

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 28, 1996

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

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, Kenosha, Wisconsin 53141-1430
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (414) 656-5200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common stock, \$1 par value	New York Stock Exchange
Preferred stock purchase rights	New York Stock Exchange

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

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act
of 1934 during the preceding 12 months, and (2) has been subject to such
filing requirements for the past 90 days. Yes No

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

Aggregate market value of voting stock held by nonaffiliates of the
registrant at February 25, 1997:
\$2,401,637,648

Number of shares outstanding of each of the registrant's classes of common
stock at February 25, 1997:
Common stock, \$1 par value, 60,609,152 shares

Documents incorporated by reference
Portions of the Corporation's Annual Report to Shareholders for the fiscal
year ended December 28, 1996, are incorporated by reference into Parts I,
II and IV of this report.

Portions of the Corporation's Proxy Statement, dated March 14, 1997,
prepared for the Annual Meeting of Shareholders scheduled for April 25,
1997, are incorporated by reference into Part III of this report.

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PART I

Item I: Business

Snap-on Incorporated (the "Corporation") was incorporated under the laws of the state of Wisconsin in 1920 and reincorporated under the laws of the state of Delaware in 1930. Its corporate headquarters are located in Kenosha, Wisconsin.

The Corporation is a leading manufacturer and distributor of high-quality hand tools, power tools, tool storage products, diagnostics equipment, shop equipment, and diagnostics software and other services, primarily for use by professional technicians in vehicle service and industrial applications. Its products are marketed to individual automotive technicians, shop owners, specialty service centers, national accounts, industrial and government entities, original equipment manufacturers ("OEMs"), and other professional tool and equipment users.

The Corporation has operations throughout the world. Its largest markets include the United States, Australia, Brazil, Canada, Germany, Japan, Mexico, the Netherlands, Spain and the United Kingdom. Products and services to support its products and customers are marketed and distributed in more than 100 countries.

In 1996 the Corporation acquired new business operations that expanded its product line, distribution channels and geographic reach, including the John Bean Company (formerly the Automotive Equipment Service Division of FMC Corporation), Automotive Data Solutions ("ADS") and Snap-on Tools/PST Africa (Pty.), Ltd. ("Snap-on Tools/PST Africa").

The John Bean Company is a leading producer of wheel and brake service equipment, including wheel aligners and balancers, tire changers, and brake lathes. Its products are sold in North America, Europe and select other parts of the world. ADS is a tele-diagnostics service for automotive technicians. Snap-on Tools/PST Africa is a mobile van distributor of tools to professional users in South Africa.

Subsequent to the close of 1996, the Corporation acquired a 50 percent interest in the Mitchell Repair Information business of The Thomson Corporation. The new company is a provider of print and electronic versions of vehicle mechanical and electrical system repair information to vehicle repair and service establishments throughout North America. The Corporation also acquired Computer Aided Service, Inc. ("CAS"), a developer of repair shop management systems, point of sale systems and diagnostics equipment.

The Corporation conducts its business through four principal operations:

Tools

- The Transportation business focuses on the development and sale of products and services through the Corporation's worldwide dealer direct sales programs to professional technicians and shop owners, and through distributors in some non-U.S. locations. Trademarks associated with this operating group include: Snap-on - hand tools, power tools, tool storage units, and certain equipment; Blue Point - hand tools and power tools; and Wheeltronic - hoists and lifts for vehicle service shops. Some differentiated equipment products developed by the Corporation's other operations are also sold through the distribution channels employed by this business. In addition, to complete the product line, some items are purchased from external manufacturers.

- The Industrial operation focuses on the development and sale of industrial tools and equipment through a direct sales force as well as through industrial distributors, and on the development and sale of tools for the medical profession. Trademarks associated with this operating group include: Snap-on - hand tools and tool storage units; J.H. Williams - hand tools; A.T.I. Tools - tools and equipment for aerospace and industrial applications; Sioux Tools - power tools; and Snap-on Medical Products - tools for orthopedic applications.

Equipment

This operation focuses on the development and sale of diagnostics, under-car, emissions and safety, and shop equipment; shop management systems; and vehicle repair and service information to vehicle service and repair shops. Trademarks associated with this operating group include: Sun Electric ("Sun") - diagnostics and service equipment; John Bean - under-car and other service equipment; Balco - engine diagnostics, wheel balancing and alignment equipment; Mitchell - repair and service information and shop management systems; and Edge Diagnostic Systems - software to diagnose vehicle computer systems.

Financial Services

Through its Snap-on Credit Corporation subsidiary, Financial Services is responsible for certain credit and non-credit services used to support sales and to provide dealer financing options. Credit programs facilitate the sale of the Corporation's products and services, especially higher-value products such as diagnostics and other shop equipment.

Products, Services, and Markets Served

The Corporation offers a broad product line which it divides into two groups -- tools and equipment.

Tools -- Includes hand tools, power tools and tool storage products. Hand tools include wrenches, screwdrivers, sockets, pliers, ratchets and other similar products, and instruments developed for medical applications and for the manufacture and servicing of electronic equipment. Power tools include pneumatic (air), cord-free (battery) and corded (electric) tools such as impact wrenches, ratchets, chisels, drills, sanders, polishers and similar products. Tool storage units include tool chests, roll cabinets and other similar products for automotive, industrial, aerospace and other storage applications.

Equipment -- Includes hardware and software solutions for the diagnosis and service of automotive and industrial equipment. The primary products are: engine and emissions analyzers, air conditioning service equipment, brake service equipment, wheel balancing and alignment equipment, transmission troubleshooting equipment, vehicle safety testing equipment, battery chargers, and lifts and hoists used in repair shops. Also included are service and repair information products, on-line diagnostics services, systems integration and purchasing facilitation services.

In the U.S. the Corporation supports the sale of its diagnostics and shop equipment by offering training programs to technician customers. These programs offer certification in both specific automotive technologies and in the application of specific diagnostics equipment developed and marketed by the Corporation.

Competition

The Corporation competes on the basis of its product quality, service, brand awareness and technological innovation. While no one company competes with the Corporation across all of its product lines and distribution channels, various companies compete in one or more product categories and/or distribution channels.

The Corporation believes that it is a leading manufacturer and distributor of its products within the markets it serves in the vehicle service industry, and that it offers the broadest line of products to the vehicle service industry. The major competitors selling to professional technicians in the vehicle service and repair sector through the mobile van channel include MAC Tools (The Stanley Works) and Matco (Danaher Corporation). The Corporation also competes against companies that sell through non-mobile-van distributors; these competitors include The Stanley Works, Sears, Roebuck and Co., and Strafor Facom. In the industrial sector, major competitors include Armstrong (Danaher Corporation), Cooper Industries and Proto (The Stanley Works). The major competitors selling diagnostics and shop equipment to shop owners in the vehicle service and repair sector include SPX Corporation and Hunter Engineering.

Consolidated Sales

The following table shows the approximate percentage of consolidated sales for each of the Corporation's product groups in each of the past three years.

Product Group % of Sales	1996	1995	1994
Tools			
Hand tools	40%	40%	38%
Power tools	8%	10%	7%
Tool storage products	10%	10%	11%
	---	---	---
	58%	60%	56%
Equipment	42%	40%	44%
	---	---	---
	100%	100%	100%

Market Sectors Served -- The Corporation markets and distributes its products around the world to professional users primarily in two market sectors: the vehicle service and repair sector, and the industrial sector. For further information on the Corporation's international and domestic operations, see Note 14 on page 34 of the Corporation's 1996 Annual Report, incorporated herein by reference.

Vehicle Service and Repair Sector

The vehicle service and repair sector has two primary customer groups: professional technicians, primarily in the vehicle service industry, who purchase tools and equipment for themselves, and service and repair shop owners (both independent and national chains) and managers who purchase equipment for use by multiple technicians within a service or repair facility. Following is a discussion of the characteristics of these customers.

Professional Technicians -- The Corporation markets its products and services to professional automotive technicians in the U.S. and select other countries, primarily through its dealer van distribution system. It provides innovative tool and equipment solutions, as well as technical sales support and training, to meet technicians' evolving needs.

Shop Owners -- The Corporation also serves owners and managers of shops where technicians work with tools, diagnostics equipment, repair and service information, and shop management products. These products are sold through the Corporation's dealer van distribution system. In addition, certain tools and equipment, differentiated by product features and brand, are sold through distributors to shop owners.

Major challenges for the Corporation and the industry include increased competition within the dealer van channel during the past decade and the increasing rate of technological change within motor vehicles.

Industrial Sector

The Corporation markets its products to a wide variety of industrial customers, including industrial maintenance and repair facilities; manufacturing and assembly operations; industrial distributors; government facilities; schools; and OEMs who require instrumentation or service tools and equipment for their products.

Major challenges in the industrial market include a highly competitive, cost-conscious environment, and a trend toward customers making all of their tool purchases through one integrated supplier. The Corporation believes it is currently a meaningful participant in the market for industrial tools and equipment.

Distribution Channels and the Franchise Program

The Corporation serves customers through direct and indirect sales channels.

Distribution to Technicians and Shop Owners

Snap-on Dealer Organization -- Sales to technicians and select shop owners are conducted weekly at the customer's place of business, primarily through the mobile dealer van system. Dealers purchase the Corporation's products at a discount from suggested retail prices and resell them at prices of the dealer's choosing. Although some dealers have sales areas defined by other methods, most U.S. dealers are provided a list of places of business which serves as the basis of the dealer's sales route.

Since 1991, all new U.S. dealers, and a majority of existing U.S. dealers, have been enrolled as franchisees of the Corporation. The Corporation currently charges initial and ongoing monthly license fees, which do not add materially to the Corporation's revenues. The Corporation makes it possible for prospective dealer candidates to work as employee sales representatives, at salary plus commission, for up to one year prior to making an investment in a franchise. In addition, through Snap-on Financial Services, Inc. and its subsidiary, Snap-on Credit Corporation, the Corporation also provides financial assistance for newly converted franchise dealers and other new franchise dealers, which could include financing for initial license fees, inventory, revolving accounts receivable acquisition, equipment, fixtures, other expenses and an initial checking account deposit. At year-end 1996, approximately 86 percent of all U.S. dealers were enrolled as franchisees.

The Corporation services and supports its dealers with an extensive field organization of branch offices, and service and distribution centers. The Corporation also provides sales training, customer and dealer financial assistance, and marketing and product promotion programs to help maximize dealer sales. A National Dealer Advisory Council, composed of and elected by dealers, assists the Corporation in identifying and implementing enhancements to the franchise program.

The Corporation has replicated its dealer van method of distribution in Australia, Canada, Germany, Mexico, the Netherlands, Japan and the United Kingdom. The Corporation also markets products to additional select countries through its subsidiary, Snap-on Tools International, Ltd., which sells to foreign distributors under license or contract with the Corporation.

Snap-on/Sun Tech Systems -- Higher-end diagnostics and shop equipment is also sold directly to customers through the Snap-on/Sun Tech Systems employee sales force ("Tech Specialists"). Tech Specialists are compensated primarily on the basis of commission. In the U.S., Tech Specialists sell Snap-on and Sun brand equipment to accounts on their own, and assist dealers in the demonstration and sale of Snap-on and Sun brand diagnostics equipment.

The Snap-on/Sun Tech Systems group also sells Snap-on and Sun equipment to volume buyers such as retail service centers and OEMs through a national account sales organization. In addition, Sun brand equipment is marketed through distributors in South America and Asia, and through both a direct sales force and distributors in Europe.

With the 1996 addition of the John Bean Company, the Corporation now distributes under-car and other service equipment through a number of distributors, located primarily in North America, Europe and select other

parts of the world. The majority of these products are sold under the John Bean brand and are differentiated from those sold through the dealer van channel.

Distribution to Industrial Customers

Marketing to industrial and governmental customers is by both direct sales through industrial sales representatives, who are employees, and indirect sales through independent industrial distributors. At the end of 1996, the Corporation had industrial sales representatives in the United States, Canada, Australia, Japan, Mexico, Puerto Rico, and some European countries, with the U.S. representing the majority of the Corporation's total industrial sales. The sales representatives focus on industrial customers who prefer to buy on quality and service, as well as on certain OEM accounts.

Raw Material & Purchased Product

The Corporation's supply of raw materials (various grades of steel bars and sheets) and purchased components are readily available from numerous suppliers.

The majority of 1996 consolidated net sales consisted of products manufactured by the Corporation. The remainder was purchased from outside suppliers. No single supplier's products accounted for a material portion of 1996 consolidated net sales.

Patents and Trademarks

The Corporation vigorously pursues and relies on patent protection to protect its inventions and its position in the market. As of December 28, 1996, the Corporation and its subsidiaries held over 600 patents worldwide, with more than 470 pending patent applications. No sales relating to any single patent represent a material portion of the Corporation's revenues.

Examples of products that have features or designs that benefit from patent protection include engine analyzers, serrated jaw open-end wrenches, wheel alignment systems, wheel balancers, sealed ratchets, electronic torque wrenches, ratcheting screwdrivers, emissions sensing devices and air conditioning equipment.

Much of the technology used in the manufacturing of automotive tools and equipment is in the public domain. The Corporation relies primarily on trade secret protection to protect proprietary processes used in manufacturing. Methods and processes are patented when appropriate.

Trademarks used by the Corporation are of continuing importance to the Corporation in the marketplace. Trademarks have been registered in the U.S. and 67 other countries, and additional applications for trademark registrations are pending. The Corporation rigorously polices proper use of its trademarks.

The Corporation's right to manufacture and sell certain products is dependent upon licenses from others. These products do not represent a material portion of the Corporation's sales.

Working Capital

Because the Corporation's business is not seasonal, and its inventory needs are relatively constant, no unusual working capital needs arise during the year.

The Corporation's use of working capital to extend credit to its dealers and to purchase installment credit receivables from dealers is discussed in "Management's Discussion and Analysis of Results of Operations and Financial Condition," which is found on pages 16 to 19 of the Corporation's 1996 Annual Report and is incorporated herein by reference.

The Corporation does not depend on any single customer, small group of customers or government for any material part of its sales, and has no significant backlog of orders.

Environment

The Corporation complies with applicable environmental control requirements in its operations. Compliance has not had a material effect upon the Corporation's capital expenditures, earnings or competitive position.

Employees

At the end of 1996, the Corporation employed approximately 10,600 people, of whom approximately one-third are engaged in manufacturing activities.

Item 2: Description of Properties

The Corporation maintains both leased and owned manufacturing, warehouse, distribution and office facilities throughout the world. The Corporation believes that its facilities are well maintained and have a capacity adequate to meet the Corporation's present and foreseeable future demand. The Corporation's U.S. facilities occupy approximately 4.2 million square feet, of which approximately 84 percent is owned. The Corporation's facilities outside the U.S. contain approximately 1.7 million square feet, of which approximately 69 percent is owned.

The Corporation's principal manufacturing locations and distribution centers are as follows:

Location	Type of property	Owned/Leased
Conway, Arkansas	Manufacturing	Owned
City of Industry, California	Manufacturing	Leased
Escondido, California	Manufacturing	Owned
San Jose, California	Manufacturing	Leased
Sunnyvale, California	Manufacturing	Leased
Columbus, Georgia	Manufacturing	Owned
Crystal Lake, Illinois	Distribution and manufacturing	Owned
Mt. Carmel, Illinois	Manufacturing	Owned
Ottawa, Illinois	Distribution	Owned
Algona, Iowa	Manufacturing	Owned
Sioux City, Iowa	Manufacturing	Owned
Natick, Massachusetts	Manufacturing	Owned
Olive Branch, Mississippi	Distribution	Leased and owned
Carson City, Nevada	Distribution	Owned
Robesonia, Pennsylvania	Distribution	Owned
Johnson City, Tennessee	Manufacturing	Owned
Elizabethton, Tennessee	Manufacturing	Owned
East Troy, Wisconsin	Manufacturing	Owned
Elkhorn, Wisconsin	Manufacturing	Owned
Kenosha, Wisconsin	Manufacturing	Owned
Milwaukee, Wisconsin	Manufacturing	Owned
Sydney, Australia	Distribution	Leased
Barbara D'oeste, Brazil	Manufacturing	Owned
Calgary, Canada	Distribution	Leased
Mississauga, Canada	Manufacturing	Leased
Newmarket, Canada	Distribution and manufacturing	Owned
Kettering, England	Distribution	Owned
King's Lynn, England	Distribution and manufacturing	Owned
Altmittweida, Germany	Distribution	Owned
Cork, Ireland	Manufacturing	Leased
Shannon, Ireland	Manufacturing	Leased
Tokyo, Japan	Distribution	Leased
Amsterdam, the Netherlands	Distribution	Owned
Irun, Spain	Manufacturing	Owned
Urretxu, Spain	Manufacturing	Owned
Vitoria, Spain	Distribution and manufacturing	Owned

Item 3: Legal Proceedings

Note 4 to the Financial Statements of the Corporation on pages 25 and 26 of its 1996 Annual Report is incorporated herein by reference. None of such litigation is material within the meaning of Section 103 of Regulation S-K in that such matters individually or in the aggregate do not exceed 10% of current assets. The Corporation intervened in litigation commenced by Tejas Testing Technology One, L.C. and Tejas Testing Technology Two, L.C. (the "Tejas Companies"), as described in Note 13 to the Financial Statements of the Corporation on pages 32 and 33 of its 1996 Annual Report, which Note is incorporated herein by reference. Such litigation was commenced on May 2, 1995 and is pending in the United States District Court for the Western District of Texas, Austin Division, and was also commenced on November 20, 1995 in the 345th Judicial District Court of Travis County, Texas. On February 11, 1997, Systems Control, Inc. and Systems Control Acquisition Corp., affiliates of the Tejas Companies, commenced litigation against the Corporation in the Superior Court of the State of California for the County of San Francisco to resist their obligation to indemnify the Corporation in full as described in Note 13.

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

There was no matter submitted to a vote of the shareholders during the fourth quarter of the fiscal year ending December 28, 1996.

Item 4.1: Executive Officers of the Registrant

The executive officers of the Corporation, their ages as of December 28, 1996, and their current titles and positions held during the last five years are listed below.

Robert A. Cornog (56) - Chairman, President and Chief Executive Officer since July 1991. A Director since 1982.

Branko M. Beronja (62) - Senior Vice President - Diagnostics, North America since April 1996. President - North American Operations from April 1994 to April 1996, and Vice President - Sales, North America from August 1989 to April 1994. A Director since January 1997.

Frederick D. Hay (52) - Senior Vice President - Transportation since February 1996. Prior to joining Snap-on, he was President of the Interior Systems and Components Division of UT Automotive, a business unit of United Technologies Corporation, from December 1989 to January 1996.

Donald S. Huml (50) - Senior Vice President - Finance and Chief Financial Officer since August 1994. Prior to joining Snap-on, he was Vice President and Chief Financial Officer of Saint-Gobain Corporation from December 1990 to August 1994.

Michael F. Montemurro (48) - Senior Vice President - Financial Services and Administration since August 1994. Senior Vice President - Financial Services, Administration and Chief Financial Officer from April 1994 to August 1994. Senior Vice President - Finance and Chief Financial Officer from March 1990 to April 1994.

Jay H. Schnabel (54) - Senior Vice President - Europe since April 1996. Senior Vice President - Diagnostics from April 1994 to April 1996. Senior Vice President - Administration from April 1990 to April 1994. A Director since August 1989.

Gregory D. Johnson (47) - Controller since April 1992. Financial Controller - Asia/Pacific from May 1991 to April 1992.

Susan F. Marrinan (48) - Vice President, Secretary and General Counsel since January 1992. Secretary and General Counsel from November 1990 to January 1992.

There is no family relationship among the executive officers and there has been no involvement in legal proceedings during the past five years that would be material to the evaluation of the ability or integrity of any of the executive officers. Executive officers may be elected by the Board of Directors or appointed by the Chief Executive Officer at the regular meeting of the Board which follows the Annual Shareholders' Meeting, held on the fourth Friday of April each year, and at such other times as new positions are created.

PART II

Item 5: Market for Registrant's Common Equity and Related Stockholder Matters

At December 28, 1996, the Corporation had 60,785,367 shares of common stock outstanding.

On January 26, 1996, the Corporation's Board of Directors authorized the Corporation to repurchase shares of the Corporation's common stock from time to time in the open market or in privately negotiated transactions. The authority allows the repurchase of up to the number of shares issued or delivered from treasury from time to time under the various plans the Corporation has in place that call for the issuance of the Corporation's common stock. Currently, those plans include the Corporation's Employee Stock Ownership Plan, Franchise Dealer Stock Ownership Plan, Amended and Restated 1986 Incentive Stock Program, Amended and Restated Directors' 1993 Fee Plan, and Dividend Reinvestment and Stock Purchase Plan. Based upon the number of shares issued under plans and programs through February 25, 1997, as of that date the Corporation had the authority pursuant to the Board's action to repurchase 243,503 shares.

Additional information required by Item 5 is contained on page 40 of the Corporation's 1996 Annual Report and is incorporated herein by reference to said Annual Report.

Item 6: Selected Financial Data

The information required by Item 6 is contained on pages 36 and 37 of the Corporation's 1996 Annual Report and is incorporated herein by reference to said Annual Report.

Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by Item 7 is contained on pages 16 to 19 of the Corporation's 1996 Annual Report and is incorporated herein by reference to said Annual Report.

Item 8: Financial Statements and Supplementary Data

The information required by Item 8 is contained on pages 20 to 34 of the Corporation's 1996 Annual Report and is incorporated herein by reference to said Annual Report.

Item 9: Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10: Directors and Executive Officers of the Registrant

The identification of the Corporation's directors as required by Item 10 is contained in the Corporation's Proxy Statement, dated March 14, 1997, and is incorporated herein by reference to said Proxy Statement. With respect to information about the Corporation's executive officers, see caption "Executive Officers of the Registrant" at the end of Part I of this report.

The disclosure of late filers pursuant to Item 405 of Regulation S-K is contained on page 11 of the Corporation's Proxy Statement, dated March 14, 1997, and is incorporated herein by reference to said Proxy Statement.

Item 11: Executive Compensation

The information required by Item 11 is contained on pages 7 to 9 of the Corporation's Proxy Statement, dated March 14, 1997, and is incorporated herein by reference to said Proxy Statement.

Item 12: Security Ownership of Certain Beneficial Owners and Management

The information required by Item 12 is contained on page 5 of the Corporation's Proxy Statement, dated March 14, 1997, and is incorporated

herein by reference to said Proxy Statement.

Item 13: Certain Relationships and Related Transactions

None.

PART IV

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

Item 14(A): Document List

1. List of Financial Statements

The following consolidated financial statements of Snap-on Incorporated, and the Auditors' Report thereon, each included in the 1996 Annual Report of the Corporation to its shareholders for the year ended December 28, 1996, are incorporated by reference in Item 8 of this report:

Consolidated Balance Sheets as of December 28, 1996 and December 30, 1995.

Consolidated Statements of Earnings for the years ended December 28, 1996, December 30, 1995 and December 31, 1994.

Consolidated Statements of Shareholders' Equity for the years ended December 28, 1996, December 30, 1995 and December 31, 1994.

Consolidated Statements of Cash Flows for the years ended December 28, 1996, December 30, 1995 and December 31, 1994.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedule

The following consolidated financial statement schedule of Snap-on Incorporated is included in Item 14(d) as a separate section of this report.

Schedule II Valuation and Qualifying Accounts Page 17

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are inapplicable and, therefore, have been omitted, or are included in the Corporation's 1996 Annual Report in the Notes to Consolidated Financial Statements for the years ended December 28, 1996, December 30, 1995 and December 31, 1994, which are incorporated by reference in Item 8 of this report.

3. List of Exhibits

The exhibits filed with or incorporated by reference in this report are as specified in the exhibit index.

Item 14(B): Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of the period covered by this report.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE

We have audited, in accordance with generally accepted auditing standards, the financial statements included in Snap-on Incorporated's (the "Corporation") Annual Report to Shareholders, incorporated by reference in this Form 10-K, and have issued our report thereon dated January 27, 1997. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed on page 17 is the responsibility of the Corporation's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic

financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Chicago, Illinois
January 27, 1997

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included (or incorporated by reference) in this Form 10-K, into the Corporation's previously filed Registration Statement File Nos. 2-53663, 2-53578, 33-7471, 33-22417, 33-37924, 33-39660, 33-57898, 33-55607, 33-58939, 33-58943, 333-14769, 333-21277 and 333-21285.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Chicago, Illinois
March 27, 1997

SIGNATURES

Pursuant to the requirements of Section 13 of 15(d) of the Securities Exchange Act of 1934, the Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SNAP-ON INCORPORATED

By: /s/ R. A. Cornog Date: March 27, 1997
R. A. Cornog, Chairman of the Board of Directors,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Corporation and in the capacities as indicated.

/s/ R. A. Cornog Date: March 27, 1997
R. A. Cornog, Chairman of the Board of Directors,
President and Chief Executive Officer

/s/ D. S. Huml Date: March 27, 1997
D. S. Huml, Principal Financial Officer,
and Senior Vice President - Finance

/s/ G. D. Johnson Date: March 27, 1997
G. D. Johnson, Principal Accounting Officer,
and Controller

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Corporation and in the capacities as indicated.

By: /s/ B. M. Beronja Date: March 27, 1997
B. M. Beronja, Director

By: /s/ D. W. Brinckman Date: March 27, 1997
D. W. Brinckman, Director

By: /s/ B. S. Chelberg Date: March 27, 1997
B. S. Chelberg, Director

By: /s/ R. J. Decyk R. J. Decyk, Director	Date: March 27, 1997
By: /s/ R. F. Farley R. F. Farley, Director	Date: March 27, 1997
By: /s/ L. A. Hadley L. A. Hadley, Director	Date: March 27, 1997
By: /s/ A. L. Kelly A. L. Kelly, Director	Date: March 27, 1997
By: /s/ G. W. Mead G. W. Mead, Director	Date: March 27, 1997
By: /s/ E. H. Rensi E. H. Rensi, Director	Date: March 27, 1997
By: /s/ J. H. Schnabel J. H. Schnabel, Director	Date: March 27, 1997

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Description	Balance at beginning of year	Balance of Subsidiary at time of acquisition	Charged to costs and expenses	Deductions (1)	Balance at end of year
Allowance for doubtful accounts					
Year ended December 28, 1996	\$14,650,458	\$296,140	\$13,611,414	\$11,655,431	\$16,902,581
Year ended December 30, 1995	\$13,180,862	\$205,414	\$12,999,732	\$11,735,550	\$14,650,458
Year ended December 31, 1994	\$14,946,208	\$ 96,355	\$ 8,652,343	\$10,514,044	\$13,180,862

(1) This amount represents write-offs of bad debts.

EXHIBIT INDEX

Item 14(c): Exhibits

- (3) (a) Restated Certificate of Incorporation of the Corporation, effective as of March 10, 1995 (incorporated by reference to Exhibit (3)(a) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 (Commission File No. 1-7724))
- (b) Bylaws of the Corporation, effective as of January 26, 1996
- (4) (a) Rights Agreement dated as of October 23, 1987 between the Corporation and Harris Trust and Savings Bank, as Rights Agent (incorporated by reference to Exhibit 1 to the Corporation's Registration Statement on Form 8-A dated October 26, 1987 (Commission File No. 1-7724))
- (b) Amendment to Rights Agreement dated as of May 21, 1992 (incorporated by reference to Exhibit 1 to the Corporation's Current Report on Form 8-K dated June 4, 1992 (Commission File No. 1-7724))

- (c) Amendment to Rights Agreement dated as of January 28, 1994 (incorporated by reference to Exhibit 1 to the Corporation's Current Report on Form 8-K dated January 28, 1994 (Commission File No. 1-7724))
- (d) Amendment to Rights Agreement dated as of June 28, 1996 (incorporated by reference to Exhibit 1.1 to the Corporation's Current Report on Form 8-A dated June 28, 1996 (Commission File No. 1-7724))

The Corporation and its subsidiaries have no long-term debt agreement for which the related outstanding debt exceeds 10% of consolidated total assets as of December 28, 1996. Copies of debt instruments for which the related debt is less than 10% of consolidated total assets will be furnished to the Commission upon request.

(10) Material Contracts

- (a) Amended and Restated Snap-on Incorporated 1986 Incentive Stock Plan*
- (b) Form of Restated Senior Officer Agreement between the Corporation and each of Robert A. Cornog, Branko M. Beronja, Frederick D. Hay, Donald S. Huml, Michael F. Montemurro and Jay H. Schnabel (incorporated by reference to Exhibit (10)(b) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 30, 1995 (Commission File No. 1-7724))*
- (c) Form of Restated Executive Agreement between the Corporation and each of Richard V. Caskey, Dan G. Craighead, Dale F. Elliott, Gregory D. Johnson, Nicholas L. Loffredo, Denis J. Loverine, Susan F. Marrinan, Lawrence G. Panatera, and William R. Whyte (incorporated by reference to Exhibit (10)(b) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 30, 1995 (Commission File No. 1-7724))*
- (d) Indemnification Agreement for Directors (incorporated by reference to Exhibit B to the Corporation's Proxy Statement dated March 23, 1990 (Commission File No. 1-7724))*
- (e) Amended and Restated Snap-on Incorporated Directors' 1993 Fee Plan*
- (f) Snap-on Incorporated Deferred Compensation Plan*
- (g) Snap-on Incorporated Supplemental Retirement Plan for Officers (incorporated by reference to Exhibit (10)(b) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 30, 1995 (Commission File No. 1-7724))*
- (h) Receivables Purchase and Sale Agreement, dated as of October 6, 1995, among Snap-on Credit Corporation, as Seller, Corporate Asset Funding Company, Inc., as Investor, and Citicorp North America, Inc., individually and as Agent (incorporated by reference to Exhibit (10)(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 28, 1996 (Commission File No. 1-7724))
- (i) Receivables Purchase and Sale Agreement, dated as of October 6, 1995, among Snap-on Credit Corporation, as Seller, the banks set forth on the signature pages thereof, and Citicorp North America, Inc., individually and as Agent (incorporated by reference to Exhibit (10)(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 28, 1996 (Commission File No. 1-7724))
- (j) Support Agreement, dated as of October 6, 1995, by Snap-on Incorporated in favor of Corporate Asset Funding Company, Inc., Citibank, N.A. and Citicorp North America, Inc. (incorporated by reference to Exhibit 10.3 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995 (Commission File No. 1-7724))

- (13) Annual Report to Shareholders
- (21) Subsidiaries of the Corporation
- (23) Consent of Independent Public Accountants (included with Report of Independent Public Accountants on Financial Statement Schedule)
- (27) Financial Data Schedule

* Denotes management contract or compensatory plan or arrangement

SNAP-ON INCORPORATED
BYLAWS
AMENDED AND RESTATED

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SNAP-ON INCORPORATED

AMENDED AND RESTATED BYLAWS

ARTICLE I - OFFICES

1.1. Registered Office and Agent. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware, and the name of the resident agent in charge thereof is the Corporation Trust Company of America.

1.2. Other Offices. The Corporation may have its principal executive office in the City of Kenosha, State of Wisconsin, and may also have offices at such other places as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II - THE STOCKHOLDERS

2.1. Place of Meetings. All meetings of the stockholders, whether annual or special, shall be held at the offices of the Corporation in Kenosha, Wisconsin, or at such other place, within or without the State of Delaware, as may be fixed from time to time by the Board of Directors.

2.2. Annual Meeting. An annual meeting of stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting.

2.3. Quorum. A majority of the outstanding stock entitled to vote, present in person or by proxy duly authorized by the stockholder and filed with the Secretary, shall constitute a quorum at all meetings of the stockholders except as otherwise provided by law, by the Certificate of Incorporation or by these Bylaws. If, however, a majority shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person, or by proxy duly authorized by the stockholder and filed with the Secretary, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting of the place, date, and hour of the adjourned meeting, until a quorum shall be present or represented. At the adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. The stockholders present at a duly organized meeting may continue to transact business until adjournment notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

2.4. Voting. When a quorum is present at any meeting, and subject to the provisions of the General Corporation Law of the State of Delaware, the Certificate of Incorporation or these Bylaws in respect of the vote that shall be required for a specific action, the vote of the holders of a majority of the stock having voting power, present in person or represented by proxy duly authorized by the stockholder and filed with the

Secretary, shall decide any question brought before the meeting, unless the question is one upon which, by express provision of the statutes or of the Certificate of Incorporation or of these Bylaws, a different vote is required, in which case the express provision shall govern and control the decision of such question. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of Directors. Each stockholder shall have one vote for each share of stock having voting power registered in his name on the books of the Corporation, except as otherwise provided in the Certificate of Incorporation.

2.5. Proxies. At any meeting of the stockholders, every stockholder having the right to vote shall be entitled to vote in person, or by proxy duly authorized and bearing a date not more than three years prior to said meeting, unless the proxy provides for a longer period. Without limiting the manner in which a stockholder may authorize another person or persons to act for him as proxy, the stockholder may validly grant such authority by:

(a) executing a writing to that effect, which execution may be accomplished by the stockholder or his authorized officer, director, employee or agent signing the writing or causing his signature to be affixed to the writing by any reasonable means including, but not limited to, by facsimile signature; or (b) transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. If it is determined that any telegram, cablegram or other electronic transmission submitted pursuant to clause (b) above is valid, the inspectors shall specify the information upon which they relied. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to the preceding sentence may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

2.6. List of Stockholders. A complete list of the stockholders entitled to vote at each meeting of stockholders, arranged in alphabetical order, with the address of each as shown on the records of the Corporation, and the number of voting shares registered in the name of each in the records of the Corporation, shall be prepared by the Secretary and kept, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified at the place where the meeting is to be held for a period of at least ten (10) days prior to the meeting. During the ten (10) day period, during the usual business hours, and during the meeting, the list shall be open to the examination of any stockholder.

2.7. Special Meetings. Special meetings of stockholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Chief Executive Officer, and shall be called by the Chief Executive Officer or Secretary at the request in writing of a majority of the members of the Board of Directors. Such request shall state the purpose or purposes of the proposed meeting.

2.8. Notice of Meetings. Written notice of each meeting of stockholders, stating the date, time and place, and in the case of a special meeting the object thereof, shall be mailed, postage prepaid, not less than ten (10) nor more than sixty (60) days before the meeting, to each stockholder entitled to vote thereat, at the address of the stockholder which appears on the books of the Corporation.

2.9. Stockholder Nominations and Proposals.

(a) At any meeting of stockholders, no business shall be

conducted which has not been properly brought before the meeting. To be properly brought before a meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a stockholder.

(b) For stockholder nominations and/or proposals to be properly brought before a meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must so be received not later than the close of business on the tenth day following the day on which the notice of the date of the meeting was mailed or public disclosure was made, which ever first occurs.

(c) In the case of stockholder nominations for election to the Board of Directors, the notice shall set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in the notice, (ii) the principal occupations or employment of each nominee for the past five (5) years, (iii) the number of shares of the Corporation which are beneficially owned by each nominee, (iv) other directorships held by each nominee, (v) the names of business entities of which each nominee owns a ten percent (10%) or more beneficial interest and (vi) all other information with respect to each nominee as is required by the Federal proxy rules in effect at the time such notice is submitted. In addition, the notice shall be accompanied by a statement, over the signature of each proposed nominee, that the nominee consents to being a nominee and that if elected intends to serve as a Director, and confirming the information with respect to him set forth in the notice.

(d) In the case of stockholder proposals, the notice shall set forth (i) a brief description of the proposal or business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name, age, business and residence address of the stockholder submitting the proposal, (iii) the principal occupation or employment of such stockholder, (iv) the number of shares of the Corporation which are beneficially owned by such stockholder and (v) any material interest of the stockholder in such proposal. The Chairman of the Board of Directors shall, if the facts warrant, determine and declare to the meeting that a proposal was not properly brought before the meeting in accordance with the provisions of this Section 2.9, and if he should so determine, and any proposal not properly brought before the meeting shall not be transacted. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any meeting except in accordance with the procedures set forth in this Section 2.9.

2.10. Voting Procedures and Inspectors of Elections.

(a) The Corporation, by action of the Secretary, shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

(b) The inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the

shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors.

(c) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery upon application by a stockholder shall determine otherwise.

(d) In determining the validity and counting of proxies and ballots, the inspectors shall be limited to an examination of the proxies, any envelopes submitted with those proxies, any information provided in accordance with clause (b) of Section 2.5 of these Bylaws, ballots and the regular books and records of the Corporation, except that the inspectors may consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of banks, brokers, their nominees or similar persons which represent more votes than the holder of a proxy is authorized by the record owner to cast or more votes than the stockholder holds of record. If the inspectors consider other reliable information for the limited purpose permitted herein, the inspectors at the time they make their certification pursuant to subsection (b)(v) of this Section shall specify the specific information considered by them including the person or persons from whom they obtained the information, when the information was obtained, the means by which the information was obtained and the basis for the inspectors' belief that the information is accurate and reliable.

ARTICLE III - THE BOARD OF DIRECTORS

3.1. Powers, Number and Classification of Directors. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, which may exercise all such powers of the Corporation and do all such acts and things as are not prohibited by the General Corporation Law of the State of Delaware nor by the Certificate of Incorporation nor by these Bylaws directed or required to be exercised or done by the stockholders. The number of Directors of the Corporation shall not be less than five (5) or more than fifteen (15) and such number may be fixed from time to time by a majority vote of the Directors then in office. The Board of Directors shall be divided into three classes as nearly equal in number as may be, with the term of office of one class expiring each year. When the number of Directors is changed, any increase or decrease in directorships shall be apportioned among the classes at the next annual meeting of stockholders so as to make all classes as nearly equal in number as possible. Subject to the foregoing, at each annual meeting of stockholders the successors to the class of Directors whose term shall then expire shall be elected to hold office for a term expiring at the third succeeding annual meeting, and each Director shall be elected to serve until his successor shall be elected and shall qualify.

3.2. Vacancies. If the office of any Director or Directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, creation of a new directorship, or otherwise, a majority of the remaining Directors, though less than a quorum, shall choose a successor or successors, or a Director to fill the newly created directorship. In no event shall the shareholders have the right to fill such vacancies.

3.3. Place of Meetings. The Directors may hold their meetings either outside of Delaware or at the office of the Corporation in the City of Kenosha, State of Wisconsin, or at such other places as they may from time to time determine.

3.4. Regular Meetings. There shall be five (5) regular meetings of

the Board of Directors in each year, the first to be held, without other notice than this Bylaw, immediately following and at the same place as the annual meeting of stockholders. Subsequent regular meetings of the Board of Directors shall be held on the fourth Fridays of June, August, October, January and on the date of the annual meeting of stockholders, or at such other times as are prescribed by the Board of Directors. Notice of additional regular meetings, unless waived, shall be given by mail, telegram, telecopier, telex, telephone or in person to each Director, at his address as the same may appear on the records of the Corporation, or in the absence of such address, at his residence or usual place of business, at least three (3) days before the day on which the meeting is to be held.

3.5. Special Meetings. Special meetings of the Board of Directors may be held any time on the call of the Chief Executive Officer or at the request in writing of a majority of the members of the Board of Directors then in office. Notice of each special meeting, unless waived, shall be given by mail, telegram, telecopier, telex, telephone or in person to each Director at his address as the same appears on the records of the Corporation not less than one day prior to the day on which the meeting is to be held if the notice is by telegram, telecopier, telex, telephone or in person, and not less than two days prior to the day on which the meeting is to be held if the notice is by mail; provided, however, that for purposes of dealing with an emergency situation, as conclusively determined by the Officer or Directors calling the meeting, notice may be given not less than two hours prior to the meeting. Notice of any special meeting need not state the purpose thereof. If the Secretary shall fail or refuse to give such notice, then the notice may be given by the Officer or any one of the Directors making the call. Attendance at any meeting of the Board of Directors shall constitute waiver of notice thereof unless the Director attends the meeting for the express purpose of objecting, and the Director objects at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

3.6. Quorum; Voting. At all meetings of the Board, a majority of the total number of Directors then fixed pursuant to Section 3.1 of these Bylaws shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation or by these Bylaws. In the absence of a quorum, a majority of the Directors present may adjourn the meeting from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given, except that notice shall be given to all Directors if the adjournment is for more than thirty (30) days.

3.7. Quorum During Emergency. During any emergency period following a national catastrophe, due to enemy attack, a majority of the surviving members of the Board, but in any case not less than five, who have not been rendered incapable of acting due to physical or mental incapacity or due to the difficulty of transportation to the place of the meeting shall constitute a quorum for the purpose of filling vacancies in the Board of Directors and among the elected and appointed Officers of the Corporation.

3.8. Informal Action. Any action required or permitted to be taken at any meeting of the Board of Directors or any Committee thereof may be taken without a meeting, if a written consent to such action is signed by all members of the Board or of such Committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or Committee.

3.9. Meeting by Telephone. Members of the Board of Directors, or any Committee designated by the Board, may participate in a meeting of the Board or Committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

3.10. Compensation. Directors, as such, may receive compensation for their services and/or such fixed sums and expenses of attendance for attendance at each regular or special meeting of the Board of Directors as may be established by resolution of the Board; provided that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Members of Committees may be allowed like compensation for attending Committee meetings. The Board Affairs and Nominating Committee shall annually recommend to the Board of Directors the appropriate compensation for the members of the Board of Directors.

3.11. Committees. Based upon the recommendations of the Board Affairs and Nominating Committee, the Board of Directors may, by resolution or resolutions passed by a majority of the total number of Directors then fixed pursuant to Section 3.1 of these Bylaws, designate one or more Committees, each Committee to consist of one or more of the Directors of the Corporation, which Committees, to the extent provided in said resolution or resolutions, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation between meetings of the Board of Directors. The members and the Chairman of each Committee shall be appointed, and may be removed at any time, by resolution adopted by a majority of the total number of Directors then fixed pursuant to Section 3.1 of these Bylaws. No such Committee shall have the power or authority to authorize amending the Certificate of Incorporation, adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amend the Bylaws of the Corporation; and, unless the resolution, Bylaws, or Certificate of Incorporation expressly so provide, no Committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such Committee or Committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. Each Committee shall keep minutes of its proceedings, and shall report to the Board of Directors when required by the Board.

ARTICLE IV - OFFICERS

4.1. Election and Removal of Chairman of the Board of Directors. At the regular meeting of the Directors held after the annual stockholders' meeting in each year, one of the Directors shall be elected to be the Chairman of the Board of Directors, which person may be removed from this position at any time by a majority vote of the total number of Directors then fixed pursuant to Section 3.1 of these Bylaws whenever in their judgment the best interests of the Corporation will be served by such action.

4.2. Duties of the Chairman of the Board of Directors. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and of the Directors. If he is also the Chief Executive Officer, he shall carry out those duties as designated herein. If he is not the Chief Executive Officer, he shall have no authority for the management and control of the business and affairs of the Corporation other than in his capacity as a Director.

4.3. Officers. As contained within these Bylaws, except as otherwise provided for, all references to "Officers" shall apply to both Elected and Appointed Officers. The Elected Officers of the Corporation shall be a President, a Chief Executive Officer, a Chief Operating Officer, one or more Senior or Executive Vice Presidents, a Secretary, a Treasurer, a Controller, a Chief Financial Officer, a Vice President - Information Services and a Vice President - Human Resources. These Officers, and any other Officers which the Directors deem should be elected, shall be elected by the Directors at the regular meeting of the Board held after the annual stockholders' meeting in each year and at such other times as new elected offices are created by the Chief Executive Officer or vacancies in such elected offices must be filled. All other Officers of the Corporation shall be appointed by the Chief Executive Officer, as such appointed offices are deemed necessary by the Chief Executive Officer. Any two or more offices may be held by the same person.

4.4. Removal. Any Officer elected by the Directors may be removed from office at any time by a majority vote of the total number of Directors then fixed pursuant to Section 3.1 of these Bylaws whenever in their judgment the best interests of the Corporation will be served by such action. Any appointed Officer may be removed at any time by the Chief Executive Officer.

4.5. Designation of Chief Executive Officer and Chief Operating Officer. The Directors may, but need not, designate the Chairman of the

Board of Directors as the Chief Executive Officer. The Directors shall designate the President as either the Chief Executive Officer or the Chief Operating Officer. The Directors may, but need not, designate an Executive Vice President as the Chief Operating Officer. These designations of duties may be changed at any time by a majority vote of the total number of Directors then fixed pursuant to Section 3.1 of these Bylaws whenever in their judgment the best interests of the Corporation will be served by such action.

4.6. Chief Executive Officer. The Chief Executive Officer shall manage and control the overall business and affairs of the Corporation and ensure that the orders and resolutions of the Directors are carried into effect. He shall have the authority to represent and act for the Corporation, to sign documents binding the Corporation in all matters except those reserved to the Directors, to authorize other Officers designated by him to represent, act and sign for the Corporation and to assign to the other Officers the authority for the management and control of such business and affairs of the Corporation as he may designate. If the Chief Executive Officer is not a member of the Board of Directors, he shall be, ex officio, a member of all Committees of the Board of Directors not exercising powers of the Board other than the Audit Committee and Organization & Executive Compensation Committee and shall have all the same rights and duties, except the right to vote, as have all members of the Committee. If he is a Director he shall be, ex officio, a member of all Committees of the Board of Directors exercising powers of the Board other than the Audit Committee and Organization & Executive Compensation Committee, and shall have all the same rights and duties, including the right to vote, as have all members of the Committees. The Chief Executive Officer may review pertinent director compensation survey data and report these results to the Board Affairs and Nominating Committee.

4.7. Chief Operating Officer. The Chief Operating Officer shall have authority for the management and control of such business and affairs of the Corporation as shall be assigned by the Chief Executive Officer or the Board of Directors. In the event of the absence or disability of the Chief Executive Officer, he shall perform those duties as designated herein of the Chief Executive Officer.

4.8. President. The President shall perform the duties as designated herein of the Chief Executive Officer or the Chief Operating Officer. In the absence of the Chairman of the Board of Directors he shall preside at all meetings of the stockholders and the Directors.

4.9. Executive Vice Presidents. Executive Vice Presidents shall have authority for the management and control of such business and affairs of the Corporation as shall be assigned by the Chief Executive Officer or the Board of Directors. If an Executive Vice President is the appointed Chief Operating Officer, he shall perform those duties as designated herein. In the absence or disability of the Chief Executive Officer and of the Chief Operating Officer, an Executive Vice President designated by the Chief Executive Officer or the Board of Directors shall perform the duties as designated herein of the Chief Executive Officer.

4.10. Senior Vice Presidents. Senior Vice Presidents shall have authority for the management and control of such business and affairs of the Corporation as shall be assigned by the Chief Executive Officer or the Board of Directors. In the event that there is no individual currently holding such office of the Chief Executive Officer, of the Chief Operating Officer, or of the Executive Vice President, or in the event that such individual is absent or disabled, a Senior Vice President designated by the Chief Executive Officer or the Board of Directors shall perform the duties as designated herein of the Chief Executive Officer.

4.11. Chief Information Officer. The Chief Information Officer shall be an Elected Officer and shall have the authority for the management and control of such business and affairs as shall be assigned by the Chief Executive Officer or the Board of Directors.

4.12. Chief Financial Officer. The Chief Financial Officer shall be an Elected Officer and shall have the authority for the management and control of such business and affairs as shall be assigned by the Chief Executive Officer or the Board of Directors.

4.13. Elected Vice Presidents. The Elected Vice Presidents shall have authority for the management and control of such business and affairs

of the Corporation as shall be assigned by the Chief Executive Officer or the Board of Directors.

4.14. Appointed Officers. Appointed Officers shall have authority for the management and control of such business and affairs of the Corporation as shall be assigned by the Chief Executive Officer.

4.15. Secretary. The Secretary shall attend all sessions of the Board and all meetings of the stockholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose; and shall perform like duties for the standing Committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors, and shall perform such other duties as from time to time may be prescribed by the Board of Directors or the Chief Executive Officer of the Corporation. The Secretary shall keep in safe custody the Seal of the Corporation, and when authorized by the Board, affix it to any instrument requiring it.

4.16. Treasurer. The Treasurer shall:

(a) have the custody of the corporate funds and securities and shall keep or cause to be kept full and accurate accounts of the financial affairs of the Corporation;

(b) deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors;

(c) disburse or cause to be disbursed the funds of the Corporation as may be ordered by the Board of Directors;

(d) render to the Chief Executive Officer and Directors, at the regular meetings of the Board or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation;

(e) give the Corporation a bond, if required by the Board of Directors, in a sum and with one or more sureties satisfactory to the Board, for the faithful performance of the duties of his office; and

(f) perform all the duties incident to the office of Treasurer

and such other duties as from time to time may be prescribed by the Board of Directors or by the Chief Executive Officer of the Corporation.

4.17. Controller. The Controller shall maintain proper audit control over the operations of the Corporation and be generally responsible for the accounting system employed by the Corporation and the accounting practices adopted by the various departments; he shall direct the budgetary control, general accounting, cost accounting and statistical activities of the Corporation; and he shall supervise activities in connection with credits and collections, taxes and physical inventories. The Controller shall prepare and furnish such reports and statements showing the financial condition of the Corporation as shall be required of him by the Chief Executive Officer or the Board of Directors, and shall perform such other duties as the Chief Executive Officer or the Board of Directors shall prescribe.

4.18. Delegation of Duties. In the case of the absence, incapacity, or inability to serve of any Elected Officer of the Corporation, the Board may delegate, for so long as may be necessary, the powers or duties, or any of them, of the Elected Officer to any other Elected Officer, or to any Director provided a majority of the total number of Directors then fixed pursuant to Section 3.1 of these Bylaws concurs therein. In the case of the absence, incapacity, or inability to serve of any Appointed Officers of the Corporation, the Chief Executive Officer may delegate, for so long as may be necessary, the powers or duties, or any of them, of that appointed Officer to any Elected or Appointed Officer.

4.19. Compensation. The compensation, if any, of the Chairman of the Board of Directors, the President, the Chief Executive Officer and the

Chief Operating Officer shall be fixed by the Directors after reviewing the recommendations of the Organization and Executive Compensation Committee. The compensation of all other Officers shall be fixed by Organization and Executive Compensation Committee in consultation with the Chief Executive Officer.

4.20. Bonds. If the Board of Directors or the Chief Executive Officer shall so require, any Officer or agent of the Corporation shall give bond to the Corporation in such amount and with such surety as the Board of Directors or the Chief Executive Officer, as the case may be, may deem sufficient, conditioned upon the faithful performance of their respective duties and offices.

ARTICLE V - CERTIFICATES OF STOCK AND THEIR TRANSFER

5.1. Regulation. Subject to the terms of any contract of the Corporation, the Board of Directors may make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Corporation, including the issuance of new certificates for lost or destroyed certificates, and including the appointment of transfer agents and registrars.

5.2. Form of Certificates. The certificates of stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the Chairman of the Board, the President or an Elected or Appointed Vice President, and the Treasurer, or the Secretary. If the Corporation has a transfer agent or an assistant transfer agent or a transfer clerk acting on its behalf and a registrar, the signature of any officer may be facsimile. Facsimile signatures may be of the Officers of the Corporation designated above who are Officers at the time of the issuance of the certificates or who were such at the time of the printing or engraving of the certificates whether or not the person has continued to hold that office. The designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations, or restrictions of the preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent the class or series of stock, provided that, except as provided to the contrary by the General Corporation Law of the State of Delaware, in lieu of the foregoing requirements there may be set forth on the certificate a statement that the Corporation will furnish without charge to each stockholder who so requests the preferences and rights and qualifications, limitations or restrictions.

5.3. Transfer of Certificates. Shares of the capital stock of the Corporation shall be transferable on the books of the Corporation by the holder thereof in person or by his duly authorized attorney, upon the surrender or cancellation of a certificate or certificates for a like number of shares. As against the Corporation, a transfer of shares can be made only on the books of the Corporation and in the manner hereinabove provided, and the Corporation shall be entitled to treat the registered holder of any share as the owner thereof and shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save expressly provided by the statutes of the State of Delaware.

5.4. Record Date.

(a) If no record date is fixed pursuant to Section 5.6 of these Bylaws, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date,

which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date thereafter on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of stockholders meetings are recorded, to the attention of the Secretary of the Corporation. Delivery shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

5.5. Lost or Destroyed Certificates. Any person claiming a certificate of stock to be lost or destroyed shall make an affidavit or affirmation of that fact and advertise the same in such manner as the Board of Directors may require, and the Board of Directors may, in its discretion, require the owner of the lost or destroyed certificate or his legal representative to give the Corporation a bond, in such sum as it may direct, not exceeding double the value of the stock, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss of any such certificate; a new certificate of the same tenor and for the same number of shares as the one alleged to be lost or destroyed may be issued without requiring any bond when, in the judgment of the Directors, it is proper to do so.

5.6. Stock Transfer Books; Record Date. The Board of Directors shall have power to close the stock transfer books of the Corporation for a period not exceeding sixty (60) days preceding the date of any meeting of stockholders or the date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect provided, however, that in lieu of closing the stock transfer books as aforesaid the Board of Directors may by resolution fix a date, not preceding the date of the resolution, not more than sixty (60) nor less than ten (10) days preceding the date of any meeting of stockholders or not more than sixty (60) days preceding the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, and in such case such stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at such meeting, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

5.7. Consent of Stockholders in Lieu of Meeting. In the event of the delivery to the Corporation of a written consent or consents purporting to authorize or take corporate action and/or related revocations (each such written consent and any revocation thereof is referred to in this Section 5.7 as a "Consent"), the Secretary of the Corporation shall provide for the safekeeping of such Consents and shall as soon as practicable

thereafter conduct such reasonable investigation as he or she deems necessary or appropriate for the purpose of ascertaining the validity of such Consents and all matters incident thereto, including, without limitation, whether the holders of shares having the requisite voting power to authorize or take the action specified in the Consents have given consent; provided, however, that if the corporate action to which the Consents relate is the removal or election of one or more members of the Board of Directors, the Secretary of the Corporation shall designate an independent, qualified inspector with respect to such Consents and such inspector shall discharge the functions of the Secretary of the Corporation under this Section 5.7. If after such investigation the Secretary or the inspector (as the case may be) shall determine that any action purportedly taken by such Consents has been validly taken, that fact shall be certified on the records of the Corporation kept for the purpose of recording the proceedings of meetings of the stockholders and the Consents shall be filed with such records. In conducting the investigation required by this Section 5.7, the Secretary or the inspector may, at the expense of the Corporation, retain to assist them special legal counsel and any other necessary or appropriate professional advisors, and such other personnel as they may deem necessary or appropriate.

ARTICLE VI - BOOKS AND ACCOUNTS

6.1. Location. The books, accounts, and records of the Corporation may be kept at such place or places within or without the State of Delaware as the Board of Directors may from time to time determine.

6.2. Inspection. The books, accounts, and records of the Corporation shall be open to inspection by any member of the Board of Directors during usual business hours for any purpose reasonably related to the Director's position as a Director; and open to inspection by the stockholders at such times, and subject to such regulations, as the Board of Directors may prescribe, except as otherwise provided by statute.

ARTICLE VII - CHECKS, NOTES, CONTRACTS, ETC.

7.1. Checks; Notes. All checks or demands for money and notes of the Corporation shall be signed by such Officer or Officers or such other person or persons as the Board of Directors may from time to time designate.

7.2. Execution of Corporate Contracts. Except as otherwise provided by the Board of Directors or the Executive Committee, all contracts of the corporation shall be executed on its behalf by the President, an Elected or Appointed Vice President or such other person or persons as the President or Vice President may from time to time authorize so to do. Whenever the Board of Directors or the Executive Committee shall provide that any contract be executed or any other act be done in any other manner and by any other officer or agent than as specified in the Bylaws, such method or execution or action shall be as equally effective to bind the Corporation as if specified herein.

ARTICLE VIII - MISCELLANEOUS

8.1. Fiscal Year. The fiscal year shall end on the Saturday nearest December 31.

8.2. Corporate Seal. The Corporate Seal shall have inscribed thereon the name of the Corporation, and the words "Corporate Seal, Delaware." Said Seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

8.3. Notice. Any notice required to be given under the provisions of these Bylaws to any Director, Officer or stockholder may be given in writing, by depositing the same in the United States mail, postage pre-paid, addressed to the stockholder, Officer or Director at his or her address appearing on the books of the Corporation, and the notice shall be deemed to be given at the time when so mailed; provided that no notice need be given to any stockholder to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between the two (2) consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends during a twelve (12) month period, have been mailed addressed to such stockholder at his

address as shown on the records of the Corporation and have been returned undeliverable.

8.4. Waiver of Notice. Any stockholder, Director or Officer may waive any notice required to be given under these Bylaws, in writing signed by the person entitled to notice, either before or after the meeting.

8.5. Voting of Stock in Other Corporations. Any shares of stock in any other corporation which may from time to time be held by this Corporation may be represented and voted at any meeting of shareholders of such corporation by the Chief Executive Officer or an Elected or Appointed Vice President, or by any other person or persons thereunto authorized by the Board of Directors, or by any proxy designated by written instrument of appointment executed in the name of this Corporation by its Chief Executive Officer or an Elected or Appointed Vice President. Shares of stock belonging to the Corporation need not stand in the name of the Corporation, but may be held for the benefit of the Corporation in the individual name of the Treasurer or of any other nominee designated for the purpose by the Board of Directors. Certificates for shares so held for the benefit of the Corporation shall be endorsed in blank or have proper stock powers attached so that said certificates are at all times in due form for transfer, and shall be held for safekeeping in such manner as shall be determined from time to time by the Board of Directors.

ARTICLE IX - INDEMNIFICATION

9.1. Eligibility; Expenses. Each director and officer of the Corporation (collectively, the "Indemnitees") who was or is a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he, or a person of whom he is the legal representative, is or was a Director or Officer of the Corporation or is or was serving at the request of the Corporation as a Director, Officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the laws of Delaware against all costs, charges, expenses, liabilities and losses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such Indemnitees in connection therewith. The right to indemnification conferred in this Section shall be a contract right. Each Indemnitee shall have the right to be paid by the Corporation the expenses incurred in defending any such proceeding, except the amount of any settlement, in advance of such proceeding's final disposition upon receipt by the Corporation of an undertaking, by or on behalf of such Indemnitee, to repay all amounts so advanced if it shall ultimately be determined that the Indemnitee is not entitled to be indemnified under this Section or otherwise. The Corporation may, by action of its Board of Directors, indemnify and hold harmless employees and agents of the Corporation to the fullest extent permitted by the laws of Delaware against all costs, charges, expenses, liabilities and losses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such employees and agents in connection therewith. The Corporation may pay expenses of any employee or agent of the Corporation incurred in defending any such proceeding, except the amount of any settlement, in advance of such proceeding's final disposition upon such terms and conditions, if any, as the Board of Directors of the Corporation deems appropriate.

9.2. Suit to Collect. If a claim under Section 9.1 above is not paid in full by the Corporation within thirty (30) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. It shall be a defense to any action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking has been tendered to the Corporation) that the claimant has failed to meet a standard of conduct which makes it permissible under Delaware law for the Corporation to indemnify the claimant for the amount claimed. Neither the failure of the Corporation (including its Board of Directors, independent legal

counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is permissible in the circumstances because he has met such standard of conduct, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such standard of conduct, nor the termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall be a defense to the action or create a presumption that the claimant has failed to meet the required standard of conduct.

9.3. Nonexclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in these Bylaws shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaw, agreement, vote of stockholders or disinterested Directors or otherwise.

9.4. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any Director, Officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under Delaware law.

9.5. Expenses as a Witness. To the extent that any Director, Officer, employee or agent of the Corporation is by reason of such position, or a position with another entity at the request of the Corporation, a witness in any proceeding, he shall be indemnified against all costs and expenses actually and reasonably incurred by him or on his behalf in connection therewith.

9.6. Indemnity Agreements. The Corporation may enter into indemnity agreements with the persons who are members of its Board of Directors from time to time, and with such Officers, employees and agents as the Board may designate, providing in substance that the Corporation shall indemnify such persons to the fullest extent permitted by Delaware law.

9.7. Continuation of Rights. The indemnification and advancement of expenses provided by this Article IX shall continue as to a person who has ceased to be a Director, Officer, employee or agent of the Corporation and shall inure to the benefit of the heirs, executors and administrators of such a person.

9.8. Amendment. Any amendment, repeal or modification of any provision of this Article IX by the stockholders or the Directors of the Corporation shall not adversely affect any right or protection of a Director or Officer of the Corporation existing at the time of such amendment, repeal or modification.

ARTICLE X - AMENDMENT OF BYLAWS

10.1. Amendment. The Board of Directors, by affirmative vote of a majority of the total number of Directors then fixed pursuant to Section 3.1 of these Bylaws, may adopt, amend, or repeal these Bylaws at any meeting, subject to the provisions of Article Seventh of the Certificate of Incorporation. Subject to the provisions of Article Seventh of the Certificate of Incorporation, these Bylaws may also be amended or repealed, and new Bylaws adopted, by the stockholders; provided, however, that any amendment or repeal of Section 2.7, Section 2.9, Section 3.2 or Section 10.1 hereof may be made only by vote of at least seventy-five percent (75%) of the issued and outstanding common stock of the Corporation of the shares entitled to vote thereon at any annual meeting or special meeting of stockholders, and only if notice of the proposed amendment or repeal is contained in the notice of the meeting.

AMENDED AND RESTATED
SNAP-ON INCORPORATED
1986 INCENTIVE STOCK PROGRAM
(As Amended April 26, 1996)

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.

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). 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. 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.

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

(a) There is hereby reserved for issuance under the Program after the Effective Date (as defined below) an aggregate of Four Million (4,000,000) 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 200,000 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 300,000 Shares, (ii) receiving Benefits in any single fiscal year of the Company relating to more than 150,000 Shares of Restricted Stock, (iii) receiving more than 150,000 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.

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 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, including, without limitation, restricting the time during which a Participant may exercise a Stock Appreciation Right to specified periods as may be necessary to satisfy the requirements of Rule 16b-3.

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.

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 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. Shares to a Participant

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 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 2,000 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 as to any Director Options by action taken after the holder of the Director Options ceases to be subject to the provisions of Section 16 of the Exchange Act. 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.

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; provided, however, that no action may be taken under this Section 16(b) with respect to Director Options if such action could disqualify a non-employee Director from being a "disinterested person" for purposes of Rule 16b-3. 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) If the Company shall at any time change the number of issued Shares without new consideration to the Company (such as by stock dividends or stock splits), the total number of Shares reserved for issuance under this Program and the number of Shares covered by each outstanding Award shall be adjusted so that the aggregate consideration payable to the Company and the value of each such Award shall not be changed. The Committee shall also have the right to provide for the continuation of Awards or for other equitable adjustments after changes in the Common Stock resulting from reorganization, sale, merger, consolidation or similar occurrence; provided, however, that Director Options subject to grant or previously granted to Directors under the Program at the time of any such event shall be subject to only such adjustment as shall be necessary to maintain the proportionate interest of the Director and preserve, without exceeding, the value of such Director Options.

(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) In the event of a "change of control" (as hereinafter defined):

(i) each holder of an Option and Director Option (A) shall have the right at any time thereafter to exercise the Option or Director Option in full whether or not the Option or Director Option was theretofore exercisable; and (B) shall have the right, exercisable by written notice to the Company within 60 days after the change of control, to receive, in exchange for the surrender of the Option or Director Option or any portion thereof to the extent the Option or Director Option is then exercisable in accordance with clause (A), the highest of (1) an amount of cash equal to the difference between the Fair Market Value of the Common Stock covered by the Option or Director Option or portion thereof that is so surrendered on the date of the change of control and the purchase price of such Common Stock under the Option or Director Option, (2) an amount of cash equal to the difference between the highest price per Share of Common Stock paid in the transaction giving rise to the change of control and the purchase price per Share of Common Stock under the Option or Director Option multiplied by the number of Shares of Common Stock covered by the Option or Director Option or (3) an amount of cash equal to the difference between the Fair Market Value of the Common Stock covered by the Option or Director Option or portion thereof that is so surrendered, calculated on the date of surrender, and the purchase price of such Common Stock under the Option or Director Option; provided that the right described in this clause (B) shall be exercisable only if a positive amount would be payable to the holder pursuant to the formula specified in this clause (B);

(ii) Restricted Stock held inside or outside of the Deposit Share Program (including Bonus Shares) that is not then vested shall vest upon the date of the change of control and each holder of such Restricted Stock shall have the right, exercisable by written notice to the Company within sixty (60) days after the change of control, to receive, in exchange for the surrender of such Restricted Stock, an amount of cash equal to the highest of (A) the Fair Market Value of such Restricted Stock on the date of surrender, (B) the highest price per Share of Common Stock paid in the transaction giving rise to the change of control multiplied by the number of Shares of Restricted Stock surrendered or (C) the Fair Market Value of such Restricted Stock on the effective date of the change of control;

(iii) each holder of a Performance Share and/or Performance Unit for which the performance period has not expired shall have the right, exercisable by written notice to the Company within 60 days after the change of control, to receive, in exchange for the surrender of the Performance Share and/or Performance Unit, an amount of cash 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; and

(iv) each holder of a Performance Share and/or Performance Unit that has been earned but not yet paid shall receive an amount of cash equal to the value of the Performance Share and/or Performance Unit.

For purposes of this Section 18, the "value" of a Performance Share shall be equal to the highest of (1) the Fair Market Value of a Share of Common Stock on the date of the change of control, (2) the highest price per Share of Common Stock paid in the transaction giving rise to the change of control or (3) the Fair Market Value of a Share of Common Stock calculated on the date of surrender or payment, as the case may be.

(d) A "change of control" of the Company shall be deemed to have occurred for purposes of this Section 18 if the event set forth in any one of the following paragraphs shall have occurred:

(i) any "Person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as modified and used in Sections 13(d) and 14(d) thereof, except that for purposes of this Section 18, the term "Person" shall not include (1) the Company or any of its subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, or (4) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock in the Company) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (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

(ii) the following individuals cease for any reason to constitute a majority of the number of Directors then serving: individuals who, on January 1, 1996, 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 January 1, 1996 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 thereof 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 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 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 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.

(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).

(f) The Committee may, in its sole and absolute discretion, amend, modify or rescind the provisions of this Section 18 if it determines that the operation of this Section 18 may prevent a transaction in which the Company or any Affiliate is a party from being accounted for on a pooling-of-interests basis.

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 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.

Amended and Restated
Snap-on Incorporated
Directors' 1993 Fee Plan
(as amended January 26, 1996)

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 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.

(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 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 200,000, 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 twenty five percent (25%) 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 annual 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 must 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 any Director who commences his or her directorship subsequent to January 1 of a calendar year (a "New Director") may make a Share Election during the thirty-day period immediately following the commencement of his or her directorship; and provided further, however, that a Share Election shall only apply with respect to Fees to be paid more than six months subsequent to the date of such Share Election. A Share 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 Share Election in accordance with the provisions hereof.

(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 25% 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.

(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(g) 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 (not later than the Director's 75th birthday) designated by the Director in the Deferral Election.

(f) Form of Payments. 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.

(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) No Account Transfers. A Director may not transfer or convert a Share Account to a Cash Account or vice versa.

7. Effect of Certain Changes in Capitalization. If there is any change in the number or class of shares of Common Stock through the declaration of stock dividends, or recapitalization resulting in stock splits, or combinations or exchanges of such shares or similar corporate transactions, the maximum number or class of shares available under the Plan, the number or class of shares of Common Stock to be delivered hereunder and each Director's Share Account shall be proportionately adjusted by the Committee to reflect any such change in the number or class of issued shares of Common Stock; provided, however, that the number or class of shares of Common Stock to be delivered and each Director's Share Account shall be subject to only such adjustment as shall be necessary to maintain the proportionate interest of the Director and preserve, without exceeding, the value reflected by the Director's Share Account.

8. Change of Control. A "Change of Control" of the Company shall be deemed to have occurred if:

- (1) any "Person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as modified and used in Sections 13(d) and 14(d) thereof, except that for purposes of this Section 8, the term "Person" shall not include (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock in the Company) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (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
- (2) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 1, 1996, 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 by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on January 1, 1996 or whose appointment, election or nomination for election was previously so approved; or
- (3) the stockholders 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 thereof 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 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) the stockholders 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 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.

(b) Upon the occurrence of a Change of Control:

(i) all Share Units credited to a Share Account shall be converted into Common Stock and together with all Deferred Amounts credited to a Cash Account shall be transferred as soon as practicable to each Director; and

(ii) Notwithstanding anything herein to the contrary, Fees earned in respect of the calendar quarter in which the Change of Control occurs, shall be paid in cash as soon as practicable.

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 may at any time and from time to time alter, amend, suspend, or terminate the Plan in whole or in part; provided, however, that 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; and, provided further, that 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. Notwithstanding the foregoing, no amendment shall affect adversely any of the rights of any Director (including without limitation the rights a Director would have under Section 8 if a Change of Control were to occur), 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 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, at least six months prior to the date shares of Common Stock would otherwise be delivered hereunder, 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. Plan Interpretation. The Plan is intended to comply with Rule 16b-3 and shall be construed to so comply. To the extent Rule 16b-3, as

amended by SEC Release 34-28869 (and as amended from time to time), is applicable to the Plan, the provisions of Section 5(a) hereof are intended to comply with the provisions of Section (c)(2)(ii) of Rule 16b-3, and the provisions of Section 5(b) hereof are intended to comply with the provisions of Section (d)(1)(i) of Rule 16b-3; and each such Section shall be construed to so comply.

16. 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
DEFERRED COMPENSATION PLAN
(as amended through January 26, 1996)

Section 1. Establishment and Purposes

1.1 Establishment. Snap-on Incorporated hereby establishes, effective as of April 1, 1986, a deferred compensation plan for executives as described herein, which shall be known as the "SNAP-ON INCORPORATED DEFERRED COMPENSATION PLAN" (hereinafter called the "Plan").

1.2 Purposes. The purposes of this Plan are to enable the Corporation to attract and retain persons of outstanding competence, to provide a means whereby certain amounts payable by the Corporation to selected executives may be deferred to some future period and to provide such executives with a means to have deferred amounts treated as if invested in the Corporation's stock, thereby aligning their interests more closely with the interests of shareholders. The plan is intended to constitute an unfunded plan primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

Section 2. Definitions

2.1 Definitions. Whenever used herein, the following terms shall have the meanings set forth below:

- (a) "Board" means the Board of Directors of the Corporation.
- (b) "Committee" means the Organization and Compensation Committee of the Board.
- (c) "Common Stock" means the common stock, par value \$1.00 per share, of the Corporation.
- (d) "Compensation" means the gross Salary and Incentive Compensation payable to a Participant during a Year.
 - (i) Salary. "Salary" means all regular, basic compensation, before reduction for amounts deferred pursuant to this Plan or any other plan of the Corporation, payable in cash to a Participant for services during the Year, exclusive of any bonuses or incentive compensation, special fees or awards, allowances, or amounts designated by the Corporation as payments toward or reimbursement of expenses.
 - (ii) Incentive Compensation. "Incentive Compensation" means the annual Incentive Compensation Plan payable in cash by the Corporation to a Participant in a Year.
- (e) "Corporation" means Snap-on Incorporated, a Delaware corporation.
- (f) "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 16, Fair Market Value shall mean the closing price of the 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.
- (g) "Growth Increment" means the amount of interest earned on a Participant's deferred amounts.
- (h) "Participant" means an individual selected by the Committee for participation in the Plan.
- (i) "Year" means a calendar year.

2.2 Gender and Number. Except when otherwise indicated by the context, any masculine terminology used herein also shall include the feminine gender, and the definition of any term herein in the singular also shall include the plural.

Section 3. Eligibility and Participation

3.1 Eligibility. The elected officers and appointed officers of the Corporation shall be eligible to participate in this Plan.

3.2 Ceasing Eligibility. In the event a Participant no longer meets the requirements for participation in this Plan, he shall become an inactive Participant, retaining all the rights described under this Plan, except the right to make any further deferrals, until the time that he again meets the eligibility requirements of Section 3.1.

Section 4. Election to Defer

4.1 Deferral Election. Subject to the following provisions, prior to the beginning of the Year, a Participant irrevocably may elect, by written notice to the Corporation, to defer all or a percentage of annual Salary, Incentive Compensation, or both Salary and Incentive Compensation. The amount to be deferred each year must equal or exceed \$5,000.

- (a) With respect to Salary deferrals, the deferral percentage elected shall be applied to the Participant's Salary for each pay period of the Year to which the Deferral Election applies and must be made before November 30 of the year immediately preceding the Year for which such Deferral Election applies.
- (b) With respect to Incentive Compensation deferrals, the deferral percentage elected shall apply only to the Participant's Incentive Compensation payable with respect to service to be performed in the Year and must be made before December 31 of such Year.

An individual who becomes a Participant at or after the beginning of the Year may irrevocably elect, by written notice to the Corporation, to defer all or a percentage of (i) the annual Salary earned by such Participant for such Year after such election, if such election is made within 30 days after becoming a Participant, and (ii) the pro rata share of the Participant's Incentive Compensation, if any, payable with respect to service performed during such Year, if such election is made before December 31 of such Year.

4.2 Deferral Period. The Participant irrevocably shall select the deferral period for each separate deferral. The deferral period shall be for a specified number of years or until a specified date. The deferral period shall not be less than five years. However, notwithstanding the deferral period specified, payments shall begin following the earliest to occur of:

- (a) Death,
- (b) Total and permanent disability,
- (c) Retirement, or
- (d) Termination of employment.

4.3 Manner of Payment Election. At the same time as the election made pursuant to Section 4.1, the Participant also may elect to have a deferred amount paid either in a lump sum or in a specified number of approximately equal annual installments, not to exceed ten. The Participant who has made such an election as to manner of payment may change the manner in which the deferred amount will be paid and/or the date such payments are to commence by written election made prior to the Year in which such payments are to commence.

Section 5. Deferred Compensation Account

5.1 Participant Accounts. The Corporation shall establish and maintain individual bookkeeping accounts in respect of deferrals made by a Participant consisting of a "Cash Account" and a "Share Account." A Participant shall have separate Cash Accounts and Share Accounts for deferred amounts with different deferral periods under Section 4.2 hereof and/or manners of payment under Section 4.3 hereof. A Participant's Cash Account shall be credited with the dollar amount of any amount deferred as of the date the amount deferred otherwise would have become due and payable.

5.2 Growth Increments. The Corporation will provide the opportunity for

Growth Increments to be earned on the balance of a Participant's Cash Accounts. The Committee will have the authority to select, from time to time, the appropriate interest rate to apply to such amounts. Each Cash Account shall be credited on the first day of each month with a Growth Increment computed on the daily balance in the Cash Account during the immediately preceding month. The Growth Increment shall be the sum of the daily interest earned, compounded monthly by the interest rate selected by the Committee.

5.3 Share Accounts.

- (a) Subject to applicable corporate policies, from time to time a Participant may convert all or a portion of any Cash Account balance of the Participant into deferred shares of Common Stock credited to the Participant's corresponding Share Account by written notice to the Corporation. In such event, and effective as of the date the Corporation receives such a notice, (i) there shall be credited to the Participant's Share Account a number of units ("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 Corporation receives such notice and (ii) the Participant'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.
- (b) Whenever cash dividends are paid by the Corporation on outstanding Common Stock, as of the payment date for the dividend, there shall be credited to a Participant's Cash Account an amount equal to the amount per share of the cash dividend on the Common Stock multiplied by the number of Share Units reflected in the Participant's Share Account, if any, as of the close of business on the record date for the dividend.
- (c) Subject to applicable corporate policies, from time to time a Participant 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 Participant's corresponding Cash Account by giving written notice to the Corporation. In such event, and effective as of the date the Corporation receives such a notice, (i) there shall be credited to the Participant'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 Corporation receives such notice and (ii) the Participant's Share Account shall be debited by the number of Share Units specified in the notice.

5.4 Charges Against Accounts. There shall be charged against a Participant's Cash Account any cash payments (excluding payments for fractional shares) made to the Participant or to his beneficiary in accordance with Section 6 hereof. There shall be charged against a Participant's Share Account any distributions made to the Participant or to his beneficiary in respect of the Participant's Share Account in accordance with Section 6 hereof.

Section 6. Payment of Deferred Amounts

6.1 Payment of Deferred Amounts.

- (a) Payment of a Participant's Cash Account balance, including accumulated Growth Increments attributable thereto and dividend credits under Section 5.3(b), shall be paid in cash commencing within thirty calendar days after the commencement date referred to in Section 4.2 hereof. The payments shall be made in the manner selected by the Participant under Section 4.3 of this Plan or, in the absence thereof, in a lump sum. The amount of each payment shall be equal to a Participant's then distributable Cash Account balance multiplied by a fraction, the numerator of which is one and the denominator of which is the number of installment payments remaining.
- (b) Payment of a Participant's Share Account balance shall be paid commencing within thirty calendar days after the commencement date referred to in Section 4.2 hereof. Payments in respect of a Share Account balance shall be made by converting Share Units into Common

Stock on a one-for-one basis, with payment of fractional shares to be made in cash based upon the Fair Market Value on the last trading business day immediately preceding the date of payment; provided, however, that at the election of a Participant, made by written notice to the Corporation delivered not less than five business days before a payment due date, payments in respect of a Share Account may be made solely in cash in an amount equal to the number of Share Units then payable multiplied by the Fair Market Value on the last trading business day immediately preceding the date of payment. The payments shall be made in the manner selected by the Participant under Section 4.3 of this Plan or, in the absence thereof, in a lump sum. The number of Share Units payable at the time of a payment shall be equal to a Participant's then distributable Share Account balance multiplied by a fraction, the numerator of which is one and the denominator of which is the number of installment payments remaining.

6.2 Acceleration of Payments. If a Participant dies prior to the payment of all or a portion of his Cash Account and/or Share Account balances, the balance of any amounts payable shall be paid in a lump sum to the beneficiaries designated under Section 7 hereof. In addition, if a Participant's Cash Account balance is less than \$5,000 at the time for the payment specified, such amount shall be paid to the Participant in a lump sum, and if a Participant's Share Account balance is less than 200 Share Units at the time for the payment specified, such amount shall be paid to the Participant in a lump sum.

6.3 Financial Emergency. The Committee, at its sole discretion, may alter the timing or manner of payment of deferred amounts in the event that the Participant establishes, to the satisfaction of the Committee, severe financial hardship. In such event, the Committee may:

- (a) provide that all, or a portion of, the amount previously deferred by the Participant immediately shall be paid in a lump sum payment,
- (b) provide that all, or a portion of, the installments payable over a period of time immediately shall be paid in a lump sum, or
- (c) provide for such other installment payment schedules as it deems appropriate under the circumstances, as long as the amount distributed shall not be in excess of that amount which is necessary for the Participant to meet the financial hardship.

Severe financial hardship will be deemed to have occurred in the event of the Participant's impending bankruptcy, a dependent's long and serious illness, or other events of similar magnitude. The Committee's decision in passing on the severe financial hardship of the Participant and the manner in which, if at all, the payment of deferred amounts shall be altered or modified shall be final, conclusive, and not subject to appeal.

Section 7. Beneficiary Designation

7.1 Designation of Beneficiary. A Participant shall designate a beneficiary or beneficiaries who, upon the Participant's death, are to receive the amounts that otherwise would have been paid to the Participant. All designations shall be in writing to the Corporation in such form as it requires or accepts and signed by the Participant. The designation shall be effective only if and when delivered to the Corporation during the lifetime of the Participant. The Participant also may change his beneficiary or beneficiaries by a signed, written instrument delivered to the Corporation. However, if a married Participant maintains his primary residence in a state that has community property laws, the Participant's spouse shall join in any designation of a beneficiary or beneficiaries other than the spouse. The payment of amounts shall be in accordance with the last unrevoked written designation of beneficiary that has been signed and delivered to the Corporation.

7.2 Death of Beneficiary. In the event that all of the beneficiaries named in Section 7.1 predecease the Participant, the amounts that otherwise would have been paid to the Participant shall be paid to the Participant's estate, and in such event, the term "beneficiary" shall include his estate.

7.3 Ineffective Designation. In the event the Participant does not

designate a beneficiary, or if for any reason such designation is ineffective, in whole or in part, the amounts that otherwise would have been paid to the Participant shall be paid to the Participant's estate, and in such event, the term "beneficiary" shall include his estate.

Section 8. Rights of Participants

8.1 Contractual Obligation. It is intended that the Corporation is under a contractual obligation to make payments from a Participant's account when due. Payment of account balances payable in cash shall be made out of the general funds of the Corporation as determined by the Board.

8.2 Unsecured Interest. No Participant or beneficiary shall have any interest whatsoever in any specific asset of the Corporation. To the extent that any person acquires a right to receive payments under this Plan, such receipt shall be no greater than the right of any unsecured general creditor of the Corporation.

8.3 Employment. Nothing in the Plan shall interfere with or limit in any way the right of the Corporation to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Corporation.

8.4 Participation. No employee shall have a right to be selected as a Participant or, having been so selected, to be selected again as a Participant.

Section 9.

9.1 Nontransferability. In no event shall the Corporation make any payment under this Plan to any assignee or creditor of a Participant or a beneficiary. Prior to the time of a payment hereunder, a Participant or a beneficiary shall have no rights by way of anticipation or otherwise to assign or otherwise dispose of any interest under this Plan nor shall such rights be assigned or transferred by operation of law.

Section 10. Administration

10.1 Administration. This Plan shall be administered by the Committee. The Committee may from time to time establish rules for the administration of this Plan that are not inconsistent with the provisions of this Plan.

10.2 Finality of Determination. The Committee has sole discretion in interpreting the provisions of the Plan. The determination of the Committee as to any disputed questions arising under this Plan, including questions of construction and interpretation, shall be final, binding, and conclusive upon all persons.

10.3 Expenses. The cost of payment from this Plan and the expenses of administering the Plan shall be borne by the Corporation.

10.4 Action by the Corporation. Any action required or permitted to be taken under this Plan by the Corporation shall be by resolution of the Board of Directors, by the duly authorized Committee of the Board of Directors, or by a person or persons authorized by resolution of the Board of Directors or the Committee.

Section 11. Amendment and Termination

11.1 Amendment and Termination. The Corporation expects the Plan to be permanent but, since future conditions affecting the Corporation cannot be anticipated or foreseen, the Corporation necessarily must and does hereby reserve the right to amend, modify, or terminate the Plan at any time by action of this Board. Notwithstanding the foregoing, upon the occurrence of a Potential Change of Control (as hereinafter defined) and for a period of six months thereafter, the Plan may not be terminated or amended in a manner adverse to Participants. For purposes hereof, a "Potential Change of Control" shall be deemed to have occurred if an event set forth in any one of the following shall have occurred:

- (i) The Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change of Control;
- (ii) The Corporation or any other Person publicly announces an intention to take or consider taking actions that, if

consummated, would constitute a Change of Control;

- (iii) Any Person becomes the beneficial owner, as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Beneficial Owner"), directly or indirectly, of securities of the Corporation representing 15% or more of either the then outstanding shares of Common Stock or the combined voting power of the Corporation's then outstanding voting securities; or
- (iv) The Board adopts a resolution to the effect that, for purposes of this Plan, a Potential Change of Control has occurred.

Section 12. Applicable Law

12.1 Applicable Law. This Plan shall be governed and construed in accordance with the laws of the State of Wisconsin.

Section 13. Withholding of Taxes

13.1 Tax Withholding. The Corporation shall have the right to deduct from all contributions made to, or payments made from, the Plan any federal, state, or local taxes required by law to be withheld with respect to such contributions or payments. The Corporation may defer making payments in the form of Common Stock under the Plan until satisfactory arrangements have been made for the payment of any federal, state or local taxes required to be withheld with respect to such payment or delivery. Each Participant shall be entitled to irrevocably elect, at least six months prior to the date shares of Common Stock would otherwise be delivered hereunder, to have the Corporation 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 Participant in cash. Shares so withheld shall be valued at Fair Market Value on the last trading business day immediately preceding the date such shares would otherwise be transferred hereunder.

Section 14. Notice

14.1 Notice. Any notice required or permitted to be given under the Plan shall be sufficient if in writing and hand-delivered, or sent by a registered or certified mail, and if given to the Corporation, delivered to the principal office of the Corporation. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or the receipt for registration or certification.

Section 15. Common Stock Matters

15.1 Stock Reserved for the Plan. The number of shares of Common Stock authorized for issuance under the Plan is 50,000, subject to adjustment pursuant to Section 15.3 hereof. Shares of Common Stock delivered hereunder shall be previously issued shares reacquired and held by the Corporation.

15.2 General Restrictions.

- (a) Investment Representations. The Corporation may require any Participant, as a condition of receiving Common Stock, to give written assurances in substance and form satisfactory to the Corporation 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 Corporation deems necessary or appropriate in order to comply with federal and applicable state securities laws.
- (b) Compliance with Securities Laws. Delivery of Common Stock under the Plan shall be subject to the requirement that, if at any time counsel to the Corporation shall determine that the listing, registration or qualification of the shares of Common Stock 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 shares may not be delivered 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 Corporation to apply for or to obtain such listing, registration or qualification.

15.3 Effect of Certain Changes in Capitalization. If there is any change in the number or class of shares of Common Stock through the declaration of stock dividends, or recapitalization resulting in stock splits, or combinations or exchanges of such shares or similar corporate transactions, the maximum number or class of shares available under the Plan, the number or class of shares of Common Stock to be delivered hereunder and the number of Share Units in each Participant's Share Account shall be proportionately adjusted by the Committee to reflect any such change in the number or class of issued shares of Common Stock.

Section 16. Change of Control

16.1 Change of Control. A "Change of Control" of the Company shall be deemed to have occurred if:

- (1) any "Person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as modified and used in Sections 13(d) and 14(d) thereof, except that for purposes of this section I.J.1.b and subsection I.J.1.c., the term "Person" 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, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock in the Company) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (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
- (2) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 1, 1996, 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 by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on January 1, 1996 or whose appointment, election or nomination for election was previously so approved; or
- (3) the stockholders 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 (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

- (4) the stockholders 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 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.

16.2 Payments. Upon the occurrence of a Change of Control, and notwithstanding Section 6,

- (a) payment of a Participant's Cash Account balance shall be paid immediately in cash in a lump sum; and
- (b) payment of a Participant's Share Account balance shall be paid immediately in cash in a lump sum in an amount equal to the number of Share Units in the Share Account multiplied by the Fair Market Value.

PORTIONS OF ANNUAL REPORT TO SHAREHOLDERS

[Pages 16-19 of Annual Report]

Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

(Note: All share and per share amounts in this Discussion reflect the September 10, 1996 three-for-two split of the Corporation's common stock.)

Overview: Net sales grew 14.9% in 1996; acquisitions, higher unit volume and modest price increases were all elements of the growth. Excluding acquisitions, sales rose 5%. The translation of foreign-currency-denominated results into U.S. dollars negatively affected sales by one percentage point. North America and Europe posted sales growth, while Other Non-U.S. revenues declined. In 1995, net sales increased 8.2%, with higher sales in North America and Other Non-U.S. markets and lower results in Europe.

Net earnings increased 16.0% in 1996 due to higher sales, continued improvement in operating expenses as a percent of sales, and acquisitions. In 1995, net earnings rose 15.3%, as higher gross margins resulting from increased sales volumes and improved productivity, lower operating expenses as a percent of net sales, and acquisitions all contributed to the increase. Earnings per share increased 17.4% in 1996 and 20.0% in 1995. In 1995, earnings per share grew at a higher rate than net earnings because of a share repurchase program that reduced the number of common shares outstanding.

(Amounts in thousands)	1996	1995	1994
Net earnings	\$131,451	\$113,330	\$98,314
Earnings per common share	\$ 2.16	\$ 1.84	\$ 1.53

Sales: Sales in North America increased 10.5% in 1996 following a 9.7% increase in 1995. The growth in both 1996 and 1995 was driven by higher volumes from new product introductions; improved service levels; increased sales to the dealer channel and to national accounts; price increases, and a moderately strong U.S. economy. Contributions from the 1995 acquisitions of Edge Diagnostic Systems ("Edge") and Consolidated Devices, Inc. ("CDI") and the 1996 acquisition of the John Bean Company ("John Bean") were also important factors in the increase. Excluding acquisitions, sales in 1996 rose 5%. Acquisitions accounted for more than one-third of the sales gain in 1995.

Sales in Europe increased 46.7% in 1996 following a decline of 4.4% in 1995. The 1996 year benefited from contributions from the 1995 acquisition of Herramientas Eurotools, S.A. of Spain ("Eurotools") and the 1996 acquisition of John Bean, higher sales through the dealer channel, and equipment sales related to the start-up of an emissions-testing program in the United Kingdom. Excluding acquisitions, sales increased 8% in 1996. The translation of foreign currencies into U.S. dollars negatively affected sales; excluding the translation effects, 1996 sales grew 49%. The 1995 decline in sales was due to reduced emissions-testing equipment sales in Germany. Hand tool and other equipment sales, however, were positive contributors.

Sales in Other Non-U.S. markets declined 1.1% in 1996 after an increase of 22.9% in 1995. Growth in tool and equipment sales in Australia were more than offset by a decline in sales in Japan. The strength of the U.S. dollar against the Japanese yen and general weakness in the Japanese economy were primarily responsible for the 1996 decrease. Excluding the net effects of foreign currency, 1996 sales increased 5%. In 1995, strong sales were recorded by most of the countries in this geographic category. 1995 results also benefited from a weak U.S. dollar relative to the Japanese yen.

(Amounts in thousands)	1996	1995	1994
North American sales	\$1,138,016	\$1,029,516	\$ 938,126
European sales	268,818	183,301	191,648
Other Non-U.S. sales	78,445	79,308	64,522

Total sales	----- \$1,485,279 =====	----- \$1,292,125 =====	----- \$1,194,296 =====
-------------	-------------------------------	-------------------------------	-------------------------------

The Corporation manufactures, markets and distributes tools and equipment for the automotive and industrial service markets around the world using multiple brands sold through multiple channels of distribution. In some instances, it finances the purchase of those products.

Increased sales of tools were attributable primarily to the continued success of the dealer network in serving its customers and to the full-year contributions of the Eurotools and CDI acquisitions completed in 1995. Equipment revenues benefited from new product introductions such as the Vantage multimeter, from increased business with national account customers, from emissions-testing equipment sales in several countries, and from the 1995 acquisition of Edge and the 1996 acquisition of John Bean. A review of net finance income is included in the "Cost and Profit Margins" section of this Discussion.

Sales per employee, a common measure of productivity, increased 11% in 1996 over 1995. Since 1992, sales per employee has grown 28%.

During the year, the Corporation increased prices by varying degrees in each of its product groups. List price increases averaged 2.9% in 1996 and 3.0% in 1995. Promotional activities reduced the revenue realization of these price increases.

Cost and profit margins: The gross profit margin was 50.5% in 1996 compared with 51.3% in 1995 and 51.0% in 1994. The decline in 1996's gross margin was due to a change in business mix resulting from several recent acquisitions. In 1995, gross margins increased as a result of improved productivity and higher factory utilization rates.

Total operating expenses as a percent of net sales continued to decline; the 1996 percentage was 40.0% compared with 41.6% in 1995 and 42.7% in 1994. Higher sales volumes, continued improvement in processes and in productivity, a change in business mix, and other general overhead reductions all contributed to the decline. The decrease in 1995 was the result of higher sales volumes, lower legal expenses, realization of the full benefits of inventory, customer service and facilities consolidations, and other overhead reductions. Total operating expenses rose \$56.5 million, compared with increases of \$27.7 million in 1995 and \$0.5 million in 1994. All three years' increases were primarily due to acquisitions.

Operating income margins improved to 14.8% in 1996 from 14.6% in 1995 and 13.3% in 1994. In 1996, lower operating expenses as a percent of sales more than offset the lower gross margin. In 1995, higher gross margins and lower operating expenses as a percent of sales both contributed to the increased margin.

Net finance income was \$64.3 million in 1996, compared with \$63.2 million in 1995 and \$60.5 million in 1994. The Corporation uses its financing programs to facilitate sales and does not actively seek to increase finance income as a direct source of earnings growth. The rise in net finance income in 1996 and 1995 was the result of increases in both extended credit receivables and lease receivables, and benefits from programs to control related costs. This growth was offset in part by the asset securitization program discussed in the next paragraph.

In the first and fourth quarters of 1996, the Corporation sold \$50 million and \$25 million, respectively, of its extended credit receivables, with the proceeds used to pay down short-term debt and for working capital and general corporate purposes. The effect of the asset securitization is a decline in net finance income offset by an equivalent decline in interest expense. In the fourth quarter of 1995, the Corporation sold \$100 million of its extended credit receivables.

In 1996, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and SFAS No. 123, "Accounting for Stock-Based Compensation." The adoption of these statements had no impact on the consolidated financial statements. In the first quarter of 1997, the Corporation will adopt SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and

Extinguishments of Liabilities." The Corporation does not anticipate that the adoption of this standard will have any impact on the consolidated financial statements.

Other income and expenses: Interest expense recorded in 1996 was \$12.6 million, compared with \$13.3 million in 1995 and \$10.8 million in 1994. The decrease in 1996 is primarily due to the effects of the asset securitization program. The 1995 increase reflected higher borrowings to repurchase stock and finance acquisitions.

(Amounts in thousands)	1996	1995	1994
Interest expense	\$ (12,649)	\$ (13,327)	\$ (10,806)
Interest income	2,134	3,222	2,799
Other income (expense)	(1,358)	1,350	2,742
	-----	-----	-----
Total other expense	\$ (11,873)	\$ (8,755)	\$ (5,265)
	=====	=====	=====

Income taxes: The Corporation's effective tax rate was 37.0% in 1996, 37.0% in 1995 and 36.0% in 1994. The Corporation's effective tax rate was lower in 1994 as a result of an increase in the operating income from those subsidiaries that benefit from the utilization of net operating loss carryforwards ("NOLs"). The Corporation has U.S. tax NOLs acquired in acquisitions totaling \$48.2 million and non-U.S. tax NOLs of \$19.5 million resulting from operations primarily in Australia, Canada, Mexico and the Netherlands. See Note 7 for a further discussion of income taxes.

Other matters: During 1996, the Corporation acquired three new business operations for an aggregate purchase price of \$38.7 million. These operations are John Bean, Automotive Data Solutions ("ADS") and Snap-on Tools/PST Africa (Pty.), Ltd. ("Snap-on Tools/PST Africa").

John Bean is a leading producer of wheel and brake service equipment, including wheel aligners and balancers, tire changers and brake lathes. Its products are sold in North America, Europe and select other parts of the world. The acquisition extends the Corporation's reach in the global market for under-car service. It also provides greater access to original equipment manufacturers, national service chains and other service repair providers through John Bean's traditional distributor channel.

ADS is a tele-diagnostics service for automotive technicians. Its master technicians and database of repair solutions provide the Corporation with a core competency that can enrich current customer relationships and serve as the basis for the generation of new business.

Snap-on Tools/PST Africa is a mobile van distributor of tools to professional users in South Africa. The acquisition represents the Corporation's first operation in that country, which can be used as a base for the region.

Subsequent to the close of 1996, the Corporation acquired a 50 percent interest in The Thomson Corporation's Mitchell Repair Information business. Snap-on will purchase the remainder of the newly formed Mitchell Repair Information Company, LLC within the next five years. The new company is the largest provider of print and electronic versions of vehicle mechanical and electrical system repair information to repair and service establishments throughout North America. The acquisition will enable the Corporation to offer a complete package of integrated information and business services to vehicle repair centers around the world. The integration of the vehicle repair database into the Corporation's diagnostics equipment is also an important benefit of the relationship.

The Corporation guaranteed payment (the "Guaranty") of certain lease obligations of a former subsidiary in the aggregate amount of \$98.8 million plus an interest factor in connection with a centralized emissions-testing program in the State of Texas. Subsequently, the State of Texas enacted legislation designed to terminate its centralized emissions testing program. Litigation was commenced with respect to the emissions-testing program and related contracts. The Corporation is making regular monthly payments under the Guaranty. The Corporation believes that it is probable that there will be developments, prior to the end of the 1997 Texas legislative session (approximately May 1997), to enable the lease obligations to ultimately be recovered. Therefore, it is

management's opinion that the Guaranty is not likely to have a material adverse effect on the Corporation's financial condition or results of operations. Refer to Note 13 for an expanded discussion of the Guaranty.

Stock repurchase program: An authorization by the board of directors is currently in effect to repurchase common shares of the Corporation in an amount equivalent to the number of shares issued in connection with the exercise of options, employee and dealer stock purchase programs, and other similar issuances. The intent of this authorization is to prevent dilution of shareholders' interests. In 1996, 615,750 shares of the Corporation's common stock were repurchased. In May 1995, the Corporation completed a program authorized by the board of directors to repurchase \$100 million in common shares. A total of 4.2 million shares were repurchased under the program, representing approximately 6.5% of total shares outstanding at the time the repurchase was authorized.

Stock split: At its June 1996 meeting, the board of directors voted to split the Corporation's common stock. Shareholders of record on August 20, 1996, received one additional share for every two owned on that date. The distribution of the shares was made on September 10, 1996.

Financial Condition

Overview: The Corporation continued its commitment to a strong financial position and solid capital structure in 1996. At the end of 1996, the ratio of total debt to total capital declined to 17.3% from 18.5% as of year-end 1995, reflecting strong cash flow that enabled the Corporation to invest in its businesses and satisfy its obligations without significantly increasing its total debt.

Liquidity: In 1996, the Corporation's working capital increased by \$65.3 million following a decline of \$24.5 million in 1995. Acquisitions primarily accounted for the increase in 1996. The ratio of current assets to current liabilities was 3.0 to 1 at the end of 1996, compared with 2.8 to 1 at the end of 1995. Cash and short-term investments were \$15.4 million, a decrease of \$0.8 million from year-end 1995's \$16.2 million.

Accounts receivable increased \$41.7 million to \$651.7 million. The growth in accounts receivable was partially offset by the asset securitization program discussed previously and in Note 5. Exclusive of the asset securitization effected in 1996, receivables increased by \$116.7 million, reflecting continued strong growth in various financing instruments (including extended credit installment contracts and leases) provided by the Corporation, and acquisitions. These financing instruments represent a majority of the Corporation's accounts receivable and currently average approximately 20.5 months in duration. The remaining accounts receivable include those from dealers, industrial customers and governments. The percentage of total write-offs for bad debts improved to 1.5% of average accounts receivable in 1996 from 1.7% in 1995, reflecting the effectiveness of the Corporation's credit extension and collections practices.

Inventories increased by \$19.3 million to \$269.8 million, primarily because of acquisitions. Inventories related to the Corporation's continuing operations were \$5.4 million higher at the end of 1996, from \$250.4 million at the close of 1995.

(Amounts in thousands)	1996	1995
Current assets	\$1,017,324	\$946,689
Current liabilities	341,371	336,075
Working capital	\$ 675,953	\$610,614
Current ratio	3.0 to 1	2.8 to 1

Short-term debt at the 1996 year end was \$23.3 million, a decrease from \$27.1 million at year-end 1995. Current maturities of long-term debt at the end of 1996 and 1995 were \$0.3 million and \$0.9 million. In addition, at year-end 1996, the Corporation had \$42.0 million in short-term commercial notes payable outstanding that were classified as long term since it is the Corporation's intent, and it has the ability, to refinance this debt on a long-term basis, supported by its \$100 million revolving credit facility. In 1995, the Corporation had on file a \$300 million shelf registration that allows the Corporation to issue from time to time up to \$300 million of unsecured indebtedness. Of this amount, \$100 million aggregate principal amount of its notes were issued to the public in October 1995.

These sources of borrowing, coupled with cash from operations, are sufficient to support working capital requirements, finance capital expenditures, make acquisitions and pay dividends. The Corporation's high credit rating over the years has ensured that external funds are available at a reasonable cost. At the end of 1996, the Corporation's long-term debt was rated Aa3 and AA by Moody's Investor Service and Standard & Poor's, respectively. The strength of the Corporation's balance sheet provides the financial flexibility to respond to growth opportunities existing internally and through acquisition.

Capital expenditures/Depreciation and amortization: Capital expenditures for 1996 totaled \$52.3 million, an increase of \$20.8 million over 1995. Investments for the year included normal replacement and upgrading of manufacturing and distribution facilities and equipment, upgrading and integration of the Corporation's computer systems, and the construction of a new hand tool manufacturing facility in Spain for Eurotools. The Corporation anticipates capital expenditures in 1997 to total \$35 to \$40 million.

Depreciation for 1996 was \$26.6 million, up \$1.1 million from 1995. The growth was primarily related to acquisitions. Amortization expense in 1996 was \$5.2 million, a decline of \$0.8 million from 1995. In 1995, intangible amortization expense included the write-off of certain research and development in process related to the acquisition of a majority ownership interest in Edge during the year. Excluding this 1995 action, amortization expense in 1996 would have shown an increase because of recent acquisitions.

(Amounts in thousands)	1996	1995
Capital expenditures	\$52,333	\$31,581
Depreciation	26,644	25,503
Amortization	5,235	6,031

Dividends: At its June 1996 meeting, the board of directors declared an 11.1% increase in the quarterly dividend on the Corporation's common stock, raising the annual dividend rate to \$.80 per share. The Corporation has paid consecutive quarterly dividends since 1939.

(Amounts in thousands)	1996	1995
Cash dividends paid	\$46,323	\$44,113
Cash dividends per common share	.76	.72
Cash dividends as a % of net income	35.2%	38.9%

[Pages 20-35 of Annual Report]

Consolidated Statements of Earnings

(Amounts in thousands except share data)	1996	1995	1994
Net sales	\$ 1,485,279	\$ 1,292,125	\$ 1,194,296
Cost of goods sold	734,495	628,634	585,459
Gross profit	750,784	663,491	608,837
Operating expenses	594,527	538,021	510,361
Net finance income	(64,269)	(63,174)	(60,458)
Operating income	220,526	188,644	158,934
Interest expense	(12,649)	(13,327)	(10,806)
Other income - net	776	4,572	5,541
Earnings before income taxes	208,653	179,889	153,669
Income taxes	77,202	66,559	55,355
Net earnings	\$ 131,451	\$ 113,330	\$ 98,314
Earnings per weighted average common share	\$ 2.16	\$ 1.84	\$ 1.53
Weighted average common			

shares outstanding	60,967,865	61,510,500	64,187,874
	=====	=====	=====

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

(Amounts in thousands except share data)	Dec. 28, 1996	Dec. 30, 1995
Assets		
Current assets		
Cash and cash equivalents	\$ 15,350	\$ 16,211
Accounts receivable, less allowance for doubtful accounts of \$16.9 million in 1996 and \$14.7 million in 1995	651,739	610,064
Inventories	269,750	250,434
Prepaid expenses and other assets	80,485	69,980
	-----	-----
Total current assets	1,017,324	946,689
Property and equipment - net	245,294	220,067
Deferred income tax benefits	55,413	61,471
Intangible and other assets	202,757	132,746
	-----	-----
Total assets	\$1,520,788	\$1,360,973
	=====	=====
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 89,310	\$ 75,603
Notes payable and current maturities of long-term debt	23,274	27,126
Accrued compensation	36,467	37,769
Dealer deposits	51,036	65,344
Accrued income taxes	11,366	16,106
Other accrued liabilities	129,918	114,127
	-----	-----
Total current liabilities	341,371	336,075
Long-term debt	149,804	143,763
Deferred income taxes	7,027	4,760
Retiree health care benefits	84,593	80,665
Pension and other long-term liabilities	109,832	44,978
	-----	-----
Total liabilities	692,627	610,241
Shareholders' equity		
Preferred stock - authorized 15,000,000 shares of \$1 par value; none outstanding	-	-
Common stock - authorized 125,000,000 shares of \$1 par value; issued		
65,971,917 and 43,571,363 shares	65,972	43,571
Additional paid-in capital	66,506	74,250
Retained earnings	838,484	753,356
Foreign currency translation adjustment	(13,930)	(10,758)
Treasury stock at cost - 5,186,550 and 3,047,200 shares	(128,871)	(109,687)
	-----	-----
Total shareholders' equity	828,161	750,732
	-----	-----
Total liabilities and shareholders' equity	\$1,520,788	\$1,360,973
	=====	=====

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

(Amounts in thousands except share data)	1996	1995	1994
--	------	------	------

Common stock			
Amount at beginning of year	\$ 43,571	\$ 43,128	\$ 42,819
Shares issued under stock purchase and option plans	410	425	291
Three-for-two stock split	21,971	-	-
Dividend reinvestment plan	20	18	18
	-----	-----	-----
Amount at end of year	65,972	43,571	43,128
Additional paid-in capital			
Amount at beginning of year	74,250	61,827	52,153
Additions from stock purchase and option plans	12,436	11,778	8,779
Tax benefit from certain stock options and other items	1,031	-	264
Three-for-two stock split	(21,971)	-	-
Dividend reinvestment plan	760	645	631
	-----	-----	-----
Amount at end of year	66,506	74,250	61,827
Retained earnings			
Amount at beginning of year	753,356	684,139	632,022
Net earnings for the year	131,451	113,330	98,314
Dividends per share paid in cash - \$.76 in 1996, \$.72 in 1995 and \$.72 in 1994	(46,323)	(44,113)	(46,197)
	-----	-----	-----
Amount at end of year	838,484	753,356	684,139
Foreign currency translation adjustment			
Amount at beginning of year	(10,758)	(13,384)	(16,019)
Net currency translation adjustment for the year	(3,172)	2,626	2,635
	-----	-----	-----
Amount at end of year	(13,930)	(10,758)	(13,384)
Treasury stock at cost			
Amount at beginning of year	(109,687)	(9,312)	(9,312)
Treasury stock purchased at cost	(19,184)	(100,375)	-
	-----	-----	-----
Amount at end of year	(128,871)	(109,687)	(9,312)
	-----	-----	-----
Total shareholders' equity	\$828,161	\$750,732	\$766,398
	=====	=====	=====

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

(Amounts in thousands)	1996	1995	1994
Operating activities			
Net earnings	\$131,451	\$113,330	\$ 98,314
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	26,644	25,503	26,893
Amortization of intangibles	5,235	6,031	2,739
Deferred income tax provision	8,398	(10,098)	(1,103)
Gain on sale of assets	(876)	(236)	(2,938)
Changes in operating assets and liabilities, net of effects of acquisitions:			
(Increase) in receivables	(29,591)	(18,267)	(27,256)
(Increase) decrease in inventories	(10,543)	(121)	32,331
(Increase) decrease in prepaid expenses	3,361	(3,989)	(15,470)
Increase (decrease) in accounts payable	12,069	10,786	(1,453)
Increase (decrease) in accruals, deposits, and other long-term liabilities	(16,427)	49,961	(4,882)

Net cash provided by operating activities	129,721	172,900	107,175
Investing activities			
Capital expenditures	(52,333)	(31,581)	(41,788)
Acquisitions of businesses	(38,553)	(37,965)	(23,332)
Disposition of business	-	-	26,611
Disposal of property and equipment	3,317	5,961	10,017
(Increase) decrease in other noncurrent assets	6,679	(7,627)	(3,219)
Net cash used in investing activities	(80,890)	(71,212)	(31,711)
Financing activities			
Payment of long-term debt	(40,902)	(99,150)	(807)
Increase in long-term debt	46,205	133,513	427
Increase (decrease) in short-term borrowings - net	(4,112)	3,109	(35,826)
Purchase of treasury stock	(19,184)	(100,375)	-
Proceeds from stock purchase and option plans	14,656	12,866	9,983
Cash dividends paid	(46,323)	(44,113)	(46,197)
Net cash used in financing activities	(49,660)	(94,150)	(72,420)
Effect of exchange rate changes on cash	(32)	(342)	(758)
Increase (decrease) in cash and cash equivalents	(861)	7,196	2,286
Cash and cash equivalents at beginning of year	16,211	9,015	6,729
Cash and cash equivalents at end of year	\$ 15,350	\$ 16,211	\$ 9,015

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Note 1 - Summary of Accounting Policies

A summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

a. Nature of operations: The Corporation is a leading global developer, manufacturer and distributor of hand and power tools, diagnostic hardware and software, shop equipment, and tool storage products. The Corporation's customers include professional automotive technicians and shop owners, original equipment manufacturers and industrial tool users worldwide.

b. Use of estimates: 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.

c. Principles of consolidation: The consolidated financial statements include the accounts of the Corporation and its subsidiaries, all of which are wholly owned with the exception of Edge and Snap-on Tools/PST Africa. Significant intercompany accounts and transactions have been eliminated.

d. Accounting period: The Corporation's accounting period ends on the Saturday nearest December 31. The 1996, 1995 and 1994 years ended on December 28, 1996, December 30, 1995 and December 31, 1994.

e. Cash equivalents: The Corporation considers all highly liquid

investments with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

f. Inventories: Inventories are stated at the lower of cost or market. Cost elements include the cost of raw materials, direct labor and overhead incurred in the manufacturing process. For detailed inventory information, refer to Note 2.

g. Property and equipment: Depreciation and amortization are calculated primarily on a straight-line basis. Accelerated methods are used for income tax purposes. For detailed property and equipment information, refer to Note 3.

h. Intangibles: During 1996, the Corporation made three acquisitions with an aggregate purchase price of \$38.7 million. During 1995, the Corporation made three acquisitions with an aggregate purchase price of \$61.2 million. Pro forma results of operations are not presented, as the effect of these acquisitions is not material. Goodwill arising from business acquisitions is included in Intangible and Other Assets in the accompanying Consolidated Balance Sheets and is being amortized principally over 20 years on a straight-line basis. The Corporation continually evaluates the existence of goodwill impairment on the basis of whether the goodwill is fully recoverable from projected, undiscounted net cash flows of the related business unit.

Subsequent to year-end 1996, the Corporation acquired a 50 percent interest in The Thomson Corporation's Mitchell Repair Information business at a purchase price of \$40.0 million. The Corporation is obligated to purchase the remainder of the newly formed Mitchell Repair Information Company within the next five years.

Goodwill, net of accumulated amortization, was \$80.8 million and \$78.0 million at the end of 1996 and 1995. Goodwill amortization was \$4.8 million, \$3.9 million and \$3.2 million for 1996, 1995 and 1994. Accumulated amortization of goodwill was \$18.1 million and \$13.3 million at the end of 1996 and 1995.

i. Research and engineering: Research and engineering costs are charged to expense in the year incurred. For 1996, 1995 and 1994, these costs were \$42.4 million, \$33.9 million and \$30.6 million.

j. Income taxes: Deferred income taxes are provided for temporary differences arising from differences in bases of assets and liabilities for tax and financial reporting purposes. Deferred income taxes are recorded on temporary differences at the tax rate expected to be in effect when the temporary differences reverse. For detailed tax information, refer to Note 7.

k. Foreign currency translation: The financial statements of the Corporation's foreign subsidiaries are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation." Net assets of certain foreign subsidiaries are translated at current rates of exchange, and income and expense items are translated at the average exchange rate for the year. The resulting translation adjustments are recorded directly into a separate component of shareholders' equity. Certain other translation adjustments and transaction gains and losses are reported in net income and were not material in any year.

l. Revenue recognition: The Corporation recognizes revenues at the time that products are shipped or the time that services are performed. Franchise fee revenue is recognized as the fees are earned. Revenue from franchise fees was not material in any year.

m. Net finance income: Net finance income consists of installment contract income, dealer start-up loan receivable income and lease income, net of related expenses.

n. Advertising and promotion expense: Production costs of future media advertising are deferred until the advertising occurs. All other advertising and promotion costs are generally expensed when incurred.

o. Warranty expense policy: The Corporation provides product warranties for specific product lines and accrues for estimated future warranty costs

in the period that the sale was recorded.

p. Accounting standards: In 1996, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and SFAS No. 123, "Accounting for Stock-Based Compensation." The adoption of these statements had no impact on the consolidated financial statements. In the first quarter of 1997, the Corporation will adopt SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The Corporation does not anticipate that the adoption of this standard will have any impact on the consolidated financial statements.

q. Reclassified prior-year amounts: Certain prior-year amounts have been reclassified to conform with current-year presentation.

r. Per share data: In June 1996, the board of directors approved a three-for-two split of the Corporation's common stock, which was distributed on September 10, 1996 to shareholders of record on August 20, 1996. All prior year and certain 1996 per share and weighted average share information has been restated.

Note 2 - Inventories

The components of the Corporation's inventory were as follows for the years ended:

(Amounts in thousands)	1996	1995
Finished stock	\$271,785	\$264,184
Work in process	42,483	39,977
Raw materials	62,057	56,191
Excess of current cost over LIFO cost	(106,575)	(109,918)
	-----	-----
Total inventory	\$269,750	\$250,434
	=====	=====

Inventories accounted for using the last-in, first-out (LIFO) cost method approximated 73% and 63% of total inventory as of year-end 1996 and 1995.

Note 3 - Property and Equipment

The Corporation's property and equipment values, which are carried at cost, were as follows:

(Amounts in thousands)	1996	1995
Land	\$ 24,337	\$ 22,875
Buildings and improvements	166,764	149,087
Machinery and equipment	319,138	296,916
	-----	-----
	510,239	468,878
Less: accumulated depreciation	(264,945)	(248,811)
	-----	-----
Property and equipment - net	\$245,294	\$220,067
	=====	=====

The estimated service lives of property and equipment are principally as follows:

Buildings and improvements	5 to 50 years
Machinery and equipment	3 to 15 years
Transportation vehicles	2 to 5 years

Note 4 - Litigation

At January 31, 1997, the Corporation was a party to various pending legal proceedings in which approximately eight current or former U.S. dealers, and in some cases their spouses, have asserted claims against the Corporation, and approximately 14 current or former U.S. dealers have threatened to assert claims against the Corporation. In most instances, these claims include allegations that the Corporation made misrepresentations, violated statutes or contract rights, and caused distress. During 1996, 1995 and 1994, the Corporation charged earnings a total of approximately \$4.3 million, \$4.9 million and \$7.9 million for settlement costs, including the establishment of related reserves, legal

fees and expenses with respect to dealer claims. Although it is not possible to predict the outcome of the existing dealer claims with any certainty, it is management's opinion, based in part on advice from its legal counsel, that the costs, losses and settlements of these claims are not expected to have a material adverse effect on the Corporation's financial condition and results of operations.

Note 5 - Receivables

Accounts receivable include installment receivable amounts that are due beyond one year from balance sheet dates. These amounts were approximately \$47.6 million and \$38.3 million at the end of 1996 and 1995. Gross installment receivables amounted to \$422.2 million and \$433.1 million at the end of 1996 and 1995. Of these amounts, \$42.4 million and \$59.6 million represented unearned finance charges at the end of 1996 and 1995.

The Corporation has an agreement with a financial institution to sell, on an ongoing basis and with full recourse, up to \$77.3 million of dealer start-up loan receivables. During 1996 and 1995, the Corporation sold \$31.6 million and \$29.5 million of these receivables to the financial institution. At the end of 1996 and 1995, \$56.5 million and \$40.1 million remained outstanding.

In October 1995, the Corporation entered into agreements that provide for the sale, without recourse, of an undivided interest in a pool of certain of its accounts receivable to a third-party financial institution. These agreements, which include subsequent amendments, provide for a maximum of \$200 million of such accounts receivable to be sold and remain outstanding at any one time. As of December 28, 1996, \$175.0 million of interest-bearing installment receivables were sold under these agreements on a revolving basis, of which \$100.0 million, \$50.0 million and \$25.0 million were sold in October 1995, January 1996 and October 1996. The agreement for revolving purchases terminates in October 1997. The sale is reflected as a reduction of accounts receivable in the accompanying Consolidated Balance Sheets and as operating cash flows in the accompanying Consolidated Statements of Cash Flows. The impact of the sale on the Consolidated Statements of Earnings was not material. Subsequent to year-end, the Corporation sold an additional \$25.0 million of interest-bearing installment receivables under these agreements.

Note 6 - Short-term and Long-term Debt

Notes payable to banks under bank lines of credit totaled \$22.9 million and \$26.2 million at the end of 1996 and 1995.

Commercial notes payable totaled \$42.0 million and \$30.0 million at the end of 1996 and 1995. The commercial paper outstanding at year end is classified as long-term debt since it is the Corporation's intent, and it has the ability (supported by a \$100 million revolving credit facility), to refinance the debt on a long-term basis.

Under the terms of a \$100 million revolving credit commitment entered into by the Corporation in 1994, borrowings can be made at the London Interbank Offered Rate in effect at the time of such borrowings plus 0.14% and may be fixed for periods ranging from one to twelve months under reborrowing provisions of the commitment. This commitment terminates on January 2, 2000. There were no borrowings under this revolving credit commitment at the end of 1996 and 1995.

Under the commitment, the Corporation must maintain a specific level of consolidated tangible net worth and meet certain leverage and subsidiary indebtedness ratios. In addition, certain capital transactions are restricted. At the end of 1996, the Corporation was in compliance with all covenants of the commitment.

Maximum short-term debt outstanding at the end of any month was \$64.9 million in 1996 and \$154.7 million in 1995. The average short-term debt outstanding was \$41.9 million in 1996 and \$69.2 million in 1995. The weighted average interest rates were 6.0% in 1996 and 5.9% in 1995. The weighted average interest rates on long-term and short-term debt outstanding were 6.4% and 6.9% at December 28, 1996 and December 30, 1995.

The Corporation's long-term debt consisted of the following for the years ended:

(Amounts in thousands)	1996	1995
Senior unsecured indebtedness	\$100,000	\$100,000
Borrowings supported by a revolving credit commitment	42,000	30,000
Other long-term debt	8,129	4,676
	-----	-----
	150,129	144,676
Less: current maturities	(325)	(913)
	-----	-----
Total long-term debt	\$149,804	\$143,763
	=====	=====

The annual maturities of the Corporation's long-term debt due in the next five years are \$0.3 million in 1997, \$0.3 million in 1998 and \$49.4 million in 2000.

In September 1994, the Corporation filed a registration statement with the Securities and Exchange Commission that allows the Corporation to issue from time to time up to \$300 million of unsecured indebtedness. In October 1995, the Corporation issued \$100 million of its notes to the public. The notes require payment of interest on a semiannual basis at a rate of 6.625% and mature in their entirety on October 1, 2005. The proceeds of this issuance were used to repay a portion of the Corporation's outstanding commercial paper and for working capital and general corporate purposes.

Interest payments on debt and on other interest-bearing obligations approximated \$13.2 million, \$13.0 million and \$11.6 million for 1996, 1995 and 1994.

Note 7 - Income Taxes

Earnings before income taxes consisted of the following:

(Amounts in thousands)	1996	1995	1994
U.S.	172,553	\$153,423	\$117,509
Foreign	36,100	26,466	36,160
	-----	-----	-----
Total	\$208,653	\$179,889	\$153,669
	=====	=====	=====

The provision for income taxes consists of the following:

(Amounts in thousands)	1996	1995	1994
Current:			
Federal	\$ 55,949	\$ 57,328	\$ 36,279
Foreign	13,803	10,250	14,091
State	8,997	9,079	6,088
	-----	-----	-----
Total current	78,749	76,657	56,458
Deferred:			
Federal	(615)	(8,895)	(684)
Foreign	(428)	(176)	(517)
State	(504)	(1,027)	98
	-----	-----	-----
Total deferred	(1,547)	(10,098)	(1,103)
	-----	-----	-----
Total income tax provision	\$ 77,202	\$ 66,559	\$ 55,355
	=====	=====	=====

A reconciliation of the Corporation's effective income tax rate to the statutory federal tax rate follows for the years ended:

	1996	1995	1994
Statutory federal income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in tax rate resulting from:			
State income taxes, net of federal benefit	2.4	2.5	2.7
Foreign sales corporation tax benefit	(1.5)	(1.8)	(1.9)
Other	1.1	1.3	0.2
	-----	-----	-----

Effective tax rate	37.0%	37.0%	36.0%
	=====	=====	=====

Temporary differences that give rise to the net deferred tax benefit are as follows:

(Amounts in thousands)	1996	1995	1994
Current deferred income tax benefit:			
Inventories	\$ 14,599	\$ 16,534	\$ 15,007
Accruals and reserves not currently deductible	36,372	15,136	19,217
Other	56	2,956	302
	-----	-----	-----
Total current (included in prepaid expenses)	51,027	34,626	34,526
Long-term deferred income tax benefit:			
Employee benefits	57,299	50,017	44,215
Net operating losses	23,585	30,313	30,124
Depreciation	(13,409)	(18,118)	(17,239)
Other	(6,528)	4,661	3,200
Valuation allowance	(12,561)	(10,162)	(9,869)
	-----	-----	-----
Total long-term	48,386	56,711	50,431
	-----	-----	-----
Net deferred income tax benefit	\$ 99,413	\$ 91,337	\$ 84,957
	=====	=====	=====

The valuation allowance required under Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," has been established for deferred income tax benefits related to certain subsidiary loss carryforwards that may not be realized. Included in the valuation allowance is \$7.5 million that relates to the deferred tax assets recorded from acquisitions. Any tax benefits subsequently recognized for these deferred tax assets will be allocated to goodwill.

The Corporation has U.S. tax NOLs acquired from acquisitions totaling \$48.2 million that expire as follows: 2000-\$10.9 million, 2002-\$1.3 million, 2003-\$14.0 million, 2004-\$1.6 million, 2005-\$14.0 million, 2006-\$1.5 million, 2007-\$1.1 million and 2010-\$3.8 million. The Corporation also has non-U.S. tax NOLs of \$19.5 million resulting from operations primarily in Australia, Spain, Mexico and the Netherlands. These losses expire as follows: 2000-\$1.8 million, 2001-\$0.3 million, 2010-\$1.9 million and 2011-\$2.8 million. The remaining non-U.S. NOLs of \$12.7 million may be carried forward indefinitely. A valuation allowance has been established in the amount of \$3.4 million for the U.S. NOLs and \$6.6 million for the non-U.S. NOLs. Realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards. Although realization is not assured, management believes it is more likely than not that the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The undistributed earnings of all subsidiaries were approximately \$120.3 million, \$100.2 million and \$85.4 million at the end of 1996, 1995 and 1994. The Corporation does not expect that additional income taxes will be incurred on future distributions of such earnings and, accordingly, no deferred income taxes have been provided for the distribution of these earnings to the parent company.

The Corporation made income tax payments of \$69.7 million, \$63.5 million and \$65.9 million in 1996, 1995 and 1994.

Note 8 - Financial Instruments

Foreign Exchange Contracts: The Corporation enters into foreign currency contracts to manage its exposure to foreign currency fluctuations in receivables and payables denominated in foreign currencies. Gains and losses on these contracts are recognized currently. These forward exchange contract transactions generally mature quarterly, at which time they are replaced with new contracts. At December 28, 1996, the Corporation had forward exchange contracts to exchange British pounds, Spanish pesetas,

Irish punts, Dutch guilders and Australian dollars for a U.S.-dollar equivalent of approximately \$71 million.

Interest Rate Swap Agreements: The Corporation enters into interest rate swap agreements to manage interest costs and risks associated with changing interest rates. The differentials paid or received on interest rate agreements are accrued and recognized as adjustments to interest expense. Gains and losses realized upon settlement of these agreements are deferred and amortized to interest expense over a period relevant to the agreement if the underlying hedged instrument remains outstanding, or immediately if the underlying hedged instrument is settled.

At December 28, 1996, the Corporation had swap agreements in place to pay fixed rates ranging from 6.2% to 7.8% in exchange for floating interest rate payment obligations on \$25.6 million notional principal amount for the years 1997 through 2004 and 6.0% on \$10.1 million notional principal amount through the year 2006. At December 30, 1995, the Corporation had swap agreements on \$28.1 million notional principal amount.

Credit Concentrations: The Corporation is exposed to credit losses in the event of nonperformance by the counterparties to its interest rate swap and foreign exchange contracts. The Corporation does not anticipate nonperformance by the counterparties. The Corporation does not obtain collateral or other security to support financial instruments subject to credit risk but monitors the credit standing of the counterparties and enters into agreements only with financial institution counterparties with a credit rating of A- or better.

While the Corporation primarily sells to professional technicians and shop owners, the Corporation's accounts receivable do not represent significant concentrations of credit risk because of the diversified portfolio of individual customers and geographic areas.

Fair Value of Financial Instruments: Statement of Financial Accounting Standards (SFAS) No. 107, "Disclosure about Fair Value of Financial Instruments," requires the Corporation to disclose the fair value of financial instruments for both on- and off-balance sheet assets and liabilities for which it is practicable to estimate that value. The following methods and assumptions were used in estimating the fair value for financial instruments:

Installment contracts: A discounted cash flow analysis was performed over the average life of a contract using a discount rate currently available to the Corporation adjusted for credit quality, cost and profit factors. As of December 28, 1996 and December 30, 1995, the fair value was approximately \$408.2 million and \$407.7 million versus a book value of \$379.7 million and \$373.5 million.

Interest rate swap agreements: The fair value of the agreements was based on a quote from the financial institution with which the Corporation executed the transactions. As of December 28, 1996, the cost to terminate the agreements was \$0.9 million. As of December 30, 1995, the Corporation would have realized a gain of \$1.0 million upon termination of the agreements.

All other financial instruments: The carrying amounts approximate fair value based on quoted market prices or discounted cash flow analysis for cash equivalents, debt, forward exchange contracts and other financial instruments.

Note 9 - Pension Plans

The Corporation has several noncontributory pension plans covering most employees, including certain employees in foreign countries. Retirement benefits are generally provided based on employees' years of service and average earnings or stated amounts for years of service. Normal retirement age is 65, with provisions for earlier retirement. The Corporation recognizes retirement plan expenses in accordance with Statement of Financial Accounting Standards (SFAS) No. 87, "Employers' Accounting for Pensions," and contributes amounts to the plans, with most using the actuarially computed entry age normal cost method, which includes, in certain defined retirement benefit plans, amortization of past service cost over 30 years.

The Corporation has several non-U.S. subsidiary pension plans that do not

report pension expense in accordance with SFAS No. 87, as these plans and the related pension expense are not material.

The Corporation's net pension expense included the following components:

(Amounts in thousands)	1996	1995	1994
Service cost - benefits earned during year	\$ 13,191	\$ 10,813	\$ 12,146
Interest cost on projected benefits	25,657	23,764	22,112
Less actual return on plan assets	(40,788)	(53,895)	(1,949)
Net amortization and deferral:			
Actual return on plan assets in excess of (less than) projected return	14,226	28,721	(20,226)
Amortization of net assets at transition	(1,084)	(1,401)	(1,082)
Other	865	1,431	591
	-----	-----	-----
Net pension expense	\$ 12,067	\$ 9,433	\$ 11,592
	=====	=====	=====

The funded status of the Corporation's U.S. pension plans was as follows:

(Amounts in thousands)	1996		1995	
	Assets Exceed Accumulated Benefits	Accumulated Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Exceed Assets
Actuarial present value of accumulated benefits:				
Vested benefits	\$249,753	\$ 6,166	\$173,865	\$ 63,180
Non-vested benefits	38,221	2,348	28,970	8,238
	-----	-----	-----	-----
Accumulated benefit obligation	287,974	8,514	202,835	71,418
Effect of projected future salary increases	48,485	2,946	45,949	5,153
	-----	-----	-----	-----
Projected benefit obligation	336,459	11,460	248,784	76,571
Plan assets at market value	370,058	-	262,293	64,738
	-----	-----	-----	-----
Plan assets in excess of (less than) projected benefit obligation	33,599	(11,460)	13,509	(11,833)
Unrecognized net assets at year end	(7,119)	91	(6,230)	(1,744)
Unrecognized net (gain) or loss from experience different from assumed	(82,238)	3,292	(49,356)	(489)
Unrecognized prior service cost	9,708	493	4,956	5,309
Additional minimum liability	-	(640)	-	(846)
	-----	-----	-----	-----
Pension liability	\$ (46,050)	\$ (8,224)	\$ (37,121)	\$ (9,603)
	=====	=====	=====	=====

The actuarial present value of the projected benefit obligation was determined using a discount rate of 7.75% for 1996 and 1995. The projected future salary increase assumption was 5.0% and the expected long-term rate of return on plan assets was 9.0% for the two years reported.

Plan assets are stated at market value and primarily consist of corporate equities and various debt securities.

The pension liability for 1996 consists of a current liability of \$9.8 million and a long-term liability of \$44.5 million. The long-term liability represents pension obligations that are not expected to be

funded during the next 12 months.

Note 10 - Retiree Health Care

The Corporation provides certain health care benefits for most retired U.S. employees. The majority of the Corporation's U.S. employees become eligible for those benefits if they reach early retirement age while working for the Corporation; however, the age and service requirements for eligibility under the plans have been increased for certain employees hired on and after specified dates since 1992. Generally, most plans pay stated percentages of covered expenses after a deductible is met. There are several plan designs, with more recent retirees being covered under a comprehensive major medical plan. In determining benefits, the plans take into consideration payments by Medicare and other coverages.

For employees retiring under the comprehensive major medical plans, there are contributions required, and these plans contain provisions allowing for benefit and coverage changes. The plans require retirees to contribute either the full cost of the coverage or amounts estimated to exceed a capped per retiree annual cost commitment by the Corporation. Most employees hired since 1994 are required to pay the full cost. The Corporation does not fund the retiree health care plans.

The Corporation recognizes postretirement health care expense in accordance with Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions."

The components of the expense for postretirement health care benefits are as follows:

(Amounts in thousands)	1996	1995	1994
Service cost - benefits attributed to service during the period	\$ 2,012	\$ 1,707	\$ 2,139
Interest cost on accumulated postretirement benefit obligation	5,273	5,228	5,081
Amortization of unrecognized net gain	(487)	(622)	-
	-----	-----	-----
Net postretirement health care expense	\$ 6,798	\$ 6,313	\$ 7,220
	=====	=====	=====

The components of the accumulated postretirement benefit obligation are as follows:

(Amounts in thousands)	1996	1995
Accumulated postretirement benefit obligation		
Retirees	\$ 35,329	\$ 37,215
Fully eligible active plan participants	11,481	10,810
Other active plan participants	26,205	23,642
	-----	-----
Accumulated postretirement benefit obligation	73,015	71,667
Unrecognized net gain	15,067	11,998
	-----	-----
Postretirement liability	\$ 88,082	\$ 83,665
	=====	=====

The accumulated postretirement benefit obligation at the end of 1996 consists of a current liability of \$3.5 million and a long-term liability of \$84.6 million. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.75% at the end of 1996 and 1995.

The actuarial calculation assumes a health care trend rate of 9.2% in 1997 for benefits paid on pre-Medicare retirees, decreasing gradually to 5.0% in the year 2003 and thereafter. For benefits paid on Medicare-eligible retirees, a health care trend rate of 8.1% was assumed in 1997, decreasing to 5.0% in the year 2007 and thereafter.

As of December 28, 1996, a one percentage point increase in the health care cost trend rate for future years would not materially affect the accumulated postretirement benefit obligation or the service cost and interest cost components.

Note 11 - Corporation Stock Option and Purchase Plans

On June 28, 1996, the board of directors approved a three-for-two stock split of the Corporation's common stock to shareholders of record on August 20, 1996. Distribution of shares in connection with the stock split was made on September 10, 1996. All share-related amounts in this note reflect that split.

On April 26, 1996, shareholders approved the board of directors' request to reserve 1,500,000 additional common shares for issuance under the 1986 Amended and Restated Incentive Stock Program.

The Corporation has a stock option plan for directors, officers and key employees, with expiration dates on the options ranging from 1999 to 2006. The plan provides that options be granted at exercise prices equal to market value on the date the option is granted.

The Corporation offers shareholders a convenient way to increase their investment in the Corporation through a no-commission dividend reinvestment and stock purchase plan. Participating shareholders may invest the cash dividends from all or a portion of their common stock to buy additional shares. The program also permits shareholders to invest cash for additional shares that are purchased for them each month. For 1996, 1995 and 1994, shares issued under the dividend reinvestment and stock purchase plan totaled 24,283, 26,567 and 26,987. At December 28, 1996, 1,349,402 shares were reserved for issuance to shareholders under this plan.

Employees of the Corporation are entitled to participate in an employee stock ownership plan. The purchase price of the common stock is the lesser of the mean of the high and low price of the stock on the beginning date (May 15) or ending date (May 14) of each plan year. The board of directors may terminate this plan at any time. For 1996, 1995 and 1994, shares issued under the employee stock ownership plan totaled 131,432, 73,409 and 64,808. At December 28, 1996, shares totaling 911,583 were reserved for issuance to employees under this plan, and the Corporation held contributions of approximately \$2.0 million for the purchase of common stock.

Franchised dealers are entitled to participate in a dealer stock ownership plan. The purchase price of the common stock is the lesser of the mean of the high and low price of the stock on the beginning date (May 15) or ending date (May 14) of each plan year. For 1996, 1995 and 1994, shares issued under the dealer stock ownership plan totaled 117,902, 84,701 and 75,189. At December 28, 1996, 764,663 shares were reserved for issuance to franchised dealers under this plan, and the Corporation held contributions of approximately \$2.3 million for the purchase of common stock.

Non-employee directors receive a mandatory minimum of 25% and an elective maximum of up to 100% of their fees and retainer in shares of the Corporation's stock. Directors may elect to defer receipt of all or part of these shares. For 1996, 1995 and 1994, shares issued under the Directors' Fee Plan totaled 3,140, 8,613 and 2,318. Additionally, receipt of 6,327, 2,588 and 903 shares were deferred in 1996, 1995 and 1994. At December 28, 1996, 274,330 shares were reserved for issuance to directors under this plan.

The Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," effective January 1996. As permitted, the Corporation continued its current method of accounting for stock-based compensation plans in accordance with Accounting Principles Board (APB) Opinion No. 25.

In accordance with SFAS No. 123, the fair value of each option grant was estimated as of the date of grant using an option pricing model. The Corporation used the Black-Scholes option pricing model with the following weighted average assumptions for options granted in 1996 and 1995, respectively: expected volatility of 21.6% and 21.3%; risk-free interest rates of 5.7% and 7.5%; dividend yield of 3.1% and 3.3%, and expected option lives of 6.9 years and 5.7 years. If the Corporation had elected to recognize compensation cost for stock-based compensation consistent with the methodology prescribed by SFAS No. 123, net earnings and net earnings per share for 1996 and for 1995 would not have been materially different from amounts reported in the Consolidated Statements of Earnings.

	1996 Weighted Average Exercise		1995 Weighted Average Exercise		1994 Weighted Average Exercise	
	Options	Price	Options	Price	Options	Price
Outstanding at beginning of period	2,498,742	\$ 21.54	2,329,826	\$ 20.99	2,847,996	\$ 20.84
Granted	72,000	30.52	714,750	21.06	60,750	24.63
Exercised	(370,146)	20.78	(516,044)	18.40	(305,168)	19.52
Canceled	(193,173)	22.56	(29,790)	21.51	(273,752)	21.87
	-----	-----	-----	-----	-----	-----
Outstanding at end of period	2,007,423	\$ 21.90	2,498,742	\$ 21.54	2,329,826	\$ 20.99
	=====	=====	=====	=====	=====	=====
Exercisable at end of period	1,792,859	\$ 21.88	2,122,736	\$ 21.52	2,247,006	\$ 20.78
Available for grant at end of period	3,543,353		1,892,390		2,607,140	

The weighted average fair value of options, calculated using the Black-Scholes option pricing model, granted during the years ended December 28, 1996 and December 30, 1995 were \$6.99 and \$4.91. The following table summarizes information about stock options outstanding as of December 28, 1996:

1996 Options Outstanding			1996 Options Exercisable		
Range of Exercise Prices	Weighted Average Number Outstanding	Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 19 to 23	1,604,663	6.4	\$ 21.09	1,417,099	\$ 21.11
\$ 23 to 27	324,760	3.2	23.88	324,760	23.88
\$ 27 to 32	78,000	9.1	30.35	51,000	30.59
	-----	---	-----	-----	-----
Totals	2,007,423	6.0	\$ 21.90	1,792,859	\$ 21.88
	=====	===	=====	=====	=====

Note 12 - Capital Stock

In 1996, the Corporation repurchased, on a post-split basis, 615,750 shares of its common stock at an average price of \$31.12.

In May 1995, the Corporation completed a \$100 million Share Repurchase Program authorized by the board of directors in January 1995. The Corporation repurchased 4.2 million shares (post-split) under the program at an average price of \$23.83 per share.

The board of directors declared on October 23, 1987 a dividend distribution of one preferred stock purchase right for each share of the Corporation's outstanding common stock. As a result of the Corporation's three-for-two stock split effected in 1996, two-thirds of a right is now associated with each share of common stock. The rights are exercisable only if a person or group acquires 15% or more of the Corporation's common stock ("Acquiring Person") or publicly announces a tender offer to become an Acquiring Person. Each right may then be exercised to purchase one one-hundredth of a share of Series A Junior Preferred Stock for \$125, but if a person or group becomes an Acquiring Person, then each right entitles the holder (other than an Acquiring Person) to acquire common stock of the Corporation having a market value equivalent to two times the current purchase price. If the Corporation is acquired in a merger or other business combination not approved by the board of directors, then each holder of a right will be entitled to purchase common stock of the surviving company having a market value equivalent to two times the current purchase price. The effect of the rights is to cause ownership dilution to a person or group attempting to acquire the Corporation without approval of the Corporation's board of directors. The rights expire on November 3, 1997, and may be redeemed by the Corporation at a price of \$.05 per right at any time prior to 10 days after a person or group becomes an Acquiring Person.

Note 13 - Commitments and Contingencies

The Corporation has entered into certain operating lease agreements on facilities and computer equipment, which extend for varying amounts of time.

The Corporation's lease commitments require future payments as follows:

Year Ending	(Amounts in Thousands)
1997	\$14,793
1998	11,680
1999	6,978
2000	4,542
2001	3,744
2002 and thereafter	10,707

Rent expenses for worldwide facilities and computer equipment were \$18.0 million, \$14.4 million and \$11.8 million in 1996, 1995 and 1994.

Prior to the disposition of Systems Control, Inc. by a subsidiary of the Corporation on September 29, 1994, Systems Control, Inc.'s single-purpose subsidiaries, Tejas Testing Technology One, L.C. and Tejas Testing Technology Two, L.C. (the "Tejas Companies"), entered into two seven-year contracts with the Texas Natural Resources Conservation Commission ("TNRCC"), an agency of the State of Texas, to perform automotive emissions testing in the Dallas/Fort Worth and southeast regions of Texas in a centralized manner in accordance with the federal Environmental Protection Agency ("EPA") guidelines relating to "I/M 240" test-only facilities. The Corporation guaranteed payment (the "Guaranty") of the Tejas Companies' obligations under an Agreement for Lease and a seven-year Lease Agreement, each dated June 22, 1994, in the amount of approximately \$98.8 million plus an interest factor (the "Lease Obligations"), pursuant to which the Tejas Companies leased the facilities (and associated testing equipment) necessary to perform the emissions-testing contracts. The Guaranty was assigned to the lessor's lenders (the "Lenders") as collateral. Pursuant to an Indemnity Agreement entered into as of September 29, 1994, the Tejas Companies agreed to reimburse the Corporation for any payments it made under the Guaranty.

The State of Texas subsequently enacted legislation designed to terminate the centralized testing program described in the emissions-testing contracts. On September 12, 1995, the Tejas Companies filed bankruptcy petitions under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Western District of Texas (Austin Division). The Tejas Companies have commenced litigation in state and federal court against the TNRCC and related entities to assert their rights with respect to the emissions-testing contracts, and the Corporation has intervened in such litigation to protect its interests. State court litigation filed in the 345th Judicial District Court of Travis County, Texas concluded on January 28, 1997. A decision has not yet been announced. In addition, the Corporation is a creditor in the Tejas Companies' bankruptcy proceedings and will continue to take steps to protect its interests in such proceedings.

The Corporation believes that it is probable that there will be developments, prior to the end of the 1997 Texas legislative session (approximately May 1997) to enable the Lease Obligations to ultimately be satisfied. The basis for such developments arises under the original contracts to perform centralized emissions testing. Those contracts obligate the TNRCC to reimburse costs that the Tejas Companies incurred in the construction and implementation of the centralized testing program and have not recovered through the sale of the testing facilities to a third party. Fulfillment of such obligations requires an appropriation of funds by the Texas Legislature, which is subject to the political process. The TNRCC is contractually obligated to seek such appropriation and, in a letter dated November 21, 1996, the TNRCC affirmed this obligation in a request to the Texas Legislative Budget Board for an appropriation in the amount of \$89.6 million, exclusive of the \$14.3 million estimated by the TNRCC to be realized from the sale of the testing facilities, resulting in a total reimbursement of \$103.9 million. The Corporation believes the amount to be realized from the sale of the testing facilities will be approximately \$20 million.

The Corporation and the Lenders have been engaged in continuing

discussions concerning this matter, and they have reached an agreement whereby the Lenders will forbear until at least June 30, 1997 from exercising their rights under the terms of the Guaranty to cause the Corporation to pay all Lease Obligations to the Lenders on an accelerated basis. The Corporation continues to make advances under the Guaranty of approximately \$1.8 million per month, which have totaled \$34.5 million through December 28, 1996. While the Lenders have agreed to forbear until at least June 30, 1997, given the delay in resolving this matter and other factors, the Corporation at June 29, 1996 recognized the remaining net obligation under the Guaranty, which as of December 28, 1996 is \$54.5 million. This is included in Other Long-term Liabilities on the accompanying Consolidated Balance Sheets. In addition, the Corporation has recorded as assets the monthly advances and the other amounts expected to be received from the Tejas Companies under the Indemnity Agreement. These net receivables total \$89.0 million as of December 28, 1996 and are included in Intangible and Other Assets. Described previously are mechanisms by which the Tejas Companies may receive funds to enable them to satisfy their contractual obligation to the Corporation under the Indemnity Agreement. The Corporation believes that recovery of the net receivables from the Tejas Companies is probable, and it will make an ongoing assessment of the likelihood of realization of such receivables.

Note 14 - Reporting Segments

The Corporation operates predominantly in a single industry as a manufacturer and distributor of tools and equipment for the professional technician.

The following table presents information about the Corporation by geographic area.

	United States	Europe	Other Non-U.S.	Eliminations	Consolidated
Net sales to unaffiliated customers					
1996	\$1,055,999	\$268,818	\$160,462	\$ -	\$1,485,279
1995	951,912	183,301	156,912	-	1,292,125
1994	862,189	191,648	140,459	-	1,194,296
Transfers between geographic areas					
1996	\$ 147,121	\$ 2,907	\$ 25,295	\$ (175,323)	\$ -
1995	140,251	2,478	23,037	(165,766)	-
1994	149,986	2,670	9,793	(162,449)	-
Earnings from operations					
1996	\$ 185,532	\$ 20,994	\$ 15,569	\$ (1,569)	\$ 220,526
1995	169,236	6,201	17,648	(4,441)	188,644
1994	127,893	21,444	14,217	(4,600)	158,954
Identifiable assets					
1996	\$1,179,926	\$226,286	\$134,730	\$ (20,154)	\$1,520,788
1995	1,059,516	206,177	121,835	(26,555)	1,360,973
1994	1,015,208	137,340	108,083	(25,726)	1,234,905

Transfers between geographic areas primarily represent intercompany export sales of U.S.-produced goods and are accounted for based on established sales prices between the related companies. Export sales to foreign unaffiliated customers represent less than 10% of consolidated net sales. In computing earnings from operations for foreign subsidiaries, no allocations of general corporate expenses, interest or income taxes have been made.

Management's Responsibility for Financial Reporting

The management of Snap-on Incorporated is responsible for the preparation and integrity of all financial statements and other information contained in this Annual Report. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and necessarily include amounts based on judgments and estimates by management giving due consideration to materiality. The Corporation maintains internal control systems designed to provide reasonable assurance that the Corporation's financial records reflect the transactions of the

Corporation and that its assets are protected from loss or unauthorized use. A staff of internal auditors conducts operational and financial audits to evaluate the adequacy of internal controls and accounting practices.

The Corporation's consolidated financial statements have been audited by Arthur Andersen LLP, independent public accountants, whose report thereon appears below. As part of their audit of the Corporation's consolidated financial statements, Arthur Andersen LLP considered the Corporation's system of internal control to the extent they deemed necessary to determine the nature, timing and extent of their audit tests. Management has made available to Arthur Andersen LLP the Corporation's financial records and related data.

The Audit Committee of the board of directors is responsible for reviewing and evaluating the overall performance of the Corporation's financial reporting and accounting practices. The Committee meets periodically and independently with management, internal auditors and the independent public accountants to discuss the Corporation's internal accounting controls, auditing and financial reporting matters. The internal auditors and independent public accountants have unrestricted access to the Audit Committee.

Robert A. Cornog
Chairman, President and
Chief Executive Officer

Donald S. Huml
Senior Vice President-
Finance and Chief
Financial Officer

Report of Independent Public Accountants

To the Board of Directors and Shareholders of Snap-on Incorporated:

We have audited the accompanying consolidated balance sheets of Snap-on Incorporated (a Delaware Corporation) and subsidiaries as of December 28, 1996 and December 30, 1995, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended December 28, 1996. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Snap-on Incorporated and subsidiaries as of December 28, 1996 and December 30, 1995, and the consolidated results of their operations and cash flows for each of the three years in the period ended December 28, 1996, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Chicago, Illinois
January 27, 1997

[Pages 36-37 of Annual Report]

Quarterly Financial Information

Unaudited
(Amounts in thousands except per share data)

	1996	1995	1994
Net sales			

1st Quarter	\$ 344,364	\$ 309,107	\$ 298,777
2nd Quarter	384,554	326,816	298,752
3rd Quarter	347,202	309,065	278,359
4th Quarter	409,159	347,137	318,408
	-----	-----	-----
	\$1,485,279	\$1,292,125	\$1,194,296
	=====	=====	=====
Gross profit			
1st Quarter	\$ 173,829	\$ 159,269	\$ 153,470
2nd Quarter	194,129	167,247	156,087
3rd Quarter	176,478	158,039	140,771
4th Quarter	206,348	178,936	158,509
	-----	-----	-----
	\$ 750,784	\$ 663,491	\$ 608,837
	=====	=====	=====
Net earnings			
1st Quarter	\$ 29,650	\$ 26,460	\$ 22,834
2nd Quarter	34,528	29,718	26,099
3rd Quarter	30,765	26,329	22,706
4th Quarter	36,508	30,823	26,675
	-----	-----	-----
	\$ 131,451	\$ 113,330	\$ 98,314
	=====	=====	=====
Earnings per common share*			
1st Quarter	\$.49	\$.42	\$.36
2nd Quarter	.56	.48	.41
3rd Quarter	.51	.43	.35
4th Quarter	.60	.51	.41
	-----	-----	-----
	\$ 2.16	\$ 1.84	\$ 1.53
	=====	=====	=====

* Adjusted for the three-for-two stock split in 1996.

Eleven-Year Data
(Amounts in thousands except share data)

	1996	1995	1994	1993	1992	1991
Summary of operations						
Net sales	\$ 1,485,279	\$ 1,292,125	\$ 1,194,296	\$ 1,132,010	\$ 983,800	\$ 881,591
Gross profit	750,784	663,491	608,837	595,728	509,413	437,685
Operating expenses	594,527	538,021	510,361	509,910	457,384	370,708
Net finance income	64,269	63,174	60,458	61,115	63,646	56,890
Operating income	220,526	188,644	158,934	146,933	115,675	123,867
Interest expense	12,649	13,327	10,806	11,198	5,969	5,250
Other income (expense) - net	776	4,572	5,541	756	(131)	(91)
Pre-tax earnings	208,653	179,889	153,669	136,491	109,575	118,526
Income taxes	77,202	66,559	55,355	50,679	43,600	45,300
Net earnings	131,451	113,330	98,314	85,812	65,975	34,277**
Financial position						
Current assets	\$ 1,017,324	\$ 946,689	\$ 873,020	\$ 854,598	\$ 832,603	\$ 666,623
Current liabilities	341,371	336,075	237,869	308,037	317,074	176,650
Working capital	675,953	610,614	635,151	546,561	515,529	489,973
Accounts receivable	651,739	610,064	568,378	539,949	508,092	461,596
Inventories	269,750	250,434	229,037	249,102	216,262	160,148
Property and equipment - net	245,294	220,067	209,142	224,810	226,498	206,481
Total assets	1,520,788	1,360,973	1,234,905	1,218,933	1,172,413	915,374
Long-term debt	149,804	143,763	108,980	99,683	93,106	7,179
Shareholders' equity	828,161	750,732	766,398	701,663	664,665	652,719
Common share summary*						
Net earnings per share	\$ 2.16	\$ 1.84	\$ 1.53	\$ 1.34	\$ 1.04	\$.55**
Cash dividends paid per share	.76	.72	.72	.72	.72	.72
Shareholders' equity per share	13.62	12.35	11.91	10.99	10.45	10.31
Average shares outstanding	60,967,865	61,510,500	64,187,874	63,856,175	63,515,672	62,732,652
Other financial statistics						
Cash dividends paid	\$ 46,323	\$ 44,113	\$ 46,197	\$ 45,942	\$ 45,718	\$ 45,086
Dividends paid as a percent of net earnings	35.2%	38.9%	47.0%	53.5%	69.3%	61.6%***
Capital expenditures	52,333	31,581	41,788	33,248	21,081	23,447
Depreciation and amortization	31,879	31,534	29,632	32,131	29,457	25,619
Current ratio	3.0	2.8	3.7	2.8	2.6	3.8
Total debt to total capital	17.3%	18.5%	13.5%	19.3%	19.5%	1.2%
Effective tax rate	37.0%	37.0%	36.0%	37.1%	39.8%	38.2%
Operating income as a percent of net sales	14.8%	14.6%	13.3%	13.0%	11.8%	14.1%
Net earnings as a percent of net sales	8.9%	8.8%	8.2%	7.6%	6.7%	8.3%***
Return on average shareholders' equity	16.7%	14.9%	13.4%	12.6%	10.0%	11.4%***
Common stock price range*	38.25-27.33	31.50-20.67	29.58-19.33	29.67-20.33	26.67-18.00	23.00-18.25

Eleven-Year Data (continued)
(Amounts in thousands except share data)

	1990	1989	1988	1987	1986
Summary of operations					
Net sales	\$ 931,533	\$ 890,792	\$ 854,592	\$ 754,303	\$ 670,086
Gross profit	469,149	439,861	431,748	377,167	331,950
Operating expenses	359,266	320,178	287,712	252,115	230,489
Net finance income	53,182	47,202	37,991	30,508	25,443
Operating income	163,065	166,885	182,027	155,560	126,904
Interest expense	6,762	3,298	2,637	2,788	2,672
Other income (expense) - net	3,557	1,923	3,432	3,024	2,264
Pre-tax earnings	159,860	165,510	182,822	155,796	126,496
Income taxes	59,100	60,800	69,500	67,200	61,000
Net earnings	100,760	104,710	113,322	88,596	65,496
Financial position					
Current assets	\$ 675,038	\$ 564,623	\$ 504,980	\$ 470,516	\$ 392,172
Current liabilities	236,802	179,476	142,337	131,420	112,303
Working capital	438,236	385,147	362,643	339,096	279,869
Accounts receivable	459,381	403,926	336,588	277,357	226,551
Inventories	182,065	137,106	139,460	120,083	124,845
Property and equipment - net	210,414	195,020	146,371	128,082	115,144
Total assets	907,854	777,603	667,538	615,817	526,580
Long-term debt	7,275	7,700	8,125	12,622	16,061
Shareholders' equity	636,403	572,657	505,202	457,536	382,952
Common share summary*					
Net earnings per share	\$ 1.63	\$ 1.70	\$ 1.81	\$ 1.42	\$ 1.06
Cash dividends paid per share	.72	.69	.59	.47	.41
Shareholders' equity per share	10.28	9.29	8.23	7.31	6.19
Average shares outstanding	61,811,345	61,558,467	62,404,692	62,287,718	61,753,197
Other financial statistics					
Cash dividends paid	\$ 44,505	\$ 42,655	\$ 36,681	\$ 29,060	\$ 25,110
Dividends paid as a percent of net earnings	44.2%	40.7%	32.4%	32.8%	38.3%
Capital expenditures	44,353	72,136	37,949	30,921	32,319
Depreciation and amortization	25,914	21,865	18,699	16,597	14,862
Current ratio	2.9	3.1	3.5	3.6	3.5
Total debt to total capital	11.7%	7.3%	1.7%	3.4%	5.1%
Effective tax rate	37.0%	36.7%	38.0%	43.1%	48.2%
Operating income as a percent of net sales	17.5%	18.7%	21.3%	20.6%	18.9%
Net earnings as a percent of net sales	10.8%	11.8%	13.3%	11.7%	9.8%
Return on average shareholders' equity	16.7%	19.4%	23.5%	21.1%	18.2%
Common stock price range*	25.33-17.50	27.92-19.25	29.92-21.83	31.00-16.17	21.42-13.58

* Adjusted for the three-for-two stock split in 1996.

** Includes the cumulative effect of accounting change related to the early adoption of the accounting provisions of the Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." Excluding this cumulative effect, 1991 net earnings were \$73,226 and earnings per share were \$1.17.

*** Based on net earnings before cumulative effect of accounting change related to adoption of SFAS No. 106.

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Investor Information

Common Stock High/Low Prices*

Quarter	1996	1995
First	\$31.67-28.50	\$24.58-20.67
Second	32.92-30.00	26.50-22.42
Third	32.63-27.33	28.17-25.33
Fourth	38.25-31.88	31.50-25.25

Dividends Per Common Share*

Quarter	1996	1995
First	\$.18	\$.18
Second	.18	.18
Third	.20	.18
Fourth	.20	.18
Total	\$.76	\$.72

Exchange Listing

Snap-on Incorporated common stock is listed on the New York Stock Exchange, Ticker Symbol - SNA.

Transfer Agent and Registrar
Harris Trust and Savings Bank
P.O. Box A3504
Chicago, Illinois 60690-3504
or
311 West Monroe Street
Eleventh Floor

Chicago, Illinois 60606

Shareholder Inquiries

Shareholders with questions may call the Transfer Agent, Harris Trust and Savings Bank, toll-free at 1-800-524-0687. The deaf and hearing impaired can call (312) 461-5633.

Dividend Record and Pay Dates for 1997

Quarter	Record Date	Pay Date
First	February 18	March 10
Second	May 20	June 10
Third	August 20	September 10
Fourth	November 19	December 10

Shareholders

The number of shareholder accounts of record as of December 28, 1996, was 10,556.

Dividend Reinvestment

Snap-on shareholders may increase their investment in the corporation through a no-commission dividend reinvestment plan. For information, write to:

Harris Trust and Savings Bank
Dividend Reinvestment Plan Services
P.O. Box A3309
Chicago, Illinois 60690-0735
Or phone: 1-800-524-0687

Form 10-K and Other Financial Publications

These publications are available without charge. Contact the public relations department at P.O. Box 1410, Kenosha, WI 53141-1410, or call (414) 656-4808 (recorded message).

Analyst Contact

Securities analysts and other investors seeking information about the corporation should contact Lynn McHugh, assistant treasurer - investor relations, (414) 656-6488.

Independent Auditors

Arthur Andersen LLP
33 West Monroe Street
Chicago, Illinois 60603
(312) 580-0033

Annual Meeting

The Annual Meeting of Shareholders will be held at the Racine Marriott, 7111 Washington Avenue, Racine, Wisconsin, at 10:00 a.m. on Friday, April 25, 1997.

Corporate Offices

P.O. Box 1430
Kenosha, Wisconsin 53141-1430
Phone (414) 656-5200

* Adjusted for the three-for-two stock split in 1996.

Exhibit (21)

SUBSIDIARIES OF THE CORPORATION

Name	State or other jurisdiction of organization
Consolidated Devices, Inc.	California
Edge Diagnostic Systems	California
Herramientas Eurotools, S.A.	Spain
John Bean Company	Wisconsin
Sioux Tools, Inc.	Iowa
Snap-on Credit Corporation	Wisconsin
Snap-on Financial Services, Inc.	Nevada
Snap-on Global Holdings, Inc.	Delaware
Snap-on Technologies, Inc.	Illinois
Snap-on Tools (Australia) Pty. Ltd.	Australia
Snap-on Tools Company	Wisconsin
Snap-on Tools International, Ltd.	Virgin Islands
Snap-on Tools Japan, K.K.	Japan
Snap-on Tools Limited	United Kingdom
Snap-on Tools of Canada Ltd.	Canada
Sun Electric Deutschland GmbH	Germany
Sun Electric do Brazil	Brazil
Sun Electric Europe B.V.	Netherlands
Sun Electric Nederland B.V.	Netherlands
Sun Electric U.K. Limited	England
Wheeltronic Ltd.	Ontario

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF SNAP-ON INCORPORATED AS OF AND FOR THE YEAR ENDED DECEMBER 28, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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