

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 30, 1995

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
(State or other jurisdiction of
incorporation or organization)

39-0622040
(I.R.S. Employer
Identification No.)

10801 Corporate Drive, Kenosha, Wisconsin
(Address of principal executive offices)

53141-1430
(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 26, 1996:
\$1,768,984,788

Number of shares outstanding of each of the registrant's classes of common
stock at February 26, 1996:
Common stock, \$1 par value, 40,433,938 shares
Shares preferred stock purchase rights, none

Documents incorporated by reference
Portions of the Corporation's Annual Report to Shareholders for the fiscal
year ended December 30, 1995, are incorporated by reference into Parts I,
II and IV of this report.

Portions of the Corporation's Proxy Statement, dated March 15, 1996,
prepared for the Annual Meeting of Shareholders scheduled for April 26,
1996, 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, which is in a single line of business, is a leading manufacturer and distributor of high-quality hand tools, power tools, tool storage products, diagnostic equipment, shop equipment, and diagnostic software and other services, primarily for use by professional technicians in automotive service and other industries. In addition to individual automotive technicians, shop owners and other professional tool users, the Corporation's products are marketed to industrial and government entities, as well as to original equipment manufacturers ("OEMs").

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 1995 the Corporation expanded its product line and marketing programs to address additional customer tool and equipment needs, and to expand internationally. The Corporation increased its ownership in Edge Diagnostic Systems, a U.S. developer of software-based diagnostic systems, from 27% to 90%. In addition, the Corporation acquired Herramientas Eurotools, S.A. of Spain, a leading hand tool manufacturer that broadens the Corporation's distribution and establishes a manufacturing presence on the European continent, and Consolidated Devices, Inc., a U.S.

manufacturer of torque application and measuring equipment.

The Corporation conducts its business through four principal operating groups:

- Snap-on Tools 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. Trade names associated with this operating group include: Snap-on - hand tools, power tools, storage units, and certain equipment; Blue Point - hand tools and power tools; and Wheeltronic - hoists and lifts for automotive service shops;
- Snap-on Diagnostic focuses on the development and sale of diagnostic and shop equipment to automotive service and repair shops. Trade names associated with this operating group include: Sun Electric ("Sun") - diagnostic and service equipment; Balco - engine diagnostic, wheel balancing and alignment equipment; and Edge Diagnostic Systems - software to diagnose vehicle computer systems;
- Snap-on Industrial focuses on the development and sale of industrial tools and equipment through a direct sales force as well as through industrial distributors and other channels. Trade names associated with this operating group include: J.H. Williams - hand tools; A.T.I. Tools - tools and equipment for aerospace and industrial applications; Sioux Tools, Inc. - power tools; and Snap-on Medical Products - tools for the medical profession; and
- Snap-on Financial Services, Inc., through its Snap-on Credit Corporation subsidiary, 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 diagnostic and other shop equipment.

PRODUCTS, SERVICES, AND MARKETS SERVED

The Corporation offers a broad product line which it divides into four groups -- hand tools, power tools, tool storage products, and diagnostic and shop equipment.

Hand Tools -- Includes 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 -- Includes pneumatic (air), cord-free (battery) and corded (electric) tools such as impact wrenches, ratchets, chisels, drills, sanders, polishers and similar products.

Tool Storage Products -- Includes tool chests, roll cabinets and other similar products for automotive, industrial, aerospace and other storage applications.

Diagnostic and Shop Equipment -- Includes hardware and software solutions for the diagnosis and service of automotive and industrial equipment. The primary products are: engine and emissions analyzers, transmission troubleshooting equipment, air conditioning service equipment, brake service equipment, wheel balancing and alignment equipment, battery chargers, and lifts and hoists used in repair shops. Also included are service and repair information services.

In the U.S. the Corporation supports the sale of its diagnostic 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 diagnostic equipment developed and marketed by the Corporation and its subsidiaries.

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 channels, various companies compete in one or more product categories and/or distribution channels.

The Corporation believes that it is a leading producer and distributor of products it manufactures to the markets it serves in the automotive service industry, and that through the Corporation and its subsidiaries it offers the broadest line of products to the automotive service industry. The major competitors selling to professional technicians in the professional sector through the mobile van channel include MAC Tools (The Stanley Works) and Matco (Danaher Corporation). The major competitors selling diagnostic and shop equipment to shop owners in the professional sector include Automotive Diagnostic (SPX Corporation) and Hunter Engineering. In the industrial sector, major competitors include Armstrong (Danaher Corporation), Cooper Industries, and Proto (The Stanley Works).

Consolidated Sales

The following table shows the approximate percentage of sales for each of the Corporation's product groups in each of the past three years. The Corporation believes this sales mix is representative of its consolidated sales worldwide.

Product Group % of Sales	1995	1994	1993
Hand Tools	40%	38%	37%
Power Tools	10%	7%	7%
Tool storage products	10%	11%	11%
Diagnostic/Shop	40%	44%	45%

Market Sectors Served -- The Corporation markets and distributes its products around the world primarily to two market sectors: the professional sector and the industrial sector. For further information on the Corporation's international and domestic operations, see Note 14 on page 35 of the Corporation's 1995 Annual Report, incorporated herein by reference.

Professional Sector

The professional sector has two primary customer groups: professional technicians, primarily in the automotive service industry, who purchase tools and equipment for themselves, and shop owners and managers who purchase equipment for use by multiple technicians within a service or repair facility in the automotive service or other industries. Following is a discussion of the characteristics of these customers and the Corporation's position in their markets.

Professional Technicians and Shop Owners -- The Corporation markets its products and services to professional automotive technicians and shop owners in the U.S. and selected other countries, primarily through its dealer van distribution system. It provides innovative tools and equipment solutions, as well as technical sales support and training, to meet technicians' evolving needs. Through this channel, the Corporation also serves owners and managers of shops where technicians work with tools, equipment and diagnostic products.

Major challenges for the Corporation and the industry include increased competition within the dealer van channel during the past decade and lower automotive technician turnover.

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. The Corporation expects to increase its market penetration in this sector over the next decade.

DISTRIBUTION 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 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, all new U.S., and a majority of existing 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 1995, approximately 85 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, comprised 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 selected 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 diagnostic and shop equipment is also sold directly to customers through the Snap-on/Sun Tech Systems employee sales force ("Tech Specialists"). They 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 diagnostic 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 Canada, South America and Asia, and through both a

direct sales force and distributors in Europe.

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 year-end 1995, the Corporation had industrial sales representatives in the United States, Australia, Japan, Mexico, Puerto Rico, and segments of Europe. U.S. industrial sales accounted for 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 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 1995 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 1995 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 30, 1995, the Corporation and its subsidiaries held over 400 patents worldwide, with more than 250 pending patent applications. No sales relating to any single patent represents a material portion of the Corporation's revenues.

Patent protection covers certain products which are believed to have significant market potential. Examples of these products include engine analyzers, serrated jaw open-end wrenches, 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. Proper use of the Corporation's trademarks is rigorously policed.

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 17 to 21 of the Corporation's 1995 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 1995, the Corporation and its subsidiaries employed approximately 10,200 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 4.0 million square feet, of which approximately 85 percent is owned. The Corporation's facilities outside the U.S. contain approximately 1.5 million square feet, of which approximately 70 percent is owned.

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

Location	Type of property	Owned/Leased
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 and owned	Leased
Carson City, Nevada	Distribution	Owned
Robesonia, Pennsylvania	Distribution	Owned
Johnson City, Tennessee	Manufacturing	Owned
Elizabethton, Tennessee	Manufacturing	Owned
East Troy, 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
Mississagua, Canada	Manufacturing	Leased
Newmarket, Canada	Distribution and manufacturing	Owned
Kettering, England	Distribution	Owned
King's Lynn, England	Distribution and manufacturing	Owned
Altmittweida, Germany	Manufacturing	Owned
Shannon, Ireland	Manufacturing	Leased
Tokyo, Japan	Distribution	Leased
Amsterdam, the Netherlands	Distribution	Owned
Irun, Spain	Manufacturing	Owned

Urretxu, Spain	Manufacturing	Owned
Victoria, Spain	Distribution and manufacturing	Owned

Item 3: Legal Proceedings

Note 4 to the Financial Statements of the Corporation on page 26 of its 1995 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. In addition, on December 8, 1995 the Corporation intervened in litigation commenced by former subsidiaries of the Corporation against, among others, the Texas Natural Resources Conservation Commission, an agency of the State of Texas, as described in Note 13 to the Financial Statements of the Corporation on page 33 of its 1995 Annual Report, which note is incorporated herein by reference. Such litigation is currently pending in the United States Bankruptcy Court for the Western District of Texas (Austin Division).

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 30, 1995.

Item 4.1: Executive Officers of the Registrant

The executive officers of the Corporation, their ages as of December 31, 1995, and their current titles and positions held during the last five years are listed below.

Robert A. Cornog (55) - Chairman, President and Chief Executive Officer since July 1991. A Director since 1982. Prior to joining Snap-on, he was President of Macwhyte Company from 1981 to 1991.

Frederick D. Hay (51) - 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 (49) - 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 (47) - 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 (53) - Senior Vice President - Diagnostic since April 1994 and President of Sun Electric since December 1992. Senior Vice President - Administration from April 1990 to April 1994. A Director since August 1989.

Branko M. Beronja (61) - President - North American Operations since April 1994, and Vice President - Sales, North America from August 1989 to April 1994.

Gregory D. Johnson (46) - Controller since April 1992. Financial Controller - Asia/Pacific from April 1991 to April 1992. Director - Budgets, Corporate Cost and International Accounting from April 1984 to April 1991.

Susan F. Marrinan (47) - 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 30, 1995, the Corporation had 40,524,163 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 repurchase 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, 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 24, 1996, as of that date the Corporation had the authority pursuant to the Board's action to repurchase 181,583 shares.

Additional information required by Item 5 is contained on page 40 of the Corporation's 1995 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 1995 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 17 to 20 of the Corporation's 1995 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 21 to 37 of the Corporation's 1995 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 15, 1996, 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 16 of the Corporation's Proxy Statement, dated March 15, 1996, 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 15, 1996, 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 15, 1996, 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 1995 Annual Report of the Corporation to its shareholders for the year ended December 30, 1995, are incorporated by reference in Item 8 of this report:

Consolidated Balance Sheets as of December 30, 1995 and December 31, 1994.

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

Consolidated Statements of Shareholders' Equity for the years ended December 30, 1995, December 31, 1994 and January 1, 1994.

Consolidated Statements of Cash Flows for the years ended December 30, 1995, December 31, 1994 and January 1, 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 pg. 16

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 1995 Annual Report in the Notes to Consolidated Financial Statements for the years ended December 30, 1995, December 31, 1994 and January 1, 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 24, 1996. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed on page 16 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

Milwaukee, Wisconsin
January 24, 1996

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 and 33-58943.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin
March 25, 1996

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
R. A. Cornog, Chairman of the

Date: March 28, 1996

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 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
Year ended January 1, 1994	\$12,586,976	\$1,443,272	\$14,496,553	\$13,580,593	\$14,946,208

<FN>

(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))

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 30, 1995. 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 (incorporated by reference to Exhibit A to the Corporation's Schedule 14A for the Corporation's Annual Meeting of Shareholders to be held April 26, 1996 (Commission File No. 1-7724))*
- (b) Form of Restated Senior Officer Agreement between the Corporation and each of Robert A. Cornog, Branko M. Beronja, Donald S. Huml, Michael F. Montemurro and Jay H. Schnabel*

- (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*
- (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*
- (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 10.1 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995 (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 10.2 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995 (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, whichever 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.

4.12. 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.

RESTATED SENIOR OFFICER AGREEMENT

THIS RESTATED SENIOR OFFICER AGREEMENT ("Agreement") is entered into this ____ day of January, 1996, by and between SNAP-ON INCORPORATED, a Delaware corporation (the "Company"), and _____, a senior officer of the Company or of a subsidiary of the Company (the "Executive").

WHEREAS, the Company and the Executive had entered into a Senior Officer Agreement effective as of January 4, 1991, and amended and restated this Agreement effective as of January 22, 1993 and as of January 28, 1994;

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

WHEREAS, the Company wishes to amend and restate the Executive's Restated Senior Officer Agreement to continue to encourage the Executive to devote his/her entire time and attention to the pursuit of Company matters without distractions relating to his/her employment security;

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

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

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

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

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

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

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

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

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

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

c. Change of Control. A "Change of Control" of the Company shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(i) any Person is or becomes the beneficial owner, as defined in Rule 13d-3 under the Exchange Act (the "Beneficial Owner"), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 25% or more of either the then outstanding shares of common stock 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 the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment or election by the Board or nomination for election by the Company's 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 the date hereof or whose appointment, election or nomination for election was previously so approved; or

(iii) 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

(iv) 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.

d. Effective Date. The term "Effective Date" shall mean the first date on which a Change of Control of the Company occurs. Anything in this Agreement to the contrary notwithstanding, if (1) a Change of Control of the Company occurs, whether or not during the initial or extended term of this Agreement, (2) the Executive's employment with the Employer terminates within six months prior to the Change of Control of the Company and (3) it is reasonably demonstrated by the Executive that (A) any such termination of employment by the Employer (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control of the Company or (ii) otherwise arose in connection with or in anticipation of a Change of Control of the Company, or (B) any such termination of employment by the Executive took place subsequent to the occurrence of an event described in clause (A), (B), (C) or (D) of paragraph (h)(ii) of this Section 1 which event (i) occurred at the request of a third party who has taken steps reasonably calculated to effect a Change of Control of the Company or (ii) otherwise occurred in connection with or in anticipation of a Change of Control of the Company, then for all purposes of this Agreement the term "Effective Date" shall mean the day immediately prior to the date of such termination of employment.

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

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

g. Person. The term "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its 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 of the Company.

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

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

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

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

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

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

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

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

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

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

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

c. Compensation. The Company shall pay to the Executive a lump sum equal to three (3) times the sum of (a) the highest per annum base rate of salary in effect with respect to the Executive during the 3-year period immediately prior to the Termination of Employment plus (b) the highest of (i) the highest annual bonus or incentive compensation earned by the Executive under any cash bonus or incentive compensation plan of the Company during the three (3) complete fiscal years of the Company immediately preceding the Termination of Employment or, if more favorable to the Executive, during the three (3) complete fiscal years of the Company immediately preceding the Change of Control of the Company; (ii) the Executive's bonus or incentive compensation "target" for the fiscal year in which the Termination of Employment occurs; or (iii) the highest average annual bonus and/or incentive compensation earned during the three (3) complete fiscal years of the Company immediately preceding the Termination of Employment (or, if more favorable to the Executive, during the three (3) complete fiscal years of the Company immediately preceding the Change of Control of the Company) under any cash bonus or incentive compensation plan of the Company by the group of executives of the Company participating under such plan during such fiscal years at the level at which the Executive participated or would have participated pursuant to his/her most senior position at any time during the 180 days preceding the Effective Date or thereafter until the Termination of Employment. The lump sum shall be paid to the Executive not later than five (5) days after the Termination of Employment.

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

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

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

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

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

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

For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax under this Section 3, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have effectively waived in writing shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which in the opinion of the Auditor (or tax counsel selected by the Auditor) does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code), and in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the "base amount" (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation, and (iii) the value of any noncash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on the date of payment of the Gross-Up Payment to the Executive, net of the maximum reduction in federal income taxes that could be obtained from deduction of such state and local taxes.

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

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

5. Term. This Agreement shall commence on the date hereof and shall continue in effect through January 31, 1997; provided, however, that commencing on January 31, 1997 and each January 31 thereafter, the term of this Agreement shall automatically be extended for one (1) additional year unless, not later than October 31 of the preceding year, the Company or the Executive shall have given written notice not to extend this Agreement; provided, further, however, if a Change of Control of the Company shall have occurred during the initial or extended term of this Agreement, this Agreement shall continue in effect for a period of 24 months beyond the month in which such Change of Control of the Company occurred. Notwithstanding anything herein to the contrary, this Agreement shall terminate upon the Executive ceasing to be a senior officer of the Company prior to a Change of Control of the Company (other than any such cessation which the Executive reasonably demonstrates occurred under circumstances described in clause (i) or (ii) of Section 1.d.(3)(B) hereof).

6. Successors and Binding Agreements.

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

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

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

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

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

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

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

11. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the parties with respect to the matters discussed herein and supersedes all other prior agreements and understandings, written or oral, between the parties with respect thereto. There are no representations, warranties or agreements of any kind relating thereto that are not set forth in this Agreement.

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

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

* * *

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

SNAP-ON INCORPORATED

By:

Robert A. Cornog
Its: Chairman, President and Chief Executive
Officer

Executive

RESTATED EXECUTIVE AGREEMENT

THIS RESTATED EXECUTIVE AGREEMENT ("Agreement") is entered into this ____ day of January, 1996, by and between SNAP-ON INCORPORATED, a Delaware corporation (the "Company"), and _____, an executive of the Company or of a subsidiary of the Company (the "Executive").

WHEREAS, the Company and the Executive had entered into an Executive Agreement effective as of January 4, 1991, and amended and restated this Agreement effective as of January 22, 1993 and as of January 28, 1994;

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

WHEREAS, the Company wishes to amend and restate the Restated Executive Agreement to continue to encourage the Executive to devote his/her entire time and attention to the pursuit of Company matters without distractions relating to his/her employment security;

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

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

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

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

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

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

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

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

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

b. Competitive Activity. The term "Competitive Activity"

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

c. Change of Control. A "Change of Control" of the Company shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(i) any Person is or becomes the beneficial owner, as defined in Rule 13d-3 under the Exchange Act (the "Beneficial Owner"), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 25% or more of either the then outstanding shares of common stock 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 the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment or election by the Board or nomination for election by the Company's 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 the date hereof or whose appointment, election or nomination for election was previously so approved; or

(iii) 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

(iv) 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.

d. Effective Date. The term "Effective Date" shall mean the first date on which a Change of Control of the Company occurs. Anything in this Agreement to the contrary notwithstanding, if (1) a Change of Control of the Company occurs, whether or not during the initial or extended term of this Agreement, (2) the Executive's employment with the Employer terminates within six months prior to the Change of Control of the Company and (3) it is reasonably demonstrated by the Executive that (A) any such termination of employment by the Employer (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control of the Company or (ii) otherwise arose in connection with or in anticipation of a Change of Control of the Company, or (B) any such termination of employment by the Executive took place subsequent to the occurrence of an event described in clause (A), (B), (C) or (D) of paragraph (h)(ii) of this Section 1 which event (i) occurred at the request of a third party who has taken steps reasonably calculated to effect a Change of Control of the Company or (ii) otherwise occurred in connection with or in anticipation of a Change of Control of the Company, then for all purposes of this Agreement the term "Effective Date" shall mean the day immediately prior to the date of such termination of employment.

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

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

g. Person. The term "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its 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 of the Company.

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

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

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

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

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

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

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

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

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

b. Incentive Compensation. Notwithstanding any provision of any cash bonus or incentive compensation plan of the Employer, the Company shall pay to the Executive, within five (5) days after the Executive's Termination of Employment, a lump sum amount, in cash, equal to the sum of (i) any bonus or incentive compensation which has been allocated or awarded to the Executive for a fiscal year or other measuring period under the plan that ends prior to the date of Termination of Employment, but which has not yet been paid (pursuant to Section 2.a. hereof or otherwise), and (ii) a pro rata portion to the date of Termination of

Employment of the aggregate value of all contingent bonus or incentive compensation awards to the Executive for all uncompleted periods under the plan calculated as to each such award as if the "target" with respect to such bonus or incentive compensation award had been attained.

c. Compensation. The Company shall pay to the Executive a lump sum equal to two (2) times the sum of (a) the highest per annum base rate of salary in effect with respect to the Executive during the 3-year period immediately prior to the Termination of Employment plus (b) the highest of (i) the highest annual bonus or incentive compensation earned by the Executive under any cash bonus or incentive compensation plan of the Company during the three (3) complete fiscal years of the Company immediately preceding the Termination of Employment or, if more favorable to the Executive, during the three (3) complete fiscal years of the Company immediately preceding the Change of Control of the Company; (ii) the Executive's bonus or incentive compensation "target" for the fiscal year in which the Termination of Employment occurs; or (iii) the highest average annual bonus and/or incentive compensation earned during the three (3) complete fiscal years of the Company immediately preceding the Termination of Employment (or, if more favorable to the Executive, during the three (3) complete fiscal years of the Company immediately preceding the Change of Control of the Company) under any cash bonus or incentive compensation plan of the Company by the group of executives of the Company participating under such plan during such fiscal years at the level at which the Executive participated or would have participated pursuant to his/her most senior position at any time during the 180 days preceding the Effective Date or thereafter until the Termination of Employment. The lump sum shall be paid to the Executive not later than five (5) days after the Termination of Employment.

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

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

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

Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Total Payments and any federal, state and local income tax, FICA and Excise Tax upon the payment provided for by this Section 3, shall be equal to the Total Payments.

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

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

For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax under this Section 3, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have effectively waived in writing shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which in the opinion of the Auditor (or tax counsel selected by the Auditor) does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code), and in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the "base amount" (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation, and (iii) the value of any noncash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on the date of payment of the Gross-Up Payment to the Executive, net of the maximum reduction in federal income taxes that could be obtained from deduction of such state and local taxes.

The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial

proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments.

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

5. Term. This Agreement shall commence on the date hereof and shall continue in effect through January 31, 1997; provided, however, that commencing on January 31, 1997 and each January 31 thereafter, the term of this Agreement shall automatically be extended for one (1) additional year unless, not later than October 31 of the preceding year, the Company or the Executive shall have given written notice not to extend this Agreement; provided, further, however, if a Change of Control of the Company shall have occurred during the initial or extended term of this Agreement, this Agreement shall continue in effect for a period of 24 months beyond the month in which such Change of Control of the Company occurred. Notwithstanding anything herein to the contrary, this Agreement shall terminate upon the Executive ceasing to be an officer of the Company prior to a Change of Control of the Company (other than any such cessation which the Executive reasonably demonstrates occurred under circumstances described in clause (i) or (ii) of Section 1.d.(3)(B) hereof).

6. Successors and Binding Agreements.

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

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

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

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

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

of such state, except that Section 9 shall be construed in accordance with the Federal Arbitration Act if arbitration is chosen by the Executive as the method of dispute resolution.

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

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

11. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the parties with respect to the matters discussed herein and supersedes all other prior agreements and understandings, written or oral, between the parties with respect thereto. There are no representations, warranties or agreements of any kind relating thereto that are not set forth in this Agreement.

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

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

* * *

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

SNAP-ON INCORPORATED

By:

Robert A. Cornog

Its: Chairman, President and Chief Executive
Officer

Executive

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.

SNAP-ON INCORPORATED
SUPPLEMENTAL RETIREMENT PLAN FOR OFFICERS
As Amended January 1, 1996

SECTION 1 -- INTRODUCTION

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

1.2 Effective Date. The "effective date" of the Plan as set forth below is August 26, 1983.

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

1.4 Purpose. The Plan has been established to supplement retirement benefits provided by the Snap-on Tools Retirement Plan for Administrative and Field Employees (the "Administrative and Field Plan") in the event that benefits provided under the Administrative and Field Plan are limited by the benefit restrictions imposed under ERISA and/or limited due to participation in Snap-on Tools Corporation Deferred Compensation Plan.

SECTION 2 -- PARTICIPATION AND SUPPLEMENTAL BENEFITS

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

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

(b) Such employee is a member of the Administrative and Field Plan (1/28/94, effective 4/22/94).

2.2 Supplemental Benefits. Supplemental benefits payable to or on behalf of a participant under the Plan shall be equal to the difference (if any) between (i) the full amount of the retirement income or pre-retirement spouse's benefit computed for the participant or his surviving spouse under the Administrative and Field Plan benefit formula (disregarding any benefit or compensation limitations contained in ERISA and/or limited due to participation in Snap-on Tools Corporation Deferred Compensation Plan) (6/28/91), and (ii) the amount of retirement income or pre-retirement spouse's benefit which is actually payable under the Administrative and

Field Plan, subject to the following limitations:

(a) Should employment continue after service as an officer terminates, retirement benefits under this Plan will not accrue after the calendar year in which service as an officer terminates (4/26/85).

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

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

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

(e) For purposes of calculating the supplemental benefits under (i) above for Robert A. Cornog, two (2) years of credited service shall be credited for each year of his credited service under the Administrative and Field Plan for both accrual and vesting purposes (6/25/92).

2.3 Payment of Benefits. Subject to the provisions of this Plan, supplemental benefits shall be payable to or on behalf of a participant as follows;

(a) Normal Form. Supplemental benefits to a participant who retires on a normal, deferred or early retirement date will be made monthly, will commence on his retirement date and continue thereafter for life and, if the participant dies within a period of five years after his retirement date, a continuing payment of the same amount will be made to his eligible spouse (as defined in Subsection 5.2) if then surviving spouse or such eligible spouse is not living or dies prior to the expiration of such five-year period, to his beneficiary for the balance of said period.

(b) Payments to Surviving Spouse. If, at the later to occur of the death of a retired participant or the completion of the applicable five-year period specified in Paragraph (a) above, such participant's eligible spouse (as defined in Subsection 5.2) is living, such spouse shall be entitled to receive a monthly supplemental benefit on the first day of the next month, equal to 50 percent of the monthly supplemental benefit which the participant or such eligible spouse was receiving under Paragraph (a). Such spouse's monthly benefit will be paid on the first day of each month thereafter with the last payment being the payment due on the first day of the month in which such spouse's death occurs. If such spouse is more than ten years younger than the participant, the amount of monthly benefit payable to such spouse shall be reduced by an appropriate percentage (determined actuarially) for each full month by which such spouse's age is more than ten years less than the participant's age.

(c) Retirement Date. For purposes of this subsection, a participant's "retirement date" will be the first day of the month coincident with or next following the date as of which a participant actually retires or is retired from the employ of all of the employers (i) on or after attaining age 65 years, (ii) on or after attaining age 50 years if he has completed ten or more years of continuous employment under the Administrative and Field Plan or (iii) on the date he is retired because of total and permanent disability if he has completed ten or more years of continuous employment under the Administrative and Field Plan.

(d) Pre-retirement Spouse's Benefit. In the event a participant who has a spouse to whom he is legally married at the time he satisfied the requirements of Paragraph 2.3(c)(ii) above dies leaving an eligible spouse, there shall be payable to such participant's eligible spouse the supplemental amount that would have been payable to his spouse under Paragraph (b) above had the participant retired on the first day of the month coincident with or next following the month in which his death occurred and had received payment commencing on such date in the form described in Paragraphs (a) and (b) above. Such monthly spouse's benefit will be paid to such spouse on the first day of the month coincident with or next following the date of the participant's death and will be payable on the first day of each month thereafter, with the final payment being the payment due on the first day of the month in this such spouse's death occurs.

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

Notwithstanding the provisions of subparagraphs 2.3(b) and 2.3(d), if the amount payable to the surviving spouse of Robert Cornog in the form of payment specified therein is less than \$50,000 per year, the minimum amount payable to such spouse pursuant to each of such subparagraphs on an annual basis shall be \$50,000 (6/25/92).

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

SECTION 3 -- OTHER EMPLOYMENT

A participant or other person receiving supplemental benefits under the Plan will continue to be entitled to receive such payments regardless of other employment or self-employment.

SECTION 4 -- FORFEITURE FOR CAUSE

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

- (a) Uses or discloses trade secrets for the benefit of someone other than the Corporation or its subsidiaries;
- (b) Embezzles or steals cash or other property of the Corporation or its subsidiaries or performs other similar dishonest acts against the Corporation or its subsidiaries; or
- (c) Enters into a business in direct competition with the Corporation or its subsidiaries as either an employee, director, proprietor, consultant, partner or joint venturer of such business (1/6/84).

SECTION 5 -- GENERAL

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

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

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

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

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

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

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

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

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

SECTION 6 -- AMENDMENT AND TERMINATION

While the employer expects to continue the Plan indefinitely, the right to amend or terminate the Plan by action of the Board of Directors of the Corporation is hereby reserved, provided that in no event shall any participant's supplemental benefits accrued to the date of such amendment or termination be reduced or modified by such action. Any supplemental benefits accrued to the date of such amendment or termination shall be payable under Subsection 2.3 (8/28/87) (6/23/89).

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

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

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

7.3 Subsidiaries and Affiliates. For purposes of this Section 7, a "subsidiary" of the Corporation means any corporation more than 50 percent of the voting stock of which is owned, directly or indirectly, by the Corporation. An "affiliate" of the Corporation means any individual, corporation, partnership, trust or other entity which controls, is controlled by, or is under common control with the Corporation.

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

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

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

7.7 Change of Control. A "Change of Control" of the Corporation 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 7.7 and Section 7.8, the term "Person" shall not include (i) the Corporation or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation 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 Corporation in substantially the same proportions as their ownership of stock in the Corporation) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation (not including in the securities beneficially owned by such Person any securities acquired directly from the Corporation or its affiliates) representing 25% or more of either the then outstanding shares of common stock of the Corporation or the combined

voting power of the Corporation's then outstanding voting securities;
or

(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 Corporation, 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 Corporation'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 Corporation approve a merger or consolidation of the Corporation with any other corporation or approve the issuance of voting securities of the Corporation in connection with a merger or consolidation of the Corporation (or any direct or indirect subsidiary of the Corporation) pursuant to applicable stock exchange requirements, other than (i) a merger or consolidation which would result in the voting securities of the Corporation 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 Corporation 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 Corporation (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation (not including in the securities beneficially owned by such Person any securities acquired directly from the Corporation or its affiliates) representing 25% or more of either the then outstanding shares of common stock of the Corporation or the combined voting power of the Corporation's then outstanding voting securities; or

(4) the stockholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation'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 Corporation of all or substantially all of the Corporation'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 Corporation 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 Corporation 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 Corporation immediately following such transaction or series of transactions.

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

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

(b) the Corporation or any person publicly announces an intention to take or to consider taking actions which, if consummated, would

constitute a Change of Control;

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

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

Exhibit (13)

PORTIONS OF ANNUAL REPORT TO SHAREHOLDERS

[Pages 17-20 of Annual Report]

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

Results of Operations

Overview - 1995 consolidated net sales increased 8.2% following an increase of 5.5% in 1994. In both years, sales growth in North America and in "Other" non-U.S. markets more than offset a decline in overall European sales.

Consolidated net earnings increased 15.3% following a 14.6% increase in 1994. The 1995 earnings improvement was attributable to higher gross margins as a result of higher sales volumes and improved productivity, to lower operating expenses as a percent of net sales, and to contributions from acquisitions. Improvement in operating expenses as a percent of sales reflected ongoing cost containment activities, further consolidation of facilities, and lower legal expense. The net earnings growth in 1994 was attributable to higher sales and lower operating expenses, which were favorably impacted by lower legal expense and cost reductions from the consolidation of field service activities. Earnings per share increased 20.0% in 1995 and 13.9% in 1994. In 1995 earnings per share increased at a higher rate than net earnings resulting from a reduction in the number of common shares outstanding through a share repurchase program.

(Amounts in thousands)	1995	1994	1993
Net earnings	\$113,330	\$98,314	\$85,812
Earnings per common share	\$2.76	\$2.30	\$2.02

Sales - Sales in North America increased 9.7% in 1995 following an increase of 6.4% in 1994. Sales in 1995 benefited from improved service levels, a moderately strong U.S. economy, new product introductions, inclusion of full-year results for the 1994 acquisitions of Sioux Tools, Inc. ("Sioux") and Wheeltronic Ltd. ("Wheeltronic"), and the contribution of acquisitions completed in 1995. Sales due to the aforementioned acquisitions accounted for more than one-third of the sales gain. U.S. sales increased by 10.4% in 1995, while sales in Canada increased by 8.4%. Sales in Mexico were not material.

Sales in Europe declined 4.4% following a decline of 3.7% in 1994. The 1995 decline was due to reduced emissions-testing equipment sales in Germany. Hand tool and other equipment sales, however, were positive contributors. 1994 sales in Europe benefited from \$33 million in emissions-testing equipment sales in Germany, which were offset by lower sales of other diagnostic equipment in Europe. The start-up of an emissions-testing program in the U.K. contributed modestly to 1995 sales, with the majority of sales anticipated in 1996 and 1997. Implementation of emissions-testing programs in other European countries may benefit sales over the next three to five years.

Sales in "Other" markets increased 22.9% in 1995 after increasing 25.9% in 1994, with strong sales reported by most of the countries in this category.

(Amounts in thousands)	1995	1994	1993
North American sales	\$1,029,516	\$ 938,126	\$ 881,817
European sales	183,301	191,648	198,941
Other sales	79,308	64,522	51,252
	-----	-----	-----
Total sales	\$1,292,125	\$1,194,296	\$1,132,010
	=====	=====	=====

The Corporation markets and distributes four primary product groups-hand tools, power tools, storage equipment, and shop and diagnostic equipment.

Gains in sales of hand tools and storage equipment were recorded worldwide, while power tool sales rose sharply with the inclusion of full-year sales from Sioux.

Sales of diagnostic and shop equipment around the world also increased as a result of continuing improvement in the effectiveness of the Snap-on/Sun Tech Systems program, the introduction of new products, and contributions of acquisitions made in 1994. In the U.S., sales of emissions-testing equipment for programs required under the Clean Air Act Amendments of 1990 were not significant because most states delayed implementation. While the exact timing of such programs remains uncertain, sales are expected to benefit from their start-up over the next three to five years.

During the year the Corporation increased prices by varying degrees in each of its product groups. List price increases averaged 3.0% in 1995 compared with 3.5% in 1994. Increased promotional activities reduced the revenue realization of these price increases.

Cost and profit margins - Gross profit margins were 51.3% in 1995 compared with 51.0% in 1994 and 52.6% in 1993. Gross margins increased as improved productivity and higher factory utilization rates in support of current sales continue. In 1994, reduced production and planned manufacturing variances were used to decrease inventory levels following the consolidation of branch warehouse inventories into four regional distribution centers. These variances, offset in part by a \$4.9 million favorable impact from a LIFO decrement, reduced 1994 gross margins.

Total operating expenses as a percent of net sales declined to 41.6% compared with 42.7% in 1994 and 45.0% in 1993. The 1995 improvement was a 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 increased by \$27.7 million primarily because of acquisitions, following increases of \$0.5 million in 1994 due to acquisitions, and \$52.5 million in 1993, which resulted from the integration of the Sun Electric acquisition and the commencement of inventory and customer service consolidations. Also included in 1995's operating expense was a provision for the rationalization of warehouses and other cost reduction activities to be implemented in 1996 in certain non-U.S. operations.

Net finance income was \$63.2 million in 1995, \$60.5 million in 1994, and \$61.1 million in 1993. The Corporation uses its financing programs to support sales and does not actively seek to grow finance income as a direct source of earnings growth. The growth in net finance income in 1995 was the result of strong increases in both extended credit receivables and lease receivables, and benefits from programs to control related costs. Lower finance income in 1994 and 1993 reflected an increase in leasing activity to shops in support of equipment sales. Leases typically have a lower effective interest rate than extended credit contracts.

In the fourth quarter of 1995 the Corporation sold \$100 million of its extended credit receivables, with the proceeds used to pay down short-term debt and for working capital and general corporate purposes. This asset securitization will result in a decline in net finance income going forward offset by an equivalent decline in interest expense.

In the first quarter of 1996, the Corporation will adopt 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." The adoption of this standard is expected to be immaterial.

Other income and expenses - Interest expense in 1995 totaled \$13.3 million compared with \$10.8 million in 1994 and \$11.2 million in 1993. The 1995 increase reflected higher borrowings to repurchase stock and finance

acquisitions.

(Amounts in thousands)	1995	1994	1993
Interest expense	\$ (13,327)	\$ (10,806)	\$ (11,198)
Interest income	3,222	2,799	1,971
Other income (expense)	1,350	3,781	(1,215)
	-----	-----	-----
Total other expense	\$ (8,755)	\$ (4,226)	\$ (10,442)
	=====	=====	=====

Income taxes - The Corporation's effective tax rate was 37.0% in 1995, 36.0% in 1994, and 37.1% in 1993. 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 \$67.2 million and non-U.S. tax NOLs of \$19.6 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 1995 the Corporation made three acquisitions, with a total purchase price of \$61.2 million, none of which was individually material. The Corporation increased its ownership interest in Edge Diagnostic Systems ("Edge"), and acquired Herramientas Eurotools, S.A. of Spain ("Eurotools") and Consolidated Devices, Inc. ("CDI"). Edge is a leading developer of software to facilitate the diagnosis of sophisticated vehicle computer systems and to ensure compliance with environmental, safety, and fuel efficiency regulations. The Corporation increased its ownership from 27% to 90%. Eurotools is a leading producer of hand tools, and it will enable the Corporation to expand into multiple distribution channels and markets in Europe. Its three plants extend the Corporation's manufacturing footprint to the European continent. CDI is a leader in torque application and measurement technology. Its product line, which includes a complete range of torque capabilities, will enable the Corporation to take advantage of the trend for more frequent calibration and testing of torque instruments in government, aerospace, and industrial applications.

During 1995, many states delayed adoption and implementation of enhanced emissions-testing programs called for under the Clean Air Act Amendments of 1990, and the U.S. Environmental Protection Agency agreed to allow the states more flexibility in creating customized programs to address automotive emissions issues. The Corporation supports efforts to ensure clean air and is committed to providing the equipment its customers need to participate in emissions-testing programs. The Corporation generally has taken no position in favor of any particular emissions-testing approach. Sun Electric has developed equipment solutions to respond to almost any program states may ultimately adopt, and the Corporation continues to believe that enhanced testing programs are likely, creating significant opportunity. However, because the timing of new programs and the equipment they will require remain uncertain, the Corporation has not relied on anticipated revenues from emissions-testing programs in assessing its ability to achieve its financial objectives.

In September 1994, a subsidiary of the Corporation sold Systems Control, Inc. ("SCI"), which provided centralized emissions-testing services to governmental entities. Prior to the sale, the Corporation guaranteed payment (the "Guaranty") of certain lease obligations in the aggregate amount of \$98.8 million plus an interest factor (the "Lease Obligations"), pursuant to which certain subsidiaries of SCI (the "Tejas Companies") constructed facilities and acquired equipment to perform emissions-testing contracts with the Texas Natural Resources Conservation Commission ("TNRCC"), an agency of the State of Texas. On May 1, 1995 the State of Texas enacted legislation designed to terminate its centralized emissions-testing program and directed the governor to implement a new program. On September 12, 1995 the Tejas Companies filed bankruptcy petitions and subsequently commenced litigation against the TNRCC to assert their rights under the emissions-testing contracts. These contracts obligate the TNRCC to purchase the testing facilities or reimburse costs incurred in the

construction and implementation of the testing program. The TNRCC's obligation is subject to an appropriation of funds by the Texas legislature. The Guaranty has been assigned to the lessor's lenders, who have agreed to forbear, until at least December 31, 1996, from exercising their rights under the Guaranty to accelerate the Lease Obligations. The Corporation has been making regularly scheduled monthly payments on the Lease Obligations since May, 1995 which are included in Intangible and Other Assets on the Corporation's balance sheet. Because the lenders have not exercised their acceleration rights, and management continues to believe it is probable that they will not do so and that the State of Texas will take sufficient action favorable to the Corporation to ultimately enable the Lease Obligations to be satisfied in all material respects, such obligations have not been treated as a liability of the Corporation with a corresponding charge against net income. 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 further discussion of the Guaranty.

Repurchase program - In May 1995, the Corporation completed a program authorized by the Board of Directors to repurchase \$100 million in common shares. A total of 2.8 million shares were repurchased under the program, representing approximately 6.5% of total shares outstanding at the time the repurchase was authorized.

Financial Condition

Overview - The Corporation ended 1995 with a strong financial position and solid capital structure. At the end of 1995 the ratio of total debt to total capital increased to 18.5% from 13.5% as of year-end 1994, reflecting increased borrowing to finance acquisitions and repurchase stock.

Liquidity - The Corporation's working capital declined by \$24.5 million in 1995 after increasing by \$88.6 million in 1994. The decrease reflected the Corporation's more aggressive working capital management practices. The ratio of current assets to current liabilities was 2.8 to 1 at year-end 1995, compared with 3.7 to 1 at year-end 1994. Cash and short-term investments were \$16.2 million, an increase of \$7.2 million from year-end 1994.

Accounts receivable increased by \$41.7 million to \$610.1 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, receivables increased by \$141.7 million, reflecting continued strong growth in equipment finance-type leases provided by the Corporation, additional dealer receivables related to higher sales, and acquisitions. A majority of the Corporation's accounts receivable reflect purchases of dealers' customers' extended purchase agreements. These installment contracts currently average approximately 17 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 1.7% of average accounts receivable, reflecting the effectiveness of the Corporation's credit extension and collections practices.

Inventories increased by \$21.4 million as a result of acquisitions. Inventories to support continuing operations were flat despite higher sales, reflecting the Corporation's ability to match manufacturing activity to order levels based on continuing investments in improved information systems and distribution efficiencies.

(Amounts in thousands)	1995	1994
Current assets	\$946,689	\$873,020
Current liabilities	336,075	237,869
	-----	-----
Working capital	\$610,614	\$635,151
Current ratio	2.8 to 1	3.7 to 1

Short-term debt at the end of 1995 was \$27.1 million, up from \$10.9 million at the end of 1994. Current maturities of long-term debt (classified in Other Accrued Liabilities) were \$0.9 million at the end of 1995 and \$0.3 million at the end of 1994. In addition, at year-end 1995, the Corporation had \$30.0 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 year-end 1995, the Corporation's long-term debt ratings established by Moody's Investor Service and Standard & Poor's were Aa3 and AA. The strength of the Corporation's balance sheet provides the financial flexibility to respond to opportunities for growth internally and through acquisition.

Capital expenditures/Depreciation and amortization - Capital investments declined by \$10.2 million from 1994. Capital expenditures for the year included normal replacement and upgrading of manufacturing facilities and equipment, and upgrading and integration of the Corporation's computer systems. 1994 included \$7.9 million invested in SCI, a developer and operator of centralized emissions-testing facilities, which was sold. The Corporation anticipates capital expenditures totaling approximately \$35 million in 1996.

Depreciation declined \$1.4 million in 1995 from 1994's level. The reduction in real estate owned by the Corporation as a result of the consolidation of its branch and distribution operations, and the sale of SCI more than offset the increased depreciation expense related to acquisitions. 1995 intangible amortization expense increased \$3.3 million. The majority of the increase was due to the write-off of certain research and development in process related to the acquisition of a majority ownership interest in Edge during the year.

(Amounts in thousands)	1995	1994
Capital expenditures	\$31,581	\$41,788
Depreciation and amortization	31,534	29,632

Dividends - The Corporation has paid consecutive quarterly dividends since 1939.

(Amounts in thousands)	1995	1994
Cash dividends paid	\$44,113	\$46,197
Cash dividends per common share	\$1.08	\$1.08
Cash dividends as % of net income	38.9%	47.0%

[Pages 21-35 of Annual Report]

Consolidated Statements of Earnings

(Amounts in thousands except share data)

	1995	1994	1993
Net sales	\$1,292,125	\$1,194,296	\$1,132,010
Cost of goods sold	628,634	585,459	536,282
	-----	-----	-----
Gross profit	663,491	608,837	595,728
Operating expenses	538,021	510,361	509,910

Net finance income	(63,174)	(60,458)	(61,115)
	-----	-----	-----
Operating income	188,644	158,934	146,933
Interest expense	(13,327)	(10,806)	(11,198)
Other income - net	4,572	5,541	756
	-----	-----	-----
Earnings before income taxes	179,889	153,669	136,491
Income taxes	66,559	55,355	50,679
	-----	-----	-----
Net earnings	\$ 113,330	\$ 98,314	\$ 85,812
	=====	=====	=====
Earnings per weighted average common share	\$ 2.76	\$ 2.30	\$ 2.02
	=====	=====	=====
Weighted average common shares outstanding	41,006,671	42,791,916	42,570,783
	=====	=====	=====

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

(Amounts in thousands)

	December 30, 1995	December 31, 1994
Assets		
Current assets		
Cash and cash equivalents	\$ 16,211	\$ 9,015
Accounts receivable, less allowance for doubtful accounts of \$14.7 million in 1995 and \$13.2 million in 1994	610,064	568,378
Inventories	250,434	229,037
Prepaid expenses and other assets	69,980	66,590
	-----	-----
Total current assets	946,689	873,020
Property and equipment - net	220,067	209,142
Deferred income tax benefits	61,471	56,695
Intangible and other assets	132,746	96,048
	-----	-----
Total assets	\$1,360,973	\$1,234,905
	=====	=====
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 75,603	\$ 56,679
Notes payable	26,213	10,631
Accrued compensation	37,769	29,957
Dealer deposits	65,344	65,494
Accrued income taxes	16,106	4,744
Other accrued liabilities	115,040	70,364
	-----	-----
Total current liabilities	336,075	237,869
Long-term debt	143,763	108,980
Deferred income taxes	4,760	6,264
Retiree health care benefits	80,665	76,833
Pension and other long-term liabilities	44,978	38,561
	-----	-----
Total liabilities	610,241	468,507
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 43,571,363 and 43,128,496 shares	43,571	43,128
Additional paid-in capital	74,250	61,827
Retained earnings	753,356	684,139
Foreign currency translation adjustment	(10,758)	(13,384)
Treasury stock at cost - 3,047,200 and 250,000 shares	(109,687)	(9,312)
	-----	-----
Total shareholders' equity	750,732	766,398
	-----	-----
Total liabilities and shareholders' equity	\$1,360,973	\$1,234,905
	=====	=====

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

(Amounts in thousands)	1995	1994	1993
Common stock			
Amount at beginning of year	\$ 43,128	\$ 42,819	\$ 42,415
Shares issued under stock purchase and option plans	425	291	389
Dividend reinvestment plan	18	18	15
	-----	-----	-----
Amount at end of year	43,571	43,128	42,819
Additional paid-in capital			
Amount at beginning of year	61,827	52,153	40,312
Additions from stock purchase and option plans	11,778	8,779	10,477
Tax benefit from certain stock options and other items	-	264	804
Dividend reinvestment plan	645	631	560
	-----	-----	-----
Amount at end of year	74,250	61,827	52,153
Retained earnings			
Amount at beginning of year	684,139	632,022	592,152
Net earnings for the year	113,330	98,314	85,812
Dividends paid in cash - \$1.08 per common share	(44,113)	(46,197)	(45,942)
	-----	-----	-----
Amount at end of year	753,356	684,139	632,022
Foreign currency translation adjustment			
Amount at beginning of year	(13,384)	(16,019)	(10,214)
Net currency translation adjustment for the year	2,626	2,635	(5,805)
	-----	-----	-----
Amount at end of year	(10,758)	(13,384)	(16,019)
Treasury stock at cost			
Amount at beginning of year	(9,312)	(9,312)	(9,312)
Treasury stock purchased at cost	(100,375)	-	-
	-----	-----	-----

Amount at end of year	(109,687)	(9,312)	(9,312)
	-----	-----	-----
Total shareholders' equity	\$750,732	\$766,398	\$701,663
	=====	=====	=====

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

(Amounts in thousands)

	1995	1994	1993
Operating activities			
Net earnings	\$113,330	\$ 98,314	\$ 85,812
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	25,503	26,893	29,006
Amortization of intangibles	6,031	2,739	3,125
Deferred income tax provision	(10,098)	(1,103)	(7,993)
Gain on sale of assets	(236)	(2,938)	(569)
Changes in operating assets and liabilities, net of effects of acquisitions:			
Increase in receivables	(18,267)	(27,256)	(36,869)
(Increase) decrease in inventories	(121)	32,331	(35,017)
Increase in prepaid expenses	(3,989)	(15,470)	(10,938)
Increase (decrease) in accounts payable	10,786	(1,453)	11,915
Increase (decrease) in accruals, deposits, and other long-term liabilities	49,961	(4,882)	(9,057)
	-----	-----	-----
Net cash provided by operating activities	172,900	107,175	29,415
Investing activities			
Capital expenditures	(31,581)	(41,788)	(33,248)
Acquisitions of businesses	(37,965)	(23,332)	(14,657)
Disposition of business	-	26,611	-
Disposal of property and equipment	5,961	10,017	11,261
Increase in other noncurrent assets	(7,627)	(3,219)	(10,163)
	-----	-----	-----
Net cash used in investing activities	(71,212)	(31,711)	(46,807)
Financing activities			
Payment of long-term debt	(99,150)	(807)	(752)
Increase in long-term debt	133,513	427	9,428
Increase (decrease) in notes payable and short-term borrowings	3,109	(35,826)	354
Purchase of treasury stock	(100,375)	-	(9,312)
Proceeds from stock purchase and option plans	12,866	9,983	12,245
Cash dividends paid	(44,113)	(46,197)	(45,942)
	-----	-----	-----
Net cash used in financing activities	(94,150)	(72,420)	(33,979)
Effect of exchange rate changes on cash	(342)	(758)	(873)
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	7,196	2,286	(52,244)
Cash and cash equivalents at			

beginning of year	9,015	6,729	58,973
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 16,211	\$ 9,015	\$ 6,729
	=====	=====	=====

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 and 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 Diagnostic Systems. Significant intercompany accounts and transactions have been eliminated.

d. Accounting period: The Corporation's accounting period ends on the Saturday nearest December 31. The 1995, 1994, and 1993 years ended on December 30, 1995, December 31, 1994, and January 1, 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.

h. Intangibles: 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.

Goodwill, net of accumulated amortization, was \$78.0 million and \$52.5 million at the end of 1995 and 1994. Goodwill amortization was \$3.9 million, \$3.2 million, and \$2.8 million for 1995, 1994, and 1993.

Accumulated amortization of goodwill was \$13.3 million and \$9.4 million at the end of 1995 and 1994.

i. Research and engineering: Research and engineering costs are charged to expense in the year incurred. For 1995, 1994, and 1993, these costs were \$33.9 million, \$30.6 million, and \$27.7 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. Franchise fee revenue: 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. The amounts deferred and expensed are not material to the consolidated financial statements.

o. Accounting standards: In 1995, 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," was issued. The Corporation will adopt SFAS No. 121 during the first quarter of 1996. The Corporation does not anticipate that adoption of this standard will have a material impact on the consolidated financial statements.

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

Note 2 - Inventories

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

(Amounts in thousands)	1995	1994
Finished stock	\$ 264,184	\$ 266,792
Work in process	39,977	26,316
Raw materials	56,191	43,907
Excess of current cost over LIFO cost	(109,918)	(107,978)
	-----	-----
Total inventory	\$ 250,434	\$ 229,037
	=====	=====

Inventories accounted for using the last-in, first-out (LIFO) cost method approximated 63% and 65% of total inventory as of year-end 1995 and 1994.

During 1995 and 1994, the Corporation liquidated inventories that were carried at lower costs prevailing in prior years. The effect of these

liquidations was to increase income before taxes by \$1.2 million and \$4.9 million in 1995 and 1994.

Note 3 - Property and Equipment

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

(Amounts in thousands)	1995	1994
Land	\$ 22,875	\$ 18,394
Buildings and improvements	149,087	134,038
Machinery and equipment	296,916	301,175
	-----	-----
	468,878	453,607
Less accumulated depreciation	(248,811)	(244,465)
	-----	-----
Property and equipment - net	\$ 220,067	\$ 209,142
	=====	=====

Note 4 - Litigation

At January 31, 1996, the Corporation was a party to various pending legal proceedings in which approximately 19 U.S. dealers (most of whom are former dealers), and in some cases their spouses, have asserted claims against the Corporation. In addition, at January 31, 1996, approximately 59 current or former dealers have threatened to assert claims against the Corporation. This compares with approximately 26 pending and approximately 81 threatened dealer claims at January 31, 1995. The Corporation believes that it has established reasonable reserves and does not expect the costs, losses, and settlements of these claims to exceed the reserves established.

During 1995, 1994, and 1993, the Corporation charged earnings a total of approximately \$4.9 million, \$7.9 million, and \$17.8 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 and its actuarial consultant, 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 \$28.5 million and \$28.2 million at the end of 1995 and 1994. Gross installment receivables amounted to \$433.1 million and \$488.0 million at the end of 1995 and 1994. Of these amounts, \$59.6 million and \$92.5 million represented unearned finance charges at the end of 1995 and 1994.

The Corporation has an agreement with a financial institution to sell, on an ongoing basis and with full recourse, up to \$43.7 million of dealer start-up loan receivables. During 1995 and 1994, the Corporation sold \$29.5 million and \$19.2 million of these receivables to the financial institution. At the end of 1995 and 1994, \$40.1 million and \$18.0 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 provide for a maximum of \$150 million of such accounts receivable to be sold and remain outstanding at any one time. Under these agreements, \$100.0 million of interest-bearing installment receivables were sold, on a revolving basis, in October 1995. The agreement for revolving purchases terminates in October 1996. The sale is reflected as a reduction of accounts receivable in the accompanying 1995 consolidated balance sheet and as operating cash flows in the accompanying 1995

consolidated statement of cash flows. The impact of the sale on the 1995 consolidated statement 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 \$26.2 million and \$10.6 million at the end of 1995 and 1994.

Commercial notes payable totaled \$30.0 million and \$95.5 million at the end of 1995 and 1994. The \$30 million of 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 .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 December 30, 1995. The \$30 million of commercial paper outstanding that was classified as long term and supported by this credit commitment had an average interest rate of 5.9% at December 30, 1995.

Under the commitment, the Corporation must maintain a specific level of consolidated tangible net worth and meet certain leverage and subsidiary indebtedness ratios, and certain capital transactions are restricted. At the end of 1995, the Corporation was in compliance with all covenants of the commitment.

Maximum short-term borrowings outstanding at the end of any month in 1995 and 1994 were \$154.7 million and \$73.4 million. The average outstanding borrowings were \$69.2 million in 1995 and \$52.6 million in 1994. The weighted average interest rates for 1995 and 1994 were 5.9% and 5.1%. The weighted average interest rate on outstanding short-term and long-term borrowings at December 30, 1995 and December 31, 1994 was 6.9% and 7.5%.

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

(Amounts in thousands)	1995	1994
Senior unsecured indebtedness	\$100,000	\$ -
Borrowings supported by a revolving credit commitment	30,000	95,500
Other long-term debt	14,676	13,795
	-----	-----
	144,676	109,295
Less: current maturities	(913)	(315)
	-----	-----
Total long-term debt	\$143,763	\$108,980
	=====	=====

The annual maturities of the Corporation's long-term debt due in the next five years are \$0.9 million in 1996, \$8.2 million in 1997, \$0.2 million in 1998, \$0.2 million in 1999, and \$30.5 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 \$13.0 million, \$11.6 million, and \$11.9 million for 1995, 1994, and 1993.

Note 7 - Income Taxes

The provision for income taxes consists of the following:

(Amounts in thousands)	1995	1994	1993
Current:			
Federal	\$49,239	\$36,279	\$33,452
Foreign	18,339	14,091	17,741
State	9,079	6,088	7,479
	-----	-----	-----
Total current	76,657	56,458	58,672
Deferred:			
Federal	(8,895)	(684)	(6,568)
Foreign	(176)	(517)	(919)
State	(1,027)	98	(506)
	-----	-----	-----
Total deferred	(10,098)	(1,103)	(7,993)
	-----	-----	-----
Total income tax provision	\$66,559	\$55,355	\$50,679
	=====	=====	=====

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

	1995	1994	1993
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	2.5	2.7	3.2
Foreign sales corporation tax benefit	(1.8)	(1.9)	(1.9)
Foreign losses without tax benefit	0.5	0.2	0.9
Adjustment for rate change on deferred taxes	-	-	(1.6)
Other	0.8	-	1.5
	-----	-----	-----
Effective tax rate	37.0%	36.0%	37.1%
	=====	=====	=====

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

(Amounts in thousands)	1995	1994	1993
Current deferred income tax benefit:			
Inventories	\$16,534	\$15,007	\$ 9,946
Accruals and reserves not currently deductible	15,136	19,217	21,846
Other	2,956	302	(201)
	-----	-----	-----
Total current (included in prepaid expenses)	34,626	34,526	31,591
Long-term deferred income tax benefit:			
Employee benefits	50,017	44,215	41,922

Net operating losses	30,313	30,124	29,650
Depreciation	(18,118)	(17,239)	(15,477)
Other	4,661	3,200	(150)
Valuation allowance	(10,162)	(9,869)	(9,539)
	-----	-----	-----
Total long-term	56,711	50,431	46,406
	-----	-----	-----
Net deferred income tax benefit	\$91,337	\$84,957	\$77,997
	=====	=====	=====

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 \$3.8 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 net operating loss carryforwards ("NOLs") acquired from acquisitions totaling \$67.2 million that expire as follows: 1997-\$5.1 million, 1999-\$11.3 million, 2000-\$13.4 million, 2002-\$1.3 million, 2003-\$14.1 million, 2004-\$1.6 million, 2005-\$14.0 million, 2006-\$1.4 million, 2007-\$1.1 million, and 2010-\$3.9 million. The Corporation also has non-U.S. tax NOLs of \$19.6 million resulting from operations primarily in Australia, Canada, Mexico, and the Netherlands. These losses expire as follows: 1996-\$0.5 million, 1997-\$0.3 million, 1998-\$0.1 million, 1999-\$0.4 million, 2000-\$1.6 million, 2001-\$0.3 million, and 2002-\$0.2 million. The remaining non-U.S. tax net operating losses of \$16.2 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 \$6.7 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 \$100.2 million, \$85.4 million, and \$66.9 million at the end of 1995, 1994, and 1993. 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 \$63.5 million, \$65.9 million, and \$73.6 million in 1995, 1994, and 1993.

Note 8 - Financial Instruments

Foreign Exchange Contracts: The Corporation enters into foreign currency contracts to manage its exposure to foreign currency fluctuations in payables denominated in foreign currencies. Gains and losses on these contracts are recognized currently and were not material. These forward exchange contract transactions generally mature monthly, at which time they are replaced with new contracts. At December 30, 1995, the Corporation had forward exchange contracts to exchange British pounds and Spanish pesetas for a U.S. dollar equivalent of approximately \$23.1 million. These forward exchange contract transactions matured in January 1996 and resulted in no material gain or loss. The amount of foreign exchange contracts outstanding throughout 1995 ranged from \$16.8 million to \$35.7 million in U.S. dollar equivalents.

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.

In November 1995, a \$25.0 million swap agreement from 1994 matured and was not renewed. Also during 1995, the Corporation entered into ten-year interest rate swap agreements totaling \$10.5 million involving the exchange of floating interest rate payment obligations for fixed rate payment obligations without the exchange of the underlying principal amounts. At December 30, 1995 and December 31, 1994, the notional principal amount totaled \$30.5 million and \$45.0 million. The counterparty to these agreements is a U.S. branch of a major foreign bank.

Credit Concentrations: The Corporation is exposed to credit losses in the event of non-performance by the counterparties to its interest rate swap and foreign exchange contracts. The Corporation does not anticipate non-performance 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 30, 1995 and December 31, 1994, the fair value was approximately \$407.7 million and \$450.0 million versus a book value of \$373.5 million and \$395.5 million.

Interest rate swap agreement(s): The fair value of the agreement(s) was based on a quote from the financial institution with which the Corporation executed the transaction(s). As of December 30, 1995 the cost to terminate the agreement(s) was \$2.0 million. As of December 31, 1994 the Corporation would have realized a gain of \$1.0 million upon termination of the agreement(s).

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 substantially all employees, including certain employees in foreign countries. Retirement benefits are 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 using the actuarially computed entry age normal cost method, which includes, as to 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)	1995	1994	1993
Service cost - benefits earned during year	\$10,813	\$12,146	\$ 9,331
Interest cost on projected benefits	23,764	22,112	20,012
Less actual return on plan assets	(53,895)	(1,949)	(31,069)
Net amortization and deferral:			
Actual return on plan assets in excess of (less than) projected return	28,721	(20,226)	9,950
Amortization of net assets at transition	(1,401)	(1,082)	(1,092)
Other	1,431	591	458
	-----	-----	-----
Net pension expense	\$ 9,433	\$11,592	\$ 7,590
	=====	=====	=====

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

(Amounts in thousands)	Assets Exceed Accumulated Benefits	1995 Accumulated Exceed Assets	Assets Exceed Accumulated Benefits	1994 Accumulated Exceed Assets
Actuarial present value of accumulated benefits:				
Vested benefits	\$173,865	\$63,180	\$142,414	\$53,286
Non-vested benefits	28,970	8,238	24,782	6,084
	-----	-----	-----	-----
Accumulated benefit obligation	202,835	71,418	167,196	59,370
Effect of projected future salary increases	45,949	5,153	38,393	3,574
	-----	-----	-----	-----
Projected benefit obligation	248,784	76,571	205,589	62,944
Plan assets at market value	262,293	64,738	218,671	54,571
	-----	-----	-----	-----
Plan assets in excess of (less than) projected benefit obligation	13,509	(11,833)	13,082	(8,373)
Unrecognized net assets at year-end	(6,230)	(1,744)	(7,095)	(4,833)
Unrecognized net (gain) or loss from experience different from assumed	(49,356)	(489)	(45,549)	(107)
Unrecognized prior service cost	4,956	5,309	5,412	4,269
Additional minimum liability	-	(846)	-	(1,066)
	-----	-----	-----	-----
Pension liability	\$ (37,121)	\$ (9,603)	\$ (34,150)	\$ (10,110)
	=====	=====	=====	=====

The actuarial present value of the projected benefit obligation was determined using a discount rate of 7.75%, 8.5%, and 7.25% for 1995, 1994, and 1993. 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 three years reported.

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

The pension liability for 1995 consists of a current liability of \$4.7 million and a long-term liability of \$42.0 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, the 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 under certain circumstances, and these plans contain provisions allowing for benefit and coverage changes. The plans include provisions for retirees to contribute amounts estimated to exceed a capped per retiree annual cost commitment by the Corporation. 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)	1995	1994	1993
Net periodic cost			
Service cost - benefits attributed to service during the period	\$1,707	\$2,139	\$1,613
Interest cost on accumulated postretirement benefit obligation	5,228	5,081	4,888
Amortization of unrecognized net gain	(622)	-	(331)
	-----	-----	-----
Net postretirement health care expense	\$6,313	\$7,220	\$6,170
	=====	=====	=====

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

(Amounts in thousands)	1995	1994
Accumulated postretirement benefit obligation		
Retirees	\$37,215	\$37,030
Fully eligible active plan participants	10,810	9,281
Other active plan participants	23,642	20,938
	-----	-----
Accumulated postretirement benefit obligation	71,667	67,249
Unrecognized net gain	11,998	12,847
	-----	-----
Postretirement liability	\$83,665	\$80,096
	=====	=====

The accumulated postretirement benefit obligation at the end of 1995 consists of a current liability of \$3.0 million and a long-term liability of \$80.7 million. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.75%, 8.5%, and 7.25% at the end of 1995, 1994, and 1993.

The actuarial calculation assumes a health care trend rate of 9.9% in 1996 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 8.5% was assumed in 1996, decreasing to 5.0% in the year 2007 and thereafter.

As of December 30, 1995, a one percentage point increase in the health care cost trend rate for future years would increase the accumulated postretirement benefit obligation by \$1.7 million and the service cost and interest cost components by \$0.3 million.

Note 11 - Corporation Stock Option and Purchase Plans

The Corporation has a stock option plan for directors, officers, and key employees with expiration dates on the options ranging from 1996 to 2005. The plan provides that options be granted at exercise prices equal to market value on the date the option is granted.

	Number of Shares	Option Price Per Share
Options outstanding at January 2, 1993	1,834,007	\$ 20.56 - 38.13
Granted	532,619	31.75 - 35.00
Exercised	(361,057)	20.56 - 35.50
Surrendered	(106,905)	20.56 - 35.50

Options outstanding at January 1, 1994	1,898,664	20.56 - 38.13
Granted	40,500	36.75 - 37.25
Exercised	(203,445)	20.56 - 35.00
Surrendered	(182,502)	20.56 - 31.75

Options outstanding at December 31, 1994	1,553,217	20.56 - 38.73
Granted	476,500	31.38 - 43.75
Exercised	(344,029)	20.56 - 35.50
Surrendered	(19,860)	20.56 - 35.50

Options outstanding at December 30, 1995	1,665,828	\$20.56 - 43.75
	=====	
Shares exercisable at December 30, 1995	1,415,157	
	=====	
Shares reserved for future grants	1,261,593	
	=====	

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 1995, 1994, and 1993, shares issued under the dividend reinvestment and stock purchase plan totaled 17,711, 17,991, and 15,485. At December 30, 1995, 915,790 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 1995, 1994, and 1993, shares issued under the employee stock ownership plan totaled 48,939, 43,205, and 44,563. During 1995, the Board of Directors authorized and the shareholders approved an additional 650,000 shares for issuance under this plan. At December 30, 1995, shares totaling 695,343 were reserved for issuance to employees under this plan, and the Corporation held contributions of approximately \$1.4 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 1995, 1994, and 1993, shares issued under the dealer stock ownership plan totaled 56,467, 50,126, and 4,683. During 1995, the Board of Directors approved an additional 500,000 shares for issuance under this plan. At December 30, 1995, 588,376 shares were reserved for issuance to franchised dealers under this plan, and the Corporation held contributions of approximately \$1.7 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 Corporation stock. Directors may elect to defer receipt of all or part of these shares. For 1995, 1994, and 1993, shares issued under the Directors' Fee Plan totaled 5,742, 1,545, and 184. Additionally, receipt of 1,725, 602, and 1,004 shares were deferred in 1995, 1994, and 1993. At December 30, 1995, 189,198 shares were reserved for issuance to directors under this plan.

In October 1995, Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," was issued. Beginning in 1996, the Corporation will begin to make pro forma disclosures of stock-based compensation cost utilizing the fair-value-based method of accounting pursuant to SFAS No. 123, but it currently intends to continue to report stock-based compensation expense in its consolidated financial statements for years following 1995 under the intrinsic-value-based method permitted under Accounting Principles Board Opinion No. 25 and SFAS No. 123.

Note 12 - Capital Stock

In May 1995, the Corporation completed a \$100 million Share Repurchase Program authorized by the Board of Directors in January 1995. The Corporation repurchased 2.8 million shares under the program at an average price of \$35.74 per share.

The Board of Directors declared on October 23, 1987, and amended on May 22, 1992, and January 28, 1994, a dividend distribution of one preferred stock purchase right for each share of the Corporation's outstanding common stock. The rights are exercisable only if a person or group acquires or publicly announces a tender offer for 15% or more of the Corporation's common stock ("Acquiring Person"). Each right may then be exercised to purchase one one-hundredth of a share of Series A Junior Preferred Stock for \$125. Investors who acquire more than 15% and less than 25% of the Corporation's stock without the intent or purpose to change or influence the control of the Corporation are exempt from the definition of "Acquiring Person." If the Corporation is acquired in a merger or other business combination not approved by the Board of Directors, each holder of a right, other than those held by the acquiring person or group, will be entitled to purchase one share of common stock of the surviving company having a market value equivalent to two times the current purchase price, thereby causing 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 acquires 15% or more of the Corporation's common stock. The rights of redemption may be reinstated in connection with the consummation of a merger or other business combination that has been approved by 67% of the outstanding shares not held by 15% shareholders and their affiliates.

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)
1996	\$14,746
1997	10,132
1998	6,860
1999	4,991
2000	3,653
2001 and thereafter	12,988

Rent expenses for worldwide facilities and computer equipment were \$14.4 million, \$11.8 million, and \$10.1 million in 1995, 1994, and 1993.

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.

On May 1, 1995, the State of Texas enacted legislation designed to terminate the centralized testing program described in the emissions-testing contracts and directed the governor of the State of Texas to implement a new program after negotiations with the EPA. 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 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. 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 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 December 31, 1996 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 has been making monthly payments on the Lease Obligations since May 1995 and has paid approximately \$14 million through December 30, 1995. These payments are included in Intangible and Other Assets in the accompanying consolidated balance sheets. It is expected that these payments will total approximately \$36 million through December 31, 1996.

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 1997 legislative session is scheduled to begin January 14, 1997. The primary basis for such a development arises under the original contracts to perform centralized emissions testing. Those contracts obligate the TNRCC to purchase the Tejas Companies' testing facilities or 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 has affirmed such obligation. The Tejas Companies are pursuing the cost reimbursement process described in the emissions-testing contracts. A second potential basis is that the TNRCC's obligation could be satisfied in whole or in part in various other ways including an arrangement negotiated among the State of Texas, the Tejas Companies, and the Corporation under which, for example, State agencies would use the testing facilities and/or some of the facilities would be used in a new emissions-testing program developed in accordance with the May 1995 legislation. The emissions-testing program announced on November 10, 1995 by the governor appears to include little use of the facilities. Accordingly, at the present time, satisfaction of the Lease Obligations through significant use of the facilities in a new program now appears unlikely.

If the Lenders, upon expiration of the forbearance agreement, exercise acceleration rights or the Corporation determines it is probable they will do so, then the remaining Lease Obligations will be treated as a liability of the Corporation until they are discharged. However, in such event, the Corporation believes there are ways by which it will have the opportunity to recover funds it has delivered or may deliver in the future under the Guaranty. Described previously are two ways by which the Tejas Companies may receive funds to enable them to discharge the Lease Obligations, which would benefit the Corporation to the extent it has satisfied the Lease Obligations. In addition, if the Corporation must satisfy the Lease Obligations and the TNRCC does not purchase the test facilities, reimburse costs, or otherwise honor its contractual obligations, then the Lender's interests in the testing facilities and equipment ultimately accrue to the Corporation.

Based upon discussions with Texas officials and management's belief that the State of Texas will take sufficient action favorable to the Corporation, by appropriating funds to enable the TNRCC to fulfill its contractual obligations or otherwise, to enable the State of Texas to honor in all material respects the TNRCC's contractual obligations, 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.

Note 14 - Reporting Segments

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

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

	United States	Europe	Other non-U.S. Subsidiaries	Eliminations	Consolidated
Net sales to unaffiliated customers					
1995	\$ 951,912	\$183,301	\$156,912	\$ -	\$1,292,125
1994	862,189	191,648	140,459	-	1,194,296
1993	807,469	198,941	125,600	-	1,132,010
Transfers between geographic areas					
1995	\$ 140,251	\$ 2,478	\$ 23,037	\$ (165,766)	-
1994	149,986	2,670	9,793	(162,449)	-
1993	105,846	2,595	10,486	(118,927)	-

Earnings from operations					
1995	\$ 169,236	\$ 6,201	\$ 17,648	\$ (4,441)	\$ 188,644
1994	127,893	21,444	14,217	(4,600)	158,954
1993	112,324	22,023	14,560	(1,974)	146,933
Identifiable assets					
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
1993	1,007,269	140,735	96,655	(25,726)	1,218,933

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. In computing earnings from operations for foreign subsidiaries, no allocations of general corporate expenses, interest, or income taxes have been made.

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Quarterly Financial Information

Unaudited

(Amounts in thousands except per share data)

	1995	1994	1993
Net sales			
1st Quarter	\$ 309,107	\$ 298,777	\$ 270,674
2nd Quarter	326,816	298,752	272,718
3rd Quarter	309,065	278,359	271,096
4th Quarter	347,137	318,408	317,522
	-----	-----	-----
	\$1,292,125	\$1,194,296	\$1,132,010
	=====	=====	=====
Gross profit			
1st Quarter	\$ 159,269	\$ 153,470	\$ 138,938
2nd Quarter	167,247	156,087	146,839
3rd Quarter	158,039	140,771	140,759
4th Quarter	178,936	158,509	169,192
	-----	-----	-----
	\$ 663,491	\$ 608,837	\$ 595,728
	=====	=====	=====
Net earnings			
1st Quarter	\$ 26,460	\$ 22,834	\$ 18,504
2nd Quarter	29,718	26,099	22,362
3rd Quarter	26,329	22,706	20,536
4th Quarter	30,823	26,675	24,410
	-----	-----	-----
	\$ 113,330	\$ 98,314	\$ 85,812
	=====	=====	=====
Earnings per common share			
1st Quarter	\$.62	\$.54	\$.44
2nd Quarter	.73	.61	.52
3rd Quarter	.65	.53	.48
4th Quarter	.76	.62	.58
	-----	-----	-----
	\$ 2.76	\$ 2.30	\$ 2.02
	=====	=====	=====

Eleven-Year Data

(Amounts in thousands except share data)

	1995	1994	1993	1992	1991	1990
Summary of operations						
Net sales	\$1,292,125	\$1,194,296	\$1,132,010	\$983,800	\$881,591	\$931,533
Gross profit	663,491	608,837	595,728	509,413	437,685	469,149
Operating expenses	538,021	510,361	509,910	457,384	370,708	359,266

Net finance income	63,174	60,458	61,115	63,646	56,890	53,182
Operating income	188,644	158,934	146,933	115,675	123,867	163,065
Interest expense	13,327	10,806	11,198	5,969	5,250	6,762
Other income (expense) - net	4,572	5,541	756	(131)	(91)	3,557
Pre-tax earnings	179,889	153,669	136,491	109,575	118,526	159,860
Income taxes	66,559	55,355	50,679	43,600	45,300	59,100
Net earnings	113,330	98,314	85,812	65,975	34,277**	100,760
Financial position						
Current assets	\$ 946,689	\$ 873,020	\$ 854,598	\$832,603	\$666,623	\$675,038
Current liabilities	336,075	237,869	308,037	317,074	176,650	236,802
Working capital	610,614	635,151	546,561	515,529	489,973	438,236
Accounts receivable	610,064	568,378	539,949	508,092	461,596	459,381
Inventories	250,434	229,037	249,102	216,262	160,148	182,065
Property and equipment - net	220,067	209,142	224,810	226,498	206,481	210,414
Total assets	1,360,973	1,234,905	1,218,933	1,172,413	915,374	907,854
Long-term debt	143,763	108,980	99,683	93,106	7,179	7,275
Shareholders' equity	750,732	766,398	701,663	664,665	652,719	636,403
Common share summary*						
Net earnings per share	\$ 2.76	\$ 2.30	\$ 2.02	\$ 1.56	\$.82**	\$ 2.45
Cash dividends paid per share	1.08	1.08	1.08	1.08	1.08	1.08
Shareholders' equity per share	18.53	17.87	16.48	15.67	15.46	15.42
Average shares outstanding	41,006,671	42,791,916	42,570,783	42,343,781	41,821,768	41,207,563
Other financial statistics						
Cash dividends paid	\$ 44,113	\$ 46,197	\$ 45,942	\$ 45,718	\$ 45,086	\$ 44,505
Dividends paid as a percent of net earnings	38.9%	47.0%	53.5%	69.3%	61.6%***	44.2%
Capital expenditures	31,581	41,788	33,248	21,081	23,447	44,353
Depreciation and amortization	31,534	29,632	32,131	29,457	25,619	25,914
Current ratio	2.8	3.7	2.8	2.6	3.8	2.9
Total debt to total capital	18.5%	13.5%	19.3%	19.5%	1.2%	11.7%
Effective tax rate	37.0%	36.0%	37.1%	39.8%	38.2%	37.0%
Pre-tax earnings as a percent of net sales	13.9%	12.9%	12.1%	11.1%	13.4%	17.2%
Net earnings as a percent of net sales	8.8%	8.2%	7.6%	6.7%	8.3%***	10.8%
After-tax return on average shareholders' equity	14.9%	13.4%	12.6%	10.0%	11.4%***	16.7%
Common stock price range*	47 1/4-31	44 3/8-29	44 1/2-30 1/2	40-27 3/4	34 1/2-27 3/8	38-26 1/4
	1989	1988	1987	1986	1985	
Summary of operations						
Net sales	\$890,792	\$854,592	\$754,303	\$670,086	\$591,278	
Gross profit	439,861	431,748	377,167	331,950	298,056	
Operating expenses	320,178	287,712	252,115	230,489	205,984	
Net finance income	47,202	37,991	30,508	25,443	19,748	
Operating income	166,885	182,027	155,560	126,904	111,820	
Interest expense	3,298	2,637	2,788	2,672	2,703	
Other income (expense) - net	1,923	3,432	3,024	2,264	2,715	
Pre-tax earnings	165,510	182,822	155,796	126,496	111,832	
Income taxes	60,800	69,500	67,200	61,000	52,100	
Net earnings	104,710	113,322	88,596	65,496	59,732	
Financial position						
Current assets	\$564,623	\$504,980	\$470,516	\$392,172	\$360,813	
Current liabilities	179,476	142,337	131,420	112,303	92,506	
Working capital	385,147	362,643	339,096	279,869	268,307	
Accounts receivable	403,926	336,588	277,357	226,551	197,689	
Inventories	137,106	139,460	120,083	124,845	113,061	
Property and equipment - net	195,020	146,371	128,082	115,144	98,134	
Total assets	777,603	667,538	615,817	526,580	459,854	
Long-term debt	7,700	8,125	12,622	16,061	17,674	
Shareholders' equity	572,657	505,202	457,536	382,952	337,328	
Common share summary*						
Net earnings per share	\$ 2.55	\$ 2.72	\$ 2.13	\$1.59	\$1.46	
Cash dividends paid per share	1.04	.88	.70	.61	.58	
Shareholders' equity per share	13.93	12.35	10.97	9.28	8.24	
Average shares outstanding	41,038,978	41,603,128	41,525,145	41,168,798	40,873,186	
Other financial statistics						
Cash dividends paid	\$ 42,655	\$ 36,681	\$ 29,060	\$ 25,110	\$ 23,700	
Dividends paid as a percent of net earnings	40.7%	32.4%	32.8%	38.3%	39.7%	
Capital expenditures	72,136	37,949	30,921	32,319	24,587	
Depreciation and amortization	21,865	18,699	16,597	14,862	12,787	
Current ratio	3.1	3.5	3.6	3.5	3.9	
Total debt to total capital	7.3%	1.7%	3.4%	5.1%	5.6%	
Effective tax rate	36.7%	38.0%	43.1%	48.2%	46.6%	
Pre-tax earnings as a percent of net sales	18.6%	21.4%	20.7%	18.9%	18.9%	
Net earnings as a percent of net sales	11.8%	13.3%	11.7%	9.8%	10.1%	
After-tax return on average shareholders' equity	19.4%	23.5%	21.1%	18.2%	18.8%	
Common stock price range*	41 7/8-28 7/8	44 7/8-32 3/4	46 1/2-24 1/4	32 1/8-20 3/8	21-16	

*Adjusted for two-for-one stock split in 1986.

**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 \$1.75.

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

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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 30, 1995 and December 31, 1994, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended December 30, 1995. 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 30, 1995 and December 31, 1994, and the consolidated results of their operations and cash flows for each of the three years in the period ended December 30, 1995, in conformity with generally accepted accounting principles.

Arthur Andersen LLP
Milwaukee, Wisconsin
January 24, 1996

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Investor Information

Common Stock High/Low Prices

Quarter	1995	1994
First	\$36 7/8 - 31	\$44 3/8 - 37 5/8
Second	39 3/4 - 33 5/8	41 3/8 - 34 3/4
Third	42 1/4 - 38	38 3/8 - 33 1/4
Fourth	47 1/4 - 37 7/8	35 1/8 - 29

Dividends Per Common Share

Quarter	1995	1994
First	\$.27	\$.27
Second	.27	.27
Third	.27	.27
Fourth	.27	.27
	-----	-----
Total	\$1.08	\$1.08
	=====	=====

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
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.

Dividend Record and Pay Dates for 1996

Quarter	Record Date	Pay Date
First	February 20	March 11
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 29, 1995, was

9,657.

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 the General Offices, 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.

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 26, 1996.

Corporate Offices

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

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
Sioux Tools, Inc.	Iowa
Snap-on Credit Corporation	Wisconsin
Snap-on Financial Services, Inc.	Nevada
Snap-on Global Holdings, Inc.	Delaware
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

<ARTICLE> 5

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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 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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