

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): July 2, 1998

SNAP-ON INCORPORATED

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation)	1-7724 (Commission File Number)	39-0622040 (I.R.S. Employer Identification Number)
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2801 80th Street Kenosha, Wisconsin (Address of principal executive offices)	53141-1410 (Zip Code)
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(414) 656-5200
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Item 5. Other Events.

Snap-on Incorporated (the "Company") is filing this Form 8-K to provide information which is supplementary to the Company's Current Report on Form 8-K dated July 2, 1998 and filed with the Commission on July 9, 1998. Accordingly, (i) the Benefit Trust Agreement, dated July 2, 1998, between the Company and The Northern Trust Company, (ii) the Stock Purchase Agreement, dated July 2, 1998, between the Company and The Northern Trust Company and (iii) the related Trust Note, dated July 2, 1998, issued by The Northern Trust Company and payable to the Company, are filed herewith as exhibits. The foregoing description does not purport to be complete and is qualified by reference to the Benefit Trust Agreement, the Stock Purchase Agreement, the Trust Note, and the Company's Current Report on Form 8-K dated July 2, 1998 and filed with the Commission on July 9, 1998.

Item 7. Financial Statements and Exhibits.

(c) Exhibits.

Exhibit No.	Description
99.1	Benefit Trust Agreement, dated July 2, 1998, between Snap-on Incorporated and The Northern Trust Company.
99.2	Stock Purchase Agreement, dated July 2, 1998, between Snap-on Incorporated and The Northern Trust Company.
99.3	Trust Note, dated July 2, 1998, issued by The Northern Trust Company and payable to Snap-on Incorporated.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf

by the undersigned, hereunto duly authorized.

SNAP-ON INCORPORATED
(Registrant)

By: /s/ Susan F. Marrinan

Susan F. Marrinan
General Counsel

Dated: July 14, 1998

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99.3	Trust Note, dated July 2, 1998, issued by The Northern Trust Company and payable to Snap-on Incorporated.	43

SNAP-ON INCORPORATED
BENEFIT TRUST AGREEMENT

BENEFIT TRUST AGREEMENT ("Trust Agreement"), dated July 2, 1998, by and between Snap-on Incorporated, a Delaware corporation (the "Company"), and The Northern Trust Company, as trustee of the Trust created hereby (the "Trustee").

WHEREAS, the Company is or may become obligated in respect of its existing compensation and benefit plans, agreements, programs, arrangements and practices listed on Exhibit A attached hereto and such existing and future plans, agreements, programs, arrangements and practices as may hereafter be listed on said Exhibit A (the plans, agreements, programs, arrangements and practices listed on said Exhibit A from time to time being collectively referred to herein as the "Plans") to make payments to or contributions on behalf of its past, present or future employees and franchise dealers or their beneficiaries; and

WHEREAS, for purposes of providing a source for the satisfaction, in whole or in part, of the contractual obligations of the Company under the Plans, the Company desires to establish a trust (the "Trust"), which is intended to constitute a grantor trust within the meaning of Section 671 of the Internal Revenue Code of 1986, as amended (the "Code"), the assets of which shall be subject to the claims of the Company's existing or future creditors;

WHEREAS, the Company desires that the assets to be held in the Trust should be principally or exclusively securities of the Company and, therefore, expressly waives any diversification of investments that might otherwise be necessary, appropriate or required pursuant to applicable law.

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

PURPOSE OF THE TRUST

SECTION 1.1 Purpose. (a) The purpose of the Trust is to hold shares of Common Stock of the Company, par value \$1.00 per share ("Common Stock"), or other property as herein provided as a source to satisfy the Company's contractual obligations under the Plans.

(b) The Company shall continue to be liable to make all payments and deliver shares of Common Stock as required of the Company under the terms of the Plans to the extent such payments have not been made or such shares of Common Stock have not been delivered pursuant to this Trust Agreement. Distributions made from the Trust in respect of the Plans pursuant to Section 3.1 shall, to the extent of such distributions, satisfy the Company's contractual obligations under the Plans.

ARTICLE II

TRUST AND THE TRUST CORPUS

SECTION 2.1 Delivery of Funds and Common Stock. (a) Concurrently with the execution of this Trust Agreement, the Company is selling to the Trustee from the Company's treasury stock an aggregate of 7,100,000 shares (the "Acquired Shares") of Common Stock, pursuant to the terms of a Stock Purchase Agreement, dated the date hereof, between the Company and the Trustee (the "Stock Purchase Agreement"), such Acquired Shares (including earnings thereon and proceeds realized from the sale, exchange or other disposition of such Acquired Shares) to constitute collateral for the repayment of the Note (as defined below) until released from collateral as provided herein and otherwise to be held, administered and disposed of by the Trustee as provided herein. Concurrently with the execution of this Trust Agreement, and pursuant to the terms of the Stock Purchase Agreement, the Trustee is delivering to the Company, on behalf of

the Trust, a Note (the "Note") of the Trust in the original principal amount of \$260,037,500, in payment of the purchase price for the Acquired Shares, such purchase price having been determined by the Company based on the closing price per share of Common Stock on the New York Stock Exchange on the business day immediately preceding the sale of the Acquired Shares to the Trustee.

(b) The Company may sell or otherwise deliver to the Trustee additional shares of Common Stock, to be held in trust hereunder.

(c) Except as otherwise provided herein, all cash dividends paid in respect of shares of Common Stock held in the Trust shall be invested in Cash Equivalents.

SECTION 2.2 Contributions to Repay Trust Indebtedness. The Company shall contribute to the Trust in cash an amount which, when added to cash dividends and other proceeds received by the Trust in respect of Acquired Shares (or other shares of Common Stock) held in the Trust and not previously applied under this Section 2.2, shall enable the Trustee to make payments of principal and interest due under the Note on a timely basis or to make mandatory or optional prepayments of such principal or interest. The Trustee shall promptly apply all cash dividends paid in respect of Acquired Shares (or other shares of Common Stock held in the Trust) and all cash contributions to the payment of principal and interest under the Note, whether mandatory or optional in nature. To the extent the Company fails to make any contribution required under this Section 2.2 when due, such contribution shall be deemed to have been made in the form of forgiveness of principal and interest then due and owing on the Note (or forgiveness of principal and interest to the extent of any mandatory or optional prepayment, as the case may be). The Trustee shall be accountable for all contributions received by it, but shall have no duty to require any contributions to be made to it. The Committee (as hereinafter defined) shall provide timely notice to the Trustee regarding each dividend payment and each contribution to be made (or deemed to be made) pursuant to this Section 2.2.

SECTION 2.3 Trust Corpus. As used herein, the term "Trust Corpus" shall mean any cash, Cash Equivalents or shares of Common Stock delivered, sold or otherwise contributed to the Trustee as described in Section 2.1 or 2.2 hereof, together with any dividends or earnings thereon or any proceeds from the disposition thereof, plus any cash or Cash Equivalents or shares of Common Stock sold or otherwise delivered thereafter pursuant to Section 2.1 or 2.2 hereof, together with any earnings thereon or any proceeds from the disposition thereof (and less such amounts distributed from the Trust pursuant to the terms hereof). As used herein, the term "Cash Equivalents" shall mean securities issued or directly and fully guaranteed by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of less than one year from the date of acquisition or money market portfolios of registered mutual funds, including those for which the Trustee or its affiliates acts as investment advisor. The Trust Corpus shall at all times be limited to shares of Common Stock and cash or Cash Equivalents.

ARTICLE III

RELEASE OF THE TRUST CORPUS

SECTION 3.1 Use of Assets. In accordance with the provisions hereof and subject to Section 3.3 hereof, the Trustee shall apply the Trust Corpus (1) to the payment of outstanding principal and interest on the Note, in accordance with the terms thereof, (2) on behalf of the Company to the satisfaction of the Company's contractual obligations under the Plans in accordance with Section 3.2 hereof, (3) to the acquisition of additional shares of Common Stock pursuant to Section 2.1(b) hereof, or (4) otherwise as provided in Section 6.1 upon termination of the Trust.

SECTION 3.2 Release from Collateral. (a) On each date on which payment is made (or deemed to have been made) of any principal amount of the Note (a "Principal Payment Date"), the following number of Acquired Shares (and related collateral) shall be released from collateral: the number of Acquired Shares held in the Trust as collateral immediately prior to the Principal Payment Date multiplied by a fraction, the numerator of which is the amount of the principal payment made (or deemed to have been

made) on such date and the denominator of which is the principal amount of the Note outstanding immediately prior to such principal payment. The Trustee may confirm with the Committee the number of Acquired Shares to be released, and if it does so, it may rely upon such confirmation. The shares of Common Stock and related collateral released pursuant to this Section 3.2 shall thereafter be available for application by the Trustee for the purposes specified in Section 3.1 above. Any shares of Common Stock subsequently acquired by the Trust which do not constitute collateral for any borrowing of the Trust shall become available for use under Section 3.2(b) in the same proportion as the Acquired Shares are released from collateral, as described above.

(b) The shares of Common Stock released from collateral (or otherwise becoming available for use hereunder) at any time (1) first, shall be transferred to the Administrator (as hereinafter defined) of the Stock Purchase Plans (as defined in Section 4.4(a) hereof) to the extent necessary to satisfy the Company's obligations under the Stock Purchase Plans, (2) second, to the extent such shares of Common Stock remain after the transfer provided for in clause (1), shall be transferred to the Administrator of the Stock Option Plan (as defined in Section 4.4(a) hereof) to the extent necessary to satisfy the Company's obligations under the Stock Option Plan, and (3) thereafter, to the extent such shares of Common Stock remain after the transfers provided for in clauses (1) and (2), shall be transferred to the Director (as hereinafter defined) or Administrators to satisfy the Company's obligations under such Plans as determined by the Committee (as hereinafter defined), taking into account the best interests of a broad cross-section of Participants.

(c) The Committee shall inform the Trustee in writing of how many shares are required to fund the obligations referred to in clauses (1), (2) and (3) of Section 3.2(b) above. The Trustee may rely upon written instructions received from the Committee to carry out the provisions contained in Section 3.2(b) above and shall have no responsibility to verify, review or monitor the determinations made by the Committee.

(d) For purposes of this Trust Agreement, (1) the term "Committee" shall mean a committee comprised of the Chief Financial Officer, Chief Legal Officer and Director-Corporate Benefits of the Company (the members of the Committee shall be certified to the Trustee by the Secretary or Assistant Secretary of the Company); (2) the term "Administrator" shall refer to the committee, Company official(s) or other persons listed on Exhibit A charged with responsibility for overseeing and administering the particular Plan or the designee thereof (as disclosed in writing to the Trustee); and (3) the term "Director" shall mean the Director-Corporate Benefits of the Company.

SECTION 3.3 Deliveries to Creditors of the Corporation. It is the intent of the parties hereto that the Trust Corpus is and shall remain at all times subject to the claims of the general creditors of the Company. Accordingly, neither the Trustee nor the Company shall create a security interest in the Trust Corpus in favor of the Plans, any participant therein (each, a "Participant"), any beneficiary of such Participant (each, a "Beneficiary") or any creditor. If the Trustee receives the notice provided for in Section 3.4, or if the Trustee otherwise receives actual notice that the Company is insolvent or bankrupt as defined in Section 3.4, the Trustee shall make no further distributions of the Trust Corpus but shall deliver the entire amount of the Trust Corpus only as a court of competent jurisdiction, or duly appointed receiver or other person authorized to act by such a court, may direct. The Trustee shall resume distribution of the Trust Corpus under the terms hereof, upon no less than 30 days' advance notice to the Company, if the Trustee determines that the Company was not, or is no longer, bankrupt or insolvent. Such determination shall be made in a timely fashion, and shall be based upon a decision of a court of competent jurisdiction, a report of a nationally recognized appraisal firm or a certification by the Chief Executive Officer of the Company or a determination of the Board of Directors of the Company (the "Board"). The Trustee may conclusively rely upon any such decision, report or certification. Unless the Trustee has actual knowledge of the Company's bankruptcy or insolvency, the Trustee shall have no duty to inquire whether the Company is bankrupt or insolvent. In no event shall "actual knowledge" be deemed to include knowledge of the Company's credit status held by banking officers or banking employees of The Northern Trust Company which has not been communicated to the trust department of the Trustee.

SECTION 3.4 Notification of Bankruptcy or Insolvency. The Company shall advise the Trustee promptly in writing of the Company's bankruptcy or insolvency. The Company shall be deemed to be bankrupt or insolvent upon the occurrence of any of the following:

(i) the Company shall make an assignment for the benefit of creditors; file a petition in bankruptcy; petition or apply to any tribunal for the appointment of a custodian, receiver, liquidator, sequestrator, or any trustee for it or a substantial part of its assets; commence any case under any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar law or statute of any jurisdiction (federal or state), whether now or hereafter in effect; or if there shall have been filed any such petition or application, or any such case shall have been commenced against it, in which an order for relief is entered or which remains undismissed for a period of 120 days; or the Company by any act or omission shall indicate its consent to, approval of or acquiescence in any such petition, application or case or order for relief or to the appointment of a custodian, receiver or any trustee for it or any substantial part of any of its property, or shall suffer any such custodianship, receivership or trusteeship to continue undischarged for a period of 120 days; or

(ii) the Company shall generally not pay its debts as such debts become due or shall cease to pay its debts generally in the ordinary course of business.

ARTICLE IV

ADMINISTRATION OF TRUST FUND

SECTION 4.1 Trustee. (a) The duties and responsibilities of the Trustee shall be limited to those expressly set forth in this Trust Agreement and the Stock Purchase Agreement, and no implied covenants or obligations shall be read into this Trust Agreement against the Trustee.

(b) If, under circumstances described in Section 3.4 or otherwise, all or any part of the Trust Corpus is at any time attached, garnished, or levied upon by any court order, or in case the payment, assignment, transfer, conveyance or delivery of any such property shall be stayed or enjoined by any court order, or in case any order, judgment or decree shall be made or entered by a court affecting such property or any part thereof, then and in any of such events the Trustee is authorized, in its sole discretion, to rely upon and comply with any such order, writ, judgment or decree, and it shall not be liable to the Company, any Plan or any Participant or Beneficiary by reason of such compliance even though such order, writ, judgment or decree subsequently may be reversed, modified, annulled, set aside or vacated.

(c) The Trustee or its agent shall maintain such books, records and accounts as may be necessary for the proper administration of the Trust Corpus (and agreed to from time to time between the Company and the Trustee), and shall render to the Committee, within 30 days of the end of each fiscal quarter of the Company, commencing with the fiscal quarter ending October 3, 1998, until the termination of the Trust (and on the date of such termination or as promptly as practicable thereafter), an accounting with respect to the Trust Corpus as of the end of the then most recent fiscal quarter (and as of the date of such termination).

(d) The Trustee shall not be liable for any act taken or omitted to be taken hereunder if taken or omitted to be taken by it in good faith. The Trustee shall also be fully protected in relying upon any notice or instruction given hereunder which it in good faith believes to be genuine and executed and delivered in accordance with this Trust.

(e) The Trustee may consult with legal counsel to be selected by it, including counsel to the Company, and the Trustee shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel.

(f) The Trustee shall be reimbursed by the Company for its reasonable expenses incurred in connection with the performance of its duties hereunder and shall be paid reasonable fees for the performance of

such duties. Any amounts payable to the Trustee under this paragraph (f) may be payable from the Trust Corpus if not paid by the Company.

(g) Except for any damages, losses, claims or expenses resulting from the Trustee's gross negligence or willful misconduct, the Company agrees to indemnify and hold harmless the Trustee from and against any and all damages, losses, claims or expenses as incurred (including reasonable expenses of investigation and reasonable fees, charges and disbursements of counsel to the Trustee and any taxes imposed on the Trust Corpus or income of the Trust) arising out of or in connection with the performance by the Trustee of its duties hereunder, including (except as otherwise provided in Section 4.4 hereof) the failure of the Trustee to act in the absence of direction from the person or entity responsible for such direction. Without limiting the generality of the foregoing, the Trustee shall be under no liability to any person for (and the Company shall indemnify and hold the Trustee harmless from and against) any loss of any kind which may result by reason of any action taken by it pursuant to Section 4.4 or by reason of its exercising any power or authority under Section 4.4 or by reason of the purchase or retention of Common Stock.

(h) Subject to the provisions of this Trust Agreement, the Trustee shall have the following additional powers and authority, in furtherance of the purpose of the Trust as described in Section 1.1(a), with respect to property constituting a part or all of the Trust Corpus:

(i) To acquire and hold shares of Common Stock and cash or Cash Equivalents, and, subject to Section 4.3 hereof, to sell, exchange or transfer any such property at public or private sale for cash or on credit and grant options for the purchase or exchange thereof;

(ii) To exercise any conversion privilege or subscription right available in connection with any such property; subject to Sections 4.3 and 4.4 hereof, to oppose or to consent to the reorganization, consolidation, merger or readjustment of the finances of any corporation, company or association, or to the sale, mortgage, pledge or lease of the property of any corporation, company or association, any of the securities of which may at any time be held in the Trust and to do any act with reference thereto, including the exercise of options, the making of agreements or subscriptions and the payment of expenses, assessments or subscriptions, which may be deemed necessary or advisable in connection therewith, and to hold and retain any securities or other property which it may so acquire;

(iii) To commence or defend suits or legal proceedings and to represent the Trust in all suits or legal proceedings; to settle, compromise or submit to arbitration, any claims, debts or damages, due or owing to or from the Trust;

(iv) Subject to Sections 4.3 and 4.4 hereof, to exercise, personally or by general or limited power of attorney, any right, including the right to vote, appurtenant to any shares of Common Stock or other property;

(v) To engage legal counsel, including counsel to the Company, or any other suitable agents, to consult with such counsel or agents with respect to the construction of this Trust Agreement, the duties of the Trustee hereunder, the transactions contemplated by this Trust Agreement or any act which the Trustee proposes to take or omit to take, to rely upon the advice of such counsel or agents, and to pay its reasonable fees, expenses and compensation;

(vi) To register any securities held by it in its own name or in the name of any custodian of such property or of its nominee, including the nominee of any system for the central handling of securities, with or without the addition of words indicating that such securities are held in a fiduciary capacity, to deposit or arrange for the deposit of any such securities with such a system and to hold any securities in bearer form;

(vii) To make, execute and deliver, as Trustee, any and all deeds, leases, notes, bonds, guarantees, mortgages,

conveyances, contracts, waivers, proxies, releases or other instruments in writing necessary or proper for the exercise of any of the foregoing powers; and

(viii) To take any other action necessary or advisable in furtherance of the foregoing powers and the purposes of this Trust.

SECTION 4.2 Successor Trustee. The Trustee may resign and be discharged from its duties hereunder at any time by giving to the Company notice in writing of such resignation specifying a date (not less than 30 days after the giving of such notice) when such resignation shall take effect. Promptly after such notice, the Company shall appoint an independent financial institution as successor trustee, such trustee to become Trustee hereunder upon the resignation date specified in such notice. The Trustee shall continue to serve until its successor accepts the trust and receives delivery of the Trust Corpus. The Company may at any time substitute an independent financial institution as successor trustee by giving 15 days' notice thereof to the Trustee then acting. In the event of such removal or resignation, the Trustee shall duly file with the Committee a written statement or statements of account as provided in Section 4.1(c) for the period since the last previous accounting of the Trust, and if written objection to such account is not filed within 90 days, the Trustee shall to the maximum extent permitted by applicable law be forever released and discharged from all liability and accountability with respect to the propriety of its acts and transactions shown in such account.

SECTION 4.3 Limitations on Sales and Borrowings. Except as otherwise provided in Sections 3.2, 3.3, 4.4 and 6.1 hereof, the Trustee shall not sell, exchange or transfer any shares of Common Stock or grant any option for the purchase or exchange of any shares of Common Stock. Except as contemplated by Section 2.1(a) hereof, the Trustee shall not incur any indebtedness in connection with the acquisition of shares of Common Stock.

SECTION 4.4 Voting and Tendering of Common Stock.

(a) Voting of Common Stock. The Trustee shall vote (or act by written consent with respect to) the shares of Common Stock held by the Trust in accordance with the provisions of this Section 4.4(a). As soon as practicable following the record date in question, the Company shall deliver to the Trustee a schedule (the "Eligible Participant Schedule") listing Eligible Participants (as hereinafter defined) as of such record date and the number of Directed Shares (as hereinafter defined) with respect to which each Eligible Participant is entitled to direct the voting. Each Eligible Participant listed on such Eligible Participant Schedule shall have the right to direct the vote (or written consent) with respect to that number of shares of Common Stock held by the Trust as of such record date which is equal to the product (such product being hereinafter referred to as the "Directed Shares") of (1) the sum of (a) the number of shares of Common Stock purchased pursuant to the Company's Employee Stock Ownership Plan or Franchised Dealer Stock Ownership Plan, including any successor or substitute stock purchase plans as may be listed on Exhibit A from time to time (collectively, the "Stock Purchase Plans"), by the Eligible Participant during the immediately preceding 12 months and (b) the total number of shares of Common Stock subject to stock options granted pursuant to the Company's Amended and Restated Snap-On Incorporated 1986 Incentive Stock Program, as amended from time to time, including any successor or substitute stock incentive or option plans as may be listed on Exhibit A from time to time (such plans, the "Stock Option Plan") held by the Eligible Participant which are then exercisable, multiplied by (2) a fraction (not to exceed one) the numerator of which is the number of shares of Common Stock held by the Trust as of such record date and the denominator of which is the sum of (c) the number of shares of Common stock purchased pursuant to the Stock Purchase Plans by all Eligible Participants during the immediately preceding 12 months and (d) the total number of shares of Common Stock subject to stock options granted pursuant to the Stock Option Plan held by all Eligible Participants which are then exercisable. If an Eligible Participant provides directions to the Trustee with respect to the voting of (or action by written consent with respect to) his or her Directed Shares, the Trustee shall vote (or act by written consent with respect to), or abstain or withhold authority with respect to, as applicable, shares of Common Stock held by the Trust as of such record date which are equal in number to such Directed Shares in accordance with

the directions of such Eligible Participant. With respect to (1) shares of Common Stock held by the Trust as of such record date equal to the aggregate number of Directed Shares with respect to which the Trustee has not received directions from Eligible Participants and (2) shares of Common Stock held in the Trust as of such record date which are in excess of the aggregate number of Directed Shares (the shares referred to in (1) and (2) being collectively referred to as the "Mirrored Shares"), the Trustee shall vote (or act by written consent with respect to), or abstain or withhold authority with respect to, as applicable, the Mirrored Shares in the same proportion as the Directed Shares with respect to which the Trustee has received voting (or written consent) directions from Eligible Participants. The Trustee shall devise and implement a procedure to assure confidentiality of any directions given by Eligible Participants in respect of votes. All actions taken by Eligible Participants pursuant to this Section 4.4(a) shall be held confidential by the Trustee and shall not be divulged or released to any person, other than (i) agents of the Trustee who are not affiliated with the Company or its affiliates, (ii) by virtue of the execution by the Trustee of any proxy, consent or letter of transmittal for the shares of Common Stock held in the Trust, (iii) as may be required by court order or (iv) as otherwise necessary for the Trustee to carry out its responsibilities under this Agreement. For purposes of this Agreement, "Eligible Participant" shall mean a Participant who, as of the date of determination, (a) is actively employed by (or is a franchise dealer with respect to) the Company, (b) is not a member of the Board of Directors of the Company, and (c) either (1) holds an exercisable option with respect to Common Stock granted to him or her pursuant to the Stock Option Plan or (2) on whose behalf Common Stock was purchased pursuant to either of the Stock Purchase Plans within the 12-month period immediately preceding such date.

(b) Tender or Exchange of Common Stock. If any person shall commence a tender or exchange offer with respect to the Common Stock, the Trustee shall tender or exchange the shares of Common Stock held by the Trust in accordance with the provisions of this Section 4.4(b). As soon as practicable following the commencement of such tender or exchange offer, the Company shall deliver to the Trustee an Eligible Participant Schedule listing the Eligible Participants as of the commencement of such tender or exchange offer and the number of Directed Shares with respect to which each Eligible Participant is entitled to direct the tender or exchange. Each Eligible Participant listed on such Eligible Participant Schedule shall have the right to direct the tender or exchange of that number of shares of Company Stock held by the Trust equal to the number of Directed Shares (as defined in Section 4.4(a) above); and if an Eligible Participant provides directions to the Trustee with respect to the tender or exchange of his or her Directed Shares, the Trustee shall tender or exchange shares of Common Stock held by the Trust which are equal in number to such Directed Shares in accordance with the directions of such Eligible Participant. The Trustee shall tender or exchange the Mirrored Shares (as defined in Section 4.4(a) above) in the same proportion as the Directed Shares with respect to which the Trustee has received tender or exchange directions from Eligible Participants. The Trustee shall devise and implement a procedure to assure the confidentiality of any directions given by Eligible Participants in response to such offers. All actions taken by Eligible Participants pursuant to this Section 4.4(b) shall be held confidential by the Trustee and shall not be divulged or released to any person, other than (i) agents of the Trustee who are not affiliated with the Company or its affiliates, (ii) by virtue of the execution by the Trustee of any proxy, consent or letter of transmittal for the shares of Common stock held in the Trust, (iii) as may be required by court order or (iv) as otherwise necessary for the Trustee to carry out its responsibilities under this Agreement.

(c) Notices and Information Statements. In addition to the information required to be provided by the Committee pursuant to Sections 4.4(a) and 4.4(b) hereof, the Committee shall provide the Trustee in a timely manner with notices and information statements (including proxy statements) when voting rights are to be exercised, and with respect to tender, exchange or similar offers, notices and offer materials, at the same time and in the same manner (except to the extent the Securities Exchange Act of 1934, as amended (the "Exchange Act") requires otherwise) as such notices, information statements and offer materials are provided to shareholders of the Company generally. The Trustee shall, in turn, provide to Eligible Participants all material received from the Committee pursuant to this Section 4.4(c).

ARTICLE V

CERTAIN ADMINISTRATIVE PROVISIONS

SECTION 5.1 Form of Participant Schedule. The Trustee may, from time to time, request the Committee to prepare and deliver to the Trustee in accordance with Subsection 5.2 hereof, a schedule (the "Participant Schedule") that sets forth the name of each Participant or such group of Participants and all such other information that the Trustee may need to know in order to carry out the provisions of this Trust Agreement.

SECTION 5.2 Maintaining the Participant Schedule. At the request of the Trustee, the Committee shall from time to time update the Participant Schedule. Each Participant Schedule shall state the date as of which it applies, and the Trustee shall be entitled to rely upon such Participant Schedule, without a duty of further inquiry, until it receives an updated Participant Schedule bearing a later date. Each Participant Schedule shall contain all information concerning a Participant and all such other information which the Trustee will need to complete its responsibilities under this Trust Agreement.

ARTICLE VI

TERMINATION AND AMENDMENT

SECTION 6.1 Termination. The Trust shall be terminated on the earlier of the fifteenth anniversary of the date hereof or the date on which any of the following events occurs (the "Termination Date"): (a) the Company's contractual obligations under the Plans are satisfied in full; (b) the Trust Corpus is exhausted; (c) the Department of Labor or a court of competent jurisdiction has determined that the assets of the Trust are subject to Part 4 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); (d) the Internal Revenue Service or a court of competent jurisdiction has determined that any portion of the Trust Corpus is presently taxable to any Participant or Beneficiary; or (e) the date of occurrence of a Change in Control (as defined in Section 6.2(c) hereof). Upon termination of the Trust, any remaining portion of the Trust Corpus shall be applied as expeditiously as possible as follows: first, to satisfy any outstanding principal and interest on the Note (and the Trustee shall dispose of a sufficient number of shares of Common Stock (or, if applicable, property received in exchange for Common Stock in connection with a Change in Control), either on the open market or in privately negotiated transactions with one or more third parties (other than the Company), so that, when added to any cash and Cash Equivalents then held in the Trust, will enable the Trustee to satisfy such principal and interest); second, the remaining shares of Common Stock and other assets constituting the Trust Corpus shall be transferred to the Administrator or Director to be distributed in the form of Common Stock or cash (as provided pursuant to the terms of a particular Plan) to Participants as provided in, and in the order set forth in, Section 3.2(b) hereof; and thereafter, any remaining shares of Common Stock or other assets constituting the Trust Corpus shall be transferred to the Director to fund contractual obligations of the Company, or otherwise provide benefits to current employees of the Company, under one or more employee benefit plans, agreements, programs, arrangements or practices of the Company (other than Plans) as determined by the Committee, taking into account the best interests of a broad cross-section of employees of the Company. In no event shall the Company receive any distribution of the Trust Corpus upon termination of the Trust, except in repayment of unpaid principal and interest due under the Note.

SECTIONS 6.2 Amendment. (a) The Company may amend this Trust Agreement, by written instrument executed and duly authorized by the Company; provided however, that a revision to Exhibit A hereto which adds Plans thereto or deletes Plans therefrom, may be made only if (1) at least one Plan does not constitute an employee benefit plan (within the meaning of ERISA) and (2) in making any such revision the Company acts in good faith, taking into account the best interests of a broad cross-section of employees of the Company; and provided, further, however, that no such amendment shall accelerate the Termination Date, materially alter the provisions of Sections 2.2, 3.1, 3.2, 4.3, 4.4 or 6.1 hereof or this Section 6.2 or permit the Company to receive any distribution of the Trust Corpus except in repayment of unpaid principal and interest due under the

Note or any subsequent indebtedness incurred by the Trustee; and provided, further, however, that no amendment to this Trust Agreement pursuant to this Section 6.2(a) or Section 6.2(b) hereof shall modify the responsibilities or duties of the Trustee without its written consent.

(b) Notwithstanding Section 6.2(a) hereof, (1) the Company may amend this Trust Agreement from time to time in such a manner as may be necessary, in the opinion of independent counsel, to prevent this Trust Agreement or the Trust from becoming subject to ERISA or to prevent the current taxation of the Trust Fund to any Participant or Beneficiary; (2) the Company may amend this Trust Agreement to authorize the Trustee to undertake future borrowings to acquire additional shares of Common Stock; provided, however, that such borrowings are on terms and are subject to limitations and restrictions consistent in all material respects with those applicable to the borrowing evidenced by the Note; (3) the Company may amend the provisions of Section 4.4 to include as Eligible Participants those participants in one or more tax-qualified defined contribution plans maintained by the Company and to have the shares of Common Stock allocated to the accounts of such participants in such plans taken into account for purposes of applying the provisions of said Section 4.4; and (4) this Trust Agreement may be amended in any respect (other than to permit the Company to receive any distribution of the Trust Corpus except in repayment of unpaid principal and interest due under the Note or any subsequent indebtedness incurred by the Trustee), so long as such amendment has been approved by the affirmative vote of Eligible Participants who, as of a date not earlier than thirty (30) days prior to the date of such amendment, have the right to direct the Trustee with respect to more than fifty percent (50%) of the aggregate number of Directed Shares. To the maximum extent practicable, the procedures implemented in connection with obtaining the approval referred to in clause (4) of the preceding sentence shall be consistent with the procedures set forth in Section 4.4 hereof.

(c) For purposes of this Trust Agreement, a "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(i) any Person is or becomes the beneficial owner, as defined in Rule 13d-3 under the Exchange Act (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 or the combined voting power of the Company's then outstanding voting securities; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, 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 by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved; or

(iii) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation or approve the issuance of voting securities of the Company in connection with a merger or consolidation of the Company (or any direct or indirect subsidiary of the Company) pursuant to applicable stock exchange requirements, other than (1) 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 hereof outstanding immediately after such merger or consolidation, or (2) a merger or consolidation effected to implement a recapitalization of the

Company (or similar transaction) in which no Person is or become 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 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 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 Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, no "Change in 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 Common Stock 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.

The Committee shall notify the Trustee promptly in writing upon any Change in Control; the Trustee may conclusively rely upon such notice, and the Trustee shall have no responsibility for independently determining whether any such event has occurred.

(d) For purposes of Section 6.2(c) hereof, 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 subsidiaries, (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) the Trustee, in its capacity as Trustee of the Trust created hereby.

ARTICLE VII

GENERAL PROVISIONS

SECTION 7.1 Certain Provisions Relating to This Trust Agreement.

(a) This Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and legal representatives.

(b) This Trust Agreement shall be governed by and construed in accordance with the laws of Delaware, without reference to any provisions of such laws regarding choice of laws or conflict of laws.

(c) In the event that any provision of this Trust Agreement or the application thereof to any person or circumstances shall be determined by a court of proper jurisdiction to be invalid or unenforceable to any extent, the remainder of this Trust Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each other provision of this Trust Agreement shall be valid and enforced to the fullest extent permitted by law.

SECTION 7.2 Notices. Any notice, report, demand or waiver required or permitted hereunder shall be in writing and shall be given personally, delivered by overnight delivery service or sent by telecopier, addressed as follows:

If to the Company:

Snap-On Incorporated
P.O. Box 1410
Kenosha, Wisconsin 53141-1410
Attention: General Counsel

If to the Trustee:

The Northern Trust Company
50 S. LaSalle Street
Chicago, Illinois 60675
Attention: Mr. John Malusa

Notices shall be effective only upon receipt.

The Company or Trustee may change the address to which notices, requests and other communications are to be sent to it by giving written notice of such address change to the other parties in conformity with this Section 7.2.

SECTION 7.3 Gender and Number. Wherever any words are used herein in the masculine gender, they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and wherever any words are used herein in the singular form, they shall be construed as though they were also used in the plural form in all cases where they would so apply. Likewise, wherever any words are used herein in the plural form, they shall be construed as though they were also used in the singular form in all cases where they would so apply.

SECTION 7.4 Headings. The headings and subheadings of this Agreement have been inserted for convenience of reference and are to be ignored in any construction of the provisions hereof.

SECTION 7.5 No Third Party Beneficiaries. Nothing in this Trust, express or implied, is intended to or shall confer on any particular person, other than the Company and the Trustee, any right, benefit or remedy of any nature whatsoever under or by reason of this Trust, and no such person shall have any right, title or interest in or any claim to the Trust Corpus except as expressly provided herein. In particular, it is the express intent of the parties that (i) this Trust shall not form part of any of the Plans, (ii) neither any Plan nor any Participant in any of the Plans (nor any Beneficiary of such Participant) shall have any right, title or beneficial ownership or other interest in or any claim (preferred or otherwise) to the Trust Corpus, nor, except as otherwise expressly provided herein, shall any such participant have any right to compel, restrain or otherwise direct the exercise of the respective powers of Trustee and the Company hereunder, it being understood that the rights of each such Participant (and Beneficiary) shall be determined in accordance with the provisions of the Plans and (iii) except as otherwise expressly provided herein, the Trust Corpus shall not be deemed to be held under any trust for the benefit of any such Participant (or Beneficiary) or to be collateral security for the performance of the obligations of the Company.

SECTION 7.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together constitute but one instrument, which may be sufficiently evidenced by any counterpart.

SECTION 7.7 Successors. Effective upon consolidation of the Company with, or merger of the Company with or into, any corporation or corporations or other entity or entities, or any sale or conveyance of all or substantially all of the assets of the Company, the Trustee shall deal with the corporation formed by such consolidation, or with or into which the Company is merged, or the person that acquires the assets of the Company, on the same basis as it dealt with the Company prior to such transactions and, in such event, the term "Company" within this Agreement shall mean such corporation or person.

SECTION 7.8 Grantor Trust. The Trust shall be treated as a grantor trust of the Company under the Code, and the Company shall take into account in computing its tax liability, those items of income, deductions and credits against tax attributable to assets held in the Trust to which the Company would have been entitled had the Trust not been in existence. The Trustee shall notify the Company promptly after it becomes aware of any tax liability assessed against, or imposed upon, the Trust or the Trustee in its capacity as Trustee of the Trust. The Company shall be

responsible for all matters in respect of such assessment or imposition, and shall have sole responsibility for any defense in connection therewith. Payments in respect of any tax liability of the Company arising in connection with earnings, gains or activities relating to the Trust, including, without limitation interest and penalties, shall be made by the Company. The Company shall also be responsible for directing the Trustee with respect to any tax withholding and filing applicable to any distributions from the Trust.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in their respective names by their duly authorized officers on the day and year first above written.

SNAP-ON INCORPORATED

By: /s/ Susan F. Marrinan

Name: Susan F. Marrinan
Title: Vice President, Secretary
and General Counsel

THE NORTHERN TRUST COMPANY,
solely in its capacity as
trustee under this Trust
Agreement

By: /s/ John J. Malusa

Name: John J. Malusa
Title: Vice President

EXHIBIT A

PLANS/ADMINISTRATOR

Plan	Administrator
Snap-on Incorporated 401(k) Personal Savings Plan	The Company
Snap-on Incorporated 401(k) Personal Savings Plan for Collective Bargained Employees	The Company
Snap-on Tools Company 401(k) Matching Plan	The Company
Snap-on Incorporated 401(k) Savings Plan for Subsidiaries	The Company
Snap-on Incorporated Employee Stock Ownership Plan	President of the Company
Snap-on Incorporated Franchised Dealer Stock Ownership Plan	President of the Company
Snap-on Incorporated Deferred Compensation Plan	A Committee consisting of the Organization & Executive Compensation Committee
Amended and Restated Snap-on Incorporated 1986 Incentive Stock Option Plan	A Committee of the Board of Directors (the President and the Chairman of the O&E Committee)
Snap-on Incorporated Supplemental Retirement Plan for Officers	The Company
Snap-on Incorporated Retirement Plan for Administrative and Field Employees	The Company
Snap-on Incorporated Retirement Plan for Hourly Employees	The Company
Snap-on Incorporated Comprehensive Health Benefits Program for Retirement Employees (Plan 546)	The Company

Snap-on Incorporated Comprehensive Health Benefits Program for Active Employees (Plan 545)	The Company
All compensation, bonus and other pay-related programs sponsored by Snap-on Incorporated and/or its Subsidiaries for employees generally	The Company
All other Health and Welfare and Retirement* Benefit Plans sponsored by Snap-on Incorporated and/or its Subsidiaries for employees generally	The Company

* As used herein, these terms have the meaning ascribed to them under ERISA.

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT (this "Agreement"), dated July 2, 1998, between Snap-On Incorporated, a Delaware corporation (the "Seller"), and The Northern Trust Company, not in its individual or corporate capacity, but solely in its capacity as trustee (the "Trustee") of the Trust (the "Trust", which is hereinafter sometimes referred to as the "Purchaser") under a trust agreement between the Seller and the Trustee dated July 2, 1998 (the "Trust Agreement").

WHEREAS, as contemplated by the Trust Agreement, the Purchaser is to purchase from the Seller, and the Seller is to issue and sell to the Purchaser from Seller's treasury, an aggregate of 7,100,000 shares (the "Acquired Shares") of the common stock, par value \$1.00 per share, of Seller ("Common Stock"), all as more specifically provided herein;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein, and subject to and on the terms and conditions herein set forth, the parties hereto agree as follows:

ARTICLE I

PURCHASE AND SALE OF SHARES

SECTION 1.1 Purchase and Sale. Subject to the terms and conditions set forth herein, at the Closing (as defined below) the Seller will issue and sell to the Purchaser, and the Purchaser will purchase from the Seller, the Acquired Shares and, in consideration for the Acquired Shares, the Purchaser will deliver to the Seller a note substantially in the form of Appendix I to this Agreement in the principal amount of \$260,037,500 (the "Note"). The Seller has determined such principal amount based on the closing price per share of Common Stock on the New York Stock Exchange on the business day immediately preceding the Closing (as hereinafter defined).

SECTION 1.2 Closing. The closing of the sale and purchase of the Acquired Shares hereunder (the "Closing") will be held at the offices of the Seller on the date of execution and delivery of this Agreement by the Seller and the Purchaser, or at such other date and place as may be mutually agreed upon by the Seller and the Purchaser.

SECTION 1.3 Delivery and Payment. At the Closing, the Seller will deliver to the Purchaser a certificate representing the Acquired Shares, which certificate shall be registered in the name of the Trustee, or the name of its nominee, against payment by the Purchaser to the Seller of the aggregate consideration set forth in Section 1.1 therefor. The Seller will pay all stamp and other transfer taxes, if any, that may be payable in respect of the sale and delivery of the Acquired Shares.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller represents and warrants to the Purchaser, as of the date of this Agreement, as follows:

SECTION 2.1 Corporate Existence and Authority. The Seller (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (b) has all requisite corporate power to execute, deliver and perform this Agreement and (c) has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement.

SECTION 2.2 No Conflict. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will violate, conflict with or constitute a default under (a) the Seller's certificate of incorporation or bylaws, (b) any agreement, indenture or other instrument to which the Seller is a party or by which the Seller or its assets may be bound or (c) any law, regulation, order, arbitration,

award, judgment or decree applicable to the Seller.

SECTION 2.3 Validity. This Agreement has been duly executed and delivered by the Seller and is a valid and binding agreement of the Seller enforceable against the Seller in accordance with its terms, except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally, and by general principles of equity.

SECTION 2.4 The Acquired Shares. The Acquired Shares have been duly authorized and when sold as contemplated hereby will be validly issued, fully-paid and nonassessable shares of the Seller. No stockholder of the Seller has any preemptive or other subscription right to acquire any Acquired Shares. The Seller will convey to the Purchaser, on the date of Closing, good and valid title to the Common Shares, free and clear of any liens, claims, security interests and encumbrances, except for those liens, claims, security interests and encumbrances described in the Note and subject to Section 3.3 of the Trust Agreement (relating to the delivery of trust assets to general creditors of the Company).

SECTION 2.5 Litigation. There are no actions, suits, proceedings, arbitrations or investigations pending, or to the Seller's knowledge, threatened in any court or before any governmental agency or instrumentality or arbitration panel or otherwise against or by the Seller which seek to or could restrain, prohibit, rescind or declare unlawful, or result in substantial damages in respect of, this Agreement or the performance hereof by the Seller (including, without limitation, the delivery of the Acquired Shares).

SECTION 2.6 Business and Financial Information. Seller has previously delivered to Purchaser copies of (a) the consolidated balance sheets of Seller and its subsidiaries, as of January 3, 1998 and December 28, 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for the fiscal years then ended, as reported in Seller's Annual Report on Form 10-K for the fiscal year ended January 3, 1998, filed with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and (b) the unaudited consolidated balance sheet of Seller and its subsidiaries as of March 29, 1997, and March 28, 1998, and the related unaudited consolidated statements of operations, stockholders' equity and cash flows for the quarterly periods then ended as reported in Seller's Quarterly Report on Form 10-Q for the period ended March 28, 1998, filed with the SEC under the Exchange Act. The January 3, 1998 consolidated balance sheet of Seller (including the related notes, where applicable) fairly presents the consolidated financial position of Seller and its subsidiaries as of the date thereof, and the other financial statements referred to in this Section 2.6 (including the related notes, where applicable) fairly present (subject, in the case of the unaudited statements, to recurring audit adjustments normal in nature and amount) the results of the consolidated operations and changes in stockholders' equity and consolidated financial position of Seller and its subsidiaries for the respective fiscal periods or as of the respective dates therein set forth. Since January 3, 1998, Seller has filed with the SEC all forms, reports and documents required pursuant to the Securities Act of 1933, as amended (the "1933 Act"), and the 1934 Act, to be filed by it (the "Disclosure Documents"). At the time filed, all of the Disclosure Documents complied as to form in all material respects with all applicable requirements of such Acts. None of the Disclosure Documents, at the time filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants to the Seller as follows:

SECTION 3.1 Authority; Validity. The Purchaser has full power and authority under the Trust to execute and deliver this Agreement and the Note and to consummate the transactions contemplated hereby. This

Agreement has been duly authorized, executed and delivered by the Trustee on behalf of the Trust and is a valid and binding agreement of the Purchaser enforceable in accordance with its terms, except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally, and by general principles of equity. The Note has been duly authorized by the Trustee on behalf of the Trust and, upon the execution and delivery by the Trustee on behalf of the Trust, the Note will be a valid and binding agreement of the Purchaser enforceable in accordance with its terms, except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally, and by general principles of equity.

SECTION 3.2 No Conflict. To the best of the Purchaser's knowledge, none of the execution and delivery of this Agreement, the execution and delivery of the Note, and the consummation of the transactions contemplated hereby and thereby will violate, conflict with or constitute a default under (a) the terms of the Trust, (b) any agreement, indenture or other instrument to which the Trust is a party or by which the Trust or its assets may be bound or subject or (c) any law, regulation, order, arbitration award, judgment or decree applicable to the Trust.

ARTICLE IV

RESTRICTIONS ON DISPOSITION OF THE COMMON SHARES

SECTION 4.1 Restricted Securities. The Purchaser acknowledges that the Purchaser is acquiring the Acquired Shares pursuant to a transaction exempt from registration under the 1933 Act. The Purchaser represents, warrants and agrees that all Acquired Shares acquired by the Purchaser pursuant to this Agreement are being acquired for investment without any intention of making a distribution thereof, or of making any sale or other disposition thereof which would be in violation of the 1933 Act or any applicable state securities law, and that the Purchaser will not dispose of any of the Acquired Shares, except that the Trustee may, from time to time, convey a portion of the Acquired Shares pursuant to the terms of the Trust Agreement.

SECTION 4.2 Legend. Until such time as the Acquired Shares are registered pursuant to the provisions of the 1933 Act, any certificate or certificates representing the Acquired Shares delivered pursuant to Section 1.3 will bear a legend in substantially the following form:

"The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended, and may not be sold, transferred or otherwise disposed of unless they have first been registered under such Act or unless an exemption from registration is available."

The Seller may place stop transfer orders against the registration of transfer of any share evidenced by such a certificate or certificates until such time as the requirements of the foregoing are satisfied.

ARTICLE V

COVENANTS OF SELLER

The Seller agrees that:

SECTION 5.1 Financial Statements, Reports and Documents. Subsequent to the Closing, and for as long as any of the Acquired Shares are held by the Trust (unless the Trustee shall otherwise consent in writing), the Seller shall deliver to the Trustee each of the following:

(a) Annual Statements. As soon as available and in any event within one hundred twenty (120) days after the close of each fiscal year of the Seller, copies of the consolidated balance sheet of the Seller and its subsidiaries as of the close of such fiscal year and the consolidated statement of operations, consolidated statement of changes in stockholders' equity and consolidated statement of cash flow of the Seller and its subsidiaries for such fiscal year, in each case setting forth in

comparative form the figures for the preceding fiscal year, all in reasonable detail and accompanied by an opinion thereon of Arthur Anderson LLP, or of other independent public accountants of recognized national standing, to the effect that such financial statements have been prepared in accordance with generally accepted accounting principles and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, include such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances;

(b) SEC and Other Reports. Promptly upon their becoming available, one copy of each financial statement, report, notice or proxy statement sent by the Seller to stockholders generally and of each regular or periodic report, registration statement or prospectus (other than any registration statement on Form S-8 and its related prospectus) filed by the Seller with the Securities and Exchange Commission or any successor agency; and

SECTION 5.2 Registration. The Seller shall take all actions necessary or appropriate, at its own expense, to ensure that prior to any disposition of Acquired Shares by the Trustee in accordance with the Trust Agreement, a registration statement has been filed with the Securities and Exchange Commission (and remains effective) with respect to the Acquired Shares being so disposed. The Seller shall also use its commercially reasonable efforts to register or qualify such Acquired Shares under the securities blue sky laws of such jurisdictions within the United States as the Trustee may reasonably request, within seventy-five (75) days of such request; provided, however, that the Seller shall not be required to consent to general service of process for all purposes in any jurisdiction where it is not then qualified.

ARTICLE VI

MISCELLANEOUS

SECTION 6.1 Expenses. The Seller shall pay all of its expenses, and it shall pay the Purchaser's expenses, in connection with the authorization, preparation, execution and performance of this Agreement, including without limitation the reasonable fees and expenses of the Trustee, its agents, representatives, counsel, financial advisors and consultants.

SECTION 6.2 Notices. All notices, requests, or other communications required or permitted to be delivered hereunder shall be in writing, delivered by registered or certified mail, return receipt requested, as follows:

(a) To the Seller:

Snap-On Incorporated
P.O. Box 1410
Kenosha, Wisconsin 53141-1410
Attention: General Counsel

(b) To the Purchaser:

The Northern Trust Company
50 S. LaSalle Street
Chicago, Illinois 60675
Attention: Mr. John Malusa

Any party hereto may from time to time, by written notice given as aforesaid, designate any other address to which notices, requests or other communications addressed to it shall be sent.

SECTION 6.3 Specific Performance. The parties hereto acknowledge that damages would be an inadequate remedy for any breach of the provisions of this Agreement and agree that the obligations of the parties hereunder shall be specifically enforceable, and neither party will take any action to impede the other from seeking to enforce such rights of specific performance.

SECTION 6.4 Successors and Assigns; Integration; Assignment.

This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective legal representatives, successors and assigns. This Agreement (a) constitutes, together with the Note, the Trust Agreement and any other written agreements between the Purchaser and the Seller executed and delivered on the date hereof, the entire agreement between the parties hereto and supersedes all other prior agreements and understandings, both written and oral, among the parties, with respect to the subject matter hereof, (b) shall not confer upon any person other than the parties hereto any rights or remedies hereunder and (c) shall not be assignable by operation of law or otherwise, except that the Trustee may assign all its rights hereunder to any corporation or other institution exercising trust powers in connection with any such institution assuming the duties of a trustee under the Trust.

SECTION 6.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflicts of law doctrine.

SECTION 6.6 Further Assurances. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement.

SECTION 6.7 Amendment and Waiver. No amendment or waiver of any provision of this Agreement or consent to departure therefrom shall be effective unless in writing and signed by the Purchaser and the Seller.

SECTION 6.8 Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if the signatures thereto were upon one instrument.

SECTION 6.9 Certain Limitations. The execution, delivery and performance by the Trustee of this Agreement have been, and will be, effected by the Trustee, solely in its capacity as Trustee under the terms of the Trust and not in its individual or corporate capacity. Nothing in this Agreement shall be interpreted to increase, decrease or modify in any manner any liability of the Trustee to the Seller or to any trustee, representative or other claimant by right of the Seller resulting from the Trustee's performance of its duties under the constituent instruments of the Trust.

SECTION 6.10 Incorporation. The terms and conditions of the Trust Agreement relating to the nature of the responsibilities of the Trustee and the indemnification of the Trustee by the Seller are incorporated herein by reference and made applicable to this Agreement.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement on the date and year first above written.

SNAP-ON INCORPORATED

By: /s/ Susan F. Marrinan

Name: Susan F. Marrinan
Title: Vice President, Secretary
and General Counsel

THE NORTHERN TRUST COMPANY,
solely in its capacity as
trustee under the Trust
Agreement

By: /s/ John J. Malusa

Name: John J. Malusa
Title: Vice President

TRUST NOTE

THE NORTHERN TRUST COMPANY, AS TRUSTEE

\$260,037,500.00

July 2, 1998

FOR VALUE RECEIVED, the undersigned, THE NORTHERN TRUST COMPANY, solely in its capacity as trustee (the "Trustee"), under the Benefit Trust Agreement dated July 2, 1998 (the "Trust Agreement") between the Trustee and Snap-On Incorporated (the "Company"), hereby unconditionally promises to pay to the order of the Company the principal amount of Two Hundred Sixty Million Thirty Seven Thousand Five Hundred Dollars (\$260,037,500.00) (the "Original Principal Amount"), with interest (computed on the basis of the actual number of days elapsed over a year of 365 days) on the unpaid principal balance at the rate of 5.80% per annum from and including the date hereof, until the principal hereof shall be paid in full.

This Note is issued by the Trustee pursuant to the Stock Purchase Agreement, dated the date hereof, between the Company and the Trustee (the "Stock Purchase Agreement") as payment for the Acquired Shares, as defined in the Stock Purchase Agreement, and is the Note referred to in Section 2.1(a) of the Trust Agreement. This Note is entitled to the benefits, and shall be subject to the applicable provisions, of the Stock Purchase Agreement and the Trust Agreement, including, but not limited to, the provisions of Section 2.2 of the Trust Agreement. The Trustee is executing this Note solely in its capacity as trustee under the Trust Agreement. The Trustee shall have no liability or obligation of any kind in its individual capacity to the Company or its successors as a result of the execution or issuance of this Note.

The unpaid principal balance and accrued and unpaid interest hereunder shall be due and payable in accordance with the following schedule, if not sooner paid:

accrued and unpaid interest shall be due and payable on each payment date for the payment of a quarterly cash dividend by the Company, but only to the extent of cash dividends paid on Acquired Shares and other shares of Common Stock (as defined in the Trust Agreement) held in the Trust (as defined in the Trust Agreement) on the record date for the payment of such dividend;

2.5% of the Original Principal Amount plus accrued and unpaid interest, on or before June 30, 1999;

2.5% of the Original Principal Amount plus accrued and unpaid interest, on or before June 30, 2000;

2.5% of the Original Principal Amount plus accrued and unpaid interest, on or before June 30, 2001;

2.5% of the Original Principal Amount plus accrued and unpaid interest, on or before June 30, 2002;

23.33% of the Original Principal Amount plus accrued and unpaid interest, on or before June 30, 2003;

2.5% of the Original Principal Amount plus accrued and unpaid interest, on or before June 30, 2004;

2.5% of the Original Principal Amount plus accrued and unpaid interest, on or before June 30, 2005;

2.5% of the Original Principal Amount plus accrued and unpaid interest, on or before June 30, 2006;

2.5% of the Original Principal Amount plus accrued and unpaid interest, on or before June 30, 2007;

23.33% of the Original Principal Amount plus accrued and unpaid interest, on or before June 30, 2008;

2.5% of the Original Principal Amount plus accrued and unpaid interest, on or before June 30, 2009;

2.5% of the Original Principal Amount plus accrued and unpaid interest, on or before June 30, 2010;

2.5% of the Original Principal Amount plus accrued and unpaid interest, on or before June 30, 2011;

2.5% of the Original Principal Amount plus accrued and unpaid interest, on or before June 30, 2012; and

the remainder of the Original Principal Amount plus accrued and unpaid interest, on or before June 30, 2013.

The Trustee shall have the right to prepay principal or interest owed by the Trustee under this Note in whole or in part at any time without penalty and shall be obligated to prepay principal and interest under this Note (without penalty) to the extent necessary to release from collateral (pursuant to Section 3.2 of the Trust Agreement) a sufficient number of Acquired Shares to satisfy the Company's obligations to issue shares of its common stock upon the exercise of stock options issued to employees under the Stock Option Plan (as defined in the Trust Agreement). To the extent of any such prepayment of principal, principal amounts due under the foregoing schedule shall be reduced in the order of their maturity. Upon termination of the Trust, the unpaid principal balance and accrued and unpaid interest hereunder shall become due and payable in full. If any payment of principal or interest owed by the Trustee under this Note becomes due and payable on a day other than a business day in the State of Wisconsin, the maturity thereof shall be extended to the next succeeding business day.

The Trustee hereby waives presentment, demand, protest and notice of dishonor.

The Trustee hereby pledges to the Company, subject to Section 3.3 of the Trust Agreement (relating to the delivery of assets to creditors of the Company), (i) the Acquired Shares and (ii) any earnings thereon and any proceeds realized from the sale, exchange or other disposition of such Acquired Shares ("Pledged Proceeds"; and collectively, the "Collateral"). The Acquired Shares and Pledged Proceeds shall cease to constitute Collateral at the times and to the extent set forth in the Trust Agreement. The Trustee shall be entitled to exercise any and all voting, conversion and other rights pertaining to the Acquired Shares or any part thereof in the manner prescribed in the Trust Agreement.

The Trustee shall be obligated to make the payments indicated as aforesaid only from (i) cash dividends received by the Trustee in respect of the Acquired Shares and other shares of Common Stock held in the Trust, which dividends have not previously been applied for such purpose, (ii) cash contributions made for such purpose by the Company or any corporation affiliated therewith and earnings thereon, and (iii) other Pledged Proceeds then constituting Collateral.

Any failure by the Company to exercise any right, remedy or recourse shall not be deemed a waiver or release of same, such waiver or release or any other modification of any such right, remedy or recourse to be effective only if set forth in a written document executed by the Company and then only to the extent specifically recited therein. A waiver or release with reference to one event shall not be construed as continuing, as a bar to or as a waiver or release of any subsequent event. The acceptance by the Company of payment hereunder that is less than payment in full of all amounts due and payable at the time of such payment shall not constitute a waiver of the right to exercise any right, remedy or recourse at that time or at any subsequent time, or nullify any prior exercise of any such right, remedy or recourse without the express written consent of the Company.

Subject to the provisions hereof, and to the extent not inconsistent with applicable law, in the event of default hereunder, the Trustee agrees to pay from Trust assets all reasonable costs of collection hereof when billed therefore, including reasonable attorneys' fees, whether or not any action shall be instituted to enforce this Note.

All of the terms of this Note shall be binding upon the Trustee and the Trustee's successors and assigns (including without limitation any successor trustee under the Trust Agreement), and all references herein to the "Trustee" shall refer to such successors and assigns.

This Note shall be construed in accordance with and shall be governed by the law of the State of Delaware without regard to its conflicts of law doctrine.

THE NORTHERN TRUST COMPANY,
solely in its
capacity as trustee
under the Trust Agreement

By: /s/ John J. Malusa

Name: John J. Malusa
Title: Vice President