STANLEY WORKS
Form DEF 14A
March 20, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

The Stanley Works

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

March 20, 2009

Dear Fellow Shareholder:

You are cordially invited to attend the Annual Meeting of shareholders of The Stanley Works (Stanley or the Company) to be held at 9:30 a.m. on April 23, 2009, at the Stanley Center for Learning and Innovation, 1000 Stanley Drive, New Britain, Connecticut 06053 (see directions at the end of this booklet).

This booklet includes the Notice of Annual Meeting and the Proxy Statement. The Proxy Statement describes the business to be conducted at the Annual Meeting and provides other important information about the Company that you should be aware of when you vote your shares.

The Board appreciates and encourages your participation. Whether or not you plan to attend the meeting, it is important that your shares be represented. **PLEASE COMPLETE, SIGN, DATE AND MAIL THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED OR REGISTER YOUR VOTE BY TELEPHONE OR ON THE INTERNET AT YOUR EARLIEST CONVENIENCE.**

Very truly yours,

John F. Lundgren
Chairman and Chief Executive Officer

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

March 20, 2009

To the Shareholders:

The Annual Meeting of shareholders of The Stanley Works will be held at the Stanley Center for Learning and Innovation, 1000 Stanley Drive, New Britain, Connecticut 06053 on April 23, 2009, at 9:30 a.m. for the following purposes:

(1) To elect three directors to the Board of Directors of The Stanley Works.

(2) To approve Ernst & Young LLP as independent auditors for the year 2009.

(3) To approve The Stanley Works 2009 Long-Term Incentive Plan.

(4) To vote on a shareholder proposal urging the Board of Directors to take the necessary steps to require that all members of the Board of Directors be elected annually.

(5) To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Shareholders of record at the close of business on February 27, 2009 are entitled to vote at the meeting and any adjournment or postponement thereof.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on April 23, 2009: This Proxy Statement together with the Form of Proxy and our Annual Report are available free of charge by clicking on SEC Filings under the Investor section of the Company s website (www.stanleyworks.com).

Bruce H. Beatt
Secretary

THE STANLEY WORKS

1000 Stanley Drive

New Britain, Connecticut 06053

Telephone: 860-225-5111

PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS APRIL 23, 2009

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of The Stanley Works, a Connecticut corporation, to be voted at the 2009 Annual Meeting of shareholders, and any adjournment or postponement thereof (the Annual Meeting), to be held on the date, at the time and place, and for the purposes set forth in the foregoing notice. No business may be transacted at the Annual Meeting other than the business specified in the notice of the Annual Meeting, business properly brought before the Annual Meeting at the direction of the Board of Directors, and business properly brought before the Annual Meeting by a shareholder who has given notice to the Company s Secretary that was received after November 25, 2008 and before December 26, 2008. No such notice has been received. Management does not know of any matters to be presented at the Annual Meeting other than the matters described in this proxy statement. If, however, other business is properly presented at the Annual Meeting, the proxy holders named in the accompanying proxy will vote the proxy in accordance with their best judgment.

This Proxy Statement, the accompanying notice of the Annual Meeting and the enclosed proxy card are first being mailed to shareholders on or about March 20, 2009.

ITEM 1 ELECTION OF DIRECTORS

At the 2009 Annual Meeting, the shareholders will elect three directors to the Board of Directors. The nominations to the Board of Directors are set forth below. Those elected as directors will serve until the Annual Meeting of shareholders indicated and until the particular director s successor has been elected and qualified.

The Board of Directors unanimously recommends a vote FOR the nominees. If for any reason any nominee should not be a candidate for election at the time of the meeting, the proxies may be voted, at the discretion of those named as proxies, for a substitute nominee.

Information Concerning Nominees for Election as Directors

PATRICK D. CAMPBELL, Senior Vice President and Chief Financial Officer of 3M Company. Mr. Campbell has held this position since joining 3M in 2002. Prior to his tenure with 3M, Mr. Campbell was Vice President of Finance in Europe for General Motors Corporation where he served in various finance related positions during his 25 year career with that company.

Mr. Campbell is 56 years old and has been a director since October 1, 2008. He is a member of the Audit Committee and the Finance and Pension Committee.

If elected, Mr. Campbell s term will expire at the 2012 Annual Meeting.

EILEEN S. KRAUS, retired, served as Chairman, Fleet Bank, Connecticut, a subsidiary of Fleet Boston Financial, from 1995 to 2000. She had been President, Shawmut Bank Connecticut, N.A., and Vice Chairman of Shawmut National Corporation from 1992 to 1995; Vice Chairman, Connecticut National Bank and Shawmut Bank, N.A. from 1990 to 1992; and Executive Vice President of those institutions from 1987 to 1990. She is the lead director of Kaman Corporation, a director of Rogers Corporation and chairman of the audit committee of the board of Ironwood Mezzanine Funds I and II.

Mrs. Kraus is 70 years old and has been a director since October 1993. She is Chair of the Audit Committee and a member of the Corporate Governance Committee and the Executive Committee.

If elected, Mrs. Kraus term will expire at the 2012 Annual Meeting.

LAWRENCE A. ZIMMERMAN, Executive Vice President and Chief Financial Officer of Xerox Corporation since June 2002. Prior to joining Xerox, Mr. Zimmerman held senior executive finance positions over a 31-year period with IBM. He is a director of Brunswick Corporation.

Mr. Zimmerman is 66 years old and has been a director since July 2005. He is Chair of the Finance and Pension Committee and a member of the Compensation and Organization Committee and the Executive Committee.

If elected, Mr. Zimmerman s term will expire at the 2012 Annual Meeting.

Information Concerning Directors Continuing in Office

JOHN G. BREEN, retired, served as Chairman of The Sherwin-Williams Company from April 1980 to April 2000; he had been Chief Executive Officer from 1979 to 1999. He is a director of MTD Holdings Inc. He also is a Trustee of John Carroll University and of University Hospitals Health Systems.

Mr. Breen is 74 years old and has been a director since July 2000. He is Chair of the Compensation and Organization Committee and a member of the Audit Committee and the Executive Committee.

Mr. Breen s term will expire at the 2010 Annual Meeting.

CARLOS M. CARDOSO, Chairman of the Board, President and Chief Executive Officer of Kennametal, Inc. Mr. Cardoso joined Kennametal in 2003 and served as Vice President and Chief Operating Officer prior to assuming his current position in 2005. Prior to his tenure with Kennametal, Mr. Cardoso was President of the Pump Division of Flowserve Corporation from 2001 to 2003.

Mr. Cardoso is 51 years old and has been a director since October 2007. He is a member of the Corporate Governance Committee and the Compensation and Organization Committee.

Mr. Cardoso s term will expire at the 2011 Annual Meeting.

VIRGIS W. COLBERT, retired, served as Executive Vice President, Miller Brewing Company from 1997 to 2005; Senior Vice President-Worldwide Operations from 1995 to 1997; Vice President Operations from 1993 to 1995; and also held other key leadership positions at Miller Brewing from 1979. Mr. Colbert continues to serve as a Senior Advisor to MillerCoors. In addition, he is a director of The Manitowoc Company, Inc., Sara Lee Corporation, Bank of America and Lorillard, Inc.

Mr. Colbert is 69 years old and has been a director since July 2003. He is Chair of the Corporate Governance Committee and a member of the Compensation and Organization Committee and the Executive Committee.

Mr. Colbert s term will expire at the 2010 Annual Meeting.

ROBERT B. COUTTS, retired, served as Executive Vice President, Electronic Systems of Lockheed Martin from 1998 through 2008. Prior to his tenure with Lockheed Martin, Mr. Coutts held senior management positions over a 20-year period with the General Electric Company and Martin Marietta Company. In addition, he is a director of K Hovnanian Enterprises, Inc.

Mr. Coutts is 58 years old and has been a director since July 2007. He is a member of the Corporate Governance Committee and the Finance and Pension Committee.

Mr. Coutts term will expire at the 2011 Annual Meeting.

JOHN F. LUNDGREN, Chairman and Chief Executive Officer of The Stanley Works. Mr. Lundgren joined the Company on March 1, 2004 after having served since 2000 as President European Consumer Products, of Georgia Pacific Corporation. Formerly, he had held the same position with James River Corporation from 1995-1997 and Fort James Corporation from 1997-2000 until its acquisition by Georgia-Pacific. Mr Lundgren also serves on the board of Callaway Golf Company.

Mr. Lundgren is 57 years old and has been a director since March 2004. He is Chair of the Executive Committee.

Mr. Lundgren s term will expire at the 2010 Annual Meeting.

MARIANNE MILLER PARRS, retired, served as Executive Vice President and Chief Financial Officer of International Paper Company from November 2005 until the end of 2007; Executive Vice President with responsibility for Information Technology, Global Sourcing, Global Supply Chain Delivery from 1999 to 2005; and also held other executive and management positions at International Paper since 1974. Ms. Parrs also serves on the boards of CIT Group Inc.; Signet Jewelers Limited; the Rise Foundation in Memphis, Tennessee; and the Leadership Academy in Memphis, Tennessee.

Ms. Parrs is 65 years old and has been a director since April 2008. She is a member of the Audit Committee and the Finance and Pension Committee.

Ms. Parrs term will expire at the 2011 Annual Meeting.

Board of Directors

Meetings. The Board of Directors met 5 times during 2008. The various Board committees met the number of times shown in parentheses: Executive (0), Audit (4), Corporate Governance (4), Finance and Pension (2), and Compensation and Organization (5). The members of the Board serve on the committees described in their biographical material on pages 2-3. Except for Mr. Campbell, in 2008 each incumbent director attended at least 75% of the aggregate number of meetings of the Board of Directors and committees of the Board of Directors on which such director served. During 2008, Mr. Campbell attended all meetings of the Board of

Directors and all meetings of the committees of the Board of Directors on which he served that have been held since he became a member of the Board of Directors in October 2008. Although the Company has no formal policy regarding attendance by members of the Board of Directors at the Company s Annual Meetings, all members of the Board of Directors on that date attended the 2008 Annual Meeting. The Board of Directors has adopted Director Independence Standards which are available free of charge on the Corporate Governance section of the Company s website at www.stanleyworks.com. The Board of Directors has made the determination that all of its nominees and incumbent directors, except the Chairman, Mr. Lundgren, are independent according to the Director Independence Standards, the applicable rules of the Securities and Exchange Commission and as independence is defined in Section 303A of the New York Stock Exchange listing standards. It is the policy of the Board of Directors that every member of the Audit, Corporate Governance and Compensation and Organization Committees should be an independent director. The charters of each of these committees and the Board of Directors Governance Guidelines are available free of charge on the Corporate Governance section of the Company s website at www.stanleyworks.com or upon written request to The Stanley Works, 1000 Stanley Drive, New Britain, Connecticut 06053, Attention: Investor Relations. Changes to any charter, the Director Independence Standards or the Corporate Governance Guidelines will be reflected on the Company s website.

Executive Committee. The Executive Committee exercises all the powers of the Board of Directors during intervals between meetings of the Board; however, the Executive Committee does not have the power to declare dividends or to take actions reserved by law to the Board of Directors.

Audit Committee. The Audit Committee nominates the Company s independent auditing firm, reviews the scope of the audit, approves in advance audit and non-audit services, and reviews with the independent auditors and the Company s internal auditors their activities and recommendations, including their recommendations regarding internal controls and critical accounting policies. The Audit Committee meets with the independent auditors, the internal auditors, and management, each of whom has direct and open access to the Audit Committee. The Board of Directors has made the determination that all of the members of the Audit Committee are independent according to the Director Independence Standards, the applicable rules of the Securities and Exchange Commission and as independence is defined in Section 303A of the New York Stock Exchange listing standards. The Audit Committee has issued a standing invitation to all members of the Board of Directors to attend Audit Committee meetings. The Board of Directors has determined that Eileen S. Kraus meets the requirements for being an Audit Committee Financial Expert as that term is defined in Item 407(d)(5) of Regulation S-K and that all members are financially literate under the current New York Stock Exchange listing standards. The Audit Committee operates under a charter, which is available free of charge on the Corporate Governance section of the Company s website at www.stanleyworks.com.

Corporate Governance Committee. The Corporate Governance Committee makes recommendations to the Board as to Board membership and considers names submitted to it in writing by shareholders as well as recommendations from third party search firms, current directors, company officers, employees and others. The Corporate Governance Committee recommends directors for Board committee membership and committee chairs, and recommends director compensation. The procedures and processes followed by the Corporate Governance Committee in connection with the consideration and determination of director compensation are described below under the heading Director Compensation. The Corporate Governance Committee has taken the lead in articulating Stanley s corporate governance guidelines and establishing a procedure for evaluating Board performance. The Corporate Governance Committee also approves policy guidelines on charitable contributions. The Company s By-Laws require that any director be a shareholder of the Company. While the Corporate Governance Committee does not have specific minimum qualifications for potential directors, all director candidates, including those recommended by shareholders, are evaluated on the same basis. Candidates are considered in light of the entirety of their credentials. The Board of Directors has made the determination that all of the members of the Corporate Governance Committee are independent according to the Director Independence Standards, applicable rules of the Securities and Exchange Commission and as independence is defined in Section 303A of the New York Stock Exchange listing standards. The Corporate Governance Committee operates under a charter, which is available free of charge on the Corporate Governance section of the Company s website, www.stanleyworks.com.

Shareholders who wish to submit names to be considered by the Corporate Governance Committee for nomination for election to the Board of Directors should, as set forth in the Company s By-Laws, send written notice to the Secretary of the Company to be received at its principal executive offices at least 90 days but no more than 120 days prior to the anniversary of the date on which the proxy statement was first mailed relating to the immediately preceding annual meeting of shareholders, which notice should set forth (i) the name and record address of the shareholder of record making such nomination and any other person on whose behalf the nomination is being made, and of the person or persons to be nominated, (ii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such shareholder or such other person, (iii) a description of all arrangements or understandings between such shareholder and any such other person or persons or any nominee or nominees in connection with the nomination by such shareholder, (iv) such other information regarding each nominee proposed by such shareholder as would be required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required to be disclosed, pursuant to the rules of the Securities and Exchange Commission had the nominee been nominated or intended to be nominated by the Board of Directors, and shall include a consent signed by each such nominee to being named in the proxy statement for the annual meeting as a nominee and to serve as a director of the Company if so elected and (v) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to make such nomination.

Compensation and Organization Committee. The Compensation and Organization Committee (the Compensation Committee), with the assistance of Exequity LLP, periodically conducts on-going evaluations of existing executive compensation programs and administers the Company s executive compensation plans. During 2008, the Committee held four (4) executive sessions and one (1) special meeting to review the Company s existing executive compensation programs. A representative from Exequity LLP was present at the special meeting and no management employees participated in executive sessions relating to compensation arrangements for our Chief Executive Officer. The procedures and process followed by the Compensation Committee in connection with the consideration and determination of executive compensation are described below under the heading Executive Compensation. The Board of Directors has made the determination that all of the members of the Compensation Committee are independent according to the Director Independence Standards, applicable rules of the Securities and Exchange Commission and as independence is defined in Section 303A of the New York Stock Exchange listing standards. The Compensation Committee operates under a charter, which is available free of charge on the Corporate Governance section of the Company s website, www.stanleyworks.com. The following persons served as members of the Compensation Committee during 2008: John G. Breen, Carlos M. Cardoso, Virgis W. Colbert, Emmanuel A. Kampouris, Kathryn D. Wriston, and Lawrence A. Zimmerman.

Finance and Pension Committee. The Finance and Pension Committee advises in major areas concerning the finances of the Company and oversees the Company s administration of its qualified and non-qualified defined contribution and defined benefit retirement plans. The Board of Directors has made the determination that all of the members of the Finance and Pension Committee are independent according to the Director Independence Standards, applicable rules of the Securities and Exchange Commission and as independence is defined in Section 303A of the New York Stock Exchange listing standards.

Compensation. Stanley pays its directors who are not employees of the Company or any of its subsidiaries an annual retainer and pays an additional fee to those non-employee directors who serve as committee chairs. The annual retainer fee paid to such directors in 2008 was $75,000 and the annual fee for committee chairs was $10,000. Non-employee directors may defer any or all of their fees in the form of Stanley common stock or as cash accruing interest at the five-year treasury bill rate; a director is required to defer his or her fees, in the form of Stanley common stock, so long as he or she owns fewer than 7,500 shares. Stanley also grants its non-employee directors Restricted Stock Units with dividend equivalent rights pursuant to the Company s Restricted Stock Unit Plan for Non-Employee Directors (the Director RSU Plan). These awards are fully vested at the time of grant and entitle each recipient to a cash payment equal to the market value of a share of Stanley stock at the time of settlement plus accrued dividends from the date of grant. The settlement date is the date specified by the director as the date, or dates, on which distributions are to be made following the date on which the director ceases to be a director of the Company. Distributions may be made in a single lump sum in the first year following the termination of the director s service or in up to ten equal annual installments, at the election of the director. On April 23, 2008, each non-employee director of the Company received 2,000 Restricted Stock Units with dividend equivalent rights pursuant to the Director RSU Plan.

Executive Sessions and Communications with the Board. The chairpersons of the committees of the Board of Directors preside over executive (non-management) meetings of the Board on a rotating basis. Shareholders or others wishing to communicate with any of the chairpersons, the Board generally, or any specific member of the Board of Directors may do so by mail, addressed to The Stanley Works, c/o Corporate Secretary, 1000 Stanley Drive, New Britain, Connecticut 06053 or by calling The Stanley Works Ethics Hotline, an independent toll-free service at 1-800-424-2987 (extension 53822).

Business Conduct Guidelines. The Company has adopted a worldwide set of Business Conduct Guidelines applicable to all of its directors, officers and employees and a code of ethics for the CEO and senior financial officers. Copies of these documents are available free of charge on the Corporate Governance section of the Company s website at www.stanleyworks.com or otherwise upon request addressed to The Stanley Works, 1000 Stanley Drive, New Britain, Connecticut 06053, Attention: Investor Relations.

Director Continuing Education. The Company regularly provides directors with continuing education on a variety of topics. In 2008, subjects covered with Board members included a presentation on officer and director liability and the related insurance implications; and a presentation on the Company s compliance and ethics program. In addition, the Company provided all directors with a subscription to *Agenda*, a weekly publication that focuses on governance issues of interest to directors of public companies.

Related Party Transactions. Pursuant to the Company s Business Conduct Guidelines, employees, officers and directors are required to bring any potential conflict of interest, including any proposed Related Party transaction involving a Related Person as that term is defined in Item 404(a) of Regulation S-K, to the attention of the General Counsel. The General Counsel obtains the facts to determine whether a conflict or potential conflict exists and determine the appropriate action in consultation with appropriate members of management. Where a proposed transaction involves a Related Person as that term is defined in Item 404(a) of Regulation S-K, the General Counsel discusses the reasons for the transaction with appropriate members of management. In the event management believes it is in the best interest of the Company to proceed with the transaction, the proposed transaction is brought to the attention of the Board for its review and approval.

Security Ownership of Certain Beneficial Owners

No person or group, to the knowledge of the Company, owned beneficially more than five percent of the outstanding common shares as of February 27, 2009, except as shown in this table. In addition, as of February 27, 2009, Bank of New York Mellon owned of record 10.46% of the outstanding common stock as Trustee under the Stanley Account Value (401(k)) Plan for the benefit of the plan participants.

(1) Title of class	**(2) Name and address of beneficial owner**	**(3) Amount and nature of beneficial ownership**	**(4) Percent of class**
Common Stock $2.50 par value	Barrow, Hanley, Mewhinney & Strauss, Inc. 2200 Ross Avenue, 31st Floor Dallas, TX 75201-2761	10,124,281 (6,443,236 sole power to vote or direct the vote; 3,681,045 shared power to vote or direct the vote; 10,124,281 sole power to dispose or direct the disposition)	12.85%
Common Stock $2.50 par value	FMR LLC 82 Devonshire Street Boston, MA 02109	5,033,576 (107,797 sole power to vote or direct the vote; 5,033,576 sole power to dispose or direct the disposition)	6.38%

Security Ownership of Directors and Officers

No director, nominee or executive officer owns more than 1% of the outstanding common stock. As of February 27, 2009, the executive officers and directors as a group owned beneficially approximately 2.5% of the outstanding common stock. The following table sets forth information as of February 27, 2009 with respect to the shareholdings of the directors, nominees for director, each of the executive officers named in the table on page 18, and all directors, nominees for director, and executive officers as a group (except with respect to (a) the Supplemental Account Value Plan shares shown within footnote 3 below and (b) the shares shown in footnotes 2 and 4 below, the beneficial owner of the shares shown for the most part has sole voting and investment power):

Name	Common Shares Owned		Percent of Class Owned
Donald Allan, Jr.	51,988	(1)(3)(4)	*
Jeffery D. Ansell	81,136	(1)(3)	*
John G. Breen	25,603	(1)(2)	*
Patrick D. Campbell	372	(2)	*
Carlos M. Cardoso	1,952	(2)	*
Virgis W. Colbert	10,407	(1)(2)	*
Robert B. Coutts	2,276	(2)	*
Hubert W. Davis, Jr.	156,137	(1)(3)	*
Eileen S. Kraus	37,669	(1)(2)	*
James M. Loree	347,785	(1)(3)(4)	*
John F. Lundgren	697,213	(1)	*
Mark J. Mathieu	78,228	(1)(3)	*
Donald R. McIlnay	189,756	(1)(3)	*
Marianne Miller Parrs	5,175	(2)	*
Lawrence A. Zimmerman	9,148	(2)	*
Directors and executive officers as a group (19 persons)	1,959,327	(1)(2)(3)(4)	2.5%

* Less than 1%

(1) Includes shares which may be acquired by the exercise of stock options as follows: Mr. Allan, 28,125; Mr. Ansell, 41,250; Mr. Breen, 3,000; Mr. Colbert, 2,318; Mr. Davis, 117,500; Mrs. Kraus, 13,500; Mr. Loree, 250,000; Mr. Lundgren, 512,500; Mr. Mathieu, 58,750; Mr. McIlnay, 122,500; and all directors and executive officers as a group, 1,313,610.

(2) Includes the share accounts maintained by Stanley for those of its directors who have deferred their director fees as follows: Mr. Breen, 16,603; Mr. Campbell, 372; Mr. Cardoso, 1,952; Mr. Colbert, 8,089; Mr. Coutts, 2,276; Mrs. Kraus, 22,349; Ms. Parrs, 1,175; Mr. Zimmerman, 5,648; and all directors as a group, 58,464.

(3) Includes shares held as of February 27, 2009 under Stanley s savings plans (Account Value Plan and Supplemental Account Value Plan respectively), as follows: Mr. Allan, 956/298; Mr. Ansell, 1,169/1,070; Mr. Davis, 1,038/1,254; Mr. Loree, 627/1,962; Mr. Mathieu, 2,697/0; Mr. McIlnay,0/1,878; and all executive officers as a group, 21,135/16,314.

(4) Includes restricted share unit accounts maintained by Stanley as follows: Mr. Allan, 4,000; Mr. Loree, 40,000; and all executive officers as a group, 44,000.

Audit Committee Report

In connection with the financial statements for the fiscal year ending January 3, 2009, the Audit Committee: (1) reviewed and discussed the audited financial statements with management; (2) discussed with the independent auditors the matters required to be discussed under Statement on Auditing Standards No. 61; (3) received the written disclosures and the letter from the independent accountants required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the Audit Committee concerning independence, and discussed with the independent accountants the independent accountants independence. Based upon these reviews and in reliance upon these discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for filing with the SEC.

Audit Committee

Eileen S. Kraus (Chair)

John G. Breen

Patrick D. Campbell

Marianne M. Parrs

Compensation and Organization Committee Report

The Compensation and Organization Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on this review and discussion, the Compensation and Organization Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company s proxy statement.

Compensation and Organization Committee

John G. Breen (Chair)

Carlos M. Cardoso

Virgis W. Colbert

Lawrence A. Zimmerman

Executive Compensation

Compensation Discussion and Analysis

The Company s primary objective with respect to executive compensation is to ensure there exists a strong link between senior management pay and the Company s proven performance. Our reward system is designed to align compensation opportunities with the fulfillment of the Company s overall business strategies, to ensure executives and investors share a common financial interest, and to attract and retain a highly qualified leadership team. The Company believes that shareholders are better served when the executive compensation program is competitively structured, appropriately leveraged with results, and connected to share value.

The Compensation and Organization Committee of our Board of Directors (the Compensation Committee) is responsible for developing and maintaining appropriate compensation programs for our executive officers, including our named executive officers. To enhance the Compensation Committee s ability to perform these responsibilities, the Compensation Committee retained Exequity, LLP (Exequity) to serve as the Compensation Committee s independent compensation consultant and to advise on executive compensation issues and plan design. Exequity advised the Compensation Committee with respect to named executive officer compensation. Exequity did not advise the management of the Company, and received no compensation from the Company for services other than as directed by the Compensation Committee and the Corporate Governance Committee (for which Exequity provided guidance with respect to independent director compensation).

In 2008, the Compensation Committee discussed its compensation philosophy with Exequity, but otherwise did not impose any specific limitations or constraints on, or otherwise direct, the manner in which Exequity performed its advisory services. As advisor to the Compensation Committee, Exequity reviewed the total compensation strategy and pay levels for the Company s named executive officers, examined all aspects of the Company s executive compensation programs to ensure their ongoing support of the Company s business strategy, informed the Compensation Committee of developing legal and regulatory considerations affecting executive compensation and benefit programs, and provided general advice to the Compensation Committee with respect to compensation decisions pertaining to the Chief Executive Officer and to senior executives.

To ensure a strong link between executive pay and performance, the Compensation Committee routinely:

- reviews detailed compensation tally sheets for each named executive officer that provide the Compensation Committee with a convenient reference for understanding each named executive officer s total compensation. The tally sheets include the following information:
  - the annual compensation and benefit values that are being offered to each executive;
  - the value of all outstanding equity awards;
  - the accrued value of retirement benefits; and
  - the amount of the Company s other obligations in the event the executive s employment terminates under various circumstances, including death, disability, involuntary termination without cause, or in connection with a change in control of the Company.
- discusses compensation matters, other than those pertaining to the Chief Executive Officer, with our Chief Executive Officer and other management representatives, and periodically meets in executive session with Exequity but without management to evaluate management s input; and
- solicits comments from other Board members regarding its recommendations at regularly scheduled Board meetings.

The Company believes that overall executive compensation expenditure should be managed to the median of compensation packages for executives in similar positions and with similar responsibilities at manufacturing and services companies of comparable size. Targeting median practices within this community ensures that the Company is well positioned to attract and retain from within the relevant labor market the caliber of executive talent the Company seeks. In setting compensation for the executive officers, the Compensation Committee considers comparative market data delivered by Exequity that reflects prevailing compensation practices within a group of over 200 companies in the U.S. general manufacturing and services community. The benchmark data reviewed by the Compensation Committee are statistical summaries of the pay practices at these companies and they are not representative of the compensation levels at any one organization. In fact, the Compensation Committee does not know the identity of the companies whose pay practices are reflected in the statistical summary, and does not receive information with respect to pay practices at any individual company included in the benchmark group.

Exequity also provided the Compensation Committee information with respect to the compensation paid at the companies in the Company s Peer Group, which in 2008 consisted of: The Black & Decker Corporation, Cooper Industries, Inc., Danaher Corporation, Illinois Tools Works, Inc., Ingersoll-Rand Company, Masco Corporation, Newell Rubbermaid Inc., Snap-On Incorporated, and The Sherwin-Williams Company. Information regarding Peer Group practices is helpful because it reflects compensation practices within the limited community of organizations with which the Company competes directly for the sale of products and services. These separate but equally relevant data points create ranges of compensation values that the Compensation Committee references in using its judgment to set executive salary levels and incentive opportunities that are consistent with the Company s overall objectives.

The Compensation Committee believes it is important that a significant portion of each executive officer s compensation opportunity remain at risk with results. The Compensation Committee uses its judgment, based on

input from management and Exequity, to align the degree of at-risk pay with external market practices. As a result, the Company s executive compensation programs are designed so that, at target levels of performance, approximately 50% 60% of an executive s annual compensation (consisting of salary, short-term incentives and long-term incentives) is at risk, with receipt by the executive dependent on results. In general, the greater the executive s responsibility, the higher the proportion of his or her compensation which is at risk. Annual cash incentives represent approximately 40% of at-risk compensation, and long-term compensation (other than restricted stock units) represents approximately 60% of at-risk compensation. The nature of the Company s at-risk pay is described more fully below under Compensation Components.

In 2008, the Compensation Committee reviewed the data provided by Exequity that showed compensation expenditures for the Company s executive officers, as a group, were midway within the ranges created by the practices of the manufacturing and services community and the Company s Peer Group. The following table identifies that positioning insofar as it relates to base salary, target total cash (base salary plus target bonus), and target total compensation (target total cash plus the grant date value of long-term incentive awards).

	Base Salary	**Target Total Cash**	**Target Total Compensation**
Objective	Median	Median	Median
Actual Position vs. Manufacturing and Services Community	+1.5% ahead of Median	+0.5% ahead of Median	+13.1% ahead of Median
Actual Position vs. Peer Group	-1.4% behind Median	-3.3% behind Median	-18.2% behind Median

Compensation Components

Salaries

The Company believes that aggregate expenditures for executive base salaries should generally be managed to the median of salary expenditures incurred at the companies whose practices serve as the Company s benchmark for pay comparison purposes. Managing to the market median facilitates the Company s ability to compete in the market for the quality talent the Company looks to attract and retain. Individual base salaries may rise above or fall below the median for a particular position based on a number of factors. In general, base salaries may be above the median if, in the Compensation Committee s view, a particular executive s performance exceeded expectations, an executive takes on additional responsibilities, an executive has a significant tenure with the Company, or an executive s value to the Company is perceived to be especially high. Conversely, base salaries may trail behind the median if an executive is new in his or her role or is contributing at a level that is not yet at a fully qualified level. Base salaries are reviewed at twelve to sixteen month intervals, reflecting the fact that the impact of executive decision making often can be assessed only after the passage of significant periods of time. On review, salaries are adjusted to assure alignment with market levels, individual performance and incumbent experience. The Compensation Committee also evaluates executive pay levels relative to others within the Company and may, on occasion, make adjustments to salaries or other elements of total compensation, such as annual and long term bonus opportunities, where a failure to make such an adjustment would result in a compensation imbalance that the Compensation Committee deems inappropriate.

As the Company entered year 2009, the prevailing economic environment was deemed to be especially challenging and the prospects for financial accomplishment were largely uncertain. In response, the Company took a number of measures to preserve cash. One such measure was to increase the period of time required between base salary adjustments for executive officers. At least for fiscal years 2009 and 2010, base salaries adjustments for executive officers will only be reviewed for adjustment at twenty-four month intervals.

Performance-Based Annual Cash Incentives (MICP Awards)

Each of our executive officers participates in the Company s Management Incentive Compensation Plan (MICP), which is designed to compensate executives and other managers with an opportunity to earn a cash bonus that is based on achievement of annual corporate and divisional goals, as well as on achievement of individual goals (for those who are not named executive officers). Under the MICP, each participant has an opportunity to earn a threshold, target or maximum bonus amount that is contingent upon achieving the relevant performance goals. The particular performance goals are established during the first quarter of each calendar year and reflect those measures which the Company views as key indicators of successful performance. For 2008, the corporate goals consisted of earnings per diluted share (EPS) and cash flow multiple (operating cash flow less capital expenditures divided by net earnings) and were weighted as follows: EPS (50%) and cash flow multiple (50%). The weighting of these goals was designed to establish the balance in results that the Company had deemed necessary for success for the 2008 fiscal year and, thereby, to appropriately focus management on achieving those results. In the case of divisional managers, additional performance goals were established with respect to divisional operating margin and working capital management each of which was deemed by the Compensation Committee to be an important measure of divisional contribution to overall corporate success.

The specific targets relating to each of these performance goals are tied to the Company s annual business plan and operating budget, each of which is approved by our Board of Directors at or prior to the time performance goals are set for our annual and long-term incentives. In setting these goals, the Compensation Committee considers management s recommended performance objectives, the Company s performance in the prior year, the annual plan and operating budget, and the nature of the Company s operating environment. Once satisfied with the degree of difficulty associated with goal achievement, the Compensation Committee approves the targets for each performance cycle. As a general rule, the Compensation Committee seeks to establish goals such that the likelihood of missing the target is at least as high as the likelihood of achieving it based on reasonable assumptions and projections at the time of grant, though the Compensation Committee may establish the target goal at a higher or lower level in appropriate circumstances.

Criteria Used for Annual MICP Awards

With respect to fiscal year 2008, the annual award for each of Messrs. Lundgren, Allan, Davis, Loree and Mathieu was contingent solely on the achievement of corporate EPS and cash flow goals; for Messrs. Ansell and McIlnay, twenty-five percent of the annual award was contingent on the achievement of the corporate EPS goal; twenty-five percent was contingent on the achievement of the corporate cash flow goal; and fifty percent was contingent on the achievement of performance goals relating to their particular divisions. The weighting of goals for divisional managers, including Messrs. Ansell and McIlnay, was designed to establish the balance in results that the Company deemed necessary for successful performance of the respective divisions while maintaining incentives for divisional managers to also consider and strive for the success of the Company as a whole. The table below identifies the blend of goals with respect to which MICP awards are earned for the Company s named executive officers.

	Corporate		**Division**	
	EPS	**Cash Flow**	**Operating Margin**	**Working Capital**
Lundgren	50%	50%		
Allan	50%	50%		
Ansell	25%	25%	25%	25%
Davis	50%	50%		
Loree	50%	50%		
Mathieu	50%	50%		
McIlnay	25%	25%	25%	25%

Awards under MICP for 2008

Each of our named executive officers is extended a target bonus opportunity that is earned when overall achievement with respect to the performance goals equals 100%. The target bonuses are defined in terms of fixed percentages of the officer s base salary, and they are representative of prevailing bonus opportunities in the manufacturing and services community and the Company s Peer Group. Actual bonuses earned for the year can be as high as 200% of the target when results equal or exceed the performance maximum; they can amount to just 30% of the target when the level of achievement equals the performance threshold. Bonuses are interpolated when performance results rest between threshold, target and maximum levels.

For 2008, our diluted EPS from continuing operations, excluding fourth quarter restructuring and related charges, was $3.41, which represented 81% of the EPS goal; and our cash flow multiple was 154% which represented 154% of the cash flow goal. The following table illustrates how, as a result of these performance levels, Messrs. Lundgren, Allan, Davis, Loree and Mathieu earned bonuses equal to 121% of their target bonuses.

Goal	Results	Bonus Factor		Goal Weight		Target Bonus Earned
EPS	81%	42%	x	50%	=	21%
Cash Flow	154%	200%	x	50%	=	100%
Total						121%

Based on the corporate results discussed above and the results of their respective divisions, Mr. Ansell and Mr. McIlnay earned an annual bonus equal to 121% and 100% of their target bonuses, respectively. The following table illustrates the formulation of Messrs. Ansell s and McIlnay s awards for 2008 results.

Goal	Results	Bonus Factor		Goal Weight		Target Bonus Earned
Ansell						
EPS (Corporate)	81%	42%	x	25%	=	10%
Cash Flow	154%	200%	x	25%	=	50%
Operating Margin	81%	45%	x	25%	=	11%
Working Capital	200%	200%	x	25%	=	50%
Total						121%
McIlnay						
EPS (Corporate)	81%	42%	x	25%	=	10%
Cash Flow	154%	200%	x	25%	=	50%
Operating Margin	76%	40%	x	25%	=	10%
Working Capital	200%	120%	x	25%	=	30%
Total						100%

Long-Term Incentives

The Company believes that the most effective means of maximizing long-term performance is to create an ownership culture among our executive officers. The Company implements this philosophy by granting stock-based awards under its long term incentive plans (LTIP). A portion of these awards vest based on continued employment and a portion vest on achievement of pre-determined performance goals. In each case, the awards are settled in shares of our common stock.

Time-based awards are granted in the form of stock options and restricted stock units (RSUs). The Company believes that by blending options and RSUs it replicates the stock-based award pattern that prevails in the Company s Peer Group and in the external market generally. The practice of granting a combination of stock options and RSUs also is economical in terms of share utilization because it takes fewer RSUs than stock options to deliver a target award value.

The portions of awards that vest contingent on achievement take the form of performance-based RSUs. Performance-based RSUs (performance units) are earned based on the achievement of pre-established corporate performance goals, typically over a three-year performance period. One-half of the award is contingent on achieving stated levels in EPS and one-half is based on targets relating to return on capital employed (ROCE). The ROCE computation for the LTIP performance targets is defined as net earnings divided by a two point average of capital employed; net earnings adds back after-tax interest expense and intangibles amortization, and capital employed represents debt plus equity less cash. The Company believes that measuring performance equally between EPS and ROCE provides appropriate incentives for management to optimize the principal financial drivers that generate shareholder return and that highlighting the importance of these measures by tying them to the performance units, reinforces the Company s quest for continued growth.

Performance goals are recommended by management based on the Company s historical performance, strategic direction, and anticipated future operating environment, and are generally established during the first quarter of the performance cycle. The Compensation Committee considers management s recommended performance goals, the Company s performance to date and strategic direction, and the nature of the Company s future operating environment, and, once satisfied with the degree of difficulty associated with goal achievement, approves the targets for each performance cycle. As a general rule, the Compensation Committee seeks to establish goals such that the likelihood of missing the target goal is at least as high as the likelihood of achieving the target goal based on reasonable assumptions and projections at the time of grant, though the Compensation Committee may establish the target goal at a higher or lower level in appropriate circumstances. In order to ensure that the basis upon which management s performance is measured remains consistent over a performance cycle, the Compensation Committee has the discretion to adjust the manner in which EPS and ROCE are determined at the end of each performance cycle to take into account certain non-recurring events (such as significant acquisitions and divestitures) during the performance cycle and the Company s total shareholder return versus its Peer Group. The Company intends that any adjustment of this type would ensure that the results are comparable to the originally established targets, such as for significant acquisitions or divestitures consummated after the performance goals were established, and would not constitute a modification of original performance targets established for the performance cycle.

In furtherance of its goal of creating an ownership culture among our executive officers, the Company is proposing the 2009 Long-Term Incentive Plan. The Company s 2001 Long-Term Incentive Plan (the 2001 LTIP) contains a limit of one million shares for restricted stock and restricted stock units; of which only 254,983 remain available. The depletion of this reserve for the restricted stock and restricted stock units resulted from the Compensation Committee s decision in December 2005 to reduce by 50% the number of shares underlying stock option grants and increase in the number of awards in respect of restricted stock units and restricted stock. The change in the allocation between options and restricted stock units reflected the Compensation Committee s belief that the resulting blend of options and restricted stock units more accurately represents the pattern of equity-based awards that prevails elsewhere in the manufacturing and services community generally as well as in the Company s Peer Group. As a result of this shift in award allocation, the Company no longer has sufficient share capacity available under the 2001 LTIP to fund the full value awards (any award that is settled by the issuance of common stock, other than a stock option or a stock appreciation rights) that the Company anticipates granting in the future to key employees and certain other individuals.

More information on the proposed 2009 Long-Term Incentive Plan may be found at Proposal Number 3, beginning on page 41.

For the 2006 to 2008 performance period, each named executive officer was extended the opportunity to earn shares contingent on the Company s achievement with respect to EPS and ROCE goals. Each named executive officer could earn the target number of shares for 100% overall goal achievement. As many as 200% of the target number of shares could be earned for overachievement, and as few as 50% of the target number of shares could be earned for threshold performance. The number of shares that could be earned by each named executive officer is displayed in the table below.

	Threshold	Target	Maximum
Mr. Lundgren	7,765	15,530	31,062
Mr. Allan	500	1,000	1,500
Mr. Ansell	1,456	2,912	5,824
Mr. Davis	1,650	3,300	6,601
Mr. Loree	3,737	7,474	14,949
Mr. Mathieu	1,504	3,009	6,018
Mr. McIlnay	2,330	4,659	9,319

Diluted EPS for fiscal year 2008 from continuing operations, excluding forth quarter restructuring and related charges, was $3.41, which was below the threshold performance goal and as result, no award was granted based upon the EPS performance goal. ROCE, as defined above, was 11.3% for fiscal year 2008, which exceeded the ROCE threshold performance goal and resulted in awards equal to 43.75% overall target goal achievement. As a result, Messrs. Lundgren, Allan, Ansell, Davis, Loree, Mathieu and McIlnay earned performance units equal to 6,794; 438; 1,274; 1,444; 3,270; 1,316; and 2,038 shares, respectively.

Targets for the 2007 through 2009 and 2008 through 2010 performance periods were established in the manner described above.

Timing of Stock Option and RSU Grants. With the exception of grants made to French participants, annual grants of stock options and restricted stock units to executive officers and other eligible employees are made at a regularly scheduled meeting of the Compensation Committee held during the fourth quarter of each year and the grant date is the date of that meeting. The grant date for grants to French participants is the first date on which grants may be made consistent with French legal and tax requirements following the date of the Compensation Committee meeting at which other annual grants are made and the exercise price of options is the higher of the average of the high and low price of a share on the date of grant and 80% of the average opening price on the New York Stock Exchange for the 20 days preceding the date of grant. The Compensation Committee may also make occasional grants during the year and has delegated to the Company s Chief Executive Officer the authority to make annual grants and occasional off cycle grants to employees who are not executive officers of the Company. The off cycle grants are typically associated with promotions, acquisitions and hiring. The grant date for any grants made by the Company s Chief Executive Officer is the date the grant authorization is signed by the Chief Executive Officer or a later date specified in the grant authorization. The exercise price for all stock option grants other than those to French Participants is the average of the high and low price of a share as quoted on the New York Stock Exchange Composite Tape on the date of grant.

Special Bonus Program

In July 2007, the Company extended to certain members of management and key employees the opportunity to earn awards pursuant to a special bonus program. The awards were approved by the Compensation Committee on May 23, 2007 under the Company s 1997 Long-Term Incentive Plan. The special award program provides senior managers the opportunity to receive stock, and other eligible participants the opportunity to receive cash in the event company-wide objectives relating to working capital turns and inventory turns are achieved by December 31, 2009 and the working capital turns objective is sustained for a period of at least six months. The Compensation Committee approved this program because it believes the achievement of these goals will signal a material elevation in the Company s overall performance standards, beyond that measured by reference to planned levels of EPS growth and ROCE, and that attainment of the working capital and inventory turn objectives will materially benefit the Company s investors. In this regard, the Compensation Committee believes the likelihood of missing the goals is at least as high as the likelihood of achieving the goals. Bonuses will be distributed promptly following achievement of the established goals.

The performance goals that will provide the basis for determining bonus amounts have been approved by the Compensation Committee. The maximum award payable to named executive officers pursuant to the special bonus program is as follows: Mr. Lundgren, 10,000 shares of stock; Mr. Allan 1,500 shares; Mr. Ansell 2,000 shares; Mr. Davis 2,000 shares; Mr. Loree, 7,000 shares; and Mr. Mathieu 2,000 shares.

Post-Termination Benefits

Retirement Benefits. The Compensation Committee believes that it is important to offer the full complement of compensation and benefit programs that typify those extended to senior executives in the Company s market for senior executive talent. Therefore, the Company has in effect various retirement programs, consisting of the Stanley Account Value Plan; the Supplemental Retirement and Account Value Plan for Salaried Employees of The Stanley Works; The Stanley Works Supplemental Executive Retirement Plan; and a CEO Make-Whole Retirement Arrangement for Mr. Lundgren that is included in Mr. Lundgren s employment agreement. Messrs. Lundgren, Loree and Mathieu are the only named executive officers who are eligible employees under The Stanley Works Supplemental Executive Retirement Plan. Each of these arrangements is described in more detail beginning on page 18 under the headings Summary Compensation Table, Pension Benefits, and Non-Qualified Defined Contribution and Deferred Compensation Plans.

As the Company entered fiscal year 2009, the prevailing economic environment was deemed to be especially challenging and the prospects for financial accomplishment were largely uncertain. In response, the Company determined to act defensively to preserve cash and, accordingly, decided that at least for fiscal year 2009, it would make no matching and Cornerstone allocations under the Stanley Account Value Plan and the Supplemental Retirement and Account Value Plan for Salaried Employees of The Stanley Works.

Employment and Change in Control Agreements; Severance Agreements. For many years, the Company has followed the practice of entering into a written employment agreement with its Chief Executive Officer. Consistent with this practice, the Company entered into an employment agreement with John Lundgren in March 2004, which was amended and restated on December 10, 2008 to comply with rules enacted under Section 409A of the Internal Revenue Code of 1986, as amended. In negotiating the terms of that agreement, the Company considered Mr. Lundgren s experience, his prior compensation, the compensation of his predecessor at the Company and, with assistance from its compensation consultant, the prevailing market practices for Chief Executive Officer compensation. The Compensation Committee has determined that Mr. Lundgren s current salary and compensation package are at the median for Chief Executive Officers with similar responsibilities at comparable companies. A detailed description of Mr. Lundgren s employment agreement, as amended and restated, is set forth under the heading Executive Officer Agreements on page 28.

The Compensation Committee has determined that to be competitive with prevailing practices, it is important to extend special severance protection when employment is terminated as a result of a change in corporate control. As a result, the Company has entered into change in control agreements with certain members of senior management, including Messrs. Lundgren, Allan, Ansell, Davis, Loree and Mathieu. In these agreements, the Company seeks to help foster retention by providing appropriate levels of severance protections to appropriate members of management based on prevailing market practices. The benefits that would have been payable at January 2, 2009 to Messrs. Lundgren, Allan, Ansell, Davis, Loree and Mathieu in the event of termination following a change in control are set forth under the heading Termination and Change in Control Provisions on page 29. Prior to February 2009, Mr. Allan was a participant in a Special Severance Plan covering certain employees. On February 23, 2009, in light of Mr. Allan s election to Vice President and Chief Financial Officer, the Company entered into the change in control agreement with Mr. Allan as described under the heading Termination and Change in Control Provisions .

As previously announced, Mr. McIlnay retired from the Company as of December 31, 2008 and in connection therewith, the Company and Mr. McIlnay entered into an Agreement and General Release, a copy of which is filed as an exhibit to the Company s Annual Report on Form 10-K for the fiscal year ending January 3, 2009. Under the terms of the Agreement and General Release, Mr. McIlnay has agreed not to compete with the Company during the period in which he is receiving the monthly payments described below, agreed not to solicit the Company s employees for employment purposes for a period of two years, and provided a general release of claims to the Company. In consideration for Mr. McIlnay agreeing to the foregoing restrictive covenants and the general release, the Company has agreed to pay Mr. McIlnay $35,833.33 per month for a period of twelve months and to provide Mr. McIlnay with continuation of health benefits for twelve months. Mr. McIlnay will also be deemed a retiree for purposes of outstanding stock option, restricted stock unit and long-term performance awards. For additional details on payments to Mr. McIlnay in connection with his retirement, see the Termination Provisions Summary table, and the footnotes thereto, beginning on page 37.

Perquisites

The Company does not believe it is necessary for the attraction or retention of management talent to provide our executives with a substantial amount of compensation in the form of perquisites. In 2008, the only perquisites provided to the Company s executive officers were financial planning services, life and long term disability insurance, car allowance, home security system service and executive medical exams as more fully detailed on page 19.

Tax Deductibility Under Section 162(m)

Under Section 162(m) of the Internal Revenue Code, the Company may not be able to deduct certain forms of compensation in excess of $1,000,000 paid to any of the named executive officers who are employed by the Company at year-end. The Company believes that it is generally in the Company s best interests to satisfy the requirements for deductibility under Section 162(m). Accordingly, the Company has taken appropriate actions, to the extent it believes feasible, to preserve the deductibility of annual incentive and long-term performance awards. However, notwithstanding this general policy, the Company also believes there may be circumstances in which the Company s interests are best served by maintaining flexibility in the way compensation is provided, whether or not compensation is fully deductible under Section 162(m).

Minimum Stock Ownership Guidelines

In furtherance of the Company s policy to create an ownership culture and because the Company believes it is important for executive officers and other senior employees to have a meaningful investment in the Company, the Company has established guidelines for minimum stock ownership. These guidelines provide that over a five-year period commencing on the date of hire or promotion to a senior management position, stock ownership will reach the following minimum levels, expressed as a multiple of base salary: three times for the Chief Executive Officer; two times for the Chief Operating Officer; and one time for other executive officers and certain other members of senior management. Consistent with this policy, awards to participants under the Company s long term performance award program will be settled in shares of the Company s common stock that are subject to transferability restrictions to the extent that a participant does not hold the minimum ownership levels specified in the policy at the time of distribution of the award.

Hedging; Pledging

The Company s Board of Directors has adopted a policy against hedging transactions and discouraging pledging transactions. Pursuant to the policy, hedging is not permitted and any officer, director or employee who wishes to pledge shares must obtain the prior approval of the General Counsel. A copy of this policy is available on the Corporate Governance section of the Company s website at www.stanleyworks.com.

Forfeiture of Awards in the Event of Restatement

The Company s Board of Directors has adopted a recoupment policy relating to unearned incentive compensation of executive officers. Pursuant to this policy, in the event our Board or an appropriate committee thereof determines that any fraud, negligence or intentional misconduct by an executive officer was a significant contributing factor to the Company having to restate all or a portion of its financial statements, the Board or committee will take, in its discretion, such action as it deems necessary to remedy the misconduct and prevent its recurrence. Such actions may include requiring reimbursement of bonuses or incentive compensation paid to the officer after January 1, 2007, requiring reimbursement of gains realized upon the exercise of stock options, and cancellation of restricted or deferred stock awards and outstanding stock options. In determining what actions are appropriate, the Board or committee will take into account all relevant factors, including whether the restatement was the result of fraud, negligence or intentional misconduct. A copy of this policy is available on the Corporate Governance section of the Company s website at www.stanleyworks.com.

Summary Compensation Table

The table below summarizes the total compensation for the applicable periods paid to or earned by those individuals who served as Chief Executive Officer or Chief Financial Officer of the Company during the fiscal year ended January 3, 2009 (fiscal year 2008); by the three most highly compensated executive officers of the Company serving as such at the end of fiscal year 2008 (other than those who served as CEO or CFO during fiscal year 2008); and one individual that would have been included in this group but for the fact that he was not serving as an executive officer at the end of fiscal year 2008, collectively the named executive officers.

(a) Name and Principal Position	(b) Year	(c) Salary ($)	(d) Bonus ($)	(e) Stock Award(s) ($)	(f) Option Awards ($)	(g) Non-Equity Incentive Plan Compensation ($)	(h) Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	(i) All Other Compensation ($)	(j) Total
John F. Lundgren,	2008	1,041,667	0	1,017,907	690,474	1,213,210	0	318,619	4,281,877
Chairman and CEO	2007	1,000,000	0	1,200,449	723,409	1,700,000	179,277	323,240	5,126,375
	2006	833,333	0	2,679,335	974,912	1,303,879	138,116	234,139	6,163,714
Donald Allan, Jr., Vice President and CFO	2008	287,500	0	96,231	79,043	152,864	0	50,430	666,068
Jeffery D. Ansell, Vice President & President, Stanley Consumer Tools Group	2008	391,666	0	387,941	90,049	290,800	0	70,666	1,231,122
Hubert W. Davis, Jr.,	2008	360,000	0	224,932	156,663	258,413	0	118,332	1,118,340
Senior Vice President,	2007	351,250	0	174,496	126,113	346,800	0	103,410	1,102,069
Business	2006	340,000	0	406,248	207,150	221,659	0	102,240	1,277,297
Transformation									
James M. Loree,	2008	605,000	0	360,990	377,888	562,929	0	159,926	2,066,733
Executive Vice	2007	580,000	0	534,507	499,116	788,800	165,883	163,149	2,731,455
President and COO, Former Executive Vice President and CFO	2006	555,000	0	1,087,049	748,762	501,994	179,807	124,092	3,196,704
Mark J. Mathieu, Vice President, Human Resources	2008	340,000	0	563,718	216,199	247,494	541,146	86,451	1,995,008
Donald R. McIlnay,	2008	426,250	0	576,195	675,481	250,000	0	110,450	2,038,376
Former Senior Vice	2007	415,000	0	225,735	169,816	251,490	0	105,747	1,167,788
President and President, Industrial Tools Group and Emerging Markets	2006	401,250	0	569,754	152,386	160,307	0	67,923	1,351,620

Footnote to Column (a) of Summary Compensation Table

As previously announced, effective as of January 1, 2009, Mr. Allan was elected to serve as Vice President and Chief Financial Officer of the Company, Mr. Loree was elected to serve as Executive Vice President and Chief Operating Officer of the Company, and Mr. McIlnay retired from the Company as of December 31, 2008. Messrs. Allan, Ansell and Mathieu were not included in the Summary Compensation Table for fiscal years 2006 and 2007 and accordingly information on their 2006 and 2007 compensation is not included.

Footnote to Column (e) of Summary Compensation Table

This column reflects the dollar amount associated with all outstanding restricted stock units and performance awards recognized for financial statement reporting purposes with respect to the fiscal years ended January 3, 2009, December 29, 2007 and December 30, 2006, respectively, in accordance with FAS 123(R). See footnote K of the Company s report on Form 10-K for the applicable fiscal year for assumptions used in the valuation of these awards and related disclosures.

Footnote to Column (f) of Summary Compensation Table

This column reflects the dollar amount associated with all outstanding stock option awards recognized for financial statement reporting purposes with respect to the fiscal year ended January 3, 2009, December 29, 2007 and December 30, 2006, respectively, in accordance with FAS 123(R). See footnote K of the Company s report on Form 10-K for the applicable fiscal year for assumptions used in the valuation of these awards and related disclosures.

Footnote to Column (g) of Summary Compensation Table

The dollar amounts set forth in this column reflect incentive compensation earned pursuant to the Company s MICP for the applicable fiscal year, which vested upon distribution in the first quarter of the immediately following calendar year.

Footnote to Column (h) of Summary Compensation Table

The following amounts included in this column are attributable to the following plans:

Change in actuarial present value of Mr. Lundgren s benefit under the CEO Make-Whole Retirement Arrangement and The Stanley Works Supplemental Executive Retirement Plan for fiscal year 2008 $(216,520). See the footnote to Column (b) of Pension Benefits Table on page 26 for the assumptions used in making this calculation. For fiscal year 2007, the increase in actuarial present value of Mr. Lundgren s benefit under the CEO Make-Whole Retirement Arrangement was $179,277. For fiscal year 2006, the increase in actuarial present value of Mr. Lundgren s benefit under the CEO Make-Whole Retirement Arrangement was $138,116.

Change in actuarial present value of Mr. Loree s benefit under The Stanley Works Supplemental Executive Retirement Plan for fiscal year 2008 $(259,917). See the footnote to Column (b) of Pension Benefits Table on page 26 for the assumptions used in making this calculation. For fiscal year 2007, the increase in actuarial present value of Mr. Loree s benefit under The Stanley Works Supplemental Executive Retirement Plan was $165,883. For fiscal year 2006, the increase in actuarial present value of Mr. Loree s benefit under The Stanley Works Supplemental Executive Retirement Plan was $179,807.

Increase in actuarial present value of Mr. Mathieu s benefit under The Stanley Works Supplemental Executive Retirement Plan for fiscal year 2008 $541,146. See the footnote to Column (b) of Pension Benefits Table on page 26 for the assumptions used in making this calculation.

Footnote to Column (i) of Summary Compensation Table

Consists of company contributions and allocations for Messrs. Lundgren, Allan, Ansell, Davis, Loree, Mathieu and McIlnay under The Stanley Works Account Value Plan (matching and Cornerstone) and the Supplemental Retirement and Account Value Plan for Salaried Employees of The Stanley Works (supplemental matching and supplemental Cornerstone) and life insurance premiums, car allowance, cost of financial planning services and cost of annual physical, as set forth in the table below. Certain contributions for Messrs. Lundgren, Loree and Mathieu will offset pension benefits as described on pages 26-27.

Name	Year	Defined Contribution Plans ($)	Insurance ($)	Car ($)	Financial Planning ($)	Annual Physical ($)	Home Security System ($)	Column (i) Total ($)
John F. Lundgren	2008	231,000	49,091	16,686	18,787	0	3,055	318,619
Donald Allan, Jr.	2008	38,888	0	11,542	0	0	0	50,430
Jeffery D. Ansell	2008	47,808	6,708	16,150	0	0	0	70,666
Hubert W. Davis, Jr.	2008	82,875	17,457	18,000	0	0	0	118,332
James M. Loree	2008	113,390	14,500	16,750	12,383	0	2,903	159,926
Mark J. Mathieu	2008	55,335	11,340	16,750	2,261	765	0	86,451
Donald R. McIlnay	2008	75,778	17,922	16,750	0	0	0	110,450

The Stanley Account Value Plan is a Section 401(k) retirement program that covers certain employees of Stanley and its U.S. affiliates who are subject to the income tax laws of the United States. The Plan features two accounts: the Choice Account and the Cornerstone Account.

The Choice Account offers eligible participants the opportunity for tax-deferred savings and, with respect to certain funds, a choice of investment options. For each calendar year prior to 2009, the Company provided a 50% match on the first 7% of pay contributed by a participant on a pre-tax basis for the year. Annual pay and the amount of elective contributions are subject to limits set forth in the tax law. Participants are permitted to direct the investment of all funds credited to their Choice Accounts. Matching allocations to the Choice Accounts are 100% vested once a participant has completed three years of service, but are not vested prior to the completion of three years of service. As previously described, the Company has decided that matching allocations will not be made for at least calendar year 2009, but, if there are forfeitures for a year after 2008, such forfeitures are allocated as matching allocations for participants who made tax-deferred contributions during that year.

The Cornerstone Account provides a core retirement benefit for certain participants. This account is 100% funded by separate allocations that are not dependent on contributions by participants. These allocations were made for years prior to 2009. Effective June 2008, the Cornerstone Account became subject to a participant s investment direction. The regular allocation to a participant s Cornerstone Account for a calendar year is based on the participant s age on the last day of the calendar year and the participant s pay (subject to limits set forth in the tax law) for each calendar quarter during the year (with pay recognized for a calendar quarter only if the participant has employment status on the last day of the calendar quarter) as follows:

Age	Allocation Amount (% of Pay)
Less than 40	3%
40 - 54	5%
55 and older	9%

Allocations to the Cornerstone Account are 100% vested once a participant has completed three years of service and are not vested prior to the completion of three years of service. In addition, regardless of years of service, a participant will become 100% vested in the total value of both the Choice Account and the Cornerstone Account if, while the participant is employed by the Company, the participant reaches age 65 or becomes totally and permanently disabled or dies. If a participant dies while employed by the Company, the total value of the participant s accounts will be payable to his or her beneficiary. As previously described, the Company has decided that allocations to a Cornerstone Account will not be made for at least calendar year 2009.

The CEO Make-Whole Retirement Arrangement and The Stanley Works Supplemental Executive Retirement Plan are described on pages 26-27 under the heading Pension Benefits. The Supplemental Retirement and Account Value Plan for Salaried Employees of The Stanley Works is described on pages 27-28 under the heading Non-Qualified Defined Contribution and Deferred Co