

2.23 “Parties” means the Representative Plaintiffs and Defendants

2.24 “**Pending Litigations**” means the Florida and New Jersey Actions and the eleven class action arbitrations pending before the AAA, including:

Aaron Reeves v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 01821 04 (“the *ReevesArbitration*”)

Anthony D. Hobby v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 01884 04 (“the *HobbyArbitration*”)

Paul Vladyka v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 01814 04 (“the *VladykaArbitration*”)

Richard Fortuna v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 011818 04 (“the *FortunaArbitration*”)

Dwight Lankart v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 01931 04 (“the *LankartArbitration*”)

Ronald DeSantis v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 0228605 (“the *DeSantisArbitration*”)

Shawn Dickmyer v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 02285 05 (the *Dickmyer Arbitration*”)

Scott Factor v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 02284 05 (“the *Factor Arbitration*”)

William Bradley Freeman v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 02283 05 (“the *Freeman Arbitration*”)

Scott Ingenito v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 02281 05 (“the *Ingenito Arbitration*”)

Matt Setser v. Snap-on Tools Company, LLC et al.
AAA Docket No. 11 114 02282 05 (“the *Setser Arbitration*”).

2.25 “**Released Claims**” means any and all claims, demands, rights, liabilities, and causes of action of every nature and description whatsoever, known or unknown, at law or in equity, existing under federal or state law, common or statutory, that any Representative Plaintiff or other Class Member has asserted or could have asserted against the Released Snap-on Group or that the Corporate Defendants could have asserted against any Representative Plaintiff or Former Franchisee Class Member as of the Effective Date. Nothing in this provision or Settlement Agreement shall be construed to release (i) any Current Franchisee from its obligations under any agreement with Corporate Defendants, except to the extent provided in Paragraph 4.2(a), (ii) the Franchisees identified in Exhibit B, (iii) any Class Member who “opts out” under Paragraph 12.2, or (iv) the Former Franchisees from their post termination obligations under their franchise agreement relating to (a) confidentiality, (b) trade secrets, or (c) the use of the Snap-on Program or trademarks.

2.26 “**Released Snap-on Group**” means the Corporate Defendants, including their present or former directors, officers, partners, joint venture partners, principals, members, stockholders, owners, employees, agents, servants, attorneys, advisors, personal or legal representatives, parent companies, divisions, related and affiliated entities, predecessors and successors, and Individual Defendants.

2.27 “**Representative Plaintiffs**” means the eleven named Representative Plaintiff Class Members in the Pending Litigations who represent the Class.

2.28 “Settlement” means the settlement set forth in this Agreement.

2.29 “**Settling Parties**” means, collectively, the Released Snap-on Group, the Representative Plaintiff Class Members and all Class Members.

2.30 “Third Party Class Action Administrator” means LECG, LLC, an independent third party retained to administer the Settlement, if acceptable to the Court.

2.31 The plural of any defined terms includes the singular and the singular of any defined term includes the plural, as the case may be.

III. RECOGNITION OF THE CLASS FOR SETTLEMENT PURPOSES ONLY

3.1 For Settlement Purposes Only

This Settlement Agreement is for settlement purposes only and shall have no precedential value in any future proceeding as to any of the allegations in the Pending Litigations. This Agreement further shall have no precedential value in any future proceeding with regard to the certifiability of any proposed class(es). Corporate Defendants specifically reserve the right to assert, among other things, that the language in the arbitration provision of the franchise agreement prohibits class actions, that the putative class should not be certified and that it would not be manageable to conduct a trial of a class action. It is understood and agreed that the Parties do not waive any of their rights to contest the amendment to the class definition in the event the Settlement is not consummated; all of such rights being expressly reserved.

3.2 If Settlement Not Approved, Any Settlement Class Is Dissolved

If the Settlement provided for in this Settlement Agreement is not approved by the Court or does not become Final following such approval, no class will be considered certified due to the recitals in this Agreement or, if previously certified for purposes of settlement, that certification will be voided *nunc pro tunc*, for all other purposes, without prejudice to or effect on future motions for class certification. In such event, the Corporate Defendants will not be deemed to have consented to certification of any class, and will retain all rights to object to or oppose any motion for class certification, including certification of the identical class provided for herein or any other class(es).

IV. SETTLEMENT CONSIDERATION

4.1 Former Franchisees Shall Receive Monetary Compensation, Releases and Debt Forgiveness

Former Franchisees may select either one of the following two options for receiving monetary compensation for each franchise operated by a Former Franchisee under a separate franchise agreement:

Option A: To be eligible for monetary compensation under Option A, the Former Franchisee must return a form that will set forth the Former Franchisee's verifiable current address, other required information and be signed by the Former Franchisee. Former Franchisees exercising Option A shall receive a payment of $1,000 and a Release as described in paragraph 6.2 hereof.

Option B: To be eligible for monetary compensation under Option B, the Former Franchisee must return a fully completed questionnaire substantially in the form of Exhibit E for each franchise for which a claim is made. A Former Franchisee who selects Option B will receive a Release as described in paragraph 6.2 hereof and will be eligible to receive an amount of compensation not to exceed $20,000 for each franchise operated under a separate franchise agreement for which he elects Option B. Factors that will enhance a Former Franchisee's entitlement to receive the $20,000 maximum amount of compensation include the number of years of service and the weekly paid sales average at the time of termination as further defined in Exhibit F. Factors that will detract from a Former Franchisee's entitlement to receive the $20,000 maximum amount of compensation include the amount owed by the Former Franchisee at the time of termination, whether the Former Franchisee signed a release of all claims against any of the Corporate Defendants and whether the Former Franchisee is or was an employee of the Corporate Defendants. A more detailed description of the method, formula, and process for determining compensation under Option B is provided in the questionnaire attached hereto as Exhibit E. In particular, the payment amount primarily shall be calculated based on the application of the formula set forth in Exhibit F by the Third Party Class Action Administrator.

All Former Franchisee Class Members who do not opt out or are not otherwise excluded from the Settlement shall receive debt forgiveness as more particularly described in Section 6.2.

4.2 Corporate Defendants Modifications and Enhancements To Current Business Practices and Monetary Compensation and Reimbursement To Current Franchisees

Current Franchisees, in addition to the technology credit described in Paragraph 4.2(d), may qualify to receive an additional amount of money as a credit to their Snap-on Tools statement for each franchise operated under a separate franchise agreement based on the weekly average paid sales (excluding paid sales applicable to second vans) achieved by the Current Franchisee during a 52 week period ended April 12, 2006 or, if the franchise has not been operated for 52 weeks as of April 12, 2006, the entire period during which the franchise operated through April 12, 2006. The amount of the credit, if any, is calculated in accordance with the schedule included in Exhibit G. To be eligible for any credit, a Current Franchisee must submit the Current Franchisee Verification Form, substantially in the form attached as Exhibit J. Further, the Corporate Defendants agree to use reasonable efforts to make a number of modifications to the Snap-on Tools franchise distribution model and business practices that are intended to enhance franchisee prospects for success. These modifications are as follows:

(a) Eliminate, forever, the provision in the current franchise agreement that provides as follows: *If, after any fifty two (52) consecutive weeks, Standard Franchisee's average weekly purchases of Products from Snap-on during that period, measured by suggested retail prices, are less than seventy percent (70%) [or any other percentage] of the average weekly purchases of Products by all full-time Franchisees in the Regional Sales Office to which Standard Franchisee is assigned for the same period.*

(b) Reduce the investment in initial inventory required for new franchisees from approximately $83,750 to approximately $74,000;

(c) Offer financing to qualified franchisees, as determined by Snap-on Credit LLC, who have been on a credit hold for 5 of the last 10 weeks prior to the date of final approval of this Agreement. The rates and terms of any such financing will be based on individual creditworthiness.;

Additionally, the Corporate Defendants will take the following actions. It is acknowledged by the Parties that Defendants make no representations that the use or implementation of the practices set forth below will result in success for the franchisee:

(d) Provide to Current Franchisees a one-time technology credit of up to $1,200 for each franchise operated under a separate franchise agreement by a Current Franchisee for future acquired technology. To be eligible for the technology credit, the Current Franchisee must submit documentation as required by the Corporate Defendants to establish that the Current Franchisee has acquired (through defined Snap-on Tools purchase/lease channels) one or more items of technology as specified in Exhibit H. Failure to provide the documentation to Corporate Defendants prior to the Claim Deadline will result in forfeiture of the technology credit.

(e) Make reasonably available improved initial training for new franchisees;

(f) Improve recruitment training practices for Snap-on Tools personnel responsible for recruitment of new franchisees in order to maintain the consistency of representations made by such personnel with those in the Snap-on Tools' Offering Circular and as may be required by state law.

(g) Use reasonable efforts to improve the process of identifying the list of calls toward the goal of enhancing the franchisees' chances of success. It is agreed by the Parties, however, that the outcome of this process may require changes to existing lists of calls and the availability of open routes or contiguous stops.

The Corporate Defendants commit to use their reasonable efforts to implement the modifications within a reasonable time period. The Settling Parties recognize that all businesses, including Corporate Defendants, must adapt their business model over time to respond to new challenges posed by changes in the business environment, innovations introduced by competitors, compliance with legal requirements, and other unforeseen requirements necessary to remain competitive. Nothing in this Settlement Agreement shall preclude Corporate Defendants from making modifications in their business practices over time that they deem necessary to the successful pursuit of their business and/or to enhance franchisee prospects for success.

4.3 Non-Monetary Class Benefits To Class Members

The Parties recognize that the modifications to current business practices outlined in Paragraph 4.2 are part of the benefits that will inure to Current Franchisees and future franchisees. Current Franchisees acknowledge that nothing in this Settlement Agreement may be construed to relieve Current Franchisees of any obligations that are a part of any agreement with Corporate Defendants, except to the extent provided in Paragraph 4.2(a).

V. NOTICE TO THE CLASS AND ADMINISTRATION OF THE SETTLEMENT

5.1 Corporate Defendants Will Bear All Costs and Expenses

The Corporate Defendants will undertake to administer this Settlement with the assistance of the Third Party Class Action Administrator and will bear all costs and expenses of disseminating the Notice in accordance with the Notice Order and all costs and expenses of administering the Settlement including but not limited to costs and expenses associated with receiving and processing Claim Forms and issuing and mailing payments.

5.2 Representative Plaintiffs, Class Members, and Class Counsel Will Not Incur Costs

Under no circumstances will the Representative Plaintiffs, Class Members, or Class Counsel have any liability for any of the costs or expenses set forth in Paragraph 5.1 or any other fees, costs, expenses, or charges in connection with the administration of the Settlement.

5.3 Individual NoticeUnited States First Class Mail

Within 10 days following the entry of the Notice Order, the Corporate Defendants will provide to all Class Members direct mail Notice of the Settlement to the last known address of each of the Class Members substantially in the form of Exhibit C. It is agreed, subject to the approval of the Court, that there shall be a single mailing, as set forth herein, to each Class Member and that the Corporate Defendants shall subscribe to a National Change of Address ("NCOA") database service offered by the United States Postal Service to process for the most current known address of Class Members who are Former or Current Franchisees. There will be no re-mailing for returned or non-delivered notices, except that the Corporate Defendants will re-mail returned notices to those Class Members when Notices are returned with a forwarding address. Where the NCOA database indicates that the last known address in the Corporate Defendants' databases is invalid and cannot provide a forwarding address, no Notice will be mailed and such individual is not a Class Member.

5.4 Proof of Notice

The Corporate Defendants shall provide affidavits to the Court, with a copy to Class Counsel, attesting to the measures undertaken to provide the Notice.

5.5 Oversight of Notice Program by Class Counsel

The Corporate Defendants shall allow Class Counsel sufficient, reasonable oversight of the Notice mailing and publication to enable Class Counsel to verify that the Notice has been mailed as provided herein.

VI. RELEASES

6.1 Discharge of the Released Snap-on Group

Upon the Effective Date, the Representative Plaintiffs and each of the Class Members will be deemed to have fully, finally, and forever released, relinquished, and discharged the Released Snap-on Group from all Released Claims, demands, liabilities and causes of action of every nature and description whatsoever, known or unknown, whether or not concealed or hidden, asserted or that might have been asserted, arising out of, based upon , or related to the allegations in the Pending Litigations, the initiation, prosecution, assertion, litigation, settlement, or resolution of the Pending Litigations or Released Claims including any derivative claims, including but not limited to claims by any Class Members' spouse, offspring or other immediate family member.

With respect to any and all Released Claims, specifically including Unknown Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Representative Plaintiffs and each of the Class Members shall be deemed to have expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights and benefits of Sec. 1542 of the California Civil Code (to the extent applicable), which provides: A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

The Representative Plaintiffs and each of the Class Members, upon the Effective Date, shall be deemed to have expressly waived and relinquished any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law that is similar, comparable or equivalent to Sec. 1542 of the California Civil Code.

6.2 Release of the Representative Plaintiffs and theClass Members, In Particular, Discharge of Debts

Upon the Effective Date, each of the Corporate Defendants will be deemed to have fully, finally, and forever released, relinquished, and discharged the Representative Plaintiffs, Class Counsel, and all Former Franchisee Class Members, their spouses, offspring or other immediate family members from any and all claims, demands, liabilities and causes of action of every nature and description whatsoever, known or unknown, whether or not concealed or hidden, asserted or that might have been asserted, arising out of, based upon , or related to the allegations in the Pending Litigations, the initiation, prosecution, assertion, litigation, settlement, or resolution of the Pending Litigations or Released Claims.

Without limitation, it is understood and agreed that all debts incurred by any Former Franchisee Class Member, including all co-signatories and guarantors, to the Corporate Defendants or their assignees shall be forgiven, released, and forever discharged as part of the Settlement. It is further understood and agreed that the Corporate Defendants will notify all Credit Reporting agencies of the discharge of any debt of any Former Franchisee Class Member within 30 days of the Effective Date of this Agreement. Nothing in this provision or Settlement Agreement shall be construed to release (i) any Current Franchisee from its obligations under any agreement with Corporate Defendants, except to the extent provided in Paragraph 4.2(a), (ii) the Franchisees identified in Exhibit B, (iii) any Class Member who "opts out" under Paragraph 12.2., or (iv) the Former Franchisees from their post termination obligations under their franchise agreement relating to (a) confidentiality, (b) trade secrets, or (c) the use of the Snap-on Program or trademarks.

VII PROCESS FOR COURT APPROVAL OF SETTLEMENT

7.1 Filing

Within 10 days after the execution of this Agreement, Class Counsel will file a Complaint and this Agreement together with its Exhibits with the Clerk of the Court. Simultaneous with the filing of the Complaint, Class Counsel and Defendants' Litigation Counsel will jointly apply by motion for Preliminary Approval of the Settlement and entry of the Notice Order.

7.2 Approval of Settlement by the Court and Class Members

The Settling Parties shall take all necessary steps to obtain approval of this Settlement Agreement and, having done so, shall take all necessary steps to obtain Final judicial approval. As part of the approval process, the Settling Parties and Counsel agree to cooperate and use their best efforts to finalize this Settlement. Class Counsel will make a good faith effort to communicate the reasonableness and fairness of the Settlement to their clients and to secure their clients' agreement to the terms of Settlement.

It is Defendants' belief that Class Counsel's advocating approval of this Settlement Agreement creates a conflict with those of their current clients, if any, who elect to opt out of or object to the Settlement. Defendants' position is based, in part, upon the plain meaning of ABA Formal Op. 93-371. Class Counsel believes they may have a conflict but also believes they may have an ethical obligation that is informed by R.P.C. 5.6(b) to continue to offer their services in representing these clients, if any. Class Counsel will, however, at the time of presenting this Settlement Agreement to their current clients, advise their clients that Defendants believe there is a conflict of interest and that Defendants will seek to disqualify Class Counsel from their representation of such clients. Class Counsel will advise those clients that it may be in their best interest to seek new counsel in the event they wish to pursue a separate claim against Defendants. Class Counsel have no present intention of representing any persons who are not Class Members with respect to Defendants.

7.3 Motion For Preliminary Approval

The Motion For Preliminary Approval shall seek one or more orders, in substantially the same form as Exhibit D, which provide, by their terms, for the following:

(a) Preliminary approval of the terms of the Agreement;

(b) Provisional certification of the Class for purposes of the Settlement;

(c) Determination and approval of the Notice advising the Class Members of the Settlement, the rights that will be extinguished under the Agreement, and their rights and the processes by which to comment on, object to, or exclude themselves from the Settlement, and of the Final Fairness Hearing, which is a hearing to be held to determine the fairness, reasonableness, and adequacy of the Settlement;

(d) Scheduling of a Final Fairness Hearing to review comments regarding the Settlement and to consider the fairness, reasonableness, and adequacy of the Settlement and the application for an award of attorneys' fees and reimbursement of expenses, and to issue a Final Order approving the Settlement and awarding and allocating reasonable attorneys' fees and reasonable costs and expenses to Class Counsel; and

(e) Establishing procedures and deadlines for Class Members to either request exclusion from the Settlement Class, object to the Settlement, or to file papers in support of the Settlement with the Court.

7.4 Class Certification

For settlement purposes only, the Parties agree that the Court may certify the Class. The Parties agree to this class certification for, and only for, the purpose of effectuating the Settlement of the Pending Litigations and is subject to the provisions of Paragraph 3.1.

7.5 Efforts

In the event the Court fails to grant Preliminary Approval or fails to issue a Final Order, the Parties and Counsel agree to work in good faith to cure any defect causing such failure, except that under no circumstance will Defendants be required to consider curing any defect that would increase the cost of this Settlement to Defendants.

7.6 Final Judgment

The Parties and Counsel shall use all reasonable efforts to promptly obtain a Final Judgment and satisfy all conditions to make this Settlement Effective pursuant to paragraph 11.1.

VIII CLAIMS ADMINISTRATION AND CLAIM DISPUTES

8.1 Filing of Claims

Class Members shall have 60 days from the mailing of the Notice to submit a Claim Form to the Third Party Class Action Administrator. The receipt date of the Claim Form will be based on the postmarked date.

8.2 Processing and Distribution

Upon submission of a properly completed Claim Form, Corporate Defendants will use their best efforts to distribute any settlement benefits to Class Members within 120 calendar days after the Final Judgment. In the event a Class Member does not agree with the computed amounts of the settlement benefits, Class Member must provide a letter to the Third Party Class Action Administrator in writing within 15 calendar days of receipt of their settlement benefit, explaining the reasons the Class Member does not believe the benefit is correct and providing supporting documentation. The Third Party Class Action Administrator will process the received information within 45 days of receipt of the information from Class Member and provide a written reply to Class Member upon completion of processing. The Third Party Class Action Administrator will refer any unresolved disputes to Snap-on Tools.

8.3 Notification

Class Counsel agrees to notify the Chief Legal Officer of Snap-on Tools within fifteen (15) business days of the receipt of any written communication from Class Members who dispute whether benefits were provided or the amount of benefits received pursuant to the Settlement. Corporate Defendants similarly agree to provide such communications within fifteen (15) business days to Class Counsel, provided that, if Corporate Defendants, in their discretion, resolve any such complaint in favor of the complainant within fifteen (15) business days, then Corporate Defendants are not required to provide a report to Class Counsel regarding that complaint.

8.4 Class Counsel and Snap-on Tools Will Confer

Class Counsel and Snap-on Tools shall confer in good faith and use their best efforts to agree upon the proper resolution of disputes.

IX ATTORNEYS' FEES AND EXPENSES

9.1 Submission of Fees and Expenses by Class Counsel to Court ("Fee Application")

Class Counsel will submit a Fee Application to the Court. The Court shall decide the Fee Award to Class Counsel. The Fee Award shall be final, binding, and non-appealable. The Fee Application shall be submitted to the Court at the time of seeking final approval of this Settlement. The Fee Application will seek an amount not to exceed $13,000,000 in respect of Class Counsel fees and will also seek reimbursement for costs and expenses reasonably incurred by Class Counsel. Without objection, Corporate Defendants stipulate and agree to pay the Fee Award up to $13,000,000 in respect of Class Counsel fees and whatever amount the Court approves in documented costs and expenses. Class Counsel covenants and agrees that Class Counsel will not accept any award of attorneys fees in excess of the amount contained in the Fee Application nor under any circumstances will Defendants be obligated to pay an award in excess of such amount. Should any counsel other than Class Counsel petition for an award of attorneys' fees, expenses or costs, resulting from the Pending Litigations or the Settlement Agreement, Class Counsel will cooperate with the Corporate Defendants' Counsel in opposing any such petition.

9.2. Payment of the Fee Award and Expense Award

No later than five (5) business days after the last to occur of either (i) Court Approval of the Fee Awards, or (ii) Final Judgment as defined in Section 2.16, the Corporate Defendants, upon reasonable receipt of banking coordinates from Class Counsel, shall transfer the total amount of the Fee Award to a joint bank account in the name of Marks and Klein, LLP and McElroy, Deutsch, Mulvaney & Carpenter, LLP, for distribution to Class Counsel.

9.3 Allocation of the Fee Award

Class Counsel shall have neither recourse to nor any claims of any nature whatsoever against Defendants in the event of a disagreement relative to the allocation of the Fee Award.

9.4 Finality of Settlement Without Approval of Fee Application

The procedure for and the allowance or denial by the Court of the Fee Application are not part of the Settlement, and are to be considered by the Court separately from the Court's consideration of the fairness, reasonableness, and adequacy of the Settlement, and any order or proceedings relating to the Fee Application will not operate to terminate or cancel this Agreement or affect or delay the finality of the Judgment approving this Settlement.

X. INCENTIVE AWARDS FOR REPRESENTATIVE PLAINTIFFS AND FOR OTHER CLASS MEMBERS WHO ARE REPRESENTED BY COUNSEL AS OF APRIL 18, 2006.

10.1 Incentive Awards for Representative Plaintiffs

It is understood and agreed that the time and effort expended by the Representative Plaintiffs including but not limited to the delay incurred in resolving their claims against the Defendants and the damages incurred to their credit histories, entitle them to an Incentive Award. Class Counsel will submit an Incentive Award Application for an Incentive Award to be paid by the Corporate Defendants to each Representative Plaintiff who has not opted out of the Class. The Incentive Award shall not diminish any of the other benefits provided to any Class Member. Class Counsel shall seek an Incentive Award to each Representative Plaintiff who has not opted out of the Class of not more than $50,000 with the final amount of the Incentive Award to be determined by the Court as required by law. Defendants agree not to oppose, directly or indirectly, any Incentive Award Application up to this amount. The Parties agree that the amount of the Incentive Award allowed by the Court shall be final, binding, non-reviewable, and not a basis for objecting to or withdrawing from the Settlement.

10.2 Incentive Awards For Other Class Members Who Have Been Represented By Counsel On Or Before April 18, 2006

Exhibit I is a list of Former Franchisees, other than the Representative Plaintiffs, who, on or before April 18, 2006, retained attorneys to represent them in connection with disputes concerning their franchise which attorneys have contacted Corporate Defendants on their behalf. Corporate Defendants also recognize that many of these represented Former Franchisees may have delayed filing Demands for Arbitration in anticipation of becoming a Class Member. Corporate Defendants acknowledge that should this group of represented Former Franchisees file Demands for Arbitration, the AAA fees and costs would be expensive and the defense of the claims time consuming for the Corporate Defendants. Therefore, Class Counsel will submit an Incentive Award Application for an Incentive Award to be paid to each Former Franchisee designated on Exhibit I, who has not opted out of the Class, in connection with disputes concerning their franchise. The Incentive Award shall not diminish any of the other benefits provided to any Class Member. The amount of the Incentive Award shall not be more than $15,000 with the final amount of the Incentive Award to be determined by the Court as required by law. Defendants agree not to oppose, directly or indirectly, any Incentive Award Application within the terms set forth above. The Parties agree that the amount of the Incentive Award allowed by the Court shall be final, binding, non-reviewable, and not a basis for objecting to or withdrawing from the Settlement.

XI CONDITIONS FOR EFFECTIVE DATE

11.1 The Effective Date

The Effective Date of this Agreement is conditioned on the occurrence of all of the following events:

(a) The Court has granted Preliminary Approval of the Settlement;

(b) The Court has entered the Notice Order;

(c) The Court has entered the Judgment;

(d) The Judgment has become Final, as defined in Paragraph 2.16.

XII OBJECTIONS AND OPT-OUTS BY CLASS MEMBERS

12.1 Objections

Any Class Member who intends to object to the fairness, reasonableness or adequacy of the Settlement must sign and file a written Objection with the Third Party Class Action Administrator in accordance with the Preliminary Approval Order (Exhibit D hereto) and the Notice to Class Members (Exhibit C hereto). Class Counsel will file the original objections with the Clerk of the Court no later than five (5) days prior to the scheduled Final Fairness Hearing date.

Class Members making Objections must set forth their full name, current address, and telephone number. Objecting Class Members must also state in writing all Objections and the reasons therefore, and a statement whether the Objector intends to appear at the Final Fairness Hearing and whether he or she is represented by separate legal counsel. Class Members who fail to file and serve timely written objections in the manner specified above shall be deemed to have waived any Objections and shall be permanently foreclosed from making any Objections (whether by appeal or otherwise) to the Settlement Agreement.

12.2 Opt Outs

Any Class Members who elect to exclude themselves or "Opt out" of this Settlement Agreement must file a written Request to Opt Out with the Third Party Class Action Administrator in accordance with the Preliminary Approval Order (Exhibit D hereto) and the Notice to Class Members (Exhibit C hereto). Class Counsel will file the original Requests to Opt Out with the Clerk of the Court no later than five (5) days prior to the scheduled Fairness Hearing date. The Request to Opt Out must be signed by the Class Member, and it must include the Class Member's name, address, and telephone numbers as well as the following language:

REQUEST TO OPT OUT

> I understand that I am requesting to be excluded from the Class Settlement and that by opting out, I will receive no benefit under the Class Settlement. I further understand that if I am excluded from the Class Settlement, I may bring a separate legal action, on my own behalf, but I may receive nothing or less than what I would have received if I had filed a claim for benefits under the Settlement of this case. I also understand that to the extent I would be released under this Settlement, if I opt out, Snap-on Tools and/or Snap-on Credit have the right to file a claim against me for such matters as debts that may be alleged by them to be due and owing by me to either or both of them. I understand that it is Defendants' belief that Class Counsel's advocating approval of this Settlement Agreement creates a conflict with those of their current clients who elect to opt out of or object to the Settlement, if any. I also understand Class Counsel believe they may have a conflict but also believe they may have an ethical obligation that is informed by R.P.C. 5.6(b) to continue to offer their services in representing these current clients. I further understand that Defendants will seek to disqualify Class Counsel from their representation of such clients.

12.3 Relinquishment of Rights

Class Members who opt out of the Settlement relinquish their rights to benefits hereunder and will neither release their claims against Defendants nor receive a release of claims from Defendants. Class Members who fail to submit a valid and timely request for exclusion in accordance with the Preliminary Approval Order (Exhibit D hereto) and the Notice to Class Members (Exhibit C hereto) are bound by all terms of the Agreement and the Final Order and Judgment, regardless of whether they have requested exclusion from the Settlement.

12.4 Opt Outs May Not File Objections

Any Class Member who submits a timely and valid request for exclusion and opt-out may not file an Objection to the Settlement and shall be deemed to have waived any rights or benefits under this Agreement.

12.5 Rescission of Exclusions and Opt-Outs

The Parties recognize that some Class Members who initially submit opt-out forms seeking exclusion may, upon further reflection, wish to withdraw or rescind such opt-out statements. The Parties agree that Class Members shall be permitted to withdraw or rescind their opt-out statements by submitting a written "Rescission of Opt-out" statement to the Third Party Class Action Administrator that includes their name, address, and telephone number as well as a signed statement that they are rescinding their prior opt-out statement and now wish to be part of the Settlement. Such written Rescission of opt-out must be received by the Third Party Class Action Administrator no later than three days prior to the scheduled Fairness Hearing Date.

XIII RESCISSION BY CORPORATE DEFENDANTS

13.1 Corporate Defendants' Option To Rescind Settlement

Corporate Defendants shall not have the option to set aside or rescind this Agreement except as follows:

(a) If the number of opt-outs is eight percent (8%) or more of the total number of Class Members;

(b) If the number of opt outs of Representative Plaintiffs and Former Franchisees who are designated by asterisk as listed on Exhibit I exceed three or twenty, respectively;

(c) If the Court requires a material deviation from the terms of the Settlement Agreement; or

(d) If the number of opt-outs is eight percent (8%) or more of the total number of Current Franchisees.

Corporate Defendants may exercise the option to rescind this Settlement by filing with the Court written notice of such election, with proof of service on Class Counsel, no later than three days before the Fairness Hearing date set by the Court. Class Counsel has the right to be heard by the Court in opposition to Corporate Defendants' attempt to exercise their option.

13.2 Bankruptcy Filing by the Corporate Defendants

The Corporate Defendants warrant that none of them have a current intention of filing for protection under the Bankruptcy laws of the United States and that the economic condition of all of them are stable and that all of them are financially able to pay all sums contemplated by this Agreement. With that understanding and representation by the Corporate Defendants, it is agreed that if a case is commenced with respect to either Snap-on Tools or Snap-on Credit under the United States Bankruptcy Code, or if a trustee, receiver or conservator is appointed under any similar law, and if a final order of a court of competent jurisdiction is entered determining that such Corporate Defendant's provision of benefits to Class Members pursuant to the Settlement is a preference, voidable transfer, fraudulent transfer, or similar transaction, then the release given and Judgment entered pursuant to this Agreement will be null and void with respect to such Corporate Defendant.

XIV MISCELLANEOUS PROVISIONS

14.1 Parties' Intent To Consummate Settlement

The Parties and Counsel acknowledge that it is their intent to consummate this Settlement as expeditiously as possible. They agree to cooperate to the extent reasonably necessary to effectuate and implement this Agreement.

14.2 Final and Complete Resolution

The Parties intend this Agreement to be a final and complete resolution of all disputes between them with respect to the Pending Litigations. This Agreement compromises claims that are contested and will not be deemed an admission by any Settling Party as to the merits of any claim, defense or to whether the class could be properly certified. The Parties and Counsel agree that the consideration provided to the Class Members and the other terms of the Agreement were negotiated in good faith by the Parties and Counsel, and reflect a Settlement that was reached voluntarily after consultation with competent legal counsel.

14.3 No Admission of Fault or Liability

Neither this Agreement nor the Settlement, nor any act performed or document executed pursuant to or in furtherance of this Agreement or the Settlement is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claims, or of any wrongdoing or liability of the Parties; or is or may be deemed to be or may be used as an admission of, or evidence of, any fault, omission, wrongdoing or liability of the Parties in any civil, criminal, or administrative proceeding in any court, administrative agency or other tribunal. Defendants may file this Agreement and/or the Judgment in any action that may be brought against them in order to support any defense or counterclaim, including without limitation those based upon principles of *res judicata*, collateral estoppel, release, good-faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

14.4 Confidentiality

All agreements made and orders entered during the course of the Pending Litigations relating to the confidentiality of information will survive this Agreement. In addition, Class Counsel will not distribute or contribute to any communication that refers to Corporate Defendants for the purpose of marketing their services and will not issue any press releases or make any other public statement through any media, including the internet that reflects negatively upon or disparages any Parties to this Agreement. Defendants intend to fully exercise all remedies available to Defendants as the result of any breach of this Paragraph.

14.5 Exhibits Are Material

All of the Exhibits to this Agreement are material and integral parts hereof and are fully incorporated herein by this reference.

14.6 Writing Required For Modification

This Agreement may be amended or modified only by a written instrument signed by Corporate Defendants and by or on behalf of the Parties.

14.7 Entire Agreement

This Agreement and the Exhibits attached hereto constitute the entire Agreement among the Parties and no representations, warranties, or inducements have been made to any Party concerning this Agreement or its Exhibits other than the representations, warranties and covenants covered and memorialized herein.

14.8 Class Counsel Authorized To Take All Actions

Class Counsel, on behalf of the Class, are expressly authorized by the Representative Plaintiffs to take all appropriate action required or permitted to be taken pursuant to this Agreement to effectuate its terms, and are expressly authorized to enter into any modifications or amendments to this Agreement that Class Counsel deems appropriate.

14.9 Authority of All Persons Executing the Agreement

Each counsel or other person executing this Agreement or any of its Exhibits hereby warrants that such person has the full authority to do so.

14.10 Counterparts

This Agreement may be executed in one or more counterparts. All executed counterparts and each of them will be deemed to be one and the same instruments. A complete set of original counterparts will be filed with the Court.

14.11 Successors and Assigns

This Agreement will be binding upon, and inure to the benefit of, the successors and assigns of the Settling Parties.

14.12 Court Will Retain Jurisdiction

The Court will retain jurisdiction with respect to implementation and enforcement of all of the terms of this Agreement, and all Parties hereto submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement.

14.13 Language Not To Be Construed Against Any PartyAs the Drafter

None of the Settling Parties, or their respective Counsel, will be deemed the drafter of this Agreement or its Exhibits for purposes of construing the provisions thereof. The language in all parts of this Agreement and its Exhibits will be interpreted according to its fair meaning, and will not be interpreted for or against any of the Settling Parties as the drafter thereof.

14.14 Choice of Law and Forum

This Agreement and the Exhibits hereto will be construed and enforced in accordance with, and governed by, the internal, substantive laws of the State of New Jersey without giving effect to that State's choice-of-law provisions. The Fee Application and Allocation shall be determined in accordance with federal law as interpreted and applied by the United States Court of Appeals, Third Circuit and the United States Supreme Court.

14.15 Decisions in Lankart and the Florida Action Not Binding After Approval of Settlement by the CorporateDefendants

It is understood that various motions and decisions are currently before the courts and arbitrators in some of the Pending Litigations. Therefore, it is agreed by the Parties that any decisions rendered in the *Lankart* Arbitration will not disqualify Mr. Lankart as a Representative Plaintiff or as a Class Member. The parties, after execution of the Agreement by Corporate Defendants, will notify the AAA and Florida Second District Court of Appeals that the matter has resolved in principle and all Pending Litigation should be stayed pending a Final Judgment as defined in Section 2.16 of this Settlement Agreement.

14.16 Claimant's Tax Obligations

It is understood that any payments to Claimants calculated pursuant to this Settlement Agreement is the gross total due and that no State, Federal or local withholding of taxes will be made. To the extent that form 1099s are required to be issued as a result of this settlement, Corporate Defendants, LECG, LLC or any entity associated with the administration of the Settlement Agreement will issue Claimants 1099s. Each Claimant agrees to indemnify and hold Corporate Defendants harmless for any amounts that may be assessed, levied, or otherwise charged against the Corporate Defendants by any taxing or governmental authority on account of any obligation such Claimants may have for State, Federal or local income taxes pursuant to this Agreement, or on account of the failure of the Corporate Defendant to withhold any taxes or make any contributions or other deductions with respect to such Claimant as a result of the settlement.

WE HEREBY AGREE TO THE TERMS, CONDITIONS, AND PROVISIONS OF THIS AGREEMENT.

Corporate Defendants:

Snap-on Incorporated

By: /s/ Jack D. Michaels
Jack D. Michaels
Chairman, President and Chief Executive Officer

Snap-on Tools Company LLC

By: /s/ Alan T. Biland
Alan T. Biland
President

Snap-on Credit LLC

By: /s/ Joseph Burger
Joseph Burger
General Manager

The Representative Plaintiffs

By: /s/ Gerald Marks
Marks & Klein, LLP

By: /s/ Edward B. Deutsch
McElroy, Deutsch, Mulvaney and Carpenter, LLP

____
Aaron Reeves

____
Anthony Hobby

Counsel for Corporate Defendants

By: /s/ Susan F. Marrinan
Susan F. Marrinan
Vice President, Secretary and Chief Legal Officer

By: /s/ Lewis H. Goldfarb
Lewis H. Goldfarb Associates, LLC
Settlement Counsel

____
Paul Vladyka

____
Dwight Lankart

____
Richard Fortuna

____
Ronald DeSantis

____
Shawn Dickmyer

____
Scott Factor

____
William Bradley Freeman

____
Scott Ingenito

____
Matt Setser

EXHIBIT A

CLAIM FORM

TO FORMER FRANCHISEES: To make a claim in the above case, please select either **Option A or Option B,** and complete and return the appropriate form along with the required documentation no later than ____________, 2006.

If you select **Option A,** please fill out and return the attached post card. No further documentation is required. The choice of this Option will qualify you to receive a check for $1,000.

If you select **Option B,** please request the **Option B Questionnaire** from the Snap-on Settlement Claim Administrator. The choice of this Option, along with the furnishing of all required documentation, will qualify you to receive a check in an amount not to exceed $20,000**.** The calculation of the amount you may qualify for is based primarily on a formula set forth in Exhibit F.

TO CURRENT FRANCHISEES: To make a claim in the above case, please complete and return the attached Current Franchisee Verification form, Exhibit J, no later than ______________, 2006. This form requires that you verify that you are a Snap-on franchisee, the date your franchise began and your weekly paid sales average for the 52 week period ending April 12, 2006. Current franchisees may qualify for a technology credit of up to $1,200 and a credit to their account of up to $8,000, the latter depending on their weekly paid sales average for the 52 week period ending April 12, 2006. See Exhibit G for the formula to be applied to calculate the amount of the credit and Exhibit H for a description of the items eligible for the technology credit.

Return Claim Form to the following address.

Snap-on Settlement Claim Administrator
LECG, LLC
P.O. Box _______________
____

Under Penalty of Perjury, the undersigned claimant swears that all information and documentation submitted in support of any Claim is true.

Signed: ___________________________________

Dated: ___________________________________

Attachments: Exhibits F, G, H, J and Option A Postcard

EXHIBIT B

Excluded Franchisees

Williams, Scott
Haskins, Christopher
Stedman, Thomas
Guntrum Andrew
Gray, Cy
Townson, Keith
Smith, Sean
Newman, Rocky

EXHIBIT C

NOTICE OF PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENT

THIS IS A LEGAL NOTICE. YOUR LEGAL RIGHTS ARE AFFECTED WHETHER YOU ACT OR DON'T ACT. PLEASE READ IT CAREFULLY.

A Settlement has been reached which resolves a class action lawsuit involving Snap-on Tools Company LLC ("Snap-on Tools"), Snap-on Credit LLC ("Snap-on Credit), and Snap-on Incorporated, ("Incorporated"). Snap-on Tools, Snap-on Credit, and Snap-on Incorporated are collectively referred to herein as "Snap-on". Snap-on has denied any wrongdoing, but has agreed to the Settlement described below. By resolving this litigation, the Settlement enables Snap-on to concentrate its time and resources on the execution of its forward-focused strategies and business plans for profitable growth. This Notice summarizes the terms of the Settlement, and tells you how to protect your rights and participate in the Settlement. The entire Settlement Agreement is available for review at the Office of the Clerk of the Court, United States District Court for the District of New Jersey, M.L. King, Jr. Federal Building & U.S. Courthouse, 50 Walnut Street, Newark, New Jersey 07102.

1. The Litigation

On May 16, 2006, a lawsuit entitled *DeSantis et al. v. Snap-on Tools Company, LLC; Snap-on Credit, LLC; and Snap-on Incorporated*, Case No. ___________ was filed in the United States District Court for the District of New Jersey (the "Court") as a class action, alleging that Snap-on engaged in unfair and deceptive business practices (the "Litigation"). Snap-on denies any wrongdoing whatsoever and assert that their practices and policies throughout the relevant period were designed and intended to promote the success of its franchisees, an objective essential to its own ability to succeed and thrive in the marketplace.

The Court did not decide in favor of Snap-on or the plaintiffs. Instead, both sides agreed to a Settlement. By resolving this issue now, the Settlement enables Snap-on to concentrate its time and resources on the execution of its forward-focused strategies and business plans for profitable growth.

2. Class Actions

In a class action, one or more persons or businesses called Class Representatives sue on behalf of those with similar claims. All of these people and businesses together are called a Class or Class Members. One court resolves the issues for all Class Members, except for those who previously ask to be excluded (opt-out) from the Class. The Class Members are the people described in section 3 below.

3. Class Members

For purposes of the Settlement, the Court has preliminarily certified the Class as all individuals or entities in the United States who, from January 1, 1998 through April 18, 2006, operated a Snap-on

- franchise,
- independent dealership, or
- conversion franchise.

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4. Exceptions to the Class

The following persons are excluded from the Class:

- Snap-on trial franchisees,
- employees or independent contractors of Class members,
- persons who have asserted a claim against Snap-on and were represented by counsel which resulted in a signed settlement agreement, judgment or arbitration award,
- franchisees not represented by counsel against whom an arbitration award or a default judgment was entered in favor of Snap-on, and
- certain franchisees identified in the Settlement Agreement.

5. Claim Forms

If you are a Class member and Former Franchisee, to make a claim for compensation under Option A of the Settlement Agreement you must complete the attached Claim Form, and send it along with any additional information required by the form by regular or express mail to the address listed on the Claim Form. If you elect Option A and properly complete the Claim Form you will receive a check for $1,000. To make a claim under Option B of the Settlement Agreement you must request an Option B Claim Form from the Class Action Settlement Claims Administrator at the address listed in this Notice. Whether you choose Option A or Option B, the completed Claim Form must be received by ___________________________. If you elect Option B you will be eligible to receive an amount not to exceed $20,000.

If you are a Class member and Current Franchisee, to make a claim in the above case, you must complete the attached Claim Form, and send it, along with any additional information required by the Form, by regular or express mail to the address listed on the Claim Form. The Claim Form must be received by __________________. If the Court approves the Settlement and the judgment is not appealed, you will receive the compensation provided for in this Settlement within 90 days of expiration of any time for appeal.

6. Settlement Benefits

To settle the allegations in the Litigation, Snap-on has agreed to provide Class members with the benefits described below. For a detailed explanation of the Settlement Benefits you should obtain the Settlement Agreement in the manner described herein.

Current franchisees who are Class members will receive from Snap-on Tools a credit to the accounts of such franchisees in an amount up to $9,200. Snap-on Tools will also make several changes in its business practices intended to benefit current and future franchisees and to enhance franchisee prospects for success.

Former franchisees who are Class members, will receive monetary compensation from Snap-on Tools according to a formula set forth in the Settlement. If you select benefits under Option A you will receive a check for $1,000. If you qualify for benefits under Option B you may receive an amount not to exceed $20,000. Snap-on Tools and/or Snap-on Credit will also forgive certain debt outstanding at the time of the former franchisees' termination whether you choose Option A or Option B.

7. Forfeiture of Rights

If the Court approves the Settlement, it will enter a judgment dismissing the Litigation with prejudice as to all Class members and releasing all claims they may have against Snap-on, including their affiliates and personnel, arising from the practices alleged in the Litigation. (A complete description of these released claims is set forth in the parties' Settlement Agreement. This means that Class members will be barred from bringing their own lawsuits for recovery on any such claims.

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8. Attorney's Fees

Plaintiffs' counsel in this and related cases in other states have pursued these matters on an entirely contingent basis, and have not received any compensation for their services or any reimbursement of their out-of-pocket expenses from the inception of the Litigation. Plaintiffs' counsel commenced work on this Litigation in May, 2003 and has worked several thousands of hours to help effectuate this Settlement. As part of the Settlement, Plaintiffs' counsel will apply for attorneys' fees in an amount not to exceed $13,000,000 and reimbursement of their costs and expenses. In addition, Plaintiffs' counsel will ask the Court to award a $50,000 incentive payment to each of the Class representatives, or named plaintiffs, in recognition of the time, effort, and risks they undertook in pursuing the lawsuit, and in obtaining the benefits conferred on the Class by the Settlement.

Any award of attorneys' fees and expenses or incentive awards to the named plaintiffs will not reduce the value of benefits provided to the Class under the Settlement, and will be paid separately by Snap-on. Under no circumstances will you be required to pay any attorneys' fee or costs as a consequence of your decision to participate in the Settlement.

9. Exclusions from the Class

If you meet the Class definition but choose to exclude yourself from the class and do not want to be barred from bringing your own lawsuit on such claims, you must validly and timely request exclusion from the class, as set forth below.

You do not have to take part in the Settlement or be a Class member. This is called "excluding" yourself or "opting-out". To exclude yourself, you must send a signed Request for Exclusion to the Snap-on Settlement Claims Administrator, LECG, P.O. Box _______________________ so that it is received on or before __________. If you submit a valid and timely Request for Exclusion, you will not participate in the Settlement. You will not be bound by the judgment dismissing the Litigation with prejudice, and your claims will not be released nor will Snap-on claims against you be released. If you exclude yourself, you cannot get any benefits from the Settlement and you cannot tell the Court you don't like the Settlement (which is called "objecting"). If you request to opt-out you must sign the following statement:

> I understand that I am requesting to be excluded from the Class Settlement and that by opting out, I will receive no benefit under the Class Settlement. I further understand that if I am excluded from the Class Settlement, I may bring a separate legal action, on my own behalf, but I may receive nothing or less than what I would have received if I had filed a claim for benefits under the Settlement of this case. I also understand that to the extent I would be released under this Settlement, if I opt out, Snap-on Tools and/or Snap-on Credit have the right to file a claim against me for such matters as debts that may be alleged by them to be due and owing by me to either or both of them. I understand that it is Defendants' belief that Class Counsel's advocating approval of this Settlement Agreement creates a conflict with those of their current clients who elect to opt out of or object to the Settlement, if any. I also understand Class Counsel believe they may have a conflict but also believe they may have an ethical obligation that is informed by R.P.C. 5.6(b) to continue to offer their services in representing these current clients. I further understand that Defendants will seek to disqualify Class Counsel from their representation of such clients.

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10. Objecting

If you are a Class member and do not exclude yourself, you can tell the Court you don't like the Settlement or some part of it. This is called objecting to the Settlement and the Court will consider your views. To do so, you must file your objection with the Court and send copies by regular or express mail to the Snap-on Class Action Settlement Claims Administrator, LECG, at ____ so that it is received on or before __________. Your written objection must include (1) your name, address, and telephone number; (2) a statement of your views regarding the settlement; (3) any supporting documentation you wish to submit; and (4) a reference to this Litigation. If you wish to appear and present your objection orally at the Fairness Hearing, your written objection must contain a notice that you intend to appear and be heard, a statement of the positions you intend to present at the hearing and any supporting arguments. You may, but need not, appear in the Litigation through your own counsel. If you do so, you will be responsible for your own attorneys' fees and expenses. You may also comment in support of the Settlement by following the same procedure set forth above.

11. Fairness Hearing

A hearing will be held on ___________ before the Honorable __________ of the United States District Court for the District of New Jersey. The purpose of the hearing will be to determine (a) whether the proposed settlement should be approved as fair, reasonable and adequate; (b) whether the application by Plaintiffs' counsel for an award of attorneys' fees and expenses should be granted; and (c) whether the Litigation and Class members' claims should be dismissed with prejudice pursuant to the Settlement. The Court, in the exercise of its discretion, may defer consideration of the application of Plaintiffs' Counsel for an award of attorneys' fees and expenses until the conclusion of the period for Class Members to file claims. The Court may decide to adjourn or continue the Fairness Hearing without further notice to the Class. You may attend the hearing if you wish, but are not required to do so to participate in the Settlement.

12. Tax Considerations

All Class Members are urged to consult with their tax advisors to determine the particular tax consequences to them (including the application and effect of federal, state, and local income and other tax laws) of the Settlement. Nothing contained in this Notice or the Settlement Agreement shall constitute the provision of any tax advice and neither the representative Plaintiffs (the Defendants) nor Counsel are providing or making, and shall not be deemed to have provided any advice or made any representations as to any tax consequences with respect to any Class Member.

13. Additional Details

You can get more information about this Settlement by contacting the Snap-on Settlement Claim Administrator, LECG at the address set forth above or at the following telephone number _________________. Complete copies of the Settlement Agreement and all other pleadings and papers filed in the Litigation are available to you for inspection and copying, during regular business hours, at the Office of the Clerk of the Court, United States District Court for the District of New Jersey, ________________________________. **Please do not contact the Court regarding this Notice.**

Dated: ___________________, 2006

By Order of the United States District Court for the District of New Jersey.

EXHIBIT D

Notice Order

McELROY, DEUTSCH, MULVANEY & CARPENTER, LLP
1300 Mt. Kemble Avenue
P.O. Box 2075
Morristown, New Jersey 07962-2075
(973) 993-8100
Ronald J. Riccio, Esq.
Donna duBeth Gardiner, Esq.

MARKS & KLEIN, LLP
63 Riverside Avenue

Red Bank NJ 07701
(732) 747-7100
Gerald A. Marks, Esq.
Justin Klein, Esq.

Attorneys for Plaintiffs

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

RONALD DESANTIS, MATT SETSER, SHAWN DICKMYER, WILLIAM BRADLEY FREEMAN, SCOTT FACTOR,SCOTT INGENITO, AARON REEVES, ANTHONY HOBBY, DWIGHT LANKART, RICHARD FORTUNA,and PAUL VLADYKA,

On behalf of themselves and others similarly situated,

Plaintiffs,

vs

SNAP-ON TOOLS COMPANY, LLC,
SNAP-ON CREDIT LLC, and
SNAP-ON INCORPORATED,

Defendants

Civil Action

Civil Action No.

ORDER GRANTING PRELIMINARY APPROVAL OF SETTLEMENT AND PROVIDING CLASS NOTICE

WHEREAS, on May ____, 2006, the Class Representative plaintiffs, Ronald DeSantis, Matt Setser, Shawn Dickmyer, William Bradley Freeman, Scott Factor, Scott Ingenito Aaron Reeves, Anthony Hobby, Dwight Lankart, Richard Fortuna and Paul Vladyka, (collectively "Plaintiffs"), on behalf of themselves and others similarly situated, filed a Class Action Complaint against defendants Snap-On Tools Company, LLC, Snap-On Credit LLC, and Snap-on Incorporated (collectively "Defendants");

WHEREAS, on May ___________, Plaintiffs entered into a settlement agreement (the "Settlement Agreement") with Defendants providing for settlement of the class action claims asserted in Plaintiffs' Complaint. The Settlement Agreement and Exhibits thereto is attached hereto as **Exhibit A;**

WHEREAS, Plaintiffs have moved for, and Defendants have not objected to, entry of this Preliminary Approval of Settlement Order, *inter alia*, (i) certifying a class for settlement purposes only and approving Plaintiffs' definition of the Settlement Class; (ii) approving the Settlement as fair, reasonable, and adequate; (iii) establishing a procedure for Notice to Class Members and filing objections to the Settlement; (iv) establishing a procedure for opt-outs; and (v) scheduling a hearing for final approval of the Settlement Agreement;

NOW, THEREFORE, after due consideration and upon a showing of good and sufficient cause for the entry of this Order

IT IS, ON THIS _____ day of ___________, 2006, ORDERED:

1. This Order incorporates by reference the definitions contained in the Settlement Agreement.

2. The Court hereby certifies, for the purposes of settlement only, pursuant to Fed.R.Civ.P. 23(a) and 23(b)(3), the definition of the class that is contained in the Settlement Agreement which definition is incorporated herein by reference and made a part hereof.

3. The Court finds that the Settlement Agreement is preliminarily approved as fair, reasonable and adequate.

4. A hearing (the "Fairness Hearing") shall be held before this Court on ______________, 2006, at _________, to determine, *inter alia,* whether (i) the proposed Class should be finally certified for settlement purposes; (ii) the Settlement Agreement is fair, reasonable, and adequate and should be approved by the Court; (iii) a Final Judgment should be entered approving the Settlement Agreement in all respects; and (iv) to approve the request of Class Counsel for the payment of and allocation among Class Counsel of attorneys fees and reimbursement of expenses.

5. The Defendants shall cause the Notice, attached to the Settlement Agreement as **Exhibit C,** to be provided in accordance with the Settlement Agreement.

6. Any interested person permitted by the Court may appear at the Fairness Hearing to show cause why the Settlement Agreement should or should not be approved as fair, reasonable, and adequate; provided, however, that the Court shall not permit any person to be heard or entitled to contest the approval of the terms and conditions of the Settlement Agreement, unless that person has complied with the applicable provisions of the Settlement Agreement and has (i) served written objections and copies of any supporting papers and briefs so that they are received no later than ___________, 2006, upon counsel below:

McELROY, DEUTSCH, MULVANEY & CARPENTER, LLP
1300 Mt. Kemble Avenue
P.O. Box 2075
Morristown, New Jersey 07962-2075
(973) 993-8100
Edward B. Deutsch, Esq.
Ronald J. Riccio, Esq.
Donna duBeth Gardiner, Esq.

MARKS & KLEIN, LLP
63 Riverside Avenue
Red Bank NJ 07701
(732) 747-7100
Gerald A. Marks, Esq.
Justin Klein, Esq.

Lew Goldfarb Associates, LLC
875 Third Avenue, Suite 2710
New York, New York 10022
Attorneys for Defendants

Snap-on Incorporated
2801 - 80th Street
Kenosha, Wisconsin 53143
(262) 656-5550
Susan F. Marrinan
Chief Legal Officer

and (ii) has filed said objections, papers, and briefs, showing proof of service upon said counsel with the Clerk of the United States District Court for the District of New Jersey, on or before the same date. Any Class Member who does not submit an objection in the manner provided above shall be deemed to have waived any objection to the Settlement Agreement and shall forever be foreclosed from making any objection to class certification, to the fairness, adequacy or reasonableness of the Settlement, and to any attorneys' fees and reimbursements, including the allocation thereof, that is approved by the Court.

7. All memoranda, affidavits, declarations and other evidence to be submitted in support of the request for final approval of the Settlement Agreement and Class Counsel's request for final approval of attorneys' fees, costs and reimbursement of expenses, including the allocation thereof, shall be filed on or before ______________________, 2006.

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8. The Court expressly reserves the right to adjourn the Fairness Hearing from time to time without further notice, other than to counsel of record, and to approve the Settlement Agreement and request for approval of attorneys' fees and expenses, including the allocation thereof, at or after the originally scheduled Fairness Hearing.

9. This Order shall not be construed or deemed to be a finding by this Court or evidence of a presumption, implication, concession, or admission by Defendants concerning (i) any liability, fault, or wrongdoing by Defendants; or (ii) the appropriateness of class certification for any purposes other than settlement. If the Settlement Agreement is not approved or consummated for any reason whatsoever, the Settlement Agreement and all proceedings had in connection therewith shall be without prejudice to the *status quo ante* rights of the Parties to this Litigation. In that event, this Order shall be vacated, the class certification shall be dissolved *ab initio*, and all of the *status quo ante* rights of the Parties shall be restored including, but not limited to, Defendants' rights to oppose certification of a class and/or the merits of Plaintiffs' claims on any grounds, legal or equitable.

SO ORDERED

____
U.S.D.J.

EXHIBIT E

OPTION B — QUESTIONAIRE

Please provide the following information regarding your experience as a Snap-on Tools franchisee:

1. Indicate the Dealer number for which the questionnaire is completed.

2. On what dates did your franchise begin and end?

3. What amount, if any, were you billed or told you owed to Snap-on Tools and/or Snap-on Credit after your termination?

4. Did you turn in your entire inventory at the time of check in? If not, what was the value, at Dealer Cost, of the inventory you retained?

5. Did you sell any Snap-on products after the termination of your franchise? Describe type of product and the amount

6. Did you sign a release of claims against Snap-on Tools?

7. What were your average weekly paid sales during the last two years of your franchise? Please provide a copy of your Federal Income Tax Returns for the final two years of your franchise(s).

8. Were you ever an employee of Snap-on Tools at any time before or after your franchise terminated? If so, what were your dates of employment?

9. Was your franchise(s) terminated involuntarily?

10. What were the reasons for the termination of your franchise?

11. To the extent available, provide evidence of your termination if it occurred after January 1, 2006 and prior to April 18, 2006.

12. Indicate whether you fully remitted all monies collected from customers for debts owed to Corporate Defendants.

Corporate Defendants reserve the right to request documentary corroboration for responses requested on this claim form.

Under Penalty of Perjury, the undersigned claimant swears that all information and documentation submitted in support of any Claim is true.

Signed: ____________________________________

Dated: ____________________________________

EXHIBIT F

Settlement Payout Formula for Former Franchisees selecting Option B

For Former Franchisees selecting Option B, the Franchisee will be required to complete the Option B questionnaire, detailing certain information and the payout will be calculated as follows:

ADD OR SUBTRACT EACH OF THE FOLLOWING COMPONENTS IN THE FOLLOWING ORDER:

1) Add Paid Sales Component:

$8,000 if Franchisee Weekly Paid Sales Average during final 24 months was less than or equal to $3,000 (if Franchisee for less than 24 months, the calculation is adjusted to be the total Paid Sales divided by the total Weeks Worked)

$6,000 if Franchisee Weekly Paid Sales Average during final 24 months was greater than $3,000 but less than or equal to $5,000

$4,000 if Franchisee Weekly Paid Sales Average during final 24 months was greater than $5,000 but less than or equal to $6,500

$0 if Franchisee Weekly Paid Sales Average during final 24 months was greater than $6,500

2) Add Years of Service Component:

$12,000 if Franchisee for period less than or equal to 2 years

$ 10,000 if Franchisee for period greater than 2 years but less than or equal to 5 years

$ 8,000 if Franchisee for period greater than 5 years but less than or equal to 10 years

$ 4,000 if Franchisee for period over 10 years

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3) Reduce by Employment Component:

If Franchisee is currently employed by Snap-on, apply a 90% reduction in all Component payments.

If Franchisee terminated and became an employee, but is no longer an employee, apply a 50% reduction in all Component payments.

4) Reduce by the uncollected amount (before debt forgiveness under this Agreement) owed to Snap-on Tools and Snap-on Credit together (the “Former Franchisee Loss Component”)

If Former Franchisee Loss less than or equal to $5,000, no reduction.

If Former Franchisee Loss greater than $5,000 but less than or equal to $30,000, apply a 20% reduction in all Component payments.

If Former Franchisee Loss greater than $30,000 but less than or equal to $50,000, apply a 40% reduction in all Component payments.

If Former Franchisee Loss greater than $50,000 but less than or equal to $90,000, apply a 60% reduction in all Component payments.

If Former Franchisee Loss was over $90,000, apply a 95% reduction in all Component payments.

5) Reduce by Release Agreement Component:

If Former Franchisee signed a release, apply a 60% reduction to the aggregate amount calculated from Items 1 through 4.

Example

Franchisee terminated the franchise after 3 years with a Weekly Paid Sales Average of $3,500 and a Former Franchisee Loss of $10,000. Franchisee also signed a Release Agreement. Franchisee was never an employee of Snap-on.

$6,000 (Paid Sales Component) + $10,000 (Years of Service Component) = $16,000 less 20% (Former Franchisee Loss Component) = $12,800 less 60% (Release Agreement Component) = $5,120 Final Payment.

EXHIBIT G

Settlement Payout Formula for Current Franchisees

The following amount will be processed as a statement credit for each franchise operated under a separate Franchise Agreement based on the weekly average paid sales (excluding paid sales applicable to a second van) for a 52 week period ended April 12, 2006 or if the franchise has not been operated for 52 weeks as of April 12, 2006, the entire period of operation through April 12, 2006, the calculation is adjusted to be the total Paid Sales divided by the total Weeks Worked:

$8,000 if Current Franchisee’s Weekly Paid Sales Average was less than $3,000

$6,000 if Current Franchisee's Weekly Paid Sales Average was greater than $3,000 but less than $5,000

$4,000 if Current Franchisee Weekly Paid Sales Average was greater than $5,000 but less than $6,500

$0 if Current Franchisee’s Weekly Paid Sales Average was greater than $6,500

EXHIBIT H
Technology Credit

Product	Equipment or Software	Price	Snap-on Purchase/Lease Channels	Notes
Computer	Dell 610 Laptop Computer	$1,800	www.dell.com/snapon	
Software	Intuit QuickBooks Pro Version, 2006	$300	Local retailer or web sites	
Power	600 watt true sign wave/AC inverter	$550	Lynch Display Vehicles	
Accessory	Topaz SigLite SL electronic signature pad	$55	Snap-on Credit	This price goes up to $150 per pad after the initial launch quantity of 4,000 this year.
Printer	Laser Printer, HP 1020	$179	Local retailer or web sites	
Wireless Network	Wireless Data Service Plan (up to 2 years) with Verizon, Cingular or Sprint	$60/mo	Local retailer or web sites	
Accessory	External Antenna for Wireless Service	$60	Through wireless provider	

EXHIBIT I

Former Franchisees Represented By Counsel On Or Before April 18, 2006

1. Acevedo, Steven*
2. Attardi, Gino H*
3. Bagarella, Robert C*
4. Baker, Kevin*
5. Barnes, Michael
6. Barnes, Tim
7. Barrett, Robert S*
8. Barrios, Bernard*
9. Bell, Alan J*
10. Blank, Richard*
11. Bly, Oran M*
12. Boswell, Gary D
13. Canaveral Luis
14. Canetti, Darin*
15. Catrini, Richard J*
16. Cerezola, Larry*
17. Coccaro, Nicholas J*
18. Cockcroft, Robert M*
19. Cox Thomas L*
20. Crist, John*
21. Cusack, Corey B*
22. Dahn, Brian*
23. Defendini, Felix L*
24. Einecker, Gregory S*
25. Fain, James M*
26. Farmer, Bill J*
27. Geiger, Mark*
28. Geisel, Timothy*
29. Gerber, Mitchell L*
30. Ginter, Dan
31. Goldman, Robert M*
32. Grady, Jon P
33. Griswold, Adam F*
34. Guge, Kenneth L
35. Hannum, Darren L*
36. Harker, Lance G*
37. Harris, James M*
38. Hasher, Alan*
39. Hass, Jr. Donald W*
40. Hayden, Kenneth J*
41. Hayes, Robin
42. Hebert, Andrew A*
43. Hill, Charles M*
44. Howell, Honathan T*
45. Ingles, Anthony J*
46. Jackson, Mark “Stephen”*
47. Janickas, Jeffrey*
48. Jasper, John R
49. Jones, Randy*
50. Ketcheside, Justin D*
51. Kretchmer, Frederick M “Mickey”*
52. Kuhn, Hebert*
53. Lagnese, Anthony*
54. Larocca, Michael*
55. Leto, Gary J*
56. Leuis, Michael*
57. Ligato, Joseph*
58. Lightsey, Lloyd*
59. Lockett, Kevin D*
60. Littlejohn, Perry
61. MacMurdo, David L*
62. Markey Jr., Phillip*
63. Markwood III, Paul W
64. Marron, Michael*
65. Masui, Tucker M*
66. McCoy, Patrick L*
67. Mihalik, Andrew*
68. More, Gary*
69. Nieven, Robert R*
70. Ortiz, Ismael*
71. Ott, Kevin*
72. Paulsen, Bryant A*
73. Pessolano Jr., James*
74. Pires, Louis*
75. Randall, Karl*
76. Robinson, Stephen T*
77. Rowley, Michael
78. Salacinski, Stephen J*
79. Savoia, Anthony*
80. Schena, Phillip*
81. Smith, Lee
82. Smith, Patrick D*
83. Spanner, James R
84. Stotz, John*
85. Sullivan, William J*
86. Suter, James*
87. Tindell, David
88. Trozzi, Gustavo*
89. Wadsworth, Larry T*
90. Walls, Ronald*
91. Wilkes, Jeff*
92. Wilkinson Jr., Warren “Leroy”*
93. Williams, Bryan R*
94. Wootton, Craig*

EXHIBIT J

Current Franchisee Verification Form

Complete a separate form for each franchise you have.

Indicate your Dealer number ___________.

You understand that the appropriate credit to your statement will be calculated from the paid sales information in the records of Snap-on Tools Company LLC.

Enclosed is the documentation supporting the expenses incurred that qualify for the technology credit.

By signing below you certify that you were operating a franchise under the foregoing Dealer number as of April 30, 2006.

Under Penalty of Perjury, the undersigned claimant swears that all information and documentation submitted in support of any Claim is true.

Signed: _____________________________________

Dated: _____________________________________

EXHIBIT 31.1

CERTIFICATIONS

I, Jack D. Michaels, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Snap-on Incorporated;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2006

/s/ Jack D. Michaels
Jack D. Michaels
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Martin M. Ellen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Snap-on Incorporated;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2006

/s/ Martin M. Ellen
Martin M. Ellen
Principal Financial Officer

EXHIBIT 32.1

Certification of Chief Executive Officer Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Snap-on Incorporated (the “Company”) on Form 10-Q for the period ending July 1, 2006, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Jack D. Michaels as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jack D. Michaels
Jack D. Michaels
Chief Executive Officer
July 26, 2006

EXHIBIT 32.2

Certification of Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Snap-on Incorporated (the “Company”) on Form 10-Q for the period ending July 1, 2006, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Martin M. Ellen as Principal Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Martin M. Ellen
Martin M. Ellen
Principal Financial Officer
July 26, 2006