

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

FORM 10-Q

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

For quarterly period ended March 30, 2002

Commission File Number 1-7724

Snap-on Incorporated  
(Exact name of registrant as specified in its charter)

Delaware 39-0622040  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

10801 Corporate Drive, Pleasant Prairie, Wisconsin 53158-1603  
(Address of principal executive offices) (zip code)

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

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

Class	Outstanding at April 27, 2002
-----	-----
Common stock, \$1 par value	58,173,891 shares

SNAP-ON INCORPORATED

INDEX

	Page
	----
Part I. Financial Information	
Consolidated Statements of Earnings - Thirteen Weeks Ended March 30, 2002 and March 31, 2001	3
Consolidated Balance Sheets - March 30, 2002 and December 29, 2001	4-5
Consolidated Statements of Cash Flows - Thirteen Weeks Ended March 30, 2002 and March 31, 2001	6
Notes to Consolidated Financial Statements	7-15
Management's Discussion and Analysis of Financial Condition and Results of Operations	16-23
Quantitative and Qualitative Disclosures About Market Risk	24-25
Part II. Other Information	26

PART I. FINANCIAL INFORMATION  
Item 1: Financial Statements

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

	Thirteen Weeks Ended	
	March 30, 2002	March 31, 2001
Net sales	\$ 510.0	\$ 527.4
Cost of goods sold	(274.3)	(283.7)
Operating expenses	(197.9)	(202.5)
Net finance income	7.3	12.1
Restructuring and other non-recurring charges	(3.4)	-
Interest expense	(7.8)	(8.9)
Other income (expense) - net	(.1)	1.9
Earnings from continuing operations before income taxes	33.8	46.3
Income taxes on earnings from continuing operations	12.1	16.9
Earnings before cumulative effect of a change in accounting principle	21.7	29.4
Cumulative effect of a change in accounting principle for goodwill in 2002 (net of tax of \$0) and for derivatives in 2001 (net of tax benefit of \$1.6)	2.8	(2.5)
Net earnings	\$ 24.5	\$ 26.9
Net earnings per share - basic:		
Earnings before cumulative effect of a change in accounting principle	\$ .37	\$ .51
Cumulative effect of a change in accounting principle, net of tax	.05	(.05)
Net earnings per share	\$ .42	\$ .46
Net earnings per share - diluted:		
Earnings before cumulative effect of a change in accounting principle	\$ .37	\$ .51
Cumulative effect of a change in accounting principle, net of tax	.05	(.05)
Net earnings per share	\$ .42	\$ .46
Weighted-average shares outstanding:		
Basic	58.0	57.8
Effect of dilutive options	.7	.4
Diluted	58.7	58.2
Dividends declared per common share	\$ .24	\$ .24

See Notes to Consolidated Financial Statements.

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

	March 30, 2002	December 29, 2001
	-----	-----
(Unaudited)		
ASSETS		
Current Assets		

Cash and cash equivalents	\$ 5.4	\$ 6.7
Accounts receivable - net of allowances	633.1	615.2
Inventories		
Finished stock	355.2	351.4
Work in process	46.3	41.5
Raw materials	80.4	77.2
Excess of current cost over LIFO cost	(95.1)	(94.9)
	-----	-----
Total inventory	386.8	375.2
Prepaid expenses and other assets	135.8	142.3
	-----	-----
Total current assets	1,161.1	1,139.4
Property and equipment		
Land	22.8	23.4
Buildings and improvements	191.0	195.5
Machinery and equipment	507.5	501.3
	-----	-----
	721.3	720.2
Accumulated depreciation	(401.1)	(392.5)
	-----	-----
Property and equipment - net	320.2	327.7
Deferred income tax benefits	26.9	27.7
Goodwill - net	332.6	331.2
Other intangibles - net	61.3	60.7
Other assets	81.8	87.6
	-----	-----
Total assets	\$ 1,983.9	\$ 1,974.3
	=====	=====

See Notes to Consolidated Financial Statements.

4

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

	March 30, 2002	December 29, 2001
	-----	-----
	(Unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 177.4	\$ 141.2
Notes payable and current maturities of long-term debt	29.1	29.1
Accrued compensation	51.0	58.7
Dealer deposits	50.6	42.0
Deferred subscription revenue	45.4	45.0
Accrued restructuring reserves	15.4	23.1
Other accrued liabilities	171.0	210.3
	-----	-----
Total current liabilities	539.9	549.4
Long-term debt	459.1	445.5
Deferred income taxes	25.9	24.7
Retiree health care benefits	92.8	92.7
Pension liability	55.4	54.5
Other long-term liabilities	25.1	31.7
	-----	-----
Total liabilities	1,198.2	1,198.5
	-----	-----
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 66,873,659 and 66,847,107 shares	66.9	66.8
Additional paid-in capital	107.6	108.0
Retained earnings	1,025.2	1,014.7
Accumulated other comprehensive income (loss)	(125.6)	(120.6)

Grantor stock trust at fair market value - 5,751,566 and 5,984,145 shares	(195.1)	(203.0)
Treasury stock at cost - 3,021,462 and 2,923,435 shares	(93.3)	(90.1)
	-----	-----
Total shareholders' equity	785.7	775.8
	-----	-----
Total liabilities and shareholders' equity	\$ 1,983.9	\$ 1,974.3
	=====	=====

See Notes to Consolidated Financial Statements.

5

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

	Thirteen Weeks Ended	
	March 30, 2002	March 31, 2001
	-----	-----
OPERATING ACTIVITIES		
Net earnings	\$ 24.5	\$ 26.9
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Cumulative effect of a change in accounting principle (net of tax) for goodwill in 2002 and for derivatives in 2001	(2.8)	2.5
Depreciation	13.3	13.3
Amortization of goodwill	-	3.4
Amortization of other intangibles	.6	1.0
Deferred income tax provision	20.4	4.6
Gain on sale of assets	(.3)	(.4)
Mark-to-market on cash flow hedges, net of tax	2.1	(1.0)
Restructuring and other non-recurring charges, net of tax	2.2	-
Changes in operating assets and liabilities, net of effects of acquisitions:		
(Increase) decrease in receivables	(18.1)	4.4
(Increase) decrease in inventories	(15.1)	(23.5)
(Increase) decrease in prepaid and other assets	(7.1)	(17.3)
Increase (decrease) in accounts payable	38.5	15.5
Increase (decrease) in accruals and other liabilities	(52.8)	(18.5)
	-----	-----
Net cash provided by operating activities	5.4	10.9
INVESTING ACTIVITIES		
Capital expenditures	(13.9)	(10.3)
Acquisitions of businesses - net of cash acquired	(.8)	(.9)
Disposal of property and equipment	4.0	3.0
	-----	-----
Net cash used in investing activities	(10.7)	(8.2)
FINANCING ACTIVITIES		
Payment of long-term debt	(2.1)	(2.1)
Proceeds from issuance of long-term debt	.9	.5
Increase in short-term borrowings - net	15.0	13.5
Purchase of treasury stock	(3.2)	(2.7)
Proceeds from stock purchase and option plans	7.4	1.1
Cash dividends paid	(13.9)	(13.9)
	-----	-----
Net cash provided by (used) in financing activities	4.1	(3.6)
Effect of exchange rate changes on cash	(.1)	(.4)
	-----	-----
Decrease in cash and cash equivalents	(1.3)	(1.3)
Cash and cash equivalents at beginning of period	6.7	6.1
	-----	-----
Cash and cash equivalents at end of period	\$ 5.4	\$ 4.8
	=====	=====
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 9.3	\$ 7.2
Cash paid (received) for income taxes	\$ (4.6)	\$ 1.6

SNAP-ON INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. This report should be read in conjunction with the consolidated financial statements and related notes included in Snap-on Incorporated's ("Snap-on") Annual Report on Form 10-K for the year ended December 29, 2001.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments and adjustments related to restructuring and other non-recurring charges) necessary to a fair statement of financial condition and results of operations for the thirteen weeks ended March 30, 2002, have been made. Management also believes that the results of operations for the thirteen weeks ended March 30, 2002, are not necessarily indicative of the results to be expected for the full year. Certain prior-year amounts have been reclassified to conform with the current-year presentation.

2. On December 30, 2001, the beginning of Snap-on's 2002 fiscal year, Snap-on adopted Statement of Financial Accounting Standards ("SFAS") No. 142 "Goodwill and Other Intangible Assets." This Statement is required to be applied to all goodwill and other intangible assets recognized by the corporation as of December 30, 2001, and it changes the subsequent accounting for these assets in the following significant respects:

Accounting standards in place prior to December 30, 2001, concluded that goodwill and all other intangible assets were wasting assets and therefore amounts assigned to these assets were amortized in determining net income. SFAS No. 142 does not presume that these assets are wasting assets. The provisions of this statement requires that i) goodwill no longer be amortized, ii) negative goodwill be recorded as a cumulative effect of an accounting change as of the beginning of the 2002 fiscal year, iii) other intangible assets be evaluated to determine whether they have finite or indefinite useful lives, and iv) goodwill be evaluated for impairment. Intangible assets determined to have finite lives are amortized over those estimated lives, and intangible assets that have indefinite useful lives are not amortized.

SFAS No. 142 sets forth a number of factors to be considered in establishing the useful life of intangible assets. These factors include product life cycles, market competition and other economic trends, as well as the level of maintenance required to obtain future cash flows. The useful lives of all intangible assets as of December 30, 2001, were assessed using these criteria. In accordance with the adoption provisions of SFAS No. 142, Snap-on has completed the transitional assessment of its other intangible assets in evaluating and assigning a finite or indefinite useful life status. Snap-on is evaluating its goodwill for potential impairment and will conclude this evaluation during the second quarter of 2002.

As a result of the adoption of SFAS No. 142, Snap-on recorded a cumulative effect of a change in accounting principle transition adjustment that increased net income in the first quarter of 2002 by \$2.8 million, on both a pretax and after tax basis, for the recognition of unamortized negative goodwill.

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

The following is a reconciliation of earnings before cumulative effect of a change in accounting principle and net earnings, along with corresponding basic and diluted earnings per share data, between the actual first-quarter results reported by Snap-on in fiscal 2001 and the adjusted amounts reflecting the adoption of SFAS No. 142 on these prior-year results.

	Thirteen Weeks Ended March 31, 2001 -----
(Amounts in millions except per share data)	

Earnings before cumulative effect of a

change in accounting principle as reported:	\$29.4
Add back: Goodwill amortization, net of tax	2.9
Add back: Trademark amortization, net of tax	.2
	-----
Earnings before cumulative effect item - as adjusted	\$32.5
	=====
Net earnings as reported:	\$26.9
Add back: Goodwill amortization, net of tax	2.9
Add back: Trademark amortization, net of tax	.2
	-----
Net earnings - as adjusted	\$30.0
	=====
Earnings per share before cumulative effect of a change in accounting principle as reported:	
Basic	\$ .51
Diluted	.51
Earnings per share before cumulative effect item - as adjusted:	
Basic	\$ .56
Diluted	.56
Net earnings per share as reported:	
Basic	\$ .46
Diluted	.46
Earnings per share - as adjusted:	
Basic	\$ .51
Diluted	.51

8

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

Additional disclosures related to acquired intangible assets are as follows:

(Amounts in millions)	March 30, 2002		December 29, 2001	
	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
	-----	-----	-----	-----
Amortized Intangible Assets:				
Trademarks	\$ 1.7	\$ (.2)	\$ 1.7	\$ (.2)
Patents	27.6	(6.6)	27.2	(6.3)
	-----	-----	-----	-----
Total	29.3	(6.8)	28.9	(6.5)
Unamortized Intangible Assets:				
Trademarks	43.5	(4.7)	42.8	(4.5)
	-----	-----	-----	-----
Total Intangible Assets	\$72.8	\$ (11.5)	\$71.7	\$ (11.0)
	=====	=====	=====	=====

The carrying amount of goodwill as of March 30, 2002, increased \$1.4 million from December 29, 2001 levels of \$331.2 million to \$332.6 million, reflecting a \$1.1 million effect from an acquisition of a business operation and \$.3 million from currency translation effects.

The aggregate amortization expense for the thirteen weeks ended March 30, 2002, was \$.6 million. Total estimated annual amortization expense expected for the fiscal years 2002 through 2006 is as follows:

(Amounts in millions)	Estimated Amortization Expense
	-----
2002	\$2.1
2003	1.9
2004	1.8
2005	1.8
2006	1.7

- Snap-on announced in the second quarter of 2001 that it was taking significant action to (i) reduce costs companywide to adjust to the slower sales environment and (ii) improve operational performance in businesses

not earning acceptable financial returns. As a result of selective rationalization and consolidation actions, Snap-on recorded \$62.0 million in pretax restructuring and other non-recurring charges in 2001 for actions that include the consolidation or closure of 35 facilities, asset write-downs and severance costs to effect a 6% reduction in workforce. The \$62.0 million charge includes restructuring charges of \$40.3 million and non-recurring charges of \$21.7 million. The restructuring charge of \$40.3 million includes \$27.1 million for severance costs associated with the planned elimination of 796 salaried and hourly positions, \$6.0 million for non-cancelable lease agreements, \$5.9 million for facility asset write-downs, and \$1.3 million for exit-related legal and professional services. The \$21.7 million of other non-recurring charges includes \$12.6 million for restructuring-related inventory write-downs and additional inventory write-downs and warranty costs associated with Snap-on's exiting of an unprofitable segment of the emissions-testing business, \$8.4 million for management transition costs associated with the appointment of Dale F. Elliott as successor to the CEO position, and \$.7 million for equipment and employee relocation costs associated with the facility consolidations.

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

Snap-on expects to incur an estimated \$7 million to \$8 million in restructuring-related transition costs in the first half of 2002 for the completion of its 2001 restructuring and other activities. Transition costs do not qualify for restructuring accrual treatment and are therefore expensed when incurred.

In the first quarter of 2002, Snap-on recorded transition charges of \$3.4 million, consisting of \$3.0 million for costs related to the 2002 resignation of Snap-on's former CFO and \$.4 million for restructuring-related transition costs for employee and equipment relocation.

The composition of Snap-on's restructuring charge activity for the thirteen weeks ended March 30, 2002, was as follows:

	Restructuring Reserve As of December 29, 2001 -----	Usage -----	Restructuring Reserve as of March 30, 2002 -----
(Amounts in millions)			
Severance costs	\$21.1	\$ (7.4)	\$13.7
Facility consolidation or closure costs	2.0 -----	(.3) -----	1.7 -----
Total restructuring reserves	\$23.1 =====	\$ (7.7) =====	\$15.4 =====

The restructuring reserve usage for the thirteen weeks ended March 30, 2002, of \$7.7 million represents \$7.4 million for severance payments related to the separation of 176 employees and \$.3 million for facility consolidation or closure costs. Of the \$40.3 million of restructuring reserves established in 2001, \$24.9 million has been used to date, consisting of \$13.4 million for severance payments related to the separation of 448 of the 796 identified employees, \$5.6 million for facility consolidation or closure costs related to 20 of the 35 facilities identified, and \$5.9 million for asset write-downs. Snap-on expects to fund cash requirements of its 2001 restructuring activities with cash flows from operations and borrowings under the company's existing credit facilities. The specific restructuring measures and estimated costs were based on management's best business judgment under prevailing circumstances. Snap-on believes that the restructuring reserve balance of \$15.4 million as of March 30, 2002, is adequate to complete all announced activities and anticipates that all actions will be completed by the end of 2002.

4. Snap-on accounts for its hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138. These standards require that all derivative instruments be reported in the consolidated financial statements at fair value. Changes in the fair value of derivatives are to be recorded each period in earnings or "Accumulated other comprehensive income (loss)," depending on the type of

hedged transaction and whether the derivative is designated and effective as part of a hedged transaction. Gains or losses on derivative instruments reported in "Accumulated other comprehensive income (loss)" must be reclassified as earnings in the period in which earnings are affected by the underlying hedged item, and the ineffective portion of all hedges must be recognized in earnings in the current period.

10

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

In accordance with the provisions of SFAS No. 133, Snap-on recorded a transition adjustment on December 31, 2000, the beginning of Snap-on's 2001 fiscal year, to recognize its derivative instruments at fair value, and to recognize the difference between the carrying values and fair values of related hedged assets and liabilities upon adoption of these standards. The cumulative effect of this transition adjustment was to decrease reported net income in the first quarter of 2001 by \$2.5 million after tax related to a hedge strategy that did not qualify for hedge accounting under SFAS No. 133. Snap-on also recorded in the first quarter of 2001 a transition adjustment of \$1.2 million, after tax, in accumulated other comprehensive income (loss) to recognize previously deferred net gains on derivatives designated as cash flow hedges that qualify for hedge accounting under SFAS No. 133.

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 either 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. In addition, Snap-on hedges the anticipated repayment of 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. To the extent the net exposures are hedged, forward exchange contracts are used. Gains and/or losses on these foreign currency hedges are intended to offset losses and/or gains on the hedged transaction in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates.

At March 30, 2002, Snap-on had net outstanding foreign exchange forward contracts totaling \$188.4 million comprised of buy contracts of \$57.5 million in Swedish kronor and sell contracts of \$109.2 million in euros, \$71.3 million in British pounds, \$35.8 million in Canadian dollars, \$7.1 million in Singapore dollars, \$5.1 million in Danish kronor, \$4.8 million in Australian dollars and \$12.6 million in other currencies. At December 29, 2001, Snap-on had net outstanding foreign exchange forward contracts totaling \$191.3 million comprised of buy contracts of \$55.1 million in Swedish kronor and sell contracts of \$113.6 million in euros, \$73.8 million in British pounds, \$31.2 million in Canadian dollars, \$8.8 million in Singapore dollars, \$4.9 million in Danish kronor, \$4.4 million in Australian dollars and \$9.7 million in other currencies.

11

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

Snap-on's forward exchange contracts do not qualify for hedge accounting treatment under SFAS No. 133 and are therefore excluded from the assessment of effectiveness. 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. Those forward exchange contracts that qualify for hedge accounting treatment are accounted for as cash flow hedges where the effective portion of the changes in fair value of the derivative is recorded in "Accumulated other comprehensive income (loss)." When the hedged item is realized in income, the gain or loss included in "Accumulated other comprehensive income (loss)" is reclassified to income in the same financial statement caption as the hedged item. The ineffective portion of changes in fair value of the cash flow hedges are reported in earnings as foreign exchange gain or loss, which is included in "Other income (expense) - net" and which were not material.

Non-Derivative Instruments Designated in Hedging Relationships: Snap-on uses non-U.S. dollar financing transactions as net investment hedges of long-term investments in the corresponding foreign currency. Hedges that meet the effectiveness requirements are accounted for under net investment hedging rules. The effective portion of the net investment hedge of a foreign operation is recorded in "Accumulated other comprehensive income (loss)" as a cumulative translation adjustment. When applicable, the ineffective portion of the net investment hedge is recorded in earnings as foreign exchange gain or loss, which is included in "Other income (expense) - net" and which were not material. At March 30, 2002, net gains of \$.1 million arising from effective hedges of net investments have been reflected in the cumulative translation adjustment account as a component of "Accumulated other comprehensive income (loss)."

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 accrued and 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" 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 was \$50.0 million at March 30, 2002 and \$25.0 million at December 29, 2001.

For all derivatives qualifying for hedge accounting under SFAS No. 133, the net accumulated derivative gain at March 30, 2002, was \$2.1 million, after tax, and is reflected in "Accumulated other comprehensive income (loss)." At March 30, 2002, the maximum maturity date of any cash flow hedge and fair value hedge was approximately 36 months and 9.4 years, respectively. During the next 12 months, Snap-on expects to reclassify into earnings net gains from "Accumulated other comprehensive income (loss)" of approximately \$.4 million after tax at the time the underlying hedged transactions are realized.

During the first quarter ended March 30, 2002, cash flow hedge and fair value hedge ineffectiveness was not material.

12

5. During the first quarter of 2002, Snap-on incurred acquisition costs of \$.8 million for the full ownership of a business operation and the finalization of a prior acquisition. Pro forma financial information has not been presented, as the effects of these businesses, individually and in the aggregate, were not material.
6. Basic and diluted earnings per share were computed by dividing net earnings by the corresponding weighted-average common shares outstanding for the period. The dilutive effect of the potential exercise of outstanding options to purchase shares of common stock is calculated using the treasury stock method.
7. On December 30, 2001, the beginning of the 2002 fiscal year, Snap-on adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The statement provides a single accounting model for long-lived assets to be disposed of. The effect of this change in accounting is not material to Snap-on's financial position or results of operations.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 143,

"Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets. The statement requires that the fair value of a liability for an asset's retirement obligation be recognized in the period in which it is incurred and capitalized as part of the carrying amount of the long-lived asset. The statement will be effective for fiscal years beginning after June 15, 2002. The effect of this pronouncement will not be material to Snap-on's financial position or results of operations.

8. Total comprehensive income for the thirteen week periods ended March 30, 2002, and March 31, 2001, was as follows:

	Thirteen Weeks Ended	
	March 30, 2002	March 31, 2001
(Amounts in millions)		
Net earnings	\$ 24.5	\$ 26.9
Foreign currency translation	(7.1)	(20.8)
Mark to market for cash flow hedges, net of tax	2.1	(1.0)
Total comprehensive income	\$ 19.5	\$ 5.1
	=====	=====

9. Snap-on is involved in various legal matters that are being defended and handled in the ordinary course of business, and Snap-on maintains accruals for such costs that are expected to be incurred. Although it is not possible to predict the outcome of these matters, management believes that the results will not have a material impact on Snap-on's financial statements.

During 2001, Snap-on entered into a binding arbitration process with SPX Corporation related to infringement of patents. The arbitrator ruled in favor of SPX and Snap-on paid damages of \$44.0 million in January 2002 to SPX.

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

10. Snap-on has two reportable segments: the Snap-on Dealer Group and the Commercial and Industrial Group. These segments are based on the organization structure used by management for making operating and investment decisions and for assessing performance. The Snap-on Dealer Group consists of Snap-on's business operations serving the worldwide dealer van channel. The Commercial and Industrial Group consists of the business operations serving the worldwide non-dealer tool and equipment products businesses. These two segments derive revenues primarily from the sale of tools and equipment.

Snap-on evaluates the performance of its operating segments based on segment net sales and operating earnings. Snap-on defines operating earnings for segment reporting purposes as Net Sales less Cost of Goods Sold and Operating Expenses, excluding restructuring and non-recurring charges. Snap-on accounts for intersegment sales and transfers based primarily on standard costs established between the segments. Snap-on allocates shared service expenses to those segments that utilize the services based on their percentage of revenues from external sources. Restructuring and other non-recurring charges are not allocated to the reportable segments. Had it been Snap-on's policy to allocate restructuring and other non-recurring charges to its reportable segments, such charges of \$3.4 million for the thirteen weeks ended March 30, 2002, would have been allocated to the segments as follows: Snap-on Dealer Group - \$1.6 million and Commercial and Industrial Group - \$1.8 million. There were no restructuring and other non-recurring charges for the thirteen weeks ended March 31, 2001.

Neither Snap-on nor any of its segments depends on any single customer, small group of customers or government for more than 10% of its sales.

Financial data by segment was as follows:

(Amounts in millions)	Thirteen Weeks Ended	
	March 30, 2002	March 31, 2001
Net sales from external customers:		
Snap-on Dealer Group	\$ 256.0	\$ 256.4
Commercial and Industrial Group	254.0	271.0
	-----	-----
Total net sales	\$ 510.0	\$ 527.4
	=====	=====
Intersegment sales:		
Snap-on Dealer Group	\$ .1	\$ -
Commercial and Industrial Group	82.2	92.9
	-----	-----
Total intersegment sales	82.3	92.9
Elimination of intersegment sales	(82.3)	(92.9)
	-----	-----
Total consolidated intersegment sales	\$ -	\$ -
	=====	=====

14

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

(Amounts in millions)	Thirteen Weeks Ended	
	March 30, 2002	March 31, 2001
Earnings:		
Snap-on Dealer Group	\$ 30.0	\$ 27.9
Commercial and Industrial Group	7.8	13.3
	-----	-----
Segment operating earnings	37.8	41.2
Net finance income	7.3	12.1
Restructuring and other non-recurring charges	(3.4)	-
Interest expense	(7.8)	(8.9)
Other income (expense) - net	(.1)	1.9
	-----	-----
Earnings from continuing operations before income taxes	\$ 33.8	\$ 46.3
	=====	=====

(Amounts in millions)	As of	
	March 30, 2002	December 29, 2001
Assets:		
Snap-on Dealer Group	\$ 793.4	\$ 823.3
Commercial and Industrial Group	1,130.3	1,120.6
	-----	-----
Total from reportable segments	1,923.7	1,943.9
Financial Services	78.7	82.0
Elimination of intersegment receivables	(18.5)	(51.6)
	-----	-----
Total assets	\$ 1,983.9	\$ 1,974.3
	=====	=====

15

SNAP-ON INCORPORATED  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

RESULTS OF OPERATIONS

Consolidated

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Net sales were \$510.0 million in the first quarter of 2002, a 3.3% decline from the \$527.4 million in the prior-year period. A 2% sales increase in the U.S. dealer business was more than offset by continued soft demand for equipment and a decline in sales of tools in the commercial and industrial sector. Currency translation had a negative impact of 2% on 2002 consolidated sales.

Net earnings, before the cumulative effect of a change in accounting principle, were \$21.7 million or \$.37 per diluted share for the first quarter of 2002, as compared with \$29.4 million or \$.51 per diluted share in 2001. The quarter-over-quarter decrease in earnings is primarily due to the decline in net finance income, lower sales volumes and non-recurring transition costs, partially offset by a reduction in operating expenses as a result of cost-cutting savings and the elimination of goodwill and certain other intangible amortization related to the fiscal-year 2002 adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets."

First quarter 2002 net earnings were \$24.5 million or \$.42 per diluted share, compared with \$26.9 million, or \$.46 per diluted share in 2001. Snap-on's net earnings for the first quarter of 2002 included a net gain of \$2.8 million, or \$.05 per diluted share, for the cumulative effect of an accounting change associated with Snap-on's adoption, on December 30, 2001, (the beginning of Snap-on's fiscal 2002 year) of SFAS No. 142. Snap-on ceased amortizing goodwill and certain other intangibles at the beginning of its 2002 fiscal year as prescribed by this standard. Had SFAS No. 142 been in effect for the first quarter of 2001, earnings from continuing operations would have been \$0.56 per diluted share. For more information on SFAS No. 142, refer to Note 2. In 2001, Snap-on incurred a charge of \$2.5 million, or \$0.05 per diluted share, for the cumulative effect of adopting SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." For more information on SFAS No. 133, refer to Note 4.

Gross profit for the first quarter of 2002 was \$235.7 million, down 3.3% from \$243.7 million in the prior-year period. As a percentage of sales, gross profit margin was 46.2% for both periods. The year-over-year savings from restructuring actions initiated in 2001, particularly in Europe, benefits from cost controls and continuous improvements in manufacturing operations were more than offset by lower production utilization, as a result of inventory reduction initiatives and the lower sales, and from having sourcing platforms principally in strong currency countries.

16

SNAP-ON INCORPORATED  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Operating expenses for the first quarter of 2002 were \$197.9 million, or 38.8% of sales, as compared to \$202.5 million, or 38.4%, in the prior-year period. The \$4.6 million improvement in year-over-year operating expenses includes \$3.7 million for the elimination of goodwill and certain other intangible amortization, as well as savings from the fiscal 2001 restructuring actions, reduced discretionary spending and other cost-cutting initiatives. These operating expense improvements were partially offset by a \$2.6 million non-cash charge for the write-down of a receivable related to the closure of auto service centers associated with a major retailer's bankruptcy. Operating expenses for the first quarter of 2002 were also adversely impacted by higher year-over-year pension costs and increased costs related to the "More Feet on the Street" dealer expansion program, as well as the unfavorable leverage from lower sales.

Segment Results  
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Snap-on Dealer Group

In the worldwide Snap-on Dealer Group segment, net sales for the first quarter of 2002 of \$256.0 million were essentially flat with the \$256.4 million reported in the prior year. A 2% increase in U.S. sales, particularly from higher sales of tools and tool storage, was offset by a decline in non-U.S. dealer operations, principally from unfavorable currency translations. A net increase of 61 dealers in the United States, primarily reflecting the increasing use of second vans by franchised U.S. dealers, contributed to the sales increase. The

sale of big-ticket items through the U.S. tech rep organization has stabilized compared with the prior year. In dollar terms, dealer operations outside the United States declined 7%, principally from currency translation.

Segment earnings increased 7.4% to \$30.0 million in the first quarter of 2002, as compared to the prior-year period of \$27.9 million. Segment earnings as a percentage of net sales improved to 11.7%, up from 10.9% in the prior-year period. Productivity savings and tight control on discretionary spending offset higher costs associated with Snap-on's "More Feet on the Street" program.

#### Commercial and Industrial Group

In the Commercial and Industrial Group segment, net sales for the first quarter decreased 6.3% over the prior-year period to \$254.0 million, reflecting the weak demand for big-ticket capital goods equipment and industrial tools and a negative 3% impact from unfavorable currency translation. Sales of professional tools in the European and U.S. industrial and commercial marketplace declined 5%, reflecting the continued softness in many industry sectors, such as automotive, electronics and aerospace. The diagnostics and information business increased 2%, primarily reflecting the continued growth in information-based products, while equipment sales declined 16%.

17

#### SNAP-ON INCORPORATED MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Segment earnings in the Commercial and Industrial Group were \$7.8 million in the first quarter of 2002, as compared to \$13.3 million in the prior-year period. Savings from restructuring actions, particularly in European operations, and the discontinuance of goodwill amortization and certain other intangible assets, were more than offset by the \$2.6 million non-cash special charge for the receivable write-off and from the unfavorable operating leverage related to lower sales and inventory reduction, the effect of having manufacturing operations based in strong currency countries, and continued high investment spending on new product research and development activities.

#### Restructuring and Non-Recurring Charges

Snap-on announced in the second quarter of 2001 that it was taking significant action to (i) reduce costs companywide to adjust to the slower sales environment and (ii) improve operational performance in businesses not earning acceptable financial returns. As a result of selective rationalization and consolidation actions, Snap-on recorded \$62.0 million in pretax restructuring and other non-recurring charges in 2001 for actions that include the consolidation or closure of 35 facilities, asset write-downs and severance costs to effect a 6% reduction in workforce. The \$62.0 million charge includes restructuring charges of \$40.3 million and non-recurring charges of \$21.7 million. The restructuring charge of \$40.3 million includes \$27.1 million for severance costs associated with the planned elimination of 796 salaried and hourly positions, \$6.0 million for non-cancelable lease agreements, \$5.9 million for facility asset write-downs, and \$1.3 million for exit-related legal and professional services. The \$21.7 million of other non-recurring charges includes \$12.6 million for restructuring-related inventory write-downs and additional inventory write-downs and warranty costs associated with Snap-on's exiting of an unprofitable segment of the emissions-testing business, \$8.4 million for management transition costs associated with the appointment of Dale F. Elliott as successor to the CEO position, and \$.7 million for equipment and employee relocation costs associated with the facility consolidations.

Snap-on expects to incur an estimated \$7 million to \$8 million in restructuring-related transition costs in the first half of 2002 for the completion of its 2001 restructuring and other activities. Transition costs do not qualify for restructuring accrual treatment and are therefore expensed when incurred.

In the first quarter of 2002, Snap-on recorded transition charges of \$3.4 million, consisting of \$3.0 million for costs related to the 2002 resignation of Snap-on's former CFO and \$.4 million for restructuring-related transition costs for employee and equipment relocation.

The composition of Snap-on's restructuring charge activity for the thirteen

weeks ended March 30, 2002, was as follows:

	Restructuring Reserve As of December 29, 2001	Usage	Restructuring Reserve as of March 30, 2002
	-----	----	-----
(Amounts in millions)			
Severance costs	\$21.1	\$ (7.4)	\$13.7
Facility consolidation or closure costs	2.0	(.3)	1.7
	-----	-----	-----
Total restructuring reserves	\$23.1	\$ (7.7)	\$15.4
	=====	=====	=====

18

SNAP-ON INCORPORATED  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The restructuring reserve usage for the thirteen weeks ended March 30, 2002, of \$7.7 million represents \$7.4 million for severance payments related to the separation of 176 employees and \$.3 million for facility consolidation or closure costs. Of the \$40.3 million of restructuring reserves established in 2001, \$24.9 million has been used to date, consisting of \$13.4 million for severance payments related to the separation of 448 of the 796 identified employees, \$5.6 million for facility consolidation or closure costs related to 20 of the 35 facilities identified, and \$5.9 million for asset write-downs. Snap-on expects to fund cash requirements of its 2001 restructuring activities with cash flows from operations and borrowings under the company's existing credit facilities. The specific restructuring measures and estimated costs were based on management's best business judgment under prevailing circumstances. Snap-on believes that the restructuring reserve balance of \$15.4 million as of March 30, 2002, is adequate to complete all announced activities and anticipates that all actions will be completed by the end of 2002.

Other  
-----

Net finance income was \$7.3 million in the first quarter of 2002, down \$4.8 million from \$12.1 million in the prior-year period. Although credit originations increased year over year, reflecting the growth in the U.S. dealer business, the prior-year results benefited from a highly favorable interest-rate environment.

Interest expense decreased \$1.1 million to \$7.8 million in the first quarter of 2002 from \$8.9 million in the first quarter of 2001. The decline is due to lower debt levels resulting from improved free cash flow during the past year and from lower interest rates relative to a year ago.

Other income (expense)-net was an expense of \$.1 million for the first quarter compared to income of \$1.9 million in the comparable 2001 period. This line item includes the impact of all non-operating items such as interest income, license fees, adjustment for minority interests, disposal of fixed assets, hedging and exchange rate transaction gains and losses, and other miscellaneous non-operating items.

Snap-on's effective income tax rate was 36.0% in the first quarter of 2002 and 36.5% in the first quarter of 2001.

#### FINANCIAL CONDITION

Cash and cash equivalents were \$5.4 million at the end of the first quarter, down \$1.3 million from \$6.7 million at year-end 2001. Net cash provided by operating activities was \$5.4 million in the first quarter of 2002, compared with \$10.9 million in the prior year. The year-over-year decline in net cash provided by operating activities is due to a \$44.0 million payment (\$39.0 million after tax) for the December 2001 resolution of an arbitration matter, largely offset by improvements in working capital management. Working capital was \$621.2 million at the end of first quarter of 2002, an increase of \$31.2 million from \$590.0 million at year-end 2001, and a decrease of \$39.5 million from \$660.7 million in the first quarter of 2001.

SNAP-ON INCORPORATED  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The total-debt-to-total-capital ratio at the end of the first quarter of 2002 was 38.3%, as compared to 39.6% in the prior-year period, and 38.0% at year-end 2001. Total short-term and long-term debt was \$488.2 million at the end of the first quarter of 2002, down \$58.6 million from \$546.8 million at the end of the first quarter of 2001. Despite the \$44.0 million payment in 2002 for the resolution of the arbitration matter, total first-quarter debt was up only \$13.6 million from year-end 2001. Total capital was \$1,273.9 million, down \$106.6 million from \$1,380.5 million in the prior-year period, and up \$23.5 million from year-end 2001.

At March 30, 2002, Snap-on had \$458 million of multi-currency revolving credit facilities to support its commercial paper programs. In August 2001, Snap-on issued \$200 million of unsecured notes pursuant to a \$300 million shelf registration statement filed with the Securities and Exchange Commission in 1994. In October 1995, Snap-on issued \$100 million of unsecured notes to the public under this shelf registration statement. The August 2001 notes require semiannual interest payments at the rate of 6.25% and mature in their entirety on August 15, 2011. The October 1995 notes require semiannual interest payments at a rate of 6.625% and mature in their entirety on October 1, 2005. The proceeds from these issuances were used to repay a portion of Snap-on's outstanding commercial paper and for working capital and general corporate purposes.

Accounts receivable at the end of the first quarter were \$633.1 million, up \$17.9 million from \$615.2 million at year-end 2001, due to a slight increase in days outstanding in certain markets.

Inventories were seasonally up \$11.6 million to \$386.8 million at the end of the first quarter from \$375.2 million at the end of 2001, but down \$43.5 million from a year ago, reflecting progress in Snap-on's efforts to reduce inventory and increase inventory turns.

Capital expenditures were \$13.9 million in the first quarter of 2002, compared with \$10.3 million in the comparable prior-year period. Investments primarily included ongoing replacements and upgrades of manufacturing and distribution facilities and equipment, restructuring-related and new product-related capital investments. For the full-year, Snap-on anticipates 2002 capital expenditures will be in the range of \$50 million to \$55 million. Full year capital expenditures were \$53.6 million in 2001.

Snap-on believes that its sources of borrowings, coupled with cash from operations, are sufficient to support its working capital requirements, finance capital expenditures and restructuring activities, make acquisitions, repurchase common stock and pay dividends.

Share repurchase: Snap-on has undertaken stock repurchases from time to time to prevent dilution created by shares issued for employee and dealer stock purchase plans, stock options, and other corporate purposes, as well as to repurchase shares when market conditions are favorable. During the first quarter of 2002, Snap-on repurchased 100,000 shares of common stock for \$3.2 million under its previously announced share repurchase programs. As of the end of the first quarter of 2002, Snap-on has remaining availability to repurchase up to an additional \$138 million in common stock pursuant to the board's authorizations. The purchase of Snap-on common stock is at the company's discretion, subject to prevailing financial and market conditions. Since 1995, Snap-on has repurchased 10,089,583 shares for \$311.5 million.

SNAP-ON INCORPORATED  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Outlook: Snap-on remains cautious about the expected market recovery. Even so, with savings from its cost-cutting initiatives, the company expects to realize both sequential and year-over-year improvements in profitability in the second quarter. Based on flat sales year over year, Snap-on expects to earn \$.49 to \$.54 per share in the second quarter, while continuing to invest in its growth

initiatives for the longer term. Snap-on also expects to incur charges of approximately \$4 million for the remaining transition costs related to its previously announced restructuring actions. For the balance of the year, Snap-on expects to achieve its targeted \$40 million in savings, with approximately one-half of these savings to be reinvested to support increased development of innovative new products and initiatives for profitable growth.

#### 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 generally accepted accounting principles 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. Actual results could differ from those estimates.

In December 2001, the Securities and Exchange Commission issued Financial Reporting Release No. 60 ("FRR 60"), "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," suggesting that companies provide additional disclosure and commentary on those accounting policies considered most critical in their Management's Discussion and Analysis of Financial Condition and Results of Operations. The FRR 60 considers an accounting policy to be critical if it is important to the company's financial condition and results of operations and requires significant judgment and estimates on the part of management in its application.

Snap-on believes that the following represent the critical accounting policies of the company:

**Allowance for Doubtful Accounts:** Snap-on's bad debt reserve is an estimate that is regularly evaluated by management for adequacy and is established through a charge to operating expenses. The evaluations take into consideration various financial and qualitative factors that may affect the customers' ability to pay. These factors may include the customers' financial condition, collateral, debt-servicing capacity, past payment experience and credit bureau information. Snap-on regularly reviews the estimation process and adjusts the reserves 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.

21

#### SNAP-ON INCORPORATED MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

**Inventory Reserves:** Snap-on's inventories consist of manufactured products and merchandise for resale and are stated at the lower of cost or market. Manufactured products include the costs of materials, labor and manufacturing overhead. Inventories accounted for using the first-in, first-out (FIFO) method approximated 65% and 63% of total inventory as of year-end 2001 and 2000. All other inventories are generally determined using the last-in, first-out (LIFO) cost method. Snap-on values its inventory at the lower of cost or market, and regularly reviews the book value of discontinued product lines and stock keeping units (SKUs) to determine if these items are properly valued. If market value is less than cost, the company establishes inventory reserves to write down the related inventory to the lower of market or net realizable value. Snap-on regularly evaluates the composition of its inventory to determine slow-moving and obsolete inventories to determine if additional reserves are required. Changes in consumer purchasing patterns, however, could result in the need for additional reserves.

**Pension and Other Postretirement Benefits:** Snap-on has significant pension and postretirement benefit liabilities and costs that are developed from actuarial valuations. Inherent in these valuations are key assumption including discount rates, expected return on plan assets and medical trend rates. 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.

**Commitments and Contingencies:** Snap-on is subject to lawsuits and other claims related to product and other matters that are being defended and handled in the ordinary course of business. Snap-on maintains reserves for such costs that may



be incurred, which are determined on a case by case basis, taking into consideration the likelihood of adverse judgments or outcomes, as well as the potential range of probable loss. The reserves are monitored on an ongoing basis and are updated for new developments or new information as appropriate.

Valuation of long-lived assets: Snap-on periodically evaluates its long-lived assets, including goodwill and other intangible assets, for potential impairment. If impairment exists, an impairment loss is recognized and the carrying amount of the asset is adjusted to its new accounting basis. Judgments regarding the existence of impairment are based on legal factors, market conditions and operational performance. Future events could cause Snap-on to conclude that impairment exists. Snap-on uses the discounted cash flows method to determine if impairment exists. This requires management to make estimates and assumptions regarding future income, working capital and discount rates, which affect the impairment calculation.

22

Safe Harbor: Statements in this document that are not historical facts, including statements (i) that include the words "expects," "targets," "believes," "anticipates," or "estimates" 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, objectives or goals, are forward-looking statements. Snap-on or its representatives may also make similar forward-looking statements from time to time orally or in writing. Snap-on cautions the reader that these statements 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. Some of those factors are discussed below, as well as elsewhere in this document, and in Snap-on's Securities and Exchange Commission filings. Those important factors include the validity of the assumptions set forth above and the timing and progress with which Snap-on can continue to achieve further cost reductions and achieve savings from its restructuring initiatives; Snap-on's ability to retain and attract dealers and to withstand external negative factors including terrorist disruptions on business; consequences of a potential change in public accounting firms; changes in trade, monetary and fiscal policies, laws and regulations, or other activities of governments or their agencies; and the absence of significant changes in the current competitive environment, inflation, energy supply or pricing, legal proceedings, supplier disruptions, currency fluctuations or the material worsening of credit markets, economic conditions and political situations around the world. These factors may not constitute all factors that could cause actual results to differ materially from those discussed in any forward-looking statement. Snap-on operates in a continually changing business environment and new factors emerge from time to time. Snap-on cannot predict such factors nor can it assess the impact, if any, of such factors on Snap-on's financial position or its results of operations. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. Snap-on disclaims any responsibility to update any forward-looking statement provided in this document.

23

### Item 3: Quantitative and Qualitative Disclosures About Market Risk

#### Market, Credit and Economic Risks

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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 manages 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. 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 to protect the residual net anticipated exposures. For additional information, refer to Note 4.

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, refer to Note 4.

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 March 30, 2002, was \$.6 million on interest rate-sensitive financial instruments and \$2.5 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.

24

#### Item 3: Quantitative and Qualitative Disclosures About Market Risk (continued)

CREDIT RISK: Credit risk is the possibility of loss from a customer's failure to make payments according to contract terms. Prior to granting a loan, each customer is evaluated, taking into consideration the borrower's financial condition, collateral, debt-servicing capacity, past payment experience, credit bureau information and numerous 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 credit risk exposure from its on-balance-sheet receivables, Snap-on also has credit risk exposure for certain loan originations with recourse provisions from the LLC. At March 30, 2002, \$43.2 million of loans originated by the LLC have a recourse provision to Snap-on if the receivables become more than 90 days past due. In addition, there were \$26.1 million of dealers' customer-originated loans that have a primary recourse provision directly to the dealer, with secondary recourse to Snap-on in the event of dealer default.

ECONOMIC RISK: Economic risk is the possibility of loss resulting from economic instability in certain areas of the world. Economic instability from time to time may cause Snap-on to react to such market conditions. The economic uncertainty in Argentina prompted Snap-on to resize its operations there in 2001, shifting a portion of its manufacturing to other existing Snap-on facilities. The Bahco Argentina facility will continue to operate with about one-half of its previous workforce, manufacturing product at a level to support its local market. Snap-on will continue to assess Argentina's economic situation to determine if any future actions or impairment write-downs are warranted.

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.

25

#### PART II. OTHER INFORMATION

##### Item 6: Exhibits and Reports on Form 8-K

##### Item 6(a): Exhibits

(10) (a) Amended and Restated Snap-on Incorporated 1986 Incentive Stock Program.

(10) (b) Amended and Restated Snap-on Incorporated 2001 Incentive Stock and

Awards Plan.

- (10) (c) Form of Restated Senior Officer Agreement between the Corporation and each of Dale F. Elliott, Alan T. Biland, Sharon M. Brady, Susan F. Marrinan and Michael F. Montemurro.
- (10) (d) Form of Restated Executive Agreement between the Corporation and each of Richard V. Caskey, Jeffrey N. Eggert, Gary S. Henning, Nicholas L. Loffredo, Denis J. Loverine, Blaine A. Metzger and William H. Pfund.
- (10) (e) Amended and Restated Snap-on Incorporated Directors' 1993 Fee Plan.
- (10) (f) Snap-on Incorporated Supplemental Retirement Plan for Officers.
- (10) (g) Form of Split-Dollar Insurance Plan Agreement between the Corporation and each of Dale F. Elliott, Alan T. Biland, Sharon M. Brady and Michael F. Montemurro.
- (10) (h) Snap-on Incorporated 2002 Executive Management Incentive Program.
- (10) (i) Snap-on Incorporated 2002 Executive Qualitative Incentive Program.
- (12) Computation of Ratio of Earnings to Fixed Charges

Item 6(b): Reports on Form 8-K Filed During the Reporting Period

During the first quarter of 2002, Snap-on reported on Form 8-K the following:

Date Filed -----	Date of Report -----	Item ----
January 4, 2002	December 28, 2001	Item 5. Snap-on filed a press release announcing the conclusion of the arbitration with SPX Corporation.

26

#### 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: May 8, 2002 -----	/s/ Blaine A. Metzger ----- Blaine A. Metzger, Principal Accounting Officer, Vice President and Controller
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27

AMENDED AND RESTATED  
SNAP-ON INCORPORATED  
1986 INCENTIVE STOCK PROGRAM  
(As Amended through January 25, 2002)

1. Purpose. The purpose of the Amended and Restated Snap-on Incorporated 1986 Incentive Stock Program (the "Program") is to attract and retain outstanding people as officers and key employees of Snap-on Incorporated (the "Company") and its subsidiaries and entities of which at least 20% of the equity interest is held directly or indirectly by the Company (together, "Affiliates") and to furnish incentives to such persons by providing such persons opportunities to acquire shares ("Shares") of the Company's common stock ("Common Stock"), or monetary payments based on the value of such Common Stock or the financial performance of the Company, or both, on terms as herein provided.

2. Administration. The Program will be administered by a committee (the "Committee") of the Board of Directors of the Company (the "Board") composed of not less than two Directors, each of whom shall qualify as a "disinterested person" for purposes of Rule 16b-3 ("Rule 16b-3") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as an "outside director" under Section 162(m)(4)(C) of the Internal Revenue Code of 1986, as amended (the "Code") (or any successor provision thereto); provided, however, that from and after such time as Rule 16b-3 as adopted in Securities and Exchange Commission Release No. 34-37260 applies to the Company, members of the Board serving on the Committee shall no longer need to be a "disinterested person" but instead must qualify as a "Non-Employee Director" within the meaning of Rule 16b-3. To the extent permitted by applicable law, the Board may, in its discretion, delegate to another committee of the Board or to one or more senior officers of the Company any or all of the authority and responsibility of the Committee with respect to Benefits (as defined below) to Participants other than Participants who are subject to the provisions of Section 16 of the Exchange Act ("Section 16 Participants") at the time any such delegated authority or responsibility is exercised. The Board also may, in its discretion, delegate to another committee of the Board consisting entirely of Non-Employee Directors any or all of the authority and responsibility of the Committee with respect to Benefits to Section 16 participants and other Participants. To the extent that the Board has delegated to such other committee or one or more officers the authority and responsibility of the Committee, all references to the Committee herein shall include such other committee or one or more officers. The Committee shall interpret the Program, prescribe, amend and rescind rules and regulations relating thereto and make all other determinations necessary or advisable for the administration of the Program. A majority of the members of the Committee shall constitute a quorum and all determinations of the Committee shall be made by a majority of its members. Any determination of the Committee under the Program may be made without notice or meeting of the Committee by a writing signed by a majority of the Committee members.

3. Participants. Participants in the Program ("Participants") will consist of such

1

Exhibit 10(a)  
officers or other key employees of the Company and its Affiliates as the Committee in its sole discretion may designate from time to time to receive benefits described in Section 4 hereof ("Benefits"). The Committee's designation of a Participant in any year shall not require the Committee to designate such person to receive a Benefit in any other year. The Committee shall consider such factors as it deems pertinent in selecting Participants and in determining the type and amount of their respective Benefits, including without limitation (i) the financial condition of the Company; (ii) anticipated profits for the current or future years; (iii) contributions of Participants to the profitability and development of the Company; and (iv) other compensation provided to Participants.

4. Types of Benefits.

(a) The Committee shall have full power and authority to (i) determine the type or types of Benefits to be granted to each Participant under the Program; (ii) determine the number of Shares and/or monetary payments to be covered by (or with respect to which payments, rights or other matters are

to be calculated in connection with) Benefits granted to Participants; and (iii) determine any terms and conditions of any Benefit granted to a Participant, subject in each case only to express requirements of the Program. Benefits under the Program may be granted in any one or a combination of (A) incentive stock options granted under Section 6 hereof and intended to meet the requirements of Section 422 of the Code (or any successor provision thereto) ("Incentive Stock Options"); (B) options granted under Section 7 hereof not intended to be Incentive Stock Options ("Non-Qualified Stock Options"); (C) stock appreciation rights granted pursuant to Section 9 hereof ("Stock Appreciation Rights"); (D) Shares granted under Section 10 hereof to be held subject to certain restrictions ("Restricted Stock") and Bonus Shares (are defined in Section 11) delivered pursuant to Section 11; (E) Shares granted under Section 12 hereof ("Performance Shares"); and (F) monetary units granted under Section 13 hereof ("Performance Units"). For purposes hereof, Incentive Stock Options and Non-Qualified Stock Options shall be hereinafter referred to collectively as "Options". Benefits under the Program may be granted either alone or in addition to, in tandem with, or in substitution for any other Benefit or any other award or benefit granted under any other plan of the Company or any Affiliate. Benefits granted in addition to or in tandem with other awards or benefits may be granted either at the same time as or at different times from grants of such other Benefits or other awards.

(b) Each member of the Board (a "Director") who is not also an employee of the Company shall receive Director Options (as defined in Section 14) under the Program as provided in Section 14.

(c) As used in the Plan, the term "Award" shall mean any Benefit or Director Option granted under the Program.

#### 5. Shares Reserved under the Program.

#### 2

Exhibit 10(a) (a) There is hereby reserved for issuance under the Program after the Effective Date (as defined below) an aggregate of Six Million (6,000,000) Shares, consisting of Shares (i) newly authorized effective upon approval of this Program, as amended and restated, by the Company's shareholders at a meeting duly called and held (the "Effective Date"), (ii) previously reserved for issuance under the Program as to which Benefits could be awarded under this Program immediately prior to the Effective Date and (iii) subject to awards of Benefits that are outstanding immediately prior to the Effective Date. Not more than 300,000 Shares reserved for issuance under the Program after the Effective Date may be issued as Restricted Stock.

(b) If there is a lapse, expiration, termination or cancellation of any Award granted hereunder without the issuance of Shares or payment of cash thereunder, if Shares are issued under any Award and thereafter are reacquired by the Company pursuant to rights reserved upon the issuance thereof, or if previously owned Shares are delivered to the Company in payment of the exercise price of an Award, then the Shares subject to, reserved for or delivered in payment in respect of such Award may again be used for new Options or other Awards of any sort authorized under this Program.

(c) No Participant shall be granted Benefits under the Program that could result in such Participant (i) receiving in any single fiscal year of the Company Options for, and/or Stock Appreciation Rights with respect to, more than 450,000 Shares, (ii) receiving Benefits in any single fiscal year of the Company relating to more than 225,000 Shares of Restricted Stock, (iii) receiving more than 225,000 Performance Shares in respect of any period designated under Section 12 or (iv) receiving Performance Units exceeding \$1,000,000 in value in respect of any period designated under Section 13. Such number of Shares as specified in the preceding sentence shall be subject to adjustment in accordance with the terms of Section 18(a) hereof. In all cases, determinations under this Section 5 shall be made in a manner that is consistent with the exemption for performance-based compensation provided by Section 162(m) of the Code (or any successor provision thereto) and any regulations promulgated thereunder.

#### 6. Incentive Stock Options. Incentive Stock Options will be exercisable at purchase prices of not less than One Hundred percent (100%) of the fair market value of the Shares on the date of grant, as such fair market value is

determined by such methods or procedures as shall be established from time to time by the Committee ("Fair Market Value"). Incentive Stock Options will be exercisable over not more than ten (10) years after date of grant and shall terminate not later than three (3) months after termination of employment for any reason other than death, except as otherwise provided by the Committee. If the Participant should die while employed or within three (3) months after termination of employment, then the right of the Participant's successor in interest to exercise an Incentive Stock Option shall terminate not later than twelve (12) months after the date of death, except as otherwise provided by the Committee. In all other respects, the terms of any Incentive Stock Option granted under the Program shall comply with the provisions of Section 422 of the Code (or any successor provision thereto) and any regulations promulgated thereunder.

3

Exhibit 10(a)

7. Non-Qualified Stock Options. Non-Qualified Stock Options will be exercisable at purchase prices of not less than One Hundred percent (100%) of the Fair Market Value of the Shares on the date of grant. Non-Qualified Stock Options will be exercisable as determined by the Committee over not more than fifteen (15) years after the date of grant and shall terminate six (6) months after termination of employment for any reason other than death, except that, subject to the maximum term of fifteen (15) years, (a) in connection with the termination of a Participant's employment in a manner that entitles the Participant immediately to receive the payment of benefits under any defined benefit retirement plan of the Company or any of its Affiliates ("Retirement"), a Non-Qualified Stock Option shall terminate three (3) years after Retirement and (b) the Committee may provide otherwise in connection with any termination of employment, including Retirement. If the Participant should die while employed or within any period after termination of employment during which the Non-Qualified Stock Option was exercisable, then, subject to the maximum term of fifteen (15) years, the right of the Participant's successor in interest to exercise a Non-Qualified Stock Option shall terminate not later than twelve (12) months after the date of death, except as otherwise provided by the Committee

8. Certain Replacement Options. Without in any way limiting the authority of the Committee to make grants of Options to Participants hereunder, and in order to induce Participants to retain ownership of Shares acquired upon the exercise of Options, the Committee shall have the authority (but not an obligation) to include within any agreement setting forth the terms of any Options (or any amendment thereto) a provision entitling a Participant to further Options ("Replacement Options") in the event the Participant exercises any Options (including a Replacement Option) under the Program, in whole or in part, by surrendering previously acquired Shares. Any such Replacement Options shall (a) be Non-Qualified Stock Options under Section 7, exercisable at a purchase price, unless otherwise determined by the Committee, of 100% of the Fair Market Value of the Shares on the date the Replacement Options are granted, (b) be for a number of Shares equal to the number of Shares surrendered, (c) only become exercisable on the terms specified by the Committee in the event the Participant holds, for a minimum period of time prescribed by the Committee, the Shares the Participant acquired upon the exercise in connection with which the Replacement Options were issued, and (d) be subject to such other terms and conditions as the Committee may determine.

9. Stock Appreciation Rights. The Committee is hereby authorized to grant Stock Appreciation Rights to Participants. Subject to the terms of the Program and any applicable agreement with a Participant, a Stock Appreciation Right granted under the Program shall confer on the holder thereof a right to receive, upon exercise thereof, the excess of (a) the Fair Market Value of one Share (determined on the date the Stock Appreciation Right is exercised) over (b) the grant price of the Stock Appreciation Right as specified by the Committee, which shall, unless otherwise determined by the Committee, be 100% of the Fair Market Value of one Share (determined on the date of grant of the Stock Appreciation Right). Subject to the terms of the Program, the grant price, term, calculation of Fair Market Value, methods of exercise, methods of settlement (including whether the Participant will be paid in cash, Shares, other securities, other Benefits or other property, or

4

Exhibit 10(a)

any combination thereof), and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation

Right as it may deem appropriate.

10. Restricted Stock.

(a) The Committee is hereby authorized to issue Restricted Stock to Participants, with or without payment therefor, as additional compensation, or in lieu of other compensation, for their services to the Company and/or any Affiliate. Restricted Stock shall be subject to such terms and conditions as the Committee determines appropriate, including, without limitation, restrictions on sale or other disposition and rights of the Company to reacquire such Restricted Stock upon termination of the Participant's employment within specified periods, as prescribed by the Committee.

(b) Without limitation, such terms and conditions may provide that Restricted Stock shall be subject to forfeiture if the Company or the Participant fails to achieve certain goals established by the Committee over a designated period of time. Any grant of Restricted Stock subject to such terms and conditions to a Section 16 Participant shall be in writing. The goals established by the Committee may relate to any one or more of the following: revenues, earnings per share, return on shareholder equity, return on average total capital employed, return on net assets employed before interest and taxes, economic value added and/or, in the case of Participants other than Section 16 Participants, such other goals as may be established by the Committee in its discretion. In the event the minimum goal established by the Committee is not achieved at the conclusion of a period, all Shares of Restricted Stock shall be forfeited. In the event the maximum goal is achieved, no Shares of Restricted Stock shall be forfeited. Partial achievement of the maximum goal may result in forfeiture corresponding to the degree of nonachievement to the extent specified in writing by the Committee when the grant is made. The Committee shall certify in writing as to the degree of achievement after completion of the performance period.

11. Bonus Shares; Deposit Share Program. The Committee is authorized to provide Participants the opportunity to elect to receive Shares in lieu of a portion or all of cash bonuses under the Company's incentive compensation programs and/or increases in base compensation ("Bonus Shares"). Bonus Shares shall be issued in an amount equal to (a) the dollar amount of bonus or base compensation a Participant elects to receive in Common Stock (subject to limits prescribed by the Committee) divided by (b) the Fair Market Value of a Share (as determined on the date the cash compensation to which the Bonus Shares relate would otherwise be payable) and shall be subject to such terms and conditions as the Committee deems appropriate, including, without limitation, restrictions on withdrawal from the Deposit Share Program (as hereinafter defined), sale or other disposition.

5

Exhibit 10(a)

The Committee may establish a program (the "Deposit Share Program") in connection with the delivery of Bonus Shares under which (a) Participants wishing to receive Restricted Stock in tandem with Bonus Shares shall deposit Bonus Shares with the Company or such other designee of the Company and comply with all rules relating to the Deposit Share Program as the Committee prescribes and (b) the Company shall match any Bonus Shares a Participant has deposited with the Company by depositing up to one (1) Share of Restricted Stock for each Bonus Share deposited, as determined by the Committee. The Restricted Stock deposited by the Company shall vest in accordance with such terms and conditions as determined by the Committee.

Elections to receive Bonus Shares or to participate in the Deposit Share Program may be made only in accordance with such rules and regulations prescribed by the Committee from time to time, including any rules and regulations applicable to Section 16 Participants.

12. Performance Shares. The Committee may grant Performance Shares that the Participant may earn in whole or in part if the Company or the Participant achieves certain goals established by the Committee over a designated period of time consisting of one or more full fiscal years of the Company, but not in any event more than five (5) years. Any such grant to a Section 16 Participant shall be in writing. The goals established by the Committee may relate to any one or more of the following: revenues, earnings per share, return on shareholder equity, return on average total capital employed, return on net assets employed before interest and taxes, economic value added and/or, in the case of

Participants other than Section 16 Participants, such other goals as may be established by the Committee in its discretion. In the event the minimum goal established by the Committee is not achieved at the conclusion of a period, no delivery of Shares shall be made to the Participant. In the event the maximum goal is achieved, One Hundred percent (100%) of the Performance Shares shall be delivered to the Participant. Partial achievement of the maximum goal may result in a delivery corresponding to the degree of achievement to the extent specified in writing by the Committee when the grant is made. The Committee shall certify in writing as to the degree of achievement after completion of the performance period. The Committee shall have the discretion to satisfy an obligation to deliver a Participant's Performance Shares by delivery of less than the number of Shares earned together with a cash payment equal to the then Fair Market Value of the Shares not delivered. The number of Shares reserved for issuance under this Program shall be reduced only by the number of Shares delivered in respect of earned Performance Shares. Subject to Section 18(c)(iii), at the time of making an award of Performance Shares, the Committee shall set forth the consequences of the termination of a Participant's employment with the Company or an Affiliate prior to the expiration of the designated performance period in respect of which the Performance Shares are awarded.

13. Performance Units. The Committee may grant Performance Units to a Participant that consist of monetary units and that the Participant may earn in whole or in part if the Company or the Participant achieves certain goals established by the Committee over a designated period of time consisting of one or more full fiscal years of the Company, but not in any event more than five (5) years. Any such grant to a Section 16 Participant

6

Exhibit 10(a)

shall be in writing. The goals established by the Committee may relate to any one or more of the following: revenues, earnings per share, return on shareholder equity, return on average total capital employed, return on net assets employed before interest and taxes, economic value added, Share price and/or, in the case of Participants other than Section 16 Participants, such other goals as may be established by the Committee in its discretion. In the event the minimum goal established by the Committee is not achieved at the conclusion of a period, no payment shall be made to the Participant. In the event the maximum goal is achieved, One Hundred percent (100%) of the monetary value of the Performance Units shall be paid to the Participant. Partial achievement of the maximum goals may result in a payment corresponding to the degree of achievement to the extent specified in writing by the Committee when the grant is made. The Committee shall certify in writing as to the degree of achievement after completion of the performance period. Payment of a Performance Unit earned may be in cash or in Shares or in a combination of both, as the Committee in its sole discretion determines. The number of Shares reserved for issuance under this Program shall be reduced only by the number of Shares delivered in payment of Performance Units. Subject to Section 18(c)(iii), at the time of making an award of Performance Units, the Committee shall set forth the consequences of the termination of a Participant's employment with the Company or an Affiliate prior to the expiration of the designated performance period in respect of which the Performance Units are awarded.

14. Non-Employee Directors. Each Director who is not also an employee of the Company (including members of the Committee) and who is a Director on the date of the annual meeting of shareholders of the Company during the term of the Program shall automatically be granted on each such meeting date a non-qualified stock option for the purchase of 3,000 Shares ("Director Options") at a purchase price equal to One Hundred percent (100%) of the Fair Market Value of the Shares on the date each Director Option is granted, which shall be the closing price for the Common Stock on such date as reported on the New York Stock Exchange. Director Options shall be exercisable for ten (10) years from the date of grant and shall terminate six (6) months after the non-employee Director ceases to serve as a Director for any reason other than death, except that, subject to the maximum term of ten (10) years, (a) as to any Director who, at the time the Director ceases to serve as a Director, is at least age 65 or has completed six (6) years of service, the Director Options held by the Director shall terminate three (3) years after the Director ceases to serve as a Director and (b) the Committee may amend such time limits. If the Director should die while serving as a Director, or within any period after termination of his or her service as a Director during which the Director Option was exercisable, then, subject to the maximum term of ten (10) years, the right of his or her successor in interest to exercise a Director Option shall terminate twelve (12) months after the date of death. Non-employee Directors shall not be eligible for any Benefit under the Program



15. Transferability. Each Award granted under this Program shall not be transferable other than by will or the laws of descent and distribution, except that a Participant or Director may, to the extent allowed by the Committee and in a manner specified by the Committee, (a) designate in writing a beneficiary to exercise the Award after the Participant's or Director's death, as the case may be, and (b) transfer any Award.

7

Exhibit 10(a)

16. Term of Program and Amendment, Modification or Cancellation of Benefits.

(a) No Award shall be granted more than ten (10) years after the Effective Date.

(b) Except as provided in Section 19(a) below and subject to the requirements of the Program, the Committee may modify or amend any Award or waive any restrictions or conditions applicable to any Award or the exercise thereof, and the terms and conditions applicable to any Awards may at any time be amended, modified or canceled by mutual agreement between the Committee and the Participant or Director or any other persons as may then have an interest therein, so long as any amendment or modification does not increase the number of Shares issuable under this Program. Action may be taken under this Section 16(b) notwithstanding expiration of the Program under Section 16(a).

17. Taxes. The Company shall be entitled to withhold the amount of any tax attributable to any amount payable or Shares deliverable under the Program after giving the person entitled to receive such amount or Shares notice as far in advance as practicable, and the Company may defer making payment or delivery if any such tax may be pending unless and until indemnified to its satisfaction. The Committee may, in its discretion and subject to such rules as it may adopt, permit a Participant to pay all or a portion of the federal, state and local withholding taxes arising in connection with (a) the exercise of a Non-Qualified Stock Option, (b) a disqualifying disposition of Common Stock received upon the exercise of an Incentive Stock Option, (c) the lapse of restrictions on Restricted Stock or (d) the receipt of Performance Shares, by electing to (i) have the Company withhold Shares, (ii) tender back Shares received in connection with such Benefit or (iii) deliver other previously owned Shares, having a Fair Market Value equal to the amount to be withheld; provided, however, that the amount to be withheld shall not exceed the Participant's estimated total federal, state and local tax obligations associated with the transaction. The election must be made on or before the date as of which the amount of tax to be withheld is determined and otherwise as required by the Committee. The Fair Market Value of fractional Shares remaining after payment of the withholding taxes shall be paid to the Participant in cash.

The Committee may, in its discretion, grant a cash bonus to a Participant who holds Restricted Stock, either inside or outside of the Deposit Share Program, or Performance Shares to enable the Participant to pay all or a portion of the federal, state or local tax liability incurred by the Participant upon the vesting of Restricted Stock or Performance Shares. The Company shall deduct from any cash bonus such amount as may be required for the purpose of satisfying the Company's obligation to withhold federal, state or local taxes.

18. Adjustment Provisions; Change of Control.

(a) In the event of any Change in Capitalization, a proportionate substitution or adjustment may be made in (i) the aggregate number and/or kind of shares or other property reserved for issuance under the Plan and (ii) the number, kind and/or purchase

8

Exhibit 10(a)

price of shares or other property to be delivered under the Plan, in each case as may be determined by the Committee in its sole discretion. Such other proportionate substitutions or adjustments may be made as shall be determined by the Committee in its sole discretion. "Change in Capitalization" means any increase, reduction, change or exchange of shares of Common Stock for a different number or kind of shares or other securities or property by reason of a reclassification, recapitalization, merger, consolidation, reorganization, issuance of warrants or rights,

stock dividend, stock split or reverse stock split, combination or exchange of shares, repurchase of shares, change in corporate structure or otherwise; or any other corporate action, such as declaration of a special dividend, that affects the capitalization of the Company.

(b) Notwithstanding any other provision of this Program, and without affecting the number of Shares otherwise reserved or available hereunder, the Committee may authorize the issuance or assumption of Benefits in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate.

(c) Change of Control. Except to the extent the Committee provides a result more favorable to holders of Awards, upon the occurrence of a Change of Control,

(i) all outstanding Options and Director Options shall vest automatically and within ten days following the Change of Control, the Company shall pay each holder of an Option or Director Option, in exchange for the surrender of such Option or Director Option, an amount equal to the excess, if any, of the per-Share Change of Control Price over the per-Share purchase price of such Option or Director Option, multiplied by the number of Shares covered by such Option or Director Option, which amount shall be denominated in (A) such form of consideration as the Participant would have received had the Participant been the owner of record of such Shares at the time of such Change of Control, in the case of a "Change of Control With Consideration" or (B) cash, in the case of a "Change of Control Without Consideration" (such relevant form, the "Denominated Form");

(ii) all outstanding Stock Appreciation Rights shall vest automatically and within ten days following the Change of Control, the Company shall pay each holder of a Stock Appreciation Right, in exchange for the surrender of such Stock Appreciation Right, an amount equal to the excess, if any, of the per-Share Change of Control Price over the per-Share grant price of such Stock Appreciation Right, multiplied by the number of Shares covered by such Stock Appreciation Right, which amount shall be denominated in the Denominated Form (provided, however, that if a Stock Appreciation Right has been granted in tandem with an Option or Director Option, the holder thereof shall receive payment with respect to either the Option or the Stock Appreciation Right, but not both);

9

Exhibit 10(a)

(iii) the restrictions on Restricted Stock held inside or outside the Deposit Share Program (including Bonus Shares) shall lapse and within ten days following the Change of Control, the Company shall pay each holder of a share of Restricted Stock, in exchange for the surrender of such share of Restricted Stock, an amount equal to the Change of Control Price of such share of Restricted Stock, which amount shall be denominated in the Denominated Form;

(iv) within ten days following the Change of Control, the Company shall pay each holder of a Performance Share and/or Performance Unit for which the performance period has not expired, in exchange for the surrender of such Performance Share or Performance Unit, an amount equal to the product of the value of the Performance Share and/or Performance Unit and a fraction, the numerator of which is the number of whole months which have elapsed from the beginning of the performance period to the date of the Change of Control and the denominator of which is the number of whole months in the performance period, which amount shall be paid in the Denominated Form;

(v) within ten days following the Change of Control, the Company shall pay each holder of a Performance Share and/or Performance Unit that has been earned but not yet paid, in exchange for the surrender of such Performance Share and/or Performance Unit, an amount equal to the value of such Performance Share and/or Performance Unit, which amount shall be paid in the Denominated Form; and

(vi) within ten days following the Change of Control, the Company shall pay to each holder of an Award with respect to which dividend equivalents or similar amounts have been credited and not yet paid

pursuant to any other provision of this Section 18(c), a cash payment equal to the value of such dividend equivalents or similar amounts.

For purposes of this Section 18(c), the "value" of a Performance Share shall be equal to, and the "value" of a Performance Unit, the value of which is equal to the Fair Market Value of one or more of the Shares, shall be based on, the Change of Control Price.

For purposes of this Section 18(c), "Change of Control Price" shall mean the higher of (i) the Fair Market Value of the Shares, as determined on the date of the Change of Control; or (ii) the highest price per Share paid in the Change of Control transaction.

For purposes of this Section 18(c), "Change of Control With Consideration" shall mean a Change of Control in which Shares are exchanged or surrendered for shares, cash or other property. "Change of Control Without Consideration" shall mean a Change of Control pursuant to which Shares are not exchanged or surrendered for shares, cash or other property.

(d) For purposes of this Plan, a "Change of Control" shall be deemed to have occurred on the first to occur of any one of the events set forth in the following

10

Exhibit 10(a)

paragraphs:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its COC Affiliates) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) of paragraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 25, 2002, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on January 25, 2002 or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its COC Affiliates) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities; or

(iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or

substantially all of the Company's assets (in one transaction or a series of related transactions within any

11

Exhibit 10(a)

period of 24 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 75% of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, no "Change of Control" shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

For purposes of this definition of Change of Control, "COC Affiliate" shall have the meaning of "affiliate," as set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act; "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act; and "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its COC Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company or (v) any individual, entity or group which is permitted to, and actually does, report its Beneficial Ownership on Schedule 13G (or any successor schedule); provided that if any such individual, entity or group subsequently becomes required to or does report its Beneficial Ownership on Schedule 13D (or any successor schedule), such individual, entity or group shall be deemed to be a Person for purposes hereof on the first date on which such individual, entity or group becomes required to or does so report Beneficial Ownership of all of the voting securities of the Company Beneficially Owned by it on such date.

(e) As of the Effective Date, any outstanding Benefit previously granted under the Program shall be deemed amended to provide to the holder of such Benefit rights corresponding to those described in paragraph (c) of this Section 18 in the event of a change of control (as defined herein).

19. Amendment and Termination of the Program; Correction of Defects and Omissions.

(a) The Board may at any time amend, alter, suspend, discontinue or terminate the Program; provided, however, that the provisions of Section 14 of the Program shall not be amended more than once every six (6) months, other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or the rules promulgated thereunder; and provided further that shareholder approval of any amendment of the Program shall also be obtained if otherwise required by (i) the rules and/or regulations promulgated under Section 16 of the

12

Exhibit 10(a)

Exchange Act (in order for the Program to remain qualified under Rule 16b-3), (ii) the Code or any rules promulgated thereunder (in order to allow for Incentive Stock Options to be granted under the Program or to enable the Company to comply with the provisions of Section 162(m) of the Code so that the Company can deduct compensation in excess of the limitation set forth therein), or (iii) the listing requirements of the New York Stock Exchange or any principal securities exchange or market on which the Shares are then traded (in order to maintain the listing or quotation of the Shares thereon). Termination of the Program shall not affect the rights of Participants or Directors with respect to Awards previously granted to them, and all unexpired Awards shall continue in force and effect after termination of the Program except as they may lapse or be

terminated by their own terms and conditions.

(b) The Committee may correct any defect, supply any omission, or reconcile any inconsistency in any Award or agreement covering an Award in the manner and to the extent it shall deem desirable to carry the Program into effect.

20. Miscellaneous. The grant of any Award under the Program may also be subject to other provisions (whether or not applicable to the Benefit awarded to any other Participant) as the Committee determines appropriate, including, without limitation, provisions for (a) one or more means to enable Participants or Directors to defer recognition of taxable income relating to Awards or cash payments derived therefrom, which means may provide for a return to a Participant or Director on amounts deferred as determined by the Committee (provided that no such deferral means may result in an increase in the number of Shares issuable hereunder); (b) the purchase of Common Stock under Options or Director Options in installments; (c) the financing of the purchase of Common Stock under Options or Director Options in the form of a promissory note issued to the Company by a Participant or Director on such terms and conditions as the Committee determines; (d) the payment of the purchase price of Options or Director Options (i) by delivery of cash or other Shares or securities of the Company having a then Fair Market Value equal to the purchase price of such Shares or (ii) by delivery (including by fax) to the Company or its designated agent of an executed irrevocable option exercise form together with irrevocable instructions to a broker-dealer to sell or margin a sufficient portion of the Shares and deliver the sale or margin loan proceeds directly to the Company to pay for the exercise price; (e) restrictions on resale or other disposition; and (f) compliance with federal or state securities laws and stock exchange requirements. Notwithstanding the foregoing, to the extent required by Rule 16b-3, Director Options shall be automatic, and the amount and terms of such Director Options shall be determined as provided in Section 14 of the Plan.

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SNAP-ON INCORPORATED  
2001 INCENTIVE STOCK AND AWARDS PLAN  
(Amended and Restated as of January 25, 2002)

1. Purpose and Construction.

(a) Purpose. The Snap-on Incorporated 2001 Incentive Stock and Awards Plan has two complementary purposes: (i) to attract and retain outstanding people as officers, directors, employees, consultants and advisors and (ii) to increase shareholder value. The Plan will provide participants incentives to increase shareholder value by offering the opportunity to acquire shares of the Company's common stock, receive monetary payments based on the value of such common stock, or receive other incentive compensation, on the potentially favorable terms that this Plan provides.

(b) Definitions. All capitalized terms used in this Plan have the meanings given in Section 14.

2. Administration.

(a) Committee Administration. The Committee has full authority to administer this Plan, including the authority to (i) interpret the provisions of this Plan, (ii) prescribe, amend and rescind rules and regulations relating to this Plan, (iii) correct any defect, supply any omission, or reconcile any inconsistency in any Award or agreement covering an Award in the manner and to the extent it deems desirable to carry this Plan into effect, and (iv) make all other determinations necessary or advisable for the administration of this Plan. A majority of the members of the Committee will constitute a quorum, and a majority of the Committee's members must make all determinations of the Committee. The Committee may make any determination under this Plan without notice or meeting of the Committee by a writing that a majority of the Committee members have signed. All Committee determinations are final and binding.

(b) Delegation to Other Committees or Officers. To the extent applicable law permits, the Board may delegate to another committee of the Board or to one or more officers of the Company any or all of the authority and responsibility of the Committee. However, no such delegation is permitted with respect to individuals who are Section 16 Participants at the time any such delegated authority or responsibility is exercised. The Board also may delegate to another committee of the Board consisting entirely of Non-Employee Directors any or all of the authority and responsibility of the Committee with respect to individuals who are Section 16 Participants. If the Board has made such a delegation, then all references to the Committee in this Plan include such other committee or one or more officers to the extent of such delegation.

(c) No Liability. No member of the Committee, and no officer to whom a delegation under subsection (b) has been made, will be liable for any act done, or determination made, by the individual in good faith with respect to the Plan or any Award. The Company will indemnify and hold harmless such individual to the maximum extent that the law and the Company's bylaws permit.

3. Eligibility. (a) The Committee may designate from time to time the Participants to receive Awards under this Plan. The Committee's designation of a Participant in any year will not require the Committee to designate such person to receive an Award in any other year. The Committee may consider such factors as it deems pertinent in selecting a Participant and in determining the types and amounts of Awards. In making such selection and determination, factors the Committee may consider include: (a) the Company's financial condition; (b) anticipated profits for the current or future years; (c) the Participant's contributions to the profitability and development of the Company; and (d) other compensation provided to the Participant. Non-Employee Directors automatically receive Options under Section 6(d), without action of the Committee, and are not eligible to receive any other Awards.

4. Types of Awards.

(a) Discretionary Grants of Awards. Subject to the terms of this Plan, the Committee has full power and authority to: (i) determine the type or

types of Awards to be granted to each Participant; (ii) determine the number of Shares with respect to which an Award is granted to a Participant, if applicable; and (iii) determine any terms and conditions of any Award granted to a Participant. Awards under this Plan may be granted either alone or in addition to, in tandem with, or in substitution for any other Award (or any other award granted under another plan of the Company or any Affiliate). Tandem Awards may be granted either at the same time as, or at different times from, the grant of the other Awards (or awards) to which they relate.

(b) Automatic Grants to Non-Employee Directors. Each Non-Employee Director will automatically receive Options under this Plan as provided in Section 6(d).

#### 5. Shares Reserved under this Plan.

(a) Plan Reserve. An aggregate of 5,000,000 Shares are reserved for issuance under this Plan. However, not more than 5,000,000 of the reserved Shares may be issued pursuant to incentive stock options. The number of Shares reserved for issuance under this Plan shall be reduced only by the number of Shares delivered in payment or settlement of Awards. As to Awards that are (i) Restricted Stock, (ii) Performance Shares, or (iii) Performance Units that are paid in Shares or the value of which is based on the Fair Market Value of Shares, the Company may not issue, or make

#### 2

payments as to more than 1,000,000 Shares in the aggregate. The limitations of this subsection are subject to adjustments as provided in Section 12.

(b) Replenishment of Shares Under this Plan. If an Award lapses, expires, terminates or is cancelled without the issuance of Shares or payment of cash under the Award, then the Shares subject to, reserved for or delivered in payment in respect of such Award may again be used for new Awards under this Plan as determined under subsection (a), including issuance as Restricted Stock or pursuant to incentive stock options. If Shares are issued under any Award and the Company subsequently reacquires them pursuant to rights reserved upon the issuance of the Shares, or if previously owned Shares are delivered to the Company in payment of the exercise price of an Award, then the Shares subject to, reserved for or delivered in payment in respect of such Award may again be used for new Awards under this Plan as determined under subsection (a), including issuance as Restricted Stock, but such shares may not be issued pursuant to incentive stock options.

(c) Addition of Shares from Predecessor Plan. After the Effective Date of this Plan, if any Shares subject to awards granted under the Amended and Restated Snap-on Incorporated 1986 Incentive Stock Program would again become available for new grants under the terms of such prior plan if the prior plan were still in effect, then those Shares will be available for the purpose of granting Awards under this Plan, thereby increasing the Shares available under this Plan as determined under the first sentence of subsection (a). Any such Shares will not be available for future awards under the terms of the Amended and Restated Snap-on Incorporated 1986 Incentive Stock Program.

(d) Participant Limitations. Subject to adjustment as provided in Section 12, no Participant may be granted Awards under this Plan that could result in such Participant: (i) receiving in any single fiscal year of the Company Options for more than 1,000,000 Shares, (ii) receiving Awards of Restricted Stock in any single fiscal year of the Company relating to more than 200,000 Shares, (iii) receiving Performance Shares in any single fiscal year of the Company relating to more than 40,000 Shares; (iv) receiving Awards of Performance Units in any single fiscal year of the Company with a designated dollar value that exceeds \$1,000,000 and/or receiving Awards of Performance Units in any single fiscal year of the Company, the value of which is based on the Fair Market Value of Shares, relating to more than 40,000 Shares; or (v) receiving an annual incentive award in any single fiscal year of the Company that is more than \$3,000,000. In all cases, determinations under this Section 5 should be made in a manner that is consistent with the exemption for performance-based compensation that Code Section 162(m) provides.

## 6. Options.

(a) Eligibility. The Committee may grant Options to any Participant it selects. The Committee must specify whether the Option is an incentive stock option or a nonqualified stock option, but only employees of the Company or a Subsidiary may receive grants of incentive stock options. Director Options are automatic grants as specified in subsection (d).

(b) Exercise Price. For each Option other than Director Options, the Committee will establish the exercise price, which may not be less than the Fair Market Value of the Shares subject to the Option as determined on the date of grant.

(c) Terms and Conditions of Options. An option will be exercisable at such times and subject to such conditions as the Committee specifies, except that the Option must terminate no later than 10 years after the date of grant. In all other respects, the terms of any incentive stock option should comply with the provisions of Code section 422 except to the extent the Committee determines otherwise.

(d) Terms and Conditions of Non-Employee Director Options. On the date of each annual meeting of shareholders of the Company during the term of this Plan, each Non-Employee Director (including members of the Committee) will automatically be granted on such meeting date a nonqualified stock option for the purchase of 3,000 Shares at a purchase price equal to the Fair Market Value of the Shares on such date ("Director Options"). Each Director Option will be immediately exercisable and, except as the Committee may otherwise provide, will terminate upon the earliest of: (i) 10 years from the date of grant; (ii) if the Director is at least age 65 or has completed six years of service, three years after the Director ceases to serve on the Board for any reason other than death; (iii) if the Director is not age 65 and has not completed six years of service, six months after the Director ceases to serve on the Board for any reason other than death of the Director; or (iv) 12 months after the date of death if the Director should die while serving, or within any period after termination of his or her service during which the Director Option was exercisable. Non-Employee Directors will not be eligible for any other Award under this Plan.

## 7. Performance and Stock Awards.

(a) Eligibility for Performance and Stock Awards. The Committee may grant awards of Restricted Stock, Performance Shares or Performance Units to Participants the Committee selects.

(b) Terms and Conditions. Each award of Restricted Stock, Performance Shares or Performance Units may be subject to such terms and

4

conditions as the Committee determines appropriate, including, without limitation, a condition that one or more Performance Goals be achieved for the Participant to realize all or a portion of the benefit provided under the Award. However, an award of Restricted Stock that requires the achievement of Performance Goals must have a restriction period of at least one year, and an award of Restricted Stock that is not subject to Performance Goals must have a restriction period of at least three years. Notwithstanding the foregoing, the Committee may provide that the restrictions imposed on Restricted Stock are accelerated, and that all or a portion of the Performance Goals subject to an Award are deemed achieved, upon a Participant's death, disability or retirement. The Committee may determine to pay Performance Units in cash, in Shares, or in a combination of cash and Shares.

8. Annual Management Incentive Awards. The Committee may grant annual incentive awards each year to such executive officers of the Company as it selects. The Committee will determine all terms and conditions of the annual incentive award. However, the Committee must require that payment of all or any portion of the amount subject to the annual incentive award is contingent on the achievement or partial achievement of one or more Performance Goals during the period the Committee specifies. An annual incentive award must relate to a period of at least one year except that, if the award is made at the time of commencement of employment with the Company or on the occasion of a promotion, then the award may relate to a period shorter than one year.



9. Transferability. Each Award granted under this Plan is not transferable other than by will or the laws of descent and distribution, except that a Participant or Non-Employee Director may, to the extent the Committee allows and in a manner the Committee specifies: (a) designate in writing a beneficiary to exercise the Award after the Participant's or Non-Employee Director's death; or (b) transfer any award.

10. Termination and Amendment of Plan; Amendment, Modification or Cancellation of Awards.

(a) Term of Plan. This Plan will terminate, and no Award may be granted, more than ten (10) years after the Effective Date, unless the Board earlier terminates this Plan pursuant to subsection (b).

(b) Termination and Amendment. The Board may amend, alter, suspend, discontinue or terminate this Plan at any time, subject to the following limitations:

(i) the provisions of Section 6(d) may not be amended more than once every six (6) months other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or the rules promulgated thereunder;

(ii) shareholders must approve any amendment of this Plan if required by: (A) the rules and/or regulations promulgated under

5

Section 16 of the Exchange Act (for this Plan to remain qualified under Rule 16b-3), (B) the Code or any rules promulgated thereunder (to allow for incentive stock options to be granted under this Plan or to enable the Company to comply with the provisions of Section 162(m) of the Code so that the Company can deduct compensation in excess of the limitation set forth in that section), or (C) the listing requirements of the New York Stock Exchange or any principal securities exchange or market on which the Shares are then traded (to maintain the listing or quotation of the Shares on that exchange); and

(iii) shareholders must approve any of the following Plan amendments: (A) an amendment to materially increase any number of Shares specified in Section 5(a) or 5(d) (except as permitted by Section 12); (B) an amendment to shorten the restriction periods specified in Section 7(b); or (C) an amendment to the provisions of Section 10(e).

(c) Amendment, Modification or Cancellation of Awards. Except as provided in subsection (e) and subject to the requirements of this Plan, the Committee may modify or amend any Award or waive any restrictions or conditions applicable to any Award or the exercise of the Award, and the terms and conditions applicable to any Awards may at any time be amended, modified or canceled by mutual agreement between the Committee and the Participant or any other persons as may then have an interest in the Agreement, so long as any amendment or modification does not increase the number of Shares issuable under this Plan (except as permitted by Section 12).

(d) Survival of Committee Authority and Awards. Notwithstanding the foregoing, the authority of the Committee to administer this Plan and modify or amend an Award may extend beyond the date of this Plan's termination. In addition, termination of this Plan will not affect the rights of Participants or Non-Employee Directors with respect to Awards previously granted to them, and all unexpired Awards will continue in force and effect after termination of this Plan except as they may lapse or be terminated by their own terms and conditions.

(e) Repricing Prohibited. Notwithstanding anything in this Plan to the contrary, and except for the adjustments provided in Section 12, neither the Committee nor any other person may decrease the exercise price for any outstanding Option granted under this Plan after the date of grant nor allow a Participant or Non-Employee Director to surrender an outstanding Option granted under this Plan to the Company as consideration for the grant of a new Option with a lower exercise price.

(f) Foreign Participation. To assure the viability of Awards granted to Participants employed in foreign countries, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of this Plan as it determines is necessary or appropriate for such purposes. Any such amendment, restatement or alternative versions that the Committee approves for purposes of using this Plan in a foreign country will not affect the terms of this Plan for any other country. In addition, all such supplements, amendments, restatements or alternative versions must comply with the provisions of Section 10(b)(iii).

11. Taxes. The Company is entitled to withhold the amount of any tax attributable to any amount payable or Shares deliverable under this Plan after giving the person entitled to receive such amount or Shares notice as far in advance as practicable, and the Company may defer making payment or delivery if any such tax may be pending unless and until indemnified to its satisfaction. The Committee may permit a Participant to pay all or a portion of the federal, state and local withholding taxes arising in connection with (a) the exercise of a nonqualified stock option, (b) a disqualifying disposition of Shares received upon the exercise of an incentive stock option, or (c) the lapse of restrictions on Restricted Stock, by electing to (i) have the Company withhold Shares otherwise issuable under the Award, (ii) tender back Shares received in connection with such Award or (iii) deliver other previously owned Shares, in each case having a Fair Market Value equal to the amount to be withheld. However, the amount to be withheld may not exceed the total minimum federal, state and local tax withholding obligations associated with the transaction. The election must be made on or before the date as of which the amount of tax to be withheld is determined and otherwise as the Committee requires. The Fair Market Value of fractional Shares remaining after payment of the withholding taxes may be paid to the Participant in cash.

#### 12. Adjustment Provisions; Change of Control.

(a) Adjustment of Shares. In the event of any Change in Capitalization, a proportionate substitution or adjustment may be made in (i) the aggregate number and/or kind of shares or other property reserved for issuance under the Plan and (ii) the number, kind and/or exercise price of shares or other property to be delivered under the Plan, in each case as may be determined by the Committee in its sole discretion. Such other proportionate substitutions or adjustments may be made as shall be determined by the Committee in its sole discretion. "Change in Capitalization" means any increase, reduction, change or exchange of shares of Common Stock for a different number or kind of shares or other securities or property by reason of a reclassification, recapitalization, merger, consolidation, reorganization, issuance of warrants or rights, stock dividend, stock split or reverse stock split, combination or exchange of shares, repurchase of shares, change in corporate structure or otherwise; or any other

7

corporate action, such as declaration of a special dividend, that affects the capitalization of the Company.

(b) Issuance or Assumption. Notwithstanding any other provision of this Plan, and without affecting the number of Shares otherwise reserved or available under this Plan, in connection with any merger, consolidation, acquisition of property or stock, or reorganization, the Committee may authorize the issuance or assumption of awards upon such terms and conditions as it may deem appropriate.

(c) Change of Control. Except to the extent the Committee provides a result more favorable to holders of Awards, upon the occurrence of a Change of Control,

(i) all outstanding Options shall vest automatically and within ten days following the Change of Control, the Company shall pay each holder of an Option, in exchange for the surrender of such Option, an amount equal to the excess, if any, of the per-Share Change of Control Price over the per-Share exercise price of such Option, multiplied by the number of Shares covered by such Option, which amount shall be denominated in (A) such form of consideration as the Participant would have received had the Participant been the owner of record of such

Shares at the time of such Change of Control, in the case of a "Change of Control With Consideration" or (B) cash, in the case of a "Change of Control Without Consideration" (such relevant form, the "Denominated Form");

(ii) the restrictions on Restricted Stock shall lapse and within ten days following the Change of Control, the Company shall pay each holder of a share of Restricted Stock, in exchange for the surrender of such share of Restricted Stock, an amount equal to the Change of Control Price of such share of Restricted Stock, which amount shall be denominated in the Denominated Form;

(iii) within ten days following the Change of Control, the Company shall pay each holder of a Performance Share and/or Performance Unit for which the performance period has not expired, in exchange for the surrender of such Performance Share and/or Performance Unit, an amount equal to the product of the value of the Performance Share and/or Performance Unit and a fraction, the numerator of which is the number of whole months which have elapsed from the beginning of the performance period to the date of the Change of Control and the denominator of which is the number of whole months in the performance period, which amount shall be paid in the Denominated Form;

8

(iv) within ten days following the Change of Control, the Company shall pay each holder of a Performance Share and/or Performance Unit that has been earned but not yet paid, in exchange for the surrender of such Performance Share and/or Performance Unit, an amount equal to the value of such Performance Share and/or Performance Unit, which amount shall be paid in the Denominated Form;

(v) each annual incentive award which has not yet been earned as of the Change of Control shall be deemed to have been earned pro rata as if the Performance Goals were attained as of the Change of Control, by taking the product of (A) the Participant's maximum award opportunity for the fiscal year and (B) a fraction, the numerator of which is the number of full or partial months that have elapsed from the beginning of the fiscal year to the date of the Change of Control and the denominator of which is 12, and within ten days following the Change of Control, the Company shall pay each holder of such an annual incentive award, in full settlement thereof, an amount in cash equal to the value of such pro rata award;

(vi) within ten days following the Change of Control, the Company shall pay to each holder of an annual incentive award that has been earned but not yet paid, in full settlement thereof, an amount in cash equal to the value of such award; and

(vii) within ten days following the Change in Control, the Company shall pay to each holder of an Award with respect to which dividend equivalents or similar amounts have been credited and not yet paid pursuant to any other provision of this Section 12(c), a cash payment equal to the value of such dividend equivalents or similar amounts.

For purposes of this Section 12(c), the "value" of a Performance Share shall be equal to, and the "value" of a Performance Unit, the value of which is equal to the Fair Market Value of one or more Shares, shall be based on, the Change of Control Price.

For purposes of this Section 12(c), "Change of Control With Consideration" shall mean a Change of Control in which Shares are exchanged or surrendered for shares, cash or other property. "Change of Control Without Consideration" shall mean a Change of Control pursuant to which Shares are not exchanged or surrendered for shares, cash or other property.

### 13. Miscellaneous.

(a) Other Terms and Conditions. The grant of any Award under this Plan may also be subject to other provisions (whether or not applicable to

the Award awarded to any other Participant) as the Committee determines appropriate, including, without limitation, provisions for:

(i) one or more means to enable Participants or Non-Employee Directors to defer the delivery of Shares or recognition of taxable income relating to Awards or cash payments derived from the Awards on such terms and conditions as the Committee determines, including, by way of example, the form and manner of the deferral election, the treatment of dividends paid on the Shares during the deferral period or a means for providing a return to a Participant or Non-Employee Director on amounts deferred, and the permitted distribution dates or events (provided that no such deferral means may result in an increase in the number of Shares issuable under this Plan);

(ii) the purchase of Shares under Options in installments;

(iii) the payment of the purchase price of Options by delivery of cash or other Shares or other securities of the Company (including by attestation) having a then Fair Market Value equal to the purchase price of such Shares, or by delivery (including by fax) to the Company or its designated agent of an executed irrevocable option exercise form together with irrevocable instructions to a broker-dealer to sell or margin a sufficient portion of the Shares and deliver the sale or margin loan proceeds directly to the Company to pay for the exercise price;

(iv) provisions giving the Participant the right to receive dividend payments or dividend equivalent payments with respect to the Shares subject to the Award (both before and after the Shares subject to the Award are earned, vested or acquired), which payments may be either made currently or credited to an account for the Participant, and may be settled in cash or Shares, as the Committee determines;

(v) restrictions on resale or other disposition; and

(vi) compliance with federal or state securities laws and stock exchange requirements.

In any event, to the extent Rule 16b-3 so requires, Director Options are automatic, and the amount and terms of such Director Options will be determined as provided in Section 6(d).

(b) No Fractional Shares. No fractional Shares or other securities may be issued or delivered pursuant to this Plan, and the Committee may determine whether cash, other securities or other property will be paid or transferred in lieu of any fractional Shares or other securities, or whether such

10

fractional Shares or other securities or any rights to fractional Shares or other securities will be canceled, terminated or otherwise eliminated.

(c) Unfunded Plan. This Plan is unfunded and does not create, and should not be construed to create, a trust or separate fund with respect to this Plan's benefits. This Plan does not establish any fiduciary relationship between the Company and any Participant, Non-Employee Director or other person. To the extent any person holds any rights by virtue of an Award granted under this Plan, such rights are no greater than the rights of the Company's general unsecured creditors.

(d) Requirements of Law. The granting of Awards under this Plan and the issuance of Shares in connection with an Award are subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required. Notwithstanding any other provision of this Plan or any award agreement, the Company has no liability to deliver any Shares under this Plan or make any payment unless such delivery or payment would comply with all applicable laws and the applicable requirements of any securities exchange or similar entity.

(e) Governing Law. This Plan, and all agreements under this Plan, should be construed in accordance with and governed by the laws of the State of Wisconsin, without reference to any conflict of law principles, except for corporate law matters which are governed by the laws of the

State of Delaware. Any legal action or proceeding with respect to this Plan, any Award or any award agreement, or for recognition and enforcement of any judgment in respect of this Plan, any Award or any award agreement, may only be brought and determined in a court sitting in the County of Kenosha, or the Federal District Court for the Eastern District of Wisconsin sitting in the County of Milwaukee, in the State of Wisconsin.

(f) Severability. If any provision of this Plan or any award agreement or any Award (i) is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or as to any person or Award, or (ii) would disqualify this Plan, any award agreement or any Award under any law the Committee deems applicable, then such provision should be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of this Plan, award agreement or Award, then such provision should be stricken as to such jurisdiction, person or Award, and the remainder of this Plan, such award agreement and such Award will remain in full force and effect.

14. Definitions. Capitalized terms used in this Plan have the following meanings:

11

(a) "Affiliates" means any corporation, partnership, joint venture, or other entity during any period in which the Company owns, directly or indirectly, at least twenty percent (20%) of the equity, voting or profits interest, and any other business venture that the Committee designates in which the Company has a significant interest, as the Committee determines in its discretion.

(b) "Award" means grants of Options, Performance Shares, Performance Units, Restricted Stock or an annual incentive award under this Plan.

(c) "Board" means the Board of Directors of the Company.

(d) For purposes of this Plan, a "Change of Control" shall be deemed to have occurred on the first to occur of any one of the events set forth in the following paragraphs:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its COC Affiliates) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) of paragraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 25, 2002, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on January 25, 2002 or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to

12

represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60% of the combined voting power of the voting securities of the

Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its COC Affiliates) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities; or

(iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 75% of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, no "Change of Control" shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

For purposes of this definition of Change of Control, "COC Affiliate" shall have the meaning of "affiliate," as set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act; "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act; and "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its COC Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company or (v) any individual, entity or group which is permitted to, and actually does, report its Beneficial Ownership on Schedule 13G (or any successor schedule); provided that if

13

any such individual, entity or group subsequently becomes required to or does report its Beneficial Ownership on Schedule 13D (or any successor schedule), such individual, entity or group shall be deemed to be a Person for purposes hereof on the first date on which such individual, entity or group becomes required to or does so report Beneficial Ownership of all of the voting securities of the Company Beneficially Owned by it on such date.

(e) "Change of Control Price" means the higher of (i) the Fair Market Value of the Shares, as determined on the date of the Change of Control; or (ii) the highest price per Share paid in the Change of Control transaction.

(f) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a specific provision of the Code includes any successor provision and the regulations promulgated under such provision.

(g) "Committee" means the Organization and Executive Compensation Committee of the Board (or such successor committee with the same or similar authority), which must be composed of not less than two Directors, each of whom must qualify as an "outside director" within the meaning of Code Section 162(m) and as a "non-employee director" within the meaning of Rule 16b-3.

(h) "Common Stock" means the common stock of the Company.

(i) "Company" means Snap-on Incorporated, a Delaware corporation, or any successor to Snap-on Incorporated, a Delaware corporation.

(j) "Director" means a member of the Board, and "Non-Employee Director"

means a member of the Board who is not also an employee of the Company or its Affiliates.

(k) "Effective Date" means the date the Company's shareholders approve this Plan.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended. Any reference to a specific provision of the Exchange Act includes any successor provision and the regulations and rules promulgated under such provision.

(m) "Fair Market Value" means, per Share on a particular date, the last sales price on such date on the national securities exchange on which the Common Stock is then traded, as reported in The Wall Street Journal, or if no sales of Common Stock occur on the date in question, on the last preceding date on which there was a sale on such exchange. If the Shares are not listed on a national securities exchange, but are traded in an over-the-counter market, the last sales price (or, if there is no last sales price reported, the average of the closing bid and asked prices) for the Shares on the particular

14

date, or on the last preceding date on which there was a sale of Shares on that market, will be used. If the Shares are neither listed on a national securities exchange nor traded in an over-the-counter market, the price determined by the Committee, in its discretion, will be used.

(n) "Option" means the right to purchase Shares at a stated price. "Options" may either be "incentive stock options" which meet the requirements of Code section 422, or "nonqualified stock options" which do not meet the requirements of Code section 422.

(o) "Participant" means an officer or other employee of the Company or its Affiliates, or an individual that the Company or an Affiliate has engaged to become an officer or employee, or a consultant or advisor who provides services to the Company or its Affiliates, who the Committee designates to receive an Award under this Plan.

(p) "Performance Goals" means any goals the Committee establishes that relate to one or more of the following with respect to the Company or any one or more Subsidiaries or other business units: revenue; cash flow; net cash provided by operating activities; net cash provided by operating activities less net cash used in investing activities; cost of goods sold; ratio of debt to debt plus equity; profit before tax; gross profit; net profit; net sales; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; Fair Market Value of Shares; basic earnings per share; diluted earnings per share; return on shareholder equity; average accounts receivable (calculated by taking the average of accounts receivable at the end of each month); average inventories (calculated by taking the average of inventories at the end of each month); return on average total capital employed; return on net assets employed before interest and taxes; economic value added; return on year-end equity; and/or in the case of Awards that the Committee determines will not be considered "performance-based compensation" under Code section 162(m), such other goals as the Committee may establish in its discretion.

(q) "Performance Shares" means the right to receive Shares to the extent the Company or Participant achieves certain goals that the Committee establishes over a period of time the Committee designates consisting of one or more full fiscal years of the Company, but not in any event more than five years.

(r) "Performance Units" means the right to receive monetary units with a designated dollar value or monetary units the value of which is equal to the Fair Market Value of one or more Shares, to the extent the Company or Participant achieves certain goals that the Committee establishes over a period of time the Committee designates consisting of one or more full fiscal years of the Company, but in any event not more than five years.

15

(s) "Plan" means this Snap-on Incorporated 2001 Incentive Stock and Awards Plan, as amended from time to time.

(t) "Restricted Stock" means Shares that are subject to a risk of forfeiture and/or restrictions on transfer, which may lapse upon the achievement or partial achievement of Performance Goals during the period specified by the Committee and/or upon the completion of a period of service, as determined by

the Committee.

(u) "Section 16 Participants" means Participants who are subject to the provisions of Section 16 of the Exchange Act.

(v) "Share" means a share of Common Stock.

(w) "Subsidiary" means any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations (other than the last corporation in the chain) owns stock possessing more than fifty percent (50%) of the total combined voting power of all classes of stock in one of the other corporations in the chain.

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## RESTATED SENIOR OFFICER AGREEMENT

THIS RESTATED SENIOR OFFICER AGREEMENT ("Agreement") is entered into this \_\_\_\_\_ day of \_\_\_\_\_ by and between SNAP-ON INCORPORATED, a Delaware corporation (the "Company"), and \_\_\_\_\_, a senior officer of the Company or of a subsidiary of the Company (the "Executive").

WHEREAS, the Company and the Executive had entered into a \_\_\_\_\_ effective as of \_\_\_\_\_ (the "Existing Agreement");

WHEREAS, the Board of Directors of the Company (the "Board") has determined that the Executive has made, and is expected to continue to make, an essential contribution to the profitability, growth and financial strength of the Company;

WHEREAS, the Company wishes to continue to encourage the Executive to devote his/her entire time and attention to the pursuit of Company matters without distractions relating to his/her employment security by providing the Executive with this Agreement, which shall supersede the Existing Agreement;

WHEREAS, the Company intends that this Agreement will provide the Executive with certain minimum compensation rights in the event of the termination of his/her employment under the circumstances set forth herein.

NOW, THEREFORE, in consideration of the respective terms and conditions set forth herein, the Company and the Executive hereby agree as follows:

1. Definitions. As used in this Agreement, the following terms shall have the following meanings when used herein:

## 1

a. Cause. The term "Cause" shall mean that the Executive shall, prior to any Termination of Employment (as that term is hereafter defined), have:

(i) engaged in any act of fraud, embezzlement, or theft in connection with his/her duties as an executive or in the course of employment with the Company or its subsidiaries;

(ii) wrongfully disclosed any secret process or confidential information of the Company or its subsidiaries; or

(iii) engaged in any Competitive Activity (as that term is hereafter defined);

and in any such case the act shall have been determined by the Board to have been materially harmful to the Company.

The Executive may not be terminated for Cause prior to the receipt by the Executive of a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that the Executive was guilty of conduct set forth in the definition of Cause herein, and specifying the particulars thereof in detail. In the event of a dispute regarding whether the Executive's employment has been terminated for Cause, no claim by the Company that Cause exists shall be given effect unless the Company establishes by clear and convincing evidence that Cause exists.

## 2

b. Competitive Activity. The term "Competitive Activity" shall mean the Executive's participation without the written consent of the Board in the management of any business enterprise which manufactures or sells any product or service competitive with any product or service of the Company or its subsidiaries. Competitive Activity shall not include the ownership of less than five (5) percent of the securities in any enterprise and exercise of any ownership rights related thereto.

c. Change of Control. A "Change of Control" shall be deemed to have occurred on the first to occur of any one of the events set forth in of the following paragraphs:

(i) any Person is or becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates (as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act)) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) of paragraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 25, 2002, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not

3

limited to a consent solicitation, relating to the election of directors of the Company as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on January 25, 2002 or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities; or

4

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 75% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, no "Change of Control" shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

d. Effective Date. The term "Effective Date" shall mean the first date on which a Change of Control of the Company occurs. Anything in this Agreement to the contrary notwithstanding, if (1) a Change of Control of the Company occurs, whether or not during the initial or extended term of this Agreement, (2) the Executive's employment with the Employer terminates within six months prior to the Change of Control of the Company and (3) it is reasonably demonstrated by the Executive that (A) any such termination of employment by the Employer (i) was at the request of a third

5

party who has taken steps reasonably calculated to effect a Change of Control of the Company or (ii) otherwise arose in connection with or in anticipation of a Change of Control of the Company, or (B) any such termination of employment by the Executive took place subsequent to the occurrence of an event described in clause (A), (B), (C) or (D) of paragraph (h)(ii) of this Section 1 which event (i) occurred at the request of a third party who has taken steps reasonably calculated to effect a Change of Control of the Company or (ii) otherwise occurred in connection with or in anticipation of a Change of Control of the Company, then for all purposes of this Agreement the term "Effective Date" shall mean the day immediately prior to the date of such termination of employment.

e. Employer. The term "Employer" shall mean the Company and/or a subsidiary of the Company that employs the Executive.

f. Exchange Act. The term "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

g. Person. The term "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company or (v) any individual, entity or group which is

6

permitted to, and actually does, report its Beneficial Ownership on Schedule 13G (or any successor schedule); provided that if any such individual, entity or group subsequently becomes required to or does report its Beneficial Ownership on Schedule 13D (or any successor schedule), such individual, entity or group shall be deemed to be a Person for purposes hereof on the first date on which such individual, entity or group becomes required to or does so report Beneficial Ownership of all of the voting securities of the Company Beneficially Owned by it on such date.

h. Termination of Employment. The term "Termination of Employment" shall mean:

(i) any termination by the Employer of the employment of the Executive for any reason other than for Cause within a period of two (2) years following the Effective Date (as that term is defined in paragraph d. of this Section 1);

(ii) voluntary termination by the Executive of his/her employment within a period of two (2) years following the Effective Date and subsequent to the occurrence without the Executive's written consent, of (A) a material and adverse change in the Executive's status, authority, duties, functions, or benefits relative to those most favorable to the Executive in effect at any time during the 180-day period prior to the Effective Date or, to the extent more favorable to the Executive, those in effect after the Effective Date, (B) any reduction in the Executive's base salary or percentage of base salary available as an incentive compensation or bonus opportunity relative to those most favorable to the Executive in effect at any time during the 180-day period prior to the Effective Date or, to the extent more favorable to the Executive, those in effect after the

7

Effective Date, or the failure to pay the Executive's base salary or earned incentive compensation or bonus when due, (C) the relocation of the Executive's principal place of employment to a location more than 35 miles from the Executive's principal place of employment immediately prior to the Effective Date, (D) the Employer's requiring the Executive to travel on Employer business to a materially greater extent than was required immediately prior to the Effective Date, or (E) the failure of the Company to obtain from a successor the assumption and agreement to perform this Agreement (as described in Section 6.a.) prior to the effectiveness of any such succession provided that (1) any such event occurs following the Effective Date or (2) in the case of an event set forth in clause (A), (B), (C) or (D) above, such event occurs on or prior to the Effective Date and the Executive reasonably demonstrates that such event occurs under circumstances described in clause (i) or (ii) of Section 1.d.(3)(B)

hereof; or

(iii) voluntary termination by the Executive of his/her employment following completion of one year of service after a Change of Control of the Company; provided that the voluntary termination must be effected by the Executive within six (6) months after the completion of that one year of service.

In the event of a dispute regarding whether the Executive's voluntary termination qualifies as a "Termination of Employment" for purposes of clause (ii) above, no claim by the Company that such termination does not constitute a Termination of Employment shall be given effect unless the Company establishes by clear and convincing evidence that such termination does not constitute a Termination of Employment.

8

Any election by the Executive to terminate his/her employment as contemplated by this Section shall not be deemed a voluntary termination of employment by the Executive for the purpose of any other employee benefit or other plan.

2. Compensation and Benefits. In the event of a Termination of Employment, the Company shall provide the Executive with the following compensation and benefits:

a. General Compensation and Benefits. The Company shall pay the Executive's full salary to the Executive through the date of Termination of Employment at the rate in effect at the time notice of termination is given or, if higher, at an annual rate not less than twelve times the Executive's highest monthly base salary for the 12-month period immediately preceding the month in which the Effective Date occurs, together with all compensation and benefits payable to the Executive through the date of Termination of Employment under the terms of any compensation or benefit plan, program or arrangement maintained by the Employer during such period. Such payments shall be made in a lump sum not later than five (5) days after such termination. The Company shall also pay the Executive's normal post-termination compensation and benefits to the Executive as such payments become due. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Employer's retirement, insurance and other compensation or benefit plans, programs and arrangements most favorable to the Executive in effect at any time during the 180-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to executives of the Company of comparable status and position to the Executive.

9

b. Incentive Compensation. Notwithstanding any provision of any cash bonus or incentive compensation plan of the Employer, the Company shall pay to the Executive, within five (5) days after the Executive's Termination of Employment, a lump sum amount, in cash, equal to the sum of (i) any bonus or incentive compensation which has been allocated or awarded to the Executive for a fiscal year or other measuring period under the plan that ends prior to the date of Termination of Employment, but which has not yet been paid (pursuant to Section 2.a. hereof or otherwise), and (ii) a pro rata portion to the date of Termination of Employment of the aggregate value of all contingent bonus or incentive compensation awards to the Executive for all uncompleted periods under the plan calculated as to each such award as if the "target" with respect to such bonus or incentive compensation award had been attained.

c. Compensation. The Company shall pay to the Executive a lump sum equal to three (3) times the sum of (a) the highest per annum base rate of salary in effect with respect to the Executive during the 3-year period immediately prior to the Termination of Employment plus (b) the highest of (i) the highest annual bonus or incentive compensation earned by the Executive under any cash bonus or incentive compensation plan of the Company during the three (3) complete fiscal years of the Company immediately preceding the Termination of Employment or, if more favorable to the Executive, during the three (3) complete fiscal years of the Company immediately preceding the Change of Control of the Company; (ii) the Executive's bonus or incentive compensation "target" for the fiscal year in which the Termination of Employment occurs; or (iii) the highest average annual bonus and/or incentive compensation earned during the three (3) complete fiscal years of the Company immediately preceding the

Termination of Employment (or, if more favorable to the Executive, during the three (3) complete fiscal years of the Company immediately preceding the Change of Control of the Company) under any cash bonus or incentive compensation plan of the Company by the group of executives of the Company participating under such plan during such fiscal years at the level at which the Executive participated or would have participated pursuant to his/her most senior position at any time during the 180 days preceding the Effective Date or thereafter until the Termination of Employment. The lump sum shall be paid to the Executive not later than five (5) days after the Termination of Employment.

d. Benefits. Subject to Section 2.e. hereof, for a three (3)-year period following Termination of Employment, the Company shall provide the Executive with health, disability, life and other insurance benefits substantially similar to the benefits received by the Executive pursuant to the Company's (or the Employer's) benefit programs as in effect immediately during the 180 days preceding the Effective Date (or, if more favorable to the Executive, as in effect at any time thereafter until the Termination of Employment); provided, however, that no compensation or benefits provided hereunder shall be treated as compensation for purposes of any of the programs or shall result in the crediting of additional service thereunder.

e. New Employment. If the Executive secures new employment during the three (3)-year period following Termination of Employment, the level of any benefit being provided pursuant to Section 2.d. hereof shall be reduced to the extent that any such benefit is being provided by the Executive's new employer. The Executive, however, shall be under no obligation to seek new employment and, in any event, no other amounts payable pursuant to this Agreement shall be reduced or offset by any

compensation received from new employment or by any amounts claimed to be owed by the Executive to the Company or the Employer.

f. Retirement Benefit.

(i) Defined Benefit Pension Plan. In addition to the retirement benefits to which the Executive is entitled under each DB Pension Plan (as defined below), the Company shall pay the Executive a lump sum amount, in cash, equal to the excess of (A) the actuarial equivalent of the aggregate retirement pension (taking into account any early retirement subsidies associated therewith and determined as a straight life annuity commencing at the date (but in no event earlier than the third anniversary of the date of Termination of Employment) as of which the actuarial equivalent of such annuity is greatest) which the Executive would have accrued under the terms of all DB Pension Plans (without regard to any amendment to any DB Pension Plan made subsequent to a Change of Control and on or prior to the date of Termination of Employment, which amendment adversely affects in any manner the computation of retirement benefits thereunder), determined as if the Executive were fully vested thereunder and had accumulated (after the date of Termination of Employment) thirty-six (36) additional months of service credit thereunder and had been credited under each DB Pension Plan during such period with annual compensation equal to the Executive's compensation (as defined in such DB Pension Plan) during the twelve (12) months immediately preceding date of Termination of Employment or, if higher, during the twelve months immediately prior to the first occurrence of an event or circumstance constituting Good Reason, over (B) the actuarial equivalent of the aggregate retirement pension (taking into account any early retirement subsidies associated therewith and

determined as a straight life annuity commencing at the date (but in no event earlier than the date of Termination of Employment) as of which the actuarial equivalent of such annuity is greatest) which the Executive had accrued pursuant to the provisions of the DB Pension Plans as of the date of Termination of Employment. For purposes of this Section 2.f., "actuarial equivalent" shall be determined using the same assumptions utilized under the Snap-on Incorporated Retirement Plan (or any successor plan) immediately prior to the date of Termination of Employment or, if more favorable to the Executive, immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

(ii) Cash Balance Plan. In addition to the benefits to which the

Executive is entitled under each Cash Balance Plan (as defined below), the Company shall pay the Executive a lump sum amount, in cash, equal to the sum of (A) the amount that would have been credited to the Executive's account thereunder (whether as pay credits, interest credits, or otherwise) during the three years immediately following the date of Termination of Employment, determined (x) as if the Executive earned compensation during such period at an annual rate equal to the Executive's compensation (as defined in the Cash Balance Plan) during the twelve (12) months immediately preceding the date of Termination of Employment or, if higher, during the twelve months immediately prior to the first occurrence of an event or circumstance constituting Good Reason and (y) without regard to any amendment to the Cash Balance Plan made subsequent to a Change of Control and on or prior to the date of Termination of Employment, which amendment adversely affects in any manner the computation of benefits thereunder and (B) the excess, if any, of (x) the Executive's account balance

13

under the Cash Balance Plan as of the Date of Termination over (y) the portion of such account balance that is nonforfeitable under the terms of the Cash Balance Plan as of the date of Termination of Employment.

(iii) Definitions. "DB Pension Plan" shall mean any tax-qualified, supplemental or excess defined benefit pension plan maintained by the Company and any other defined benefit plan or agreement entered into between the Executive and the Company which is designed to provide the Executive with supplemental retirement benefits, other than any plan (or portion thereof) that is a Cash Balance Plan. "Cash Balance Plan" shall mean any tax-qualified pension plan (or portion thereof) maintained by the Company of the type commonly referred to as a "cash balance plan".

g. Lump Sum Election. In connection with a Change of Control, the Executive may elect to receive a lump sum payment of the Executive's account balance(s) under the Supplemental Retirement Plan for Officers and any other unfunded plan which may be established by the Company subsequent to the date hereof, pursuant to such administrative policies as the Company may establish from time to time.

3. Additional Payments. Notwithstanding any other provisions of this Agreement, whether or not there occurs a Termination of Employment, in the event it shall be determined that any payment or benefit received or to be received by the Executive in connection with a Change of Control of the Company or the termination of the Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any entity whose actions result

14

in a Change of Control of the Company or any entity affiliated with the Company or such entity (any such payment or benefit being hereinafter called a "Payment," and all such payments and benefits being hereinafter called "Total Payments"), would be subject (in whole or part) to the excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any interest or penalties incurred with respect to such excise tax (such excise tax, together with such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Company shall pay to the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Total Payments and any federal, state and local income tax, FICA and Excise Tax upon the payment provided for by this Section 3, shall be equal to the Total Payments.

Subject to the provisions of this Section 3, all determinations required to be made under this Section 3, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized accounting firm selected by the Executive that is not then serving as accountant or auditor for the individual, entity or group effecting the Change of Control of the Company (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 3, shall be paid by the Company to the Executive within 10 days of the receipt of the Accounting Firm's determination. Subject to the

following provisions of this Section 3, any determination by the Accounting Firm shall be binding upon the Company and the Executive.

In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus that portion of the Gross-Up Payment attributable to the Excise Tax, FICA and federal, state and local income tax imposed on the Gross-Up Payment being repaid by the Executive to the extent that such repayment results in a reduction in Excise Tax, FICA and/or a federal, state or local income tax deduction) plus interest on the amount of such repayment at the rate provided in Section 1274(b) (2) (B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties or additions payable by the Executive with respect to such excess) at the time that the amount of such excess is finally determined.

For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax under this Section 3, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have effectively waived in writing shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which in the opinion of the Auditor (or tax counsel selected by the Auditor) does not constitute a "parachute payment" within the meaning of Section 280G(b) (2) of the Code (including by reason of Section 280G(b) (4) (A) of the Code), and in calculating

the Excise Tax, no portion of such Total Payments shall be taken into account which constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b) (4) (B) of the Code, in excess of the "base amount" (as defined in Section 280G(b) (3) of the Code) allocable to such reasonable compensation, and (iii) the value of any noncash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of Sections 280G(d) (3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on the date of payment of the Gross-Up Payment to the Executive, net of the maximum reduction in federal income taxes that could be obtained from deduction of such state and local taxes.

The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments.

4. Legal Fees. The Company shall also pay to the Executive all reasonable legal fees and expenses incurred by the Executive in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

5. Term. This Agreement shall commence on the date hereof and shall continue in effect through January 31, 2003; provided, however, that commencing on January 31, 2003 and each January 31 thereafter, the term of this Agreement shall automatically be extended for one (1) additional year unless, not later than October 31 of the preceding year, the Company or the Executive shall have given written notice not to extend this Agreement; provided, further, however, if a Change of Control of the Company shall have occurred during the initial or extended term of this Agreement, this Agreement shall continue in effect for a period of 24 months beyond the month in which such Change of Control of the

Company occurred. Notwithstanding anything herein to the contrary, this Agreement shall terminate upon the Executive ceasing to be a senior officer of the Company prior to a Change of Control of the Company (other than any such cessation which the Executive reasonably demonstrates occurred under circumstances described in clause (i) or (ii) of Section 1.d.(3)(B) hereof).

6. Successors and Binding Agreements.

a. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business and/or assets of the Company expressly to assume and to agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no succession had taken place. This Agreement shall be binding upon and inure to the benefit of the Company and any such successor, and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement.

18

b. This Agreement shall inure to the benefit of and be enforceable by the Executive's respective personal or legal representative, executor, administrator, successor, heirs, distributees and/or legatees.

c. Neither the Company nor the Executive may assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in this Section. Without limiting the generality of the foregoing, the Executive's right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by will or the laws of descent and distribution. In the event the Executive attempts any assignment or transfer contrary to this Section, the Company shall have no liability to pay any amount so attempted to be assigned or transferred.

7. Notices. All communications provided for herein shall be in writing and shall be deemed to have been duly given when delivered or five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his/her principal residence, or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of a change of address shall be effective only upon receipt.

8. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Wisconsin without giving effect to the principles of conflict of laws of such state, except that Section

19

9 shall be construed in accordance with the Federal Arbitration Act if arbitration is chosen by the Executive as the method of dispute resolution.

9. Settlement of Disputes; Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled, at the Executive's election, either by arbitration in Chicago, Illinois in accordance with the rules of the American Arbitration Association then in effect or by litigation; provided, however, that in the event of a dispute regarding whether the Executive's employment has been terminated for Cause or whether the Executive's voluntary termination qualifies as a "Termination of Employment" under Section 1.h.(ii), the evidentiary standards set forth in this Agreement shall apply. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Executive shall be entitled, during the pendency of any such dispute or controversy, to continue to receive compensation and benefits as an active employee.

10. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement which shall remain in full force and effect.

11. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the parties with respect to the matters discussed herein and supersedes all other prior agreements and understandings, written or oral, between the parties with respect thereto, including but not limited to the Existing Agreement, which shall be null and void and of no force and effect as



of the date hereof. There are no representations,

20

warranties or agreements of any kind relating thereto that are not set forth in this Agreement.

12. Withholding. The Company may withhold from any amounts payable under this Agreement all federal, state and other taxes as shall be legally required.

13. Certain Limitations. Nothing in this Agreement shall grant the Executive any right to remain an executive, director or employee of the Company or of any of its subsidiaries for any period of time.

\* \* \*

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and date first written above.

SNAP-ON INCORPORATED

By: \_\_\_\_\_  
Dale F. Elliott  
Its: President and Chief Executive Officer

-----  
Executive

21

## RESTATED EXECUTIVE AGREEMENT

THIS RESTATED EXECUTIVE AGREEMENT ("Agreement") is entered into this \_\_\_\_ day of \_\_\_\_\_, by and between SNAP-ON INCORPORATED, a Delaware corporation (the "Company"), and \_\_\_\_\_, an executive of the Company or of a subsidiary of the Company (the "Executive").

WHEREAS, the Company and the Executive had entered into a \_\_\_\_\_ effective as of \_\_\_\_\_ (the "Existing Agreement");

WHEREAS, the Board of Directors of the Company (the "Board") has determined that the Executive has made, and is expected to continue to make, an essential contribution to the profitability, growth and financial strength of the Company;

WHEREAS, the Company wishes to continue to encourage the Executive to devote his/her entire time and attention to the pursuit of Company matters without distractions relating to his/her employment security by providing the Executive with this Agreement, which shall supersede the Existing Agreement;

WHEREAS, the Company intends that this Agreement will provide the Executive with certain minimum compensation rights in the event of the termination of his/her employment under the circumstances set forth herein.

NOW, THEREFORE, in consideration of the respective terms and conditions set forth herein, the Company and the Executive hereby agree as follows:

1. Definitions. As used in this Agreement, the following terms shall have the following meanings when used herein:

a. Cause. The term "Cause" shall mean that the Executive shall, prior to any Termination of Employment (as that term is hereafter defined), have:

1

(i) engaged in any act of fraud, embezzlement, or theft in connection with his/her duties as an executive or in the course of employment with the Company or its subsidiaries;

(ii) wrongfully disclosed any secret process or confidential information of the Company or its subsidiaries; or

(iii) engaged in any Competitive Activity (as that term is hereafter defined);

and in any such case the act shall have been determined by the Board to have been materially harmful to the Company.

The Executive may not be terminated for Cause prior to the receipt by the Executive of a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that the Executive was guilty of conduct set forth in the definition of Cause herein, and specifying the particulars thereof in detail. In the event of a dispute regarding whether the Executive's employment has been terminated for Cause, no claim by the Company that Cause exists shall be given effect unless the Company establishes by clear and convincing evidence that Cause exists.

b. Competitive Activity. The term "Competitive Activity" shall mean the Executive's participation without the written consent of the Board in the management of any business enterprise which manufactures or sells any product or service competitive

2

with any product or service of the Company or its subsidiaries. Competitive Activity shall not include the ownership of less than five (5) percent of the securities in any enterprise and exercise of any ownership rights related thereto.

c. Change of Control. A "Change of Control" shall be deemed to have

occurred on the first to occur of any one of the events set forth in of the following paragraphs:

(i) any Person is or becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates (as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act)) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) of paragraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 25, 2002, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment or election by the Board or nomination for election by the Company's

3

stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on January 25, 2002 or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities; or

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (in one transaction or a series of related transactions within any period

4

of 24 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 75% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, no "Change of Control" shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

d. Effective Date. The term "Effective Date" shall mean the first date on which a Change of Control of the Company occurs. Anything in this Agreement to the contrary notwithstanding, if (1) a Change of Control of the Company occurs, whether or not during the initial or extended term of this Agreement, (2) the Executive's employment with the Employer terminates within six months prior to the Change of Control of the Company and (3) it is reasonably demonstrated by the Executive that (A) any such termination of employment by the

Employer (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control of the Company or (ii) otherwise arose in connection with or in anticipation of a Change of Control of the Company, or (B) any such termination of employment by the Executive took place subsequent to the occurrence of an event described in clause (A), (B), (C) or

5

(D) of paragraph (h)(ii) of this Section 1 which event (i) occurred at the request of a third party who has taken steps reasonably calculated to effect a Change of Control of the Company or (ii) otherwise occurred in connection with or in anticipation of a Change of Control of the Company, then for all purposes of this Agreement the term "Effective Date" shall mean the day immediately prior to the date of such termination of employment.

e. Employer. The term "Employer" shall mean the Company and/or a subsidiary of the Company that employs the Executive.

f. Exchange Act. The term "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

g. Person. The term "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company or (v) any individual, entity or group which is permitted to, and actually does, report its Beneficial Ownership on Schedule 13G (or any successor schedule); provided that if any such individual, entity or group subsequently becomes required to or does report its Beneficial Ownership on Schedule 13D (or any successor schedule), such individual, entity or group shall be deemed to be a Person for

6

purposes hereof on the first date on which such individual, entity or group becomes required to or does so report Beneficial Ownership of all of the voting securities of the Company Beneficially Owned by it on such date.

h. Termination of Employment. The term "Termination of Employment" shall mean:

(i) any termination by the Employer of the employment of the Executive for any reason other than for Cause within a period of two (2) years following the Effective Date (as that term is defined in paragraph d. of this Section 1);

(ii) voluntary termination by the Executive of his/her employment within a period of two (2) years following the Effective Date and subsequent to the occurrence without the Executive's written consent, of (A) a material and adverse change in the Executive's status, authority, duties, functions, or benefits relative to those most favorable to the Executive in effect at any time during the 180-day period prior to the Effective Date or, to the extent more favorable to the Executive, those in effect after the Effective Date, (B) any reduction in the Executive's base salary or percentage of base salary available as an incentive compensation or bonus opportunity relative to those most favorable to the Executive in effect at any time during the 180-day period prior to the Effective Date or, to the extent more favorable to the Executive, those in effect after the Effective Date, or the failure to pay the Executive's base salary or earned incentive compensation or bonus when due, (C) the relocation of the Executive's principal place of employment to a location more than 35 miles from the Executive's principal place of employment immediately prior to the Effective Date, (D) the Employer's requiring the

7

Executive to travel on Employer business to a materially greater extent than was required immediately prior to the Effective Date, or (E) the failure of the Company to obtain from a successor the assumption and agreement to perform this Agreement (as described in Section 6.a.) prior to the effectiveness of any such succession provided that (1) any such event occurs following the Effective Date

or (2) in the case of an event set forth in clause (A), (B), (C) or (D) above, such event occurs on or prior to the Effective Date and the Executive reasonably demonstrates that such event occurs under circumstances described in clause (i) or (ii) of Section 1.d.(3)(B) hereof; or

(iii) voluntary termination by the Executive of his/her employment following completion of one year of service after a Change of Control of the Company; provided that the voluntary termination must be effected by the Executive within six (6) months after the completion of that one year of service.

In the event of a dispute regarding whether the Executive's voluntary termination qualifies as a "Termination of Employment" for purposes of clause (ii) above, no claim by the Company that such termination does not constitute a Termination of Employment shall be given effect unless the Company establishes by clear and convincing evidence that such termination does not constitute a Termination of Employment.

Any election by the Executive to terminate his/her employment as contemplated by this Section shall not be deemed a voluntary termination of employment by the Executive for the purpose of any other employee benefit or other plan.

2. Compensation and Benefits. In the event of a Termination of Employment, the Company shall provide the Executive with the following compensation and benefits:

8

a. General Compensation and Benefits. The Company shall pay the Executive's full salary to the Executive through the date of Termination of Employment at the rate in effect at the time notice of termination is given or, if higher, at an annual rate not less than twelve times the Executive's highest monthly base salary for the 12-month period immediately preceding the month in which the Effective Date occurs, together with all compensation and benefits payable to the Executive through the date of Termination of Employment under the terms of any compensation or benefit plan, program or arrangement maintained by the Employer during such period. Such payments shall be made in a lump sum not later than five (5) days after such termination. The Company shall also pay the Executive's normal post-termination compensation and benefits to the Executive as such payments become due. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Employer's retirement, insurance and other compensation or benefit plans, programs and arrangements most favorable to the Executive in effect at any time during the 180-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to executives of the Company of comparable status and position to the Executive.

b. Incentive Compensation. Notwithstanding any provision of any cash bonus or incentive compensation plan of the Employer, the Company shall pay to the Executive, within five (5) days after the Executive's Termination of Employment, a lump sum amount, in cash, equal to the sum of (i) any bonus or incentive compensation which has been allocated or awarded to the Executive for a fiscal year or other measuring period under the plan that ends prior to the date of Termination of Employment, but

9

which has not yet been paid (pursuant to Section 2.a. hereof or otherwise), and (ii) a pro rata portion to the date of Termination of Employment of the aggregate value of all contingent bonus or incentive compensation awards to the Executive for all uncompleted periods under the plan calculated as to each such award as if the "target" with respect to such bonus or incentive compensation award had been attained.

c. Compensation. The Company shall pay to the Executive a lump sum equal to two (2) times the sum of (a) the highest per annum base rate of salary in effect with respect to the Executive during the 3-year period immediately prior to the Termination of Employment plus (b) the highest of (i) the highest annual bonus or incentive compensation earned by the Executive under any cash bonus or incentive compensation plan of the Company during the three (3) complete fiscal years of the Company immediately preceding the Termination of Employment or, if more favorable to the Executive, during the three (3) complete fiscal years of the Company immediately preceding the Change of Control of the

Company; (ii) the Executive's bonus or incentive compensation "target" for the fiscal year in which the Termination of Employment occurs; or (iii) the highest average annual bonus and/or incentive compensation earned during the three (3) complete fiscal years of the Company immediately preceding the Termination of Employment (or, if more favorable to the Executive, during the three (3) complete fiscal years of the Company immediately preceding the Change of Control of the Company) under any cash bonus or incentive compensation plan of the Company by the group of executives of the Company participating under such plan during such fiscal years at the level at which the Executive participated or would have participated pursuant to his/her most senior position at any time during the 180 days preceding the Effective

10

Date or thereafter until the Termination of Employment. The lump sum shall be paid to the Executive not later than five (5) days after the Termination of Employment.

d. Benefits. Subject to Section 2.e. hereof, for a three (3)-year period following Termination of Employment, the Company shall provide the Executive with health, disability, life and other insurance benefits substantially similar to the benefits received by the Executive pursuant to the Company's (or the Employer's) benefit programs as in effect immediately during the 180 days preceding the Effective Date (or, if more favorable to the Executive, as in effect at any time thereafter until the Termination of Employment); provided, however, that no compensation or benefits provided hereunder shall be treated as compensation for purposes of any of the programs or shall result in the crediting of additional service thereunder.

e. New Employment. If the Executive secures new employment during the three (3)-year period following Termination of Employment, the level of any benefit being provided pursuant to Section 2.d. hereof shall be reduced to the extent that any such benefit is being provided by the Executive's new employer. The Executive, however, shall be under no obligation to seek new employment and, in any event, no other amounts payable pursuant to this Agreement shall be reduced or offset by any compensation received from new employment or by any amounts claimed to be owed by the Executive to the Company or the Employer.

f. Retirement Benefit.

(i) Defined Benefit Pension Plan. In addition to the retirement benefits to which the Executive is entitled under each DB Pension Plan (as defined

11

below), the Company shall pay the Executive a lump sum amount, in cash, equal to the excess of (A) the actuarial equivalent of the aggregate retirement pension (taking into account any early retirement subsidies associated therewith and determined as a straight life annuity commencing at the date (but in no event earlier than the second anniversary of the date of Termination of Employment) as of which the actuarial equivalent of such annuity is greatest) which the Executive would have accrued under the terms of all DB Pension Plans (without regard to any amendment to any DB Pension Plan made subsequent to a Change of Control and on or prior to the date of Termination of Employment, which amendment adversely affects in any manner the computation of retirement benefits thereunder), determined as if the Executive were fully vested thereunder and had accumulated (after the date of Termination of Employment) twenty-four (24) additional months of service credit thereunder and had been credited under each DB Pension Plan during such period with annual compensation equal to the Executive's compensation (as defined in such DB Pension Plan) during the twelve (12) months immediately preceding date of Termination of Employment or, if higher, during the twelve months immediately prior to the first occurrence of an event or circumstance constituting Good Reason, over (B) the actuarial equivalent of the aggregate retirement pension (taking into account any early retirement subsidies associated therewith and determined as a straight life annuity commencing at the date (but in no event earlier than the date of Termination of Employment) as of which the actuarial equivalent of such annuity is greatest) which the Executive had accrued pursuant to the provisions of the DB Pension Plans as of the date of Termination of Employment. For purposes of this Section 2.f., "actuarial equivalent" shall be determined using the same assumptions utilized under

the Snap-on Incorporated Retirement Plan (or any successor plan) immediately prior to the date of Termination of Employment or, if more favorable to the Executive, immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

(ii) Cash Balance Plan. In addition to the benefits to which the Executive is entitled under each Cash Balance Plan (as defined below), the Company shall pay the Executive a lump sum amount, in cash, equal to the sum of (A) the amount that would have been credited to the Executive's account thereunder (whether as pay credits, interest credits, or otherwise) during the two years immediately following the date of Termination of Employment, determined (x) as if the Executive earned compensation during such period at an annual rate equal to the Executive's compensation (as defined in the Cash Balance Plan) during the twelve (12) months immediately preceding the date of Termination of Employment or, if higher, during the twelve months immediately prior to the first occurrence of an event or circumstance constituting Good Reason and (y) without regard to any amendment to the Cash Balance Plan made subsequent to a Change of Control and on or prior to the date of Termination of Employment, which amendment adversely affects in any manner the computation of benefits thereunder and (B) the excess, if any, of (x) the Executive's account balance under the Cash Balance Plan as of the Date of Termination over (y) the portion of such account balance that is nonforfeitable under the terms of the Cash Balance Plan as of the date of Termination of Employment.

(iii) Definitions. "DB Pension Plan" shall mean any tax-qualified, supplemental or excess defined benefit pension plan maintained by the

Company and any other defined benefit plan or agreement entered into between the Executive and the Company which is designed to provide the Executive with supplemental retirement benefits, other than any plan (or portion thereof) that is a Cash Balance Plan. "Cash Balance Plan" shall mean any tax-qualified pension plan (or portion thereof) maintained by the Company of the type commonly referred to as a "cash balance plan".

g. Lump Sum Election. In connection with a Change of Control, the Executive may elect to receive a lump sum payment of the Executive's account balance(s) under the Supplemental Retirement Plan for Officers and any other unfunded plan which may be established by the Company subsequent to the date hereof, pursuant to such administrative policies as the Company may establish from time to time.

3. Additional Payments. Notwithstanding any other provisions of this Agreement, whether or not there occurs a Termination of Employment, in the event it shall be determined that any payment or benefit received or to be received by the Executive in connection with a Change of Control of the Company or the termination of the Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any entity whose actions result in a Change of Control of the Company or any entity affiliated with the Company or such entity (any such payment or benefit being hereinafter called a "Payment," and all such payments and benefits being hereinafter called "Total Payments"), would be subject (in whole or part) to the excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any interest or penalties incurred with respect to such excise tax (such excise tax, together with such interest and penalties, are hereinafter

collectively referred to as the "Excise Tax"), then the Company shall pay to the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Total Payments and any federal, state and local income tax, FICA and Excise Tax upon the payment provided for by this Section 3, shall be equal to the Total Payments.

Subject to the provisions of this Section 3, all determinations required to be made under this Section 3, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally

recognized accounting firm selected by the Executive that is not then serving as accountant or auditor for the individual, entity or group effecting the Change of Control of the Company (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 3, shall be paid by the Company to the Executive within 10 days of the receipt of the Accounting Firm's determination. Subject to the following provisions of this Section 3, any determination by the Accounting Firm shall be binding upon the Company and the Executive.

In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus that portion of the Gross-Up

15

Payment attributable to the Excise Tax, FICA and federal, state and local income tax imposed on the Gross-Up Payment being repaid by the Executive to the extent that such repayment results in a reduction in Excise Tax, FICA and/or a federal, state or local income tax deduction) plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties or additions payable by the Executive with respect to such excess) at the time that the amount of such excess is finally determined.

For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax under this Section 3, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have effectively waived in writing shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which in the opinion of the Auditor (or tax counsel selected by the Auditor) does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code), and in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the "base amount" (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation, and (iii) the value of any noncash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of

16

Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on the date of payment of the Gross-Up Payment to the Executive, net of the maximum reduction in federal income taxes that could be obtained from deduction of such state and local taxes.

The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments.

4. Legal Fees. The Company shall also pay to the Executive all reasonable legal fees and expenses incurred by the Executive in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.



5. Term. This Agreement shall commence on the date hereof and shall continue in effect through January 31, 2003; provided, however, that commencing on January 31, 2003 and each January 31 thereafter, the term of this Agreement shall automatically be extended for one (1) additional year unless, not later than October 31 of the preceding year, the Company or the Executive shall have given written notice not to extend this Agreement; provided, further, however, if a Change of Control of the

17

Company shall have occurred during the initial or extended term of this Agreement, this Agreement shall continue in effect for a period of 24 months beyond the month in which such Change of Control of the Company occurred. Notwithstanding anything herein to the contrary, this Agreement shall terminate upon the Executive ceasing to be an officer of the Company prior to a Change of Control of the Company (other than any such cessation which the Executive reasonably demonstrates occurred under circumstances described in clause (i) or (ii) of Section 1.d.(3)(B) hereof).

6. Successors and Binding Agreements.

a. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business and/or assets of the Company expressly to assume and to agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no succession had taken place. This Agreement shall be binding upon and inure to the benefit of the Company and any such successor, and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement.

b. This Agreement shall inure to the benefit of and be enforceable by the Executive's respective personal or legal representative, executor, administrator, successor, heirs, distributees and/or legatees.

c. Neither the Company nor the Executive may assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in this Section. Without limiting the generality of the foregoing, the Executive's right to receive payments hereunder shall not be assignable or transferable, whether by

18

pledge, creation of a security interest or otherwise, other than by a transfer by will or the laws of descent and distribution. In the event the Executive attempts any assignment or transfer contrary to this Section, the Company shall have no liability to pay any amount so attempted to be assigned or transferred.

7. Notices. All communications provided for herein shall be in writing and shall be deemed to have been duly given when delivered or five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his/her principal residence, or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of a change of address shall be effective only upon receipt.

8. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Wisconsin without giving effect to the principles of conflict of laws of such state, except that Section 9 shall be construed in accordance with the Federal Arbitration Act if arbitration is chosen by the Executive as the method of dispute resolution.

9. Settlement of Disputes; Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled, at the Executive's election, either by arbitration in Chicago, Illinois in accordance with the rules of the American Arbitration Association then in effect or by litigation; provided, however, that in the event of a dispute regarding whether the Executive's employment has been terminated for

19

Cause or whether the Executive's voluntary termination qualifies as a

"Termination of Employment" under Section 1.h.(ii), the evidentiary standards set forth in this Agreement shall apply. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Executive shall be entitled, during the pendency of any such dispute or controversy, to continue to receive compensation and benefits as an active employee.

10. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement which shall remain in full force and effect.

11. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the parties with respect to the matters discussed herein and supersedes all other prior agreements and understandings, written or oral, between the parties with respect thereto, including but not limited to the Existing Agreement, which shall be null and void and of no force and effect as of the date hereof. There are no representations, warranties or agreements of any kind relating thereto that are not set forth in this Agreement.

12. Withholding. The Company may withhold from any amounts payable under this Agreement all federal, state and other taxes as shall be legally required.

13. Certain Limitations. Nothing in this Agreement shall grant the Executive any right to remain an executive, director or employee of the Company or of any of its subsidiaries for any period of time.

20

\* \* \*

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and date first written above.

SNAP-ON INCORPORATED

By: \_\_\_\_\_  
Dale F. Elliott  
Its: President and Chief Executive Officer

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Executive

21

Amended and Restated  
Snap-on Incorporated  
Directors' 1993 Fee Plan  
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(as amended through January 25, 2002)

1. Purpose. The Amended and Restated Snap-on Incorporated Directors' 1993 Fee Plan (the "Plan") is intended to provide an incentive to members of the Board of Directors (the "Board") of Snap-on Incorporated, a Delaware corporation (the "Company"), who are not employees of the Company ("Directors"), to remain in the service of the Company and increase their efforts for the success of the Company and to encourage such Directors to own shares of the Company's stock or participate in a Company phantom stock account, thereby aligning their interests more closely with the interests of stockholders.

2. Definitions.

(a) "Board" means the Board of Directors of the Company.

(b) "Committee" means a committee consisting of members of the Board authorized to administer the Plan.

(c) "Common Stock" means the common stock, par value \$1.00 per share, of the Company.

(d) "Deferral Election" means an election pursuant to Section 6 hereof to defer receipt of Fees and/or shares of Common Stock which would otherwise be received pursuant to Minimum Grants and Elective Grants.

(e) "Deferred Amounts" mean the amounts credited to a Director's Share Account or Cash Account pursuant to a Deferral Election.

(f) "Director" means a member of the Board or an appointed Director Emeritus, who is not an employee of the Company.

(g) "Elective Grants" shall have the meaning set forth in Section 5(b) hereof.

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(i) "Fair Market Value" means the closing price of the Common Stock on the New York Stock Exchange on any particular date; provided, however, that for purposes of Section 8, Fair Market Value shall mean the closing price of Common Stock on the New York Stock Exchange on the date of the Change of Control (as defined therein) or, if higher, the highest price per share of Common Stock paid in the transaction giving rise to the Change of Control.

(j) "Fees" mean the annual retainer scheduled to be paid to a Director for the calendar year plus any additional fees (including meeting and committee fees) earned by a Director for his or her services on the Board during the calendar year.

(k) "Grants" mean Minimum Grants and Elective Grants.

(l) "Minimum Grants" shall have the meaning set forth in Section 5(a) hereof.

(m) "Share Election" shall have the meaning set forth in Section 5(b) hereof.

3. Administration of the Plan.

(a) Member of the Committee. The Plan shall be administered by the Committee. Members of the Committee shall be appointed from time to time by the Board, shall serve at the pleasure of the Board and may resign at any time upon written notice to the Board.

(b) Authority of the Committee. The Committee shall adopt such rules as it may deem appropriate in order to carry out the purpose of the Plan. All questions of interpretation, administration, and application of the Plan shall

be determined by a majority of the members of the Committee then in office, except that the Committee may authorize any one or more of its members, or any officer of the Company, to execute and deliver documents on behalf of the Committee. The determination of such majority shall be final and binding in all matters relating to the Plan. No member of the Committee shall be liable for any act done or omitted to be done by such member or by any other member of the Committee in connection with the Plan, except for such member's own willful misconduct or as expressly provided by statute.

4. Stock Reserved for the Plan. The number of shares of Common Stock authorized for issuance under the Plan is 300,000, subject to adjustment pursuant to Section 7 hereof. Shares of Common Stock delivered hereunder may be either authorized but unissued shares or previously issued shares reacquired and held by the Company.

#### 5. Terms and Conditions of Grants.

(a) Minimum Grant. Subject to Section 5(e) hereof, each Director shall automatically receive (subject to a Deferral Election) a number of whole shares of Common Stock equal in value to fifty percent (50%) of his or her Fees earned in each calendar year (the "Minimum Grants"). Such shares of Common Stock (and cash in lieu of fractional shares) shall be transferred in accordance with Section 5(c) hereof.

(b) Elective Grant. Subject to Section 5(e) hereof, each Director may make an election (the "Share Election") to receive (subject to a Deferral Election) any or all of his or her remaining Fees earned in each calendar year in the form of Common Stock (the "Elective Grants"). The shares of Common Stock (and cash in lieu of fractional shares) issuable pursuant to a Share Election shall be transferred in accordance with Section 5(c) hereof. The Share Election (i) must be in writing and delivered to the Secretary of the Company, (ii) shall be effective commencing on the date the Secretary receives the Share Election or such later date as may be specified in the Share Election, and (iii) shall remain in effect unless modified or revoked by a subsequent Share Election in accordance with the provisions hereof.

2

(c) Transfer of Shares. Shares of Common Stock issuable to a Director with respect to Minimum Grants and Elective Grants shall be transferred to such Director as of the last business day of each calendar month. The total number of shares of Common Stock to be so transferred (1) in respect of a Minimum Grant, shall be determined by dividing (a) an amount equal to fifty percent (50%) of the Director's Fees payable during the applicable calendar month, by (b) the Fair Market Value of a share of Common Stock on the last business day of such calendar month, and (2) in respect of an Elective Grant, shall be determined by dividing (x) the dollar amount of the Director's Fees payable during the applicable calendar month to which the Share Election applies, by (y) the Fair Market Value of a share of Common Stock on the last business day of such calendar month. In no event, shall the Company be required to issue fractional shares. Whenever under the terms of this Section 5 a fractional share of Common Stock would otherwise be required to be issued to a Director, an amount in lieu thereof shall be paid in cash based upon the Fair Market Value of such fractional share.

(d) Termination of Services. If a Director's services as a Board member are terminated before the end of a calendar quarter, the Director shall receive in cash the Fees such Director would otherwise have been entitled to receive for such quarter in the absence of this Plan.

(e) Commencement of Grants. Notwithstanding anything in this Plan to the contrary, no Grants shall be effective with respect to Fees to be paid prior to the requisite approval of this Plan by the stockholders of the Company.

#### 6. Deferral Election.

(a) In General. Each Director may irrevocably elect annually (a "Deferral Election") to defer receiving all or a portion of the shares of Common Stock (that would otherwise be transferred upon a Grant) or such Director's Fees in respect of a calendar year that are not subject to a Grant. Deferral Elections shall be made in multiples of ten percent. A Director who makes a Deferral Election with respect to Grants shall have the amount of deferred shares of Common Stock credited to a "Share Account" in the form of "Share Units." A Director who makes a Deferral Election with respect to Fees that are

not subject to a Grant shall have the amount of Deferred Fees credited to a "Cash Account." Collectively, the amounts deferred in a Director's Share Account and Cash Account shall hereafter be the "Deferred Amounts."

(b) Timing of Deferral Election. The Deferral Election shall be in writing and delivered to the Secretary of the Company on or prior to December 31 of the calendar year immediately preceding the calendar year in which the applicable Fees are to be earned; provided, however, that a New Director may make a Deferral Election with respect to Fees earned subsequent to such election during the thirty-day period immediately following the commencement of his or her directorship. A Deferral Election, once made, shall be irrevocable for the calendar year with respect to which it is made and shall remain in effect for future calendar years unless modified or revoked by a subsequent Deferral Election in accordance with the provisions hereof. A Deferral Election may be changed only with respect to fees earned subsequent to the effective date of such Election; provided, however,

3

until December 31, 1999, Directors may execute a new Deferral Election to change the payment commencement date and/or manner of payments for previously Deferred Amounts.

(c) Cash Dividends and Share Accounts. Whenever cash dividends are paid by the Company on outstanding Common Stock, there shall be credited to the Director's Share Account additional Share Units equal to (i) the aggregate dividend that would be payable on outstanding Shares of Common Stock equal to the number of Share Units in such Share Account on the record date for the dividend, divided by (ii) the Fair Market Value of the Common Stock on the last trading business day immediately preceding the date of payment of the dividend.

(d) Cash Accounts. At the election of a Director, a Director's Cash Account shall be credited or debited with (i) interest at an annual rate equal to the sum of the daily interest earned at a rate specified by the Committee and compounded monthly or (ii) the annual investment return relating to such investment vehicle or vehicles that the Director chooses from those the Committee determines to make available, or such combination of (i) and (ii) as the Director designates at the time of a Deferral Election or a modification thereof.

(e) Commencement of Payments. Except as otherwise provided in Sections 6(h) and 8(b), a Director's Deferred Amounts shall become payable as soon as practicable following the earlier to occur of (a) the date the Director terminates service as a Director or (b) the Director's attainment of age 70 years or such later date designated by the Director in the Deferral Election.

(f) Form of Payments. Subject to a Director's right to convert a Share Account balance to a Cash Account, all payments from a Share Account shall be made in shares of Common Stock by converting Share Units into Common Stock on a one-for-one basis, with payment of fractional shares to be made in cash. All payments from a Cash Account shall be made in cash.

(g) Manner of Payments. In his or her Deferral Election, each Director shall elect to receive payment of his or her Deferred Amounts either in a lump sum or in two to fifteen substantially equal annual installments. In the event of a Director's death, payment of the remaining portion of the Director's Deferred Amounts will be made to the Director's beneficiary in a lump sum as soon as practicable following the Director's death.

(h) Hardship Distribution. Notwithstanding any Deferral Election, in the event of severe financial hardship to a Director resulting from a sudden and unexpected illness, accident or disability of the Director or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Director, all as determined by the Committee, a Director may withdraw any portion of the Share Units in his or her Share Account or cash in his or her Cash Account by providing written notice to the Secretary of the Company. All payments resulting from such a hardship shall be made in the form provided in Section 6(f) above.

4

(i) Designation of Beneficiary. Each Director or former Director entitled to payment of deferred amounts hereunder from time to time may

designate any beneficiary or beneficiaries (who may be designated concurrently, contingently or successively) to whom any such deferred amounts are to be paid in case of the Director's death before receipt of any or all of such deferred amounts. Each designation will revoke all prior designations by the Director or former Director, shall be in a form prescribed by the Company, and will be effective only when filed by the Director or former Director, during his or her lifetime, in writing with the Secretary of the Company. Reference in this Plan to a Director's "beneficiary" at any date shall include such persons designated as concurrent beneficiaries on the Director's beneficiary designation form then in effect. In the absence of any such designation, any balance remaining in a Director's or former Director's Share Account at the time of the Director's death shall be paid to such Director's estate in a lump sum.

(j) Account Transfers. Subject to any applicable corporate policies, from time to time a Director may convert all or a portion of any Cash Account balance of the Director into deferred shares of Common Stock credited to the Director's corresponding Share Account by written notice to the Company. In such event, and effective as of the date the Company receives such a notice, (i) there shall be credited to the Director's Share Account a number of Share Units equal to the number of Share Units specified in the notice or, if such notice specifies a dollar amount, a number of Share Units equal to such dollar amount divided by the Fair Market Value on the last trading business day immediately preceding the date the Company receives such notice and (ii) the Director's Cash Account shall be debited in an amount equal to the number of Share Units credited to the Share Account multiplied by the Fair Market Value on the same trading business day. Subject to any applicable corporate policies, from time to time a Director with a credit balance in a Share Account may convert all or a portion of such balance into an amount to be credited to the Director's corresponding Cash Account by giving written notice to the Company. In such event, and effective as of the date the Company receives such a notice, (i) there shall be credited to the Director's Cash Account an amount equal to the number of Share Units specified in the notice multiplied by the Fair Market Value on the last trading business day immediately preceding the date the Company receives such notice and (ii) the Director's Share Account shall be debited by the number of Share Units specified in the notice.

7. Changes in Capitalization. In the event of any Change in Capitalization, a proportionate substitution or adjustment may be made in (i) the aggregate number and/or kind of shares or other property reserved for issuance under the Plan, (ii) the number and kind of shares or other property to be delivered under the Plan and (iii) the number and kind of shares or other property held in each Director's Share Account, in each case as may be determined by the Committee in its sole discretion. Such other proportionate substitutions or adjustments may be made as shall be determined by the Committee in its sole discretion. "Change in Capitalization" means any increase, reduction, change or exchange of shares of Common Stock for a different number or kind of shares or other securities or property by reason of a reclassification, recapitalization, merger, consolidation, reorganization, issuance of warrants or rights, stock dividend, stock split or reverse stock split, combination or exchange of shares, repurchase of shares, change in corporate structure or otherwise; or any other corporate action, such as declaration of a special dividend, that affects the capitalization of the Company.

5

#### 8. Change of Control.

(a) For purposes of this Plan, a "Change of Control" shall be deemed to have occurred on the first to occur of any one of the events set forth in the following paragraphs:

(1) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (3) below; or

(2) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 25, 2002, constitute the Board and any new director (other

than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on January 25, 2002 or whose appointment, election or nomination for election was previously so approved or recommended; or

(3) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities; or

6

(4) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 75% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, no "Change of Control" shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

For purposes of the definition of Change of Control, "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act; "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act; and "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company or (v) any individual, entity or group which is permitted to, and actually does, report its Beneficial Ownership on Schedule 13G (or any successor schedule); provided that if any such individual, entity or group subsequently becomes required to or does report its Beneficial Ownership on Schedule 13D (or any successor schedule), such individual, entity or group shall be deemed to be a Person for purposes hereof on the first date on which such individual, entity or group becomes required to or does so report Beneficial Ownership of all of the voting securities of the Company Beneficially Owned by it on such date.

(b) Upon the occurrence of a Change of Control, notwithstanding any

provision of this Plan to the contrary,

(i) all Share Units credited to a Share Account shall be converted into an amount equal to the number of Share Units multiplied by the Fair Market Value, which amount shall be (1) transferred as soon as possible to each Director and (B) denominated in (i) such form of consideration as the Director would have received had the Director been the owner of record of such shares of Common Stock at the time of such Change of Control, in the case of a "Change of Control With Consideration" or (2) cash, in the case of a "Change of Control Without Consideration"; and

7

(ii) fees earned in respect of the calendar quarter in which the Change of Control occurs, together with all Deferred Amounts credited to a Cash Account, shall be transferred as soon as practicable in cash to each Director.

For purposes of this Section 8, (I) "Change of Control With Consideration" shall mean a Change of Control in which shares of Common Stock are exchanged or surrendered for shares, cash or other property and (II) "Change of Control Without Consideration" shall mean a Change of Control pursuant to which shares of Common Stock are not exchanged or surrendered for shares, cash or other property.

9. Term of Plan. This Plan shall become effective as of the date of approval of the Plan by the stockholders of the Company, and shall remain in effect until a Change of Control, unless sooner terminated by the Board; provided, however, that, except as provided in Section 8(b) hereof, Deferred Amounts may be delivered pursuant to any Deferral Election, in accordance with such election, after the Plan's termination. Prior to the effective date of the Plan, Directors may make the elections provided for herein, but the effectiveness of such elections shall be contingent upon the receipt of stockholder approval of the Plan. No transfer of shares of Common Stock may be made to any Director or any other person under the Plan until such time as stockholder approval of the Plan is obtained pursuant to this Section 9. In the event stockholder approval is not obtained, Fees that were not subject to Deferral Elections shall be paid to the Directors in cash and Fees that were subject to Deferral Elections shall be deferred pursuant to the Prior Plan.

10. Amendment; Termination. The Board or the Committee may at any time and from time to time alter, amend, suspend, or terminate the Plan in whole or in part; provided, however, that (a) no amendment which requires stockholder approval in order for the exemptions available under Rule 16b-3 of the Exchange Act, as amended from time to time ("Rule 16b-3"), to be applicable to the Plan and the Directors shall be effective unless the same shall be approved by the stockholders of the Company entitled to vote thereon; (b) the provisions of Section 5(a) hereof shall not be amended more than once every six months, other than to comport with changes in the Internal Revenue Code of 1986, as amended, the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder; and (c) action by the Board shall be required to amend the first sentence of Section 5(a) hereof. Notwithstanding the foregoing, no amendment shall affect adversely any of the rights of any Director, without such Director's consent, under any election theretofore in effect under the Plan.

#### 11. Rights of Directors.

(a) Retention as Director. Nothing contained in the Plan or with respect to any Grant shall interfere with or limit in any way the right of the stockholders of the Company to remove any Director from the Board pursuant to the bylaws of the Company, nor confer upon any Director any right to continue in the service of the Company as a Director.

(b) Nontransferability. No right or interest of any Director in Deferred Amounts shall be assignable or transferable during the lifetime of the Director, either

8

voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy. In the event of a Director's death, a Director's rights and interests in his or her Deferred Amounts shall be transferable by testamentary will or the laws of descent and distribution. If in



the opinion of the Committee a person entitled to payments or to exercise rights with respect to the Plan is disabled from caring for his or her affairs because of mental condition, physical condition or age, payment due such person may be made to, and such rights shall be exercised by, such person's guardian, conservator or other legal personal representative upon furnishing the Committee with evidence satisfactory to the Committee of such status.

## 12. General Restrictions.

(a) Investment Representations. The Company may require any director to whom Common Stock is granted, as a condition of receiving such Common Stock, to give written assurances in substance and form satisfactory to the Company and its counsel to the effect that such person is acquiring the Common Stock for his own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with Federal and applicable state securities laws.

(b) Compliance with Securities Laws. Each Grant shall be subject to the requirement that, if at any time counsel to the Company shall determine that the listing, registration or qualification of the shares subject to such Grant upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance of shares thereunder, such Grant may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Committee. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration or qualification.

13. Withholding. The Company may defer making payments under the Plan until satisfactory arrangements have been made for the payment of any federal, state or local income taxes required to be withheld with respect to such payment or delivery. Each Director shall be entitled to irrevocably elect to have the Company withhold shares of Common Stock having an aggregate value equal to the amount required to be withheld. The value of fractional shares remaining after payment of the withholding taxes shall be paid to the Director in cash. Shares so withheld shall be valued at Fair Market Value on the regular business day immediately preceding the date such shares would otherwise be transferred hereunder.

14. Governing Law. This Plan and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

15. Headings. The headings of sections and subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

## SNAP-ON INCORPORATED

## SUPPLEMENTAL RETIREMENT PLAN FOR OFFICERS

(As amended January 1, 2001)

## SECTION 1 --INTRODUCTION

1.1 SNAP-ON INCORPORATED SUPPLEMENTAL RETIREMENT PLAN FOR OFFICERS (the "Plan") was originally established by Snap-on Incorporated for the benefit of eligible employees of that corporation and its subsidiaries that adopted the Plan with that corporation's consent (1/28/94, effective 4/22/94). The Plan is intended to constitute an unfunded "excess benefit plan" as defined in Section 3(36) of the Employee Retirement Income Security Act of 1974 ("ERISA") and an unfunded Plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as defined in Section 201(2) of ERISA (6/28/91). Benefits payable from the Plan will be paid solely from the general assets of the Corporation or other employers under the Plan.

1.2 Effective Date. The "effective date" of the Plan as originally set forth is August 26, 1983, and the amended version set forth below is effective January 1, 2001, except that the provisions relating to Elections (as defined below) shall be effective December 31, 2000.

1.3 Employers. The term "Corporation" means Snap-on Tools Corporation until such date that name "Snap-on Tools Corporation" is changed to "Snap-on Incorporated" by shareholder approval, and on such date "Corporation" shall mean Snap-on Incorporated or any successor thereto. The Corporation and any subsidiary of the Corporation which adopts the Plan with the consent of the Corporation is referred to herein individually as an "employer" and collectively as the "employers" (1/28/94, effective 4/22/94).

1.4 Purpose. The Plan has been established to supplement retirement benefits provided by the Snap-on Incorporated Retirement Plan ("SIRP") in the event that benefits provided under the SIRP are limited by the benefit restrictions imposed under ERISA and/or limited due to participation in Snap-on Incorporated Deferred Compensation Plan. Notwithstanding any provisions hereof to the contrary, the Corporation intends that the Supplemental Benefits of each Participant who was an active employee on October 26, 2001 shall be determined in a manner consistent with the materials provided to each such Participant in connection with his Retirement Program Choice Election Form and subject to the understandings, information, representations, and acknowledgements to which each such Participant certified on such Form, and the Corporation is authorized, in its sole discretion, to interpret, to construe, and to recommend to the Board of Directors the amendment of, any of the terms of the Plan, and to supply any omissions, for the purpose of carrying out its intentions and, without limitation, to insure that there are no unintended enhancements of the Supplemental Benefits provided hereunder.

1.5 Additional Definitions. The following are definitions of terms and provisions not found elsewhere in the Plan, and certain other terms and provisions are defined where they first appear:

1

Exhibit 10(f)

1.5.1 "Account-Based Participant" shall mean, collectively, each employee who becomes a Participant on or after January 1, 2001 who is a Qualified Account-Based Participant, and each Participant who selected Option 2 or Option 4 on his Retirement Selection Form.

1.5.2 "Actuarial Equivalent" shall mean a form of benefit differing in time period, or manner of payment, from the Normal Form of benefit provided under the Plan, but where the actuarial reserve required to provide such form of benefit is equal to the actuarial reserve required to provide the Normal Form of Supplemental Benefit and will be based on the interest assumptions and the mortality factors set forth in Section 6.12(a) of Article III of the SIRP; provided, however, that, solely in the case of a Final-Average Participant, in converting his Normal Form to a different Available Payment Form, the Plan shall use (i) the mortality table set

forth in Section 6.12(b)(ii) of Article III of the SIRP, and (ii) an interest rate equal to the greater of (x) the interest rate which would be used as set forth in Section 6.12(b)(i) of Article III of the SIRP, or (y) the FAS 87 interest rate at the time, reduced by 1.5%; and provided, finally, that, notwithstanding the foregoing, for all purposes of Section 8 of the Plan, it shall have the meaning set forth in Subsection 8.4. Notwithstanding any provision hereof to the contrary, the Corporation shall have the authority, in its sole discretion, to recommend to the Board of Directors of the amendment of, the provisions of this subsection 1.5.2 in any respect effective as of any date occurring after the calendar year during which such amendment is adopted.

1.5.3 "Annuity Payments" shall mean (i) in the case of a Final-Average Participant, payment of his Supplemental Benefits in the manner provided in Subsection 2.3(a), and (ii) in the case of an Account-Based Participant, payment of his Supplemental Benefits monthly for his lifetime with a guarantee of total payments equal to the Lump Sum amount of such Participant's original Supplemental Benefit.

1.5.4 "Available Payment Form" shall mean payment (i) in a Lump Sum, (ii) in 120, 180 or 240 Installment Payments, or (iii) in Annuity Payments, each as further described in the "Supplemental Pension Election Form" furnished to each Participant on or before December 31, 2001.

1.5.5 "Elect", "Election" and similar terms shall mean the timely filing of a complete and timely executed Election Form with the Corporation, in which a Participant Elects to have his Supplemental Benefits paid in an Available Payment Form. Only the last Election Form filed on or before such Participant's Final Election Date shall be such Participant's Election. In the absence of a valid Election (as determined by the Corporation in its sole discretion), a Participant's Supplemental Benefits will be paid in the Normal Form.

1.5.6 "Election Form" shall mean a written form, prepared and distributed by the Corporation, on which the Participant may select the Available Payment Form in which his Supplemental Benefits will be distributed and such other matters as shall be determined by the Corporation.

2

Exhibit 10(f)

1.5.7 "Final-Average Participant" shall mean, collectively, each employee who becomes a Participant on or after January 1, 2001, who is a Qualified Final-Average Participant, each Participant who selected Option 1 or Option 3 on his Retirement Selection Form, and each Participant on October 26, 2001 who was not an employee of Snap-on Incorporated or any subsidiary employer on that date.

1.5.8 "Final Election Date" with respect to selection of the Available Payment Form shall mean the last day of the calendar year preceding the calendar year in which a Participant Separates; provided; however, that notwithstanding the foregoing, each Participant, whose Final Election Date would otherwise be December 31, 2000, may Elect, on an Election Form filed on or before December 31, 2000, to postpone his Final Election Date until any date after December 31, 2001.

1.5.9 "Installment Payment" shall mean payment of a Participant's Supplemental Benefits in equal payments made on the first day of each calendar month for a fixed period of calendar months.

1.5.10 "Lump Sum" shall mean payment of a Participant's Supplemental Benefits in a single payment.

1.5.11 "Normal Form" shall mean payment of a Participant's Supplemental Benefits (i) in the case of a Final-Average Participant, in an Annuity Payment, and (ii) in the case of an Account-Based Participant, in a Lump Sum.

1.5.12 "Participant" shall mean a Final-Average Participant, and an Account-Based Participant, collectively, except that where it is necessary or appropriate to identify a particular category of Participant, there will be an appropriate specific reference.

1.5.13 "Retirement Date" shall mean the date on which a Participant retires as determined in Subsection 2.3(c).

1.5.14 "Separates" and "Separation" shall mean a Participant's termination of employment with Snap-on Incorporated and any subsidiary employer for any reason (including death or disability).

1.5.15 "Supplemental Benefits" shall mean the retirement benefit which the Participant has earned under Subsection 2.2.

1.5.16 "Qualified Account-Based Participant" shall mean each Participant who is participating in the Account-Based Component of the SIRP.

1.5.17 "Qualified Final-Average Participant" shall mean each Participant who is participating in the Final Average Pay Component of the SIRP.

1.5.18 "Retirement Selection Form" shall mean the form entitled "Your Snap-on Retirement Program Choice Election Form" provided to each Participant who became an employee of Snap-on Incorporated or any subsidiary employer prior to January 1, 2001 and continued to be such an employee on October 26, 2001.

3

Exhibit 10(f)

1.5.19 "Adjusted Benefits" shall mean the benefits payable to a Participant under the SIRP expressed in a form, and subject to the adjustments, which the Corporation determines are required to enable the Corporation to calculate the Supplemental Benefits hereunder.

## SECTION 2 -- PARTICIPATION AND SUPPLEMENTAL BENEFITS

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2.1 Eligibility. Each employee of Snap-on Incorporated or any subsidiary employer who was a Participant in the Plan will continue to be eligible to participate in the Plan in accordance with the terms of the Plan. Each employee of the Corporation will become a Participant in the Plan and eligible for benefits in accordance with Subsection 2.2, provided that such Participant meets the following requirements:

(a) The employee is an elected officer of the Corporation, as determined under the Bylaws of the Corporation; and (1/28/94, effective 4/22/94)

(b) Such employee is a member of the SIRP (1/28/94, effective 4/22/94).

2.2 Supplemental Benefits. Supplemental benefits payable to or on behalf of a Participant under the Plan shall be calculated as of his Retirement Date and (i) in the case of a Final-Average Participant shall be equal to the difference (if any) between (w) the retirement income or the pre-retirement spouse's benefit, computed for the Participant (and, if such Final-Average Participant is a Qualified Account-Based Participant, computed as though he were a Qualified Final-Average Participant) or his surviving spouse in accordance with the provisions of the Final Average Pay Component of the SIRP (disregarding any benefit or compensation limitations contained in ERISA and/or limited due to participation in Snap-on Tools Corporation Deferred Compensation Plan) (6/28/91), and (x) the Adjusted Benefit which is actually payable under the SIRP; and (ii) in the case of an Account-Based Participant, shall be equal to the difference (if any) between (y) the full amount of the Participant's Account Balance computed for the Participant (and, if such Account-Based Participant is a Qualified Final-Average Participant, computed as though he were a Qualified Account-Based Participant) in accordance with the provisions of the Account-Based Component of the SIRP as though such Account-Based Participant had elected to participate in the Account-Based Component on July 1, 2001, except that (A) in computing such Account-Based Participant's Opening Account Balance there shall be substituted, for such Account-Based Participant's "final average accrued benefit" in Section 4.4 of Article II of the SIRP, the amount which would be determined under (i) (w) of this Subsection 2.2 if such Account-Based Participant were a Final-Average Participant and his Retirement Date was June 30 2001; and (B) his Earnings under Section 4.5 of Article II of the SIRP were determined without regard to the last sentence thereof, and (z) the Adjusted

Benefit which is actually payable under the SIRP; in each case subject to the following limitations:

4

Exhibit 10(f)

(a) Should employment of any person other than Robert A. Cornog continue after service as an officer terminates, retirement benefits under this Plan will not accrue after the calendar year in which service as an officer terminates. Effective October 27, 2000, Robert A. Cornog's retirement benefits under this Plan will accrue through March 31, 2002 as if he were an officer through March 31, 2002, regardless of his actual status as an officer after October 27, 2000 (April 26, 1985) (October 27, 2000).

(b) The maximum Supplemental Benefits payable annually under this Plan for any Participant who retired under the Plan prior to January 28, 1994 are limited to \$150,000 (1/28/94).

(c) Supplemental Benefits will be payable in accordance with Subsection 2.3.

(d) Deferred compensation will be considered as eligible earnings only for the year payment is deferred for purposes of determining retirement benefits (8/22/86).

(e) For purposes of calculating the Supplemental Benefits (i) for Robert A. Cornog, two (2) years of credited service, and (ii) for Dale Elliot, one and one-half years of credited service, shall be credited for each year of his credited service under the SIRP for both accrual and vesting purposes, and notwithstanding anything in the Plan to the contrary except this Subsection 2.2(e), effective October 27, 2000, Robert A. Cornog shall be deemed to have remained employed by the Corporation through March 31, 2002 at the rate of compensation in effect with respect to Robert A. Cornog through March 31, 2002 (or on such earlier date, if any, that Robert A. Cornog terminates his employment with the Corporation); provided, however, that Robert A. Cornog's Transition Payment (as defined in Paragraph 2 of the Retention and Recognition Agreement dated October 27, 2000 between Robert A. Cornog and the Corporation (the "Retention Agreement")) will not be considered as compensation for purposes of this Plan. Supplemental Benefits for Robert A. Cornog under this Plan shall be calculated in a manner that is consistent with the Retention Agreement. (June 25, 1992) (October 27, 2000).

Notwithstanding the forgoing, the amendment of this Plan as provided under Subsection 1.2 shall not reduce a Participant's Supplemental Benefits accrued prior to December 31, 2000 in violation of Section 6.

Notwithstanding anything in this Section to the contrary, Robert A. Cornog shall be a Participant in this Plan through March 31, 2002 without regard to whether he is an officer after October 27, 2000.

Notwithstanding any provision hereof to the contrary, in making the calculations relating to the comparison of benefits under the SIRP to benefits computed by disregarding any benefit or compensation limitations contained in ERISA and/or limited due to participation in Snap-on Tools Corporation's Deferred Compensation Plan, the Corporation, in its sole discretion, shall adopt such procedures and assumptions as it shall deem appropriate to carry out the intent of this Plan, but shall treat persons similarly situated in a similar manner.

5

Exhibit 10(f)

2.3 Payment of Benefits. Subject to the provisions of this Plan, Supplemental Benefits shall be payable to or on behalf of a Participant, commencing on his or her Retirement Date. Supplemental Benefits will be paid in the Normal Form unless the Participant has Elected a different Available Payment Form on or before such Participant's Final Election Date, in which case they will be paid in accordance with such Election.

(a) Normal Form For Final-Average Participant. The Normal Form of Supplemental Benefits payments to a Final-Average Participant who retires on a normal, deferred or early Retirement Date will be made monthly, will

commence on his Retirement Date and (i) will continue thereafter for life; (ii) if the Final-Average Participant dies within a period of five years after his Retirement Date, a continuing payment of the same amount will be made to his eligible spouse (as defined in Subsection 5.2) if then surviving, or if such eligible spouse is not living or dies prior to the expiration of such five-year period, to his beneficiary, for the balance of said period; and (iii) if, at the later to occur of the death of a retired Final-Average Participant or the completion of the applicable five-year period specified in (ii) of this Subsection 2.3(a), such Final-Average Participant's eligible spouse (as defined in Subsection 5.2) is living, such spouse shall be entitled to receive a monthly supplemental benefit on the first day of the next month, equal to 50 percent of the monthly supplemental benefit which the Final-Average Participant or such eligible spouse was receiving on such date and continuing on the first day of each month thereafter with the last payment being the payment due on the first day of the month in which such spouse's death occurs. If such spouse is more than ten years younger than the Final-Average Participant, the amount of monthly benefit payable to such spouse shall be reduced by an appropriate percentage (determined actuarially) for each full month by which such spouse's age is more than ten years less than the Final-Average Participant's age.

(b) Normal Form For Account-Based Participant. The Normal Form of Supplemental Benefit payments to an Account-Based Participant on his Retirement Date will be payment in a Lump Sum.

(c) Retirement Date. For all purposes of this Plan, the "Retirement Date" of each Participant shall be (i) in the case of a Final-Average Participant, the first day of the month coincident with or next following the date as of which such Final-Average Participant actually retires or is retired from the employ of all of the employers (x) on or after attaining age 65 years, (y) on or after attaining age 50 years if he has completed ten or more years of continuous employment under the SIRP, or (z) on the date he is retired because of total and permanent disability if he has completed ten or more years of continuous employment under the SIRP; and (ii) in the case of an Account-Based Participant, the first day of the month coincident with or next following the date of his Separation; provided, further, that if such Participant has filed a proper and timely deferral Election Form, it shall mean the January 1st as therein selected.

(d) Pre-retirement Spouse's Benefit and Other Death Benefit. In the event a Participant who has elected to receive his Supplemental Benefits in the Normal Form at the time of his death, and who has a spouse to whom he is legally married at the time he satisfied the requirements of Subsection 2.3(c) (i) (y) above dies leaving an eligible

spouse, there shall be payable to such Final-Average Participant's eligible spouse the supplemental amount that would have been payable to his spouse under Subsection 2.3(a) (iii) above had the Participant retired on the first day of the month coincident with or next following the month in which his death occurred, had received payment commencing on such date in the form described in Subsections 2.3(a) for a period of five years and then died. Such monthly spouse's benefit will be paid to such spouse on the first day of the month coincident with or next following the date of the Final-Average Participant's death and will be payable on the first day of each month thereafter, with the final payment being the payment due on the first day of the month in which such spouse's death occurs. In the event a Participant is a Final-Average Participant who has elected to receive his Supplemental Benefit in a Lump Sum or in Installment Payments on the date of his death, or is an Account-Based Participant, and in either case, has a spouse to whom he is legally married at the date of his death, there shall be payable to such eligible spouse or, in the absence of an eligible spouse, to his beneficiary, the full amount of his or her Supplemental Benefits in the form the Participant has Elected or, in the absence of an Election by an Account-Based Participant, in the Normal Form. Without limiting the generality of the foregoing, subsequent to the commencement of payments in any Available Payment Form, the provisions of this Section 2.3(d) shall have no applicability or effect, and all death benefit payments, if any, will be determined in accordance with the terms of such Available Payment Form.

The computation and payment of such benefits by the Corporation shall be conclusive on the Participant, his eligible spouse and his beneficiary (6/23/89).

Notwithstanding the provisions of Subsections 2.3(a)(iii) and 2.3(d), if Robert Cornog is a Final-Average Participant and has not Elected to receive his Supplemental Benefits in other than the Normal Form, and if the amount payable to the surviving spouse of Robert Cornog in the form of payment specified therein is less than \$50,000 per year, the minimum amount payable to such spouse, pursuant to whichever of such Subsections, if any, apply, on an annual basis shall be \$50,000 (6/25/92).

Notwithstanding anything in this Section to the contrary, a Participant will be allowed to elect on or before December 31, 2000 to defer to 2002 the payment of all Supplemental Benefits that might otherwise be payable in 2001.

2.4 Benefits Provided by Employers. Benefits under this Plan paid to a Participant, his surviving spouse or his beneficiary may be paid directly by the Participant's employer. No employer shall be required to segregate any assets or establish any trust or fund to provide for the payment of benefits under this Plan(6/23/89).

### SECTION 3 -- OTHER EMPLOYMENT

3.1 A Participant or other person receiving Supplemental Benefits under the Plan will continue to be entitled to receive such payments regardless of other employment or self-employment.

7

Exhibit 10(f)

### SECTION 4 -- FORFEITURE FOR CAUSE

4.1 Notwithstanding any provisions of the Plan to the contrary, a retired officer will be disqualified for benefits under this Plan if he, during his term of employment with the Corporation, or within two years of the date his employment terminates:

(a) Uses or discloses trade secrets for the benefit of someone other than the Corporation or its subsidiaries;

(b) Embezzles or steals cash or other property of the Corporation or its subsidiaries or performs other similar dishonest acts against the Corporation or its subsidiaries; or

(c) Enters into a business in direct competition with the Corporation or its subsidiaries as either an employee, director, proprietor, consultant, partner or joint venturer of such business (1/6/84).

### SECTION 5 -- GENERAL

5.1 Administration. The Plan will be administered by the Corporation. The Board of Directors of the Corporation will designate the person or persons authorized to act on behalf of the Corporation in the administration of the Plan.

5.2 Spouse or Beneficiary. Any benefits payable to an eligible spouse or beneficiary under the Plan shall be paid to such spouse or beneficiary eligible to receive the Participant's benefits under the SIRP as provided in Subsection 2.3 or, if no such beneficiary as been designated, to the Participant's estate. For purposes of this Plan, an "eligible spouse" of a Participant is a spouse of the Participant as of the Participant's Retirement Date (or, if applicable, the Participant's date of death) resulting from a legally recognized marriage (6/23/89).

5.3 Interests Not Transferable. Except as to any withholding of tax under the laws of the United States or any state, the interest of any Participant or other person under the Plan shall not be subject to the claims of creditors and may not be voluntarily or involuntarily sold, transferred, assigned, alienated or unencumbered.

5.4 Facility of Payment. Any amounts payable hereunder to any person under legal disability or who, in the judgment of the Corporation, is unable to properly manage his financial affairs may be paid to the legal representative of such person (6/23/89).

5.5 Gender and Number. Words in the masculine gender shall include the feminine gender and, where the context admits, the plural shall include the singular and the singular shall include the plural.

5.6 Controlling Law. Except to the extent superseded by the laws of the United States, the laws of Wisconsin shall be controlling in all matters relating to the Plan.

5.7 Successors. This Plan is binding on each employer and will inure to the benefit of any successor of an employer, whether by way of purchase, merger, consolidation or otherwise.

8

Exhibit 10(f)

5.8 Not a Contract. This Plan does not constitute a contract of employment, and shall not be construed to give any Participant the right to be retained in any employer's employ. No Participant shall have any rights under this Plan except those specifically provided herein. Such Participant shall not have any right or security interest in any specific asset of the employers or any trust, it being understood that any assets set aside shall be available for the claims of an employer's creditors (6/23/89).

5.9 Litigation by Participant. If a legal action relating to the Plan is begun against the Corporation or an employer by or on behalf of any person, or if a legal action arises because of conflicting claims to a Participant's or other person's benefits, the cost to the Corporation or the employer of defending the action shall be charged to the extent permitted by law to the sum, if any, which were involved in the action or were payable to the Participant or other person concerned, or to the Supplemental Benefits payable to the Participant under the Plan.

#### SECTION 6 -- AMENDMENT AND TERMINATION

6.1 While the Corporation expects to continue the Plan indefinitely, the right to amend or terminate the Plan by action of the Board of Directors of the Corporation (or by action of those to whom the Board of Directors of the Corporation has delegated in writing the power to amend the Plan) is hereby reserved, provided that in no event shall any Participant's Supplemental Benefits accrued to the date of such amendment or termination be reduced or modified by such action except where an amendment is made at the recommendation of the Corporation made pursuant to an express authority hereunder to make such recommendations. Any Supplemental Benefits accrued to the date of such amendment or termination shall be payable under Subsection 2.3 (8/28/87) (6/23/89).

#### SECTION 7 -- ADDITIONAL SPECIAL RESTRICTIONS (1/1/96)

7.1 Effective Date and Overriding Provisions. The following provisions of this Section 7 shall become effective on a "restricted date" (as defined in Subsection 7.6 below) and, upon becoming effective, shall remain effective until the following related unrestricted date and, during that period, shall supersede any other provisions of the Plan to the extent necessary to eliminate any inconsistencies between the provisions of this Section 7 and any other provisions of the Plan, including any exhibits and supplements thereto.

7.2 Prohibitions Against Mergers and Termination, Restrictions on Amendment. During the period beginning on a restricted date and ending on the following related unrestricted date, (i) the Plan may not be merged into any other plan or terminated, (ii) no amendment of the Plan which would reduce the accrual of benefits or change participation or vesting requirements to the detriment of existing Participants in the Plan immediately prior to the restricted date shall be permitted, and (iii) the provisions of Subsection 2.2(a) shall not apply with respect to any employee whose service as an officer ceases during such period.

7.3 Subsidiaries and Affiliates. For purposes of this Section 7, a "subsidiary" of the Corporation means any corporation more than 50 percent of



the voting stock of which is owned, directly or indirectly, by the Corporation. An "affiliate" of the Corporation means any

individual, corporation, partnership, trust or other entity which controls, is controlled by, or is under common control with the Corporation.

7.4 Prohibition Against Amendment. Except as otherwise required by law, the provisions of this Section 7 may not be amended, deleted or superseded by any other provision of the Plan, during the period beginning on a restricted date and ending on the related unrestricted date.

7.5 Timing and Method of Distribution. During the period beginning on a restricted date and ending on the following related unrestricted date, the timing and methods of distributions of benefits payable to or on behalf of a Participant under the Plan and the determination of Actuarially Equivalent values shall be governed by the applicable provisions of the Plan as in effect on the date immediately preceding the restricted date.

7.6 Restricted and Unrestricted Dates. For purposes of this Section 7, the term "restricted date" means the date on which either a Change of Control (as defined in Subsection 7.7) or a Potential Change of Control (as defined in Subsection 7.8) occurs. An "unrestricted date" means (1) in the case of a restricted date which occurs by reason of a Change of Control, the last day of the five year period following such Change of Control or (2) in the case of a restricted date occurring by reason of a Potential Change of Control, the last day of the six-month period following such Potential Change of Control."

7.7 Change of Control. For purposes of this Plan, a "Change of Control" shall be deemed to have occurred on the first to occur of any one of the events set forth in the following paragraphs:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its COC Affiliates) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) of paragraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 25, 2002, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on January 25, 2002 or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its COC Affiliates)

representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities; or

(iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 75% of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, no "Change of Control" shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

For purposes of this definition of Change of Control, "COC Affiliate" shall have the meaning of "affiliate," as set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act; "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act; and "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its COC Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company or (v) any individual, entity or group which is permitted to, and actually does, report its Beneficial Ownership on Schedule 13G (or any successor schedule); provided that if any such individual, entity or group subsequently becomes required to or does

11

Exhibit 10(f)

report its Beneficial Ownership on Schedule 13D (or any successor schedule), such individual, entity or group shall be deemed to be a Person for purposes hereof on the first date on which such individual, entity or group becomes required to or does so report Beneficial Ownership of all of the voting securities of the Company Beneficially Owned by it on such date.

7.8 Potential Change of Control. A "Potential Change of Control" shall be deemed to have occurred if:

(a) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change of Control;

(b) the Corporation or any person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change of Control;

(c) any person becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 15% or more of either the then outstanding shares of common stock of the Corporation or the combined voting power of the Corporation's then outstanding voting securities; or

(d) the Board adopts a resolution to the effect that, for purposes of this plan, a Potential Change of Control has occurred.

#### SECTION 8 -- PAYMENT OF BENEFITS DURING CREDIT RATING LIMITATION

PERIOD(10/22/99)

8.1 Effective Date and Overriding Provisions. The following provisions of this Section 8 shall become effective upon the occurrence of a "Credit Rating Limitation Date" (as defined in Subsection 8.2 below) and, upon becoming

effective, shall remain effective until a subsequent "Credit Rating Delimitation Date" (as defined in Subsection 8.2 below) and, during the "Credit Rating Limitation Period" (as defined in Subsection 8.2 below) shall supersede any other provisions of the Plan, other than Section 7, to the extent necessary to eliminate any inconsistencies between the provisions of this Section 8 and any other provisions of the Plan, other than Section 7, including any exhibits and supplements thereto.

8.2 Credit Rating Limitation and Delimitation Dates. For purposes of this Section 8, the term "Credit Rating Limitation Date" means the date on which the Corporation's debt rating drops below an Investment Grade Rating. "Investment Grade Rating" means a rating at or above Baa3 by Moody's Investors Services, Inc. (or its successors) or a rating at or above BBB by Standard & Poor's Corporation (or its successors). Only one such rating at the required level is necessary for the Corporation to have an Investment Grade Rating for purposes of this Section 8. If either or both of these ratings cease to be available then an equivalent rating from a nationally prominent rating agency shall be substituted by the Corporation. For purposes of this Section 8, the term "Credit Rating Delimitation Date" means the date on which the Company's debt rating achieves an Investment Grade Rating after having previously lost such rating. The period of time commencing on a Credit Rating Limitation Date and ending on a Credit Rating Delimitation Date shall be the "Credit Rating Limitation Period."

12

Exhibit 10(f)

8.3 Benefit Payment Provisions. Upon the occurrence of a Credit Rating Limitation Date and on each December 31 after such date occurring during the Credit Rating Limitation Period, and prior to the occurrence of a Credit Rating Delimitation Date, a single sum payment shall be made immediately to each Participant under the Plan of the amount by which the "Actuarial Equivalent" (as defined in Subsection 8.4 below) of (a) exceeds the sum of (b) plus (c):

(a) The amount determined in Subsection 2.2(i) (as limited by all of Subsection 2.2) based upon the assumptions that (1) the Participant has a nonforfeitable right to the Participant's benefit from the SIRP, (2) the Participant incurs a Separation as of the date of determination, and (3) benefits payable from the SIRP would commence upon the earliest payment date allowed under the SIRP immediately following such termination of employment.

(b) The Actuarial Equivalent of the amount, if any, determined in Subsection 2.2(ii) (as limited by all of Subsection 2.2) based upon the same assumptions as in Subsection 8.3(a) above.

(c) The Actuarial Equivalent of the amount paid to such Participant based on any prior determination date pursuant to this Subsection 8.3.

8.4 Actuarial Equivalent. Actuarial Equivalent means an amount equal in value to the benefit replaced as determined with respect to a single sum distribution under Section 8 by using the average thirty (30) year Treasury rate for the second full calendar month preceding the first day of the calendar quarter in such year that contains the determination date as of which the single sum distribution is being determined, as specified by the Commissioner of the Internal Revenue Service in the Internal Revenue Bulletin, and the mortality table prescribed by the Secretary of the Treasury in revenue rulings, notices, or other guidance pursuant to Section 807(d) (5) (A) of the Internal Revenue Code that has been published in the Internal Revenue Bulletin as of the date such single sum distribution is being determined.

8.5 Supplemental Benefits In Payment Status During Credit Rating Limitation Period. During a Credit Rating Limitation Period the Actuarial Equivalent payment of any unpaid Supplemental Benefits in payment status under this Plan shall be made immediately to the Participant or other appropriate recipient in a single sum amount.

8.6 No Duplication of Benefits. Under no circumstances shall a Participant receive duplicate payment of Supplemental Benefits under the Plan. Entitlement to periodic or other payment of Supplemental Benefits is canceled when such benefits are paid out in accordance with this Section 8.

13



SNAP-ON INCORPORATED

SPLIT-DOLLAR INSURANCE PLAN

AGREEMENT FOR \_\_\_\_\_

1. Introduction. This Agreement is a component of the Snap-on Incorporated Split-Dollar Insurance Plan ("Plan"). Snap-on Incorporated, as an inducement to continued employment of executives designated to participate in the Plan, wishes to assist them with their personal life insurance program. The Plan is intended to qualify as a life insurance employee benefit as described in Revenue Ruling 64-328.

2. Definitions.

(a) "Change of Control" shall have the meaning given it in Section \_\_\_\_\_ of the \_\_\_\_\_ Agreement.

(b) "Company" means Snap-on Incorporated, a Delaware corporation, with offices in Kenosha, Wisconsin.

(c) "Early Retirement" shall have the meaning given it in the Company's Retirement Plan for Administrative and Field Employees except that the Insured shall only have to satisfy the age requirements of such term.

(d) "Effective Date" shall have the meaning given it in Section \_\_\_\_\_ of the \_\_\_\_\_ Agreement.

(e) "Insured" means \_\_\_\_\_.

(f) "Insurer" means Northwestern Mutual Life.

(g) "Owner" means \_\_\_\_\_, who may or may not be the same person as the Insured.

(h) "Permanent Disability" shall have the meaning given it in the Company's Health Benefit Plan for Administrative and Field Employees.

(i) "Policy Interest" means the interest of the Company in a Policy. Policy Interest is an amount equal to the total premiums paid by the Company with respect to that Policy.

(j) "Policy" means a policy of insurance on the life of the Insured issued by the Insurer and listed on Exhibit A attached hereto together with any supplementary contracts issued by the Insurer in conjunction therewith.

(k) "Retirement" shall have the meaning given it in the Company's Retirement Plan for Administrative and Field Employees.

(l) "\_\_\_\_\_ Agreement" means the \_\_\_\_\_ Agreement dated \_\_\_\_\_, between the Company and the Insured, including any amendments thereto or successor agreements.

(m) "Termination of Employment" shall have the meaning given it in Section \_\_\_\_\_ of the \_\_\_\_\_ Agreement without regard for any time limits specified in such definition.

3. Premium Payments.

(a) Commencing with the date of this Agreement, the Company agrees to pay successive annual premium payments on each Policy as listed on Exhibit A as they become due.

(b) The Company's obligation to make future premium payments under Section 3(a) shall terminate if the Insured's employment is terminated prior to the Effective Date for any reason other than (i) Retirement at normal retirement age, (ii) Early Retirement or (iii) Permanent Disability.

(c) The Company's obligation to make future premium payments under Section 3(a) shall terminate if the Insured's employment is terminated after the Effective Date for any reason other than (i) Retirement at normal retirement age, (ii) Early Retirement, (iii) Permanent Disability or (iv) Termination of Employment.

(d) Policy dividends shall be applied to purchase paid-up

additional insurance protection.

(e) The Insured shall, as a condition of Owner's participation in this Plan, execute a limited waiver of participation in the Company's group term life insurance plan, evidenced by filing with the Company a waiver in substantially the form attached hereto.

#### 4. Policy Ownership.

(a) Except as provided in Section 4(b), the Owner shall be the sole and exclusive owner of each Policy. This includes all the rights of "owner" under the terms of each Policy, including but not limited to the right to designate beneficiaries and select settlement options.

(b) In exchange for the Company's payment of its premium contribution for a Policy under Section 3, the Owner shall assign to the Company the following limited ownership rights in that Policy:

- (1) The right to recover its Policy Interest from the cash value of a Policy in the event of the termination of this Agreement as provided in Section 5.

-2-

- (2) The right to recover its Policy Interest from the proceeds of a Policy in the event of the Insured's death.

(c) To secure the Company's interest in a Policy the Owner shall execute an Assignment of the Policy to the Company in substantially the form attached hereto as Exhibit B.

(d) It is agreed that benefits will be paid under a Policy by the Insurer only by separate checks to the parties entitled thereto.

#### 5. Termination of Plan.

(a) This Agreement shall be terminated upon the first to occur of:

- (1) The death of the Insured.
- (2) The sixteenth (16th) anniversary of the issuance of a Policy (but the Agreement shall only terminate with respect to that Policy).
- (3) The date on which the Owner gives notice in writing to the Company of the termination.
- (4) Termination of the Company's premium payment obligation under Section 3(a) pursuant to Section 3(b) or 3(c).

(b) In the event of termination of this Agreement the Owner shall, at its election:

- (1) Repay to the Company within 60 days of the date of termination an amount equal to the Company's Policy Interest. Or,
- (2) Execute any and all instruments that may be required to vest ownership of Policy in the Company. Thereafter, Owner shall have no further interest in the Policy and shall have no further obligation to the Company.

#### 6. Funding Upon a Change of Control.

(a) In the event that a Change of Control of the Company occurs and a Rating Event has not occurred, the Company shall immediately transfer to the Snap-on Incorporated Master Split-Dollar Insurance Plan Trust dated August 1, 2000, or any successor thereto (the "Trust") an amount equal to the aggregate unpaid premiums required to be paid by

-3-

the Company under Section 3(a) assuming no termination of the Agreement under Sections 3(c), 5(a)(1) or 5(a)(3).

(b) The Trust is an administrative and funding vehicle for the Company's general assets contributed to the Trust for the purpose of ultimately satisfying obligations under this Agreement. In the event that the Company transfers assets to the Trust for the express purpose of ultimately satisfying its obligations under this Agreement then, subject to the terms of the Trust and limited by assets available and held by the Trustees of the Trust for the purpose of funding the benefits provided by this Agreement, payments may be made from such Trust in satisfaction of Company's obligations hereunder. The transfer of assets by the Company to the Trust for this purpose shall not increase, decrease or vary in any way the rights and obligations of the parties to this Agreement, nor shall the Insured or the Owner have any ownership rights with respect to such assets nor shall the assets be treated as a trust fund of any kind for the benefit of any such person; provided that as and when any such payment is required to be made hereunder, the Owner may, subject to the terms of the Trust and limited by the terms of this Agreement, require such payments to be made from the Trust. The Owner may enforce and obtain satisfaction of such payment rights against the assets held by the Trust for the purpose of satisfying such obligations of the Company.

7. The Insurer shall be bound only by the provisions of and endorsements on a Policy, and any payments made or action taken by it in accordance therewith shall fully discharge it from all claims, suits and demands of all persons whatsoever. It shall in no way be bound by or be deemed to have notice of the provisions of this Agreement.

8. This Agreement may be amended at any time by the Owner and the Company. Such amendment shall be in writing and signed by the Chairman of the Organization and Executive Compensation Committee on behalf of the Company and by the Owner.

9. This Agreement shall bind and inure to the benefit of the Company and its successors and assigns; Owner and its successor trustees and beneficiaries; and any Policy beneficiary.

10. Funding Upon a Rating Event.

(a) In the event that a Rating Event (as defined below) occurs, the Company shall immediately transfer to the Snap-on Incorporated Delaware Benefits Trust dated February 1, 2000, or any successor thereto, an amount equal to the aggregate unpaid premiums required to be paid by the Company under Section 3(a) of this Agreement.

(b) The term "Rating Event" means the date on which the Company's debt rating drops below an Investment Grade Rating. "Investment Grade Rating" means a rating at or above Baa3 by Moody's Investors Service, Inc. (or its successors) or a rating at or above BBB by Standard & Poor's Corporation (or its successors). Only one such rating at the required level is necessary for the Company to have an Investment Grade Rating for purposes of this Section. If either or both of these ratings cease to be available then an

-4-

equivalent rating from a nationally prominent rating agency shall be substituted by the Company.

(c) The Company's satisfaction of its obligation under Section 10(a) in the event that a Rating Event occurs shall completely discharge its payment obligations under Sections 3 and 4 of this Agreement.

IN WITNESS WHEREOF the parties have signed and sealed this Agreement this \_\_\_\_ day of \_\_\_\_\_, 2002.

In the presence of

SNAP-ON INCORPORATED

By

Its

OWNER

-5-

EXHIBIT A

EXHIBIT B

COLLATERAL ASSIGNMENT FORM

SNAP-ON INCORPORATED SPLIT-DOLLAR INSURANCE PLAN

Insurer: Northwestern Mutual Life

Insured: \_\_\_\_\_

Policy No. \_\_\_\_\_

FOR VALUE RECEIVED, THIS ASSIGNMENT is made by the undersigned Owner effective this \_\_\_\_ day of \_\_\_\_\_, 2002.

1. Definitions.

(a) "Assignee" means Snap-on Incorporated, a Delaware corporation, of Kenosha, Wisconsin.

(b) "Insured" means \_\_\_\_\_.

(c) "Insurer" means Northwestern Mutual Life.

(d) "Owner" means \_\_\_\_\_.

(e) "Policy" means the following policy or policies of insurance issued by the Insurer on the life of the Insured, together with any supplementary contracts issued in conjunction therewith:

Policy Number \_\_\_\_\_ Face Amount \$ \_\_\_\_\_

(f) "Policy Interest" means the Assignee's "Policy Interest" as set forth in the Split-Dollar Plan. The Insurer shall be entitled to rely on the Assignee's certification of the amount of its Policy Interest.

(g) "Split-Dollar Plan" means that certain plan of even date herewith, between the Owner and the Assignee. The Insurer is not bound by nor deemed to have notice of the provisions of the Split-Dollar Plan.

2. Introduction. Under the Split-Dollar Plan, the Assignee has agreed to assist the Owner in payment of premiums on the Policy. In consideration of such premium payments by the Assignee, the Owner grants herein to the Assignee certain limited interests in the Policy.

3. Assignment. The Owner hereby assigns, transfers and sets over to the Assignee, its successors and assigns, the following specific rights in the Policy and subject to the following terms and conditions:

(a) The right to obtain one or more loans or advances on the Policy to the extent of its Policy Interest, and to pledge or assign the Policy for such loans and advances.

(b) The right to recover its Policy Interest from the cash value of the Policy in the event of the Policy's surrender by the Owner.

(c) The right to recover its Policy Interest from the proceeds of the Policy in the event of the Insured's death.

4. Insurer. The Insurer is hereby authorized to recognize, and is fully protected in recognizing:



(a) The claims of the Assignee to rights hereunder, without investigating the reasons for such action by the Assignee, or the validity or the amount of such claims.

(b) The Owner's request for surrender of the Policy with or without the consent of the Assignee. Upon surrender, the Policy shall be terminated and of no further force or effect.

5. Release of Assignment. Upon payment to the Assignee of its policy interest, the Assignee shall execute a written release of this assignment.

IN WITNESS WHEREOF the Owner has executed this assignment on the date first above written.

In the presence of

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-2-

GROUP TERM LIFE PLAN WAIVER

I, the undersigned Insured under the Snap-on Incorporated Split-Dollar Insurance Plan, waive participation in the Snap-on Incorporated group term life insurance plan with regard to all coverage in excess of the dollar amount set forth in Internal Revenue Code section 79(a)(1) (\$50,000 as of the date of this Agreement). This waiver is not effective until the life insurance applied for by me under the Split-Dollar Insurance Plan is issued and effective.

In addition, this waiver shall no longer be effective if the Split-Dollar Insurance Plan, as to my coverage and benefits, is terminated by the Company. In such event, my coverage under the Snap-on group term life insurance plan shall be immediately reinstated.

In the presence of

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Acknowledged and Accepted by Snap-on Incorporated.

By: -----

Its: -----

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Snap-on Incorporated  
2002 Executive Management Incentive Program

Administrative Guidelines

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Snap-on Incorporated  
2002 Executive Management Incentive Program  
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The Snap-on Incorporated 2002 Executive Management Incentive Program ("Executive MIP") focuses Participants on financial and operational performance, providing Participants with incentives to deliver results by providing the opportunity to receive monetary payments based on Company, group, and/or business unit performance.

The financial attainment levels set forth are part of the Executive MIP guidelines, intended to be motivational and not intended to predict actual Company results. Each Participant is responsible for treating Executive MIP guidelines in accordance with Company policies, practices and procedures including those applicable to confidential information.

ADMINISTRATION

Executive MIP Awards are granted under the 2001 Incentive Stock and Awards Plan ("Plan"). The Executive MIP will be administered under the provisions of the Plan and as further specified under the guidelines contained in this document. All capitalized terms contained within this document shall have the definitions given in Section 14 of the Plan, with the addition of the terms defined at the end of this document.

PARTICIPATION

Participants for the Executive MIP will be named by the Committee for each Program Year. Participants for the Executive MIP will be the Chief Executive Officer and other executive officers of Snap-on Incorporated designated by the Committee as to whom the Committee determines that incentive compensation payable to the executive officer would otherwise be subject to the limitations set forth in Section 162(m) of the Code.

PROGRAM ELEMENTS

Executive MIP Awards will be based on financial and operational performance at the Company, group and/or business unit level. The relative weighting of performance at each of those organizational levels will be approved by the Committee and, in the case of the Chief Executive Officer, by the Board of Directors, based on each Participant's ability to influence Company, group, and business unit performance.

Specific objectives for each Participant will be determined by the Committee and, in the case of the Chief Executive Officer, by the Board of Directors, set forth in an appendix hereto for the Program Year and communicated to each Participant through a separate communication document.

AWARD OPPORTUNITIES

A target Executive MIP Award (expressed as a percentage of Base Salary) will be established for each Participant. The dollar value calculated as the target percentage multiplied by the Participant's Base Salary will be deemed the Participant's target Executive MIP Award value.

Opportunity levels will also be established for each Participant as follows:

- (1) Threshold opportunity - 25% of the target opportunity
- (2) Target opportunity - 100% of the opportunity established at the beginning of the Program Year
- (3) Outstanding opportunity - 200% of the target opportunity

The payout will be 0% of the target opportunity for performance below threshold.

The Committee and, in the case of the Chief Executive Officer, the Board of Directors, will approve target Executive MIP Awards for each Participant as outlined above. Each Program Year, actual Executive MIP Awards will be based on

-1-

results relative to the objectives approved by the Committee and, in the case of the Chief Executive Officer, by the Board of Directors. Actual Executive MIP Awards will be interpolated for performance between opportunity levels.

#### PERFORMANCE MEASURES

Specific financial and operational performance measures shall be defined for each Participant by the Committee and, in the case of the Chief Executive Officer, by the Board of Directors, and set forth in an appendix hereto for the Program Year.

#### PERFORMANCE OBJECTIVES

The Committee and, in the case of the Chief Executive Officer, the Board of Directors, will be responsible for approving all financial and operational performance objectives for each Program Year. The objectives will be based on factors determined by the Committee and, in the case of the Chief Executive Officer, by the Board of Directors.

Three levels of performance objectives will be defined for each financial or operational performance measure:

- (1) Threshold objective - The minimum level of performance for which an Executive MIP Award will be earned will be established as the threshold objective. Achieving the threshold objective will yield the threshold opportunity level.
- (2) Target objective - The expected level of performance will be established as the target objective. Achieving the target objective will yield the target opportunity level.
- (3) Outstanding objective - An outstanding level of performance will be established as the outstanding objective. Achieving the outstanding objective will yield the outstanding opportunity level.

Executive MIP Awards will be interpolated for performance between opportunity levels.

#### ADJUSTMENTS TO PERFORMANCE OBJECTIVES

Except to the extent that doing so would cause an Executive MIP Award to fail to qualify for the performance-based exception under Section 162(m) of the Internal Revenue Code, the threshold, target and outstanding objectives will be adjusted upward or downward as appropriate to eliminate the effects of acquisitions and divestitures, subject to the limitations set forth in any appendix hereto.

The Committee will have discretion to adjust Executive MIP Award amounts downward for any Participant in accordance with Section 162(m) of the Internal Revenue Code. However, the Committee has no discretion to increase the amount of compensation payable that would otherwise be due based on actual performance.

#### CALCULATION OF AWARDS

Financial and operational performance will be evaluated and approved by the Committee and, in the case of the Chief Executive Officer, by the Board of Directors, relative to the objectives approved by the Committee for each Participant and, in the case of the Chief Executive Officer, by the Board of Directors. The corresponding percentage will be applied to the portion of the Participant's target Executive MIP Award that is based on each measure of financial and operational performance.

The total Executive MIP Award earned for the Program Year will be the sum of the amounts earned through each measure of financial and operational performance.

#### DISTRIBUTION OF AWARDS

The Executive MIP Award earned for the Program Year will be distributed by April 30 following the end of the Program Year. All Executive MIP Awards will be distributed in cash, although participants in the Snap-on Incorporated Deferred Compensation Plan who have made a timely election under that plan to defer receipt of all or a portion of their earned Executive MIP Award will have the payment of same deferred amount in accordance with their prior election.

-2-

#### FORFEITURE OF AWARDS

An Executive MIP Award is considered unearned until it is paid or credited to a Participant under the Snap-on Incorporated Deferred Compensation Plan. In general, a Participant will forfeit any unearned Executive MIP Award upon termination of employment. Forfeiture will not occur as a result of death or termination due to disability or retirement (as the form of the Company's option agreement approved in 2002 defines such terms). In any such event, a Participant's Executive MIP Award will be payable based on actual performance relative to objectives over the full Program Year, pro-rated for the number of whole months of the Program Year that elapsed before the termination of the Participant's employment.

Forfeiture will occur as a result of any other termination of employment without regard to the reason unless the Committee decides otherwise in its discretion in special circumstances. Absence of a Participant on approved leave will not be considered a termination of employment during the period of such leave.

Whether or not a divestiture of a subsidiary, division or other business unit (including through the formation of a joint venture) results in termination of employment with the Company and its subsidiaries will be at the discretion of Committee, which discretion the Committee may exercise on a case by case basis.

#### NEW HIRE/CHANGE OF RESPONSIBILITY/LEAVE OF ABSENCE

At their discretion, the Committee may apply the foregoing terms, including without limitation the performance objectives, to Executive MIP Awards to persons such as new employees or those undergoing a change of responsibility during a Program Year.

For new employees, target Executive MIP Award opportunity will be based on the Participant's Base Salary, pro-rated based on the number of whole months of the Program Year during which the employee was a Participant.

If a Participant is employed in multiple positions during a Program Year (i.e. change of responsibility), the Participant's Executive MIP Award will be pro-rated as of the first of the month in which the event occurs in accordance with actual time and performance results in each position.

Participants who incur a paid or unpaid leave of absence during the Program Year will not receive credit for Executive MIP Award purposes for the time representing the leave. Exceptions, if any, must be approved by the Committee.

-3-

#### 2002 Executive MIP Definitions

All capitalized terms contained within this document shall have the definitions give in Section 14 of the 2001 Incentive Stock and Awards Plan, with the addition of the following terms not contained therein:

(1) Base Salary - a Participant's regular wages earned before deferrals for the Program Year.

(2) Program Year - the fiscal year of Snap-on Incorporated.

-4-

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Snap-on Incorporated  
2002 Executive Qualitative Incentive Program

Administrative Guidelines

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Snap-on Incorporated  
2002 Executive Qualitative Incentive Program  
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The Snap-on Incorporated 2002 Executive Qualitative Incentive Program ("Executive QIP") focuses Participants on operational performance and key qualitative initiatives, providing Participants with the incentive to deliver results by providing the opportunity to receive monetary payments based on achievement of qualitative objectives.

ADMINISTRATION

Executive QIP Awards are granted under the 2001 Incentive Stock and Awards Plan ("Plan"). The Executive QIP will be administered under the provisions of the Plan and as further specified under the guidelines contained in this document. All capitalized terms contained within this document shall have the definitions given in Section 14 of the Plan, with the addition of the terms defined at the end of this document.

PARTICIPATION

Participants for the Executive QIP will be named by the Committee for each Program Year. Participants for the Executive QIP will be the Chief Executive Officer and other executive officers of Snap-on Incorporated designated by the Committee as to whom the Committee determines that incentive compensation payable to the executive officer would otherwise be subject to the limitations set forth in Section 162(m) of the Code. It is the intent of the Committee that the Executive QIP Awards will not be considered performance-based compensation under Section 162(m) of the Code. Further, the Committee will determine whether an amount is payable under an Executive QIP Award without regard to whether an amount is payable to the Participant under any award to the Participant intended to constitute performance-based compensation under Section 162(m) of the Code or the amount payable under such performance-based award.

PROGRAM ELEMENTS

Executive QIP Awards will be based on operational performance and performance on key qualitative initiatives at the Company, group and/or business unit level. Operational and qualitative performance goals for each Participant will be determined based on each Participant's scope and role within the Company.

Specific objectives for each Participant will be determined by the Committee and, in the case of the Chief Executive Officer, by the Board of Directors, and communicated to each Participant through a separate communication document.

AWARD OPPORTUNITIES

A target Executive QIP Award (expressed as a percentage of Base Salary) will be established for each Participant. The dollar value calculated as the target percentage multiplied by the Participant's Base Salary for the Program Year will be deemed the Participant's target Executive QIP Award value.

Opportunity levels will also be established for each Participant as follows:

- (1) Threshold opportunity - 25% of the target opportunity
- (2) Target opportunity - 100% of the opportunity established at the beginning of the Program Year
- (3) Outstanding opportunity - 200% of the target opportunity

The payout will be 0% of the target opportunity for performance below threshold.

The Committee and, in the case of the Chief Executive Officer, the Board of Directors, will approve target Executive QIP Awards for each Participant as

outlined above. Each Program Year, actual Executive QIP Awards will be based on results relative to the objectives approved by the Committee and, in the case of the Chief Executive Officer, by the Board of Directors. Actual Executive QIP Awards will be interpolated for performance between opportunity levels.

-1-

#### PERFORMANCE OBJECTIVES

All operational and qualitative performance objectives for each Program Year and will be approved by the Committee and, in the case of the Chief Executive Officer, by the Board of Directors. The objectives will be based on factors determined by the Committee and, in the case of the Chief Executive Officer, by the Board of Directors. The Committee and, in the case of the Chief Executive Officer, the Board of Directors, will approve any changes to these objectives during the Program Year.

Three levels of performance objectives will be defined for operational performance measures:

- (1) Threshold objective - The minimum level of performance for which an Executive QIP Award will be earned will be established as the threshold objective. Achieving the threshold objective will yield the threshold opportunity level.
- (2) Target objective - The expected level of performance will be established as the target objective. Achieving the target objective will yield the target opportunity level.
- (3) Outstanding objective - An outstanding level of performance will be established as the outstanding objective. Achieving the outstanding objective will yield the outstanding opportunity level.

For operational performance objectives, Executive QIP Awards will be interpolated for performance between opportunity levels.

#### ADJUSTMENTS TO PERFORMANCE OBJECTIVES

Threshold, target and outstanding objectives for operational performance will be adjusted upward or downward as appropriate to eliminate the effects of acquisitions and divestitures.

#### CALCULATION OF AWARDS

Executive QIP Award levels will be determined by the Committee and, in the case of the Chief Executive Officer, by the Board of Directors, based on performance relative to the operational and qualitative objectives approved by the Committee for each Participant and, in the case of the Chief Executive Officer, by the Board of Directors.

#### DISTRIBUTION OF AWARDS

The Executive QIP Award earned for the Program Year will be distributed by April 30 following the end of the Program Year. All Executive QIP Awards will be distributed in cash, although participants in the Snap-on Incorporated Deferred Compensation Plan who have made a timely election under that plan to defer receipt of all or a portion of their earned Executive QIP Award will have the payment of same deferred amount in accordance with their prior election.

#### FORFEITURE OF AWARDS

An Executive QIP Award is considered unearned until it is paid. In general, a Participant will forfeit any unearned Executive QIP Award upon termination of employment. Forfeiture will not occur as a result of death or termination due to disability or retirement (as the form of the Company's option agreement approved in 2002 defines such terms). In any such event, a Participant's Executive QIP Award will be payable based on actual performance relative to objectives over the full Program Year, pro-rated for the number of whole months of the Program Year that elapsed before the termination of the Participant's employment.

Forfeiture will occur as a result of any other termination of employment without regard to the reason unless the Committee decides otherwise in its discretion in special circumstances. Absence of a Participant on approved leave will not be considered a termination of employment during the period of such leave.

Whether or not a divestiture of a subsidiary, division or other business unit (including through the formation of a joint venture) results in termination of employment with the Company and its subsidiaries will be at the discretion of Committee, which discretion the Committee may exercise on a case by case basis.

-2-

NEW HIRE/CHANGE OF RESPONSIBILITY/LEAVE OF ABSENCE

At their discretion, the Committee may apply the foregoing terms, including without limitation the performance objectives, to Executive QIP Awards to persons such as new employees or those undergoing a change of responsibility during a Program Year.

For new employees, target Executive QIP Award opportunity will be based on the Participant's Base Salary, pro-rated based on the number of whole months of the Program Year during which the employee was a Participant.

If a Participant is employed in multiple positions during a Program Year (i.e. change of responsibility), the Participant's Executive QIP Award will be pro-rated as of the first of the month in which the event occurs in accordance with actual time and performance results in each position.

Participants who incur a paid or unpaid leave of absence during the Program Year will not receive credit for Executive QIP Award purposes for the time representing the leave. Exceptions, if any, must be approved by the Committee.

-3-

2002 Executive QIP Definitions

All capitalized terms contained within this document shall have the definitions give in Section 14 of the 2001 Incentive Stock and Awards Plan, with the addition of the following terms not contained therein:

- (1) Base Salary - a Participant's regular wages earned before deferrals for the Program Year
- (2) Program Year - the fiscal year of Snap-on Incorporated.

-4-

Exhibit (12)

SNAP-ON INCORPORATED  
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
(Amounts in millions)

	Thirteen Weeks Ended	
	March 30, 2002	March 31, 2001
Net Earnings	\$ 24.5	\$ 26.9
Add (deduct):		
Income taxes	12.1	15.3
Minority interest in earnings of consolidated subsidiaries	.2	.4
Cumulative effect	(2.8)	2.5
Net Earnings as Defined	34.0	45.1
Fixed Charges:		
Interest on debt	7.8	8.9
Interest element of rentals	1.3	1.3
Total Fixed Charges	9.1	10.2
Total Adjusted Earnings Available for Payment of Fixed Charges	\$ 43.1 =====	\$ 55.3 =====
Ratio of Earnings to Fixed Charges	4.7 =====	5.4 =====

For purpose of computing this ratio, "Net Earnings" consists of (a) income from continuing operations before income taxes and adjusted for minority interest, and (b) "Fixed Charges," consists of interest on debt and the estimated interest portion of rents.