STANLEY BLACK & DECKER, INC.
Form 10-K
February 18, 2011

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

ANNUAL REPORT
PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

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

For the fiscal year ended January 1, 2011

OR

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

For the transition period from ___________ to ___________

COMMISSION FILE 1-5224

STANLEY BLACK & DECKER, INC.
(Exact Name Of Registrant As Specified In Its Charter)

Connecticut	**06-0548860**
(State Or Other Jurisdiction Of Incorporation Or Organization)	(I.R.S. Employer Identification Number)
1000 Stanley Drive New Britain, Connecticut	**06053**
(Address Of Principal Executive Offices)	(Zip Code)

860-225-5111
(Registrant s Telephone Number)

Securities Registered Pursuant To Section 12(b) Of The Act:

Title Of Each Class	Name Of Each Exchange On Which Registered
Common Stock-$2.50 Par Value per Share	**New York Stock Exchange**

Securities Registered Pursuant To Section 12(g) Of The Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933.

Yes X No _

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes _ No X

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 X No _

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X 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 registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Yes _ No X

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer X   Accelerated filer _   Non-accelerated filer _ (Do not check if a smaller reporting company)   Smaller reporting company _

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes _ No X

As of July 2, 2010, the aggregate market values of voting common equity held by non-affiliates of the registrant was $8,212,019,983 based on the New York Stock Exchange closing price for such shares on that date. On February 15, 2011, the registrant had 167,207,462 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the registrant s fiscal year are incorporated by reference in Part III of the Annual Report on Form 10-K.

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FORM 10-K

PART I

ITEM 1. BUSINESS

1(a) GENERAL DEVELOPMENT OF BUSINESS

(i) General. The Stanley Works (Stanley) was founded in 1843 by Frederick T. Stanley and incorporated in 1852. Stanley is a diversified global provider of hand tools, mechanical access solutions and electronic security solutions. Stanley® is a brand recognized around the world for quality and value.

On March 12, 2010, Stanley completed a merger (the Merger) with the Black & Decker Corporation (Black & Decker). Black & Decker, which was incorporated in Maryland in 1910, is a leading global manufacturer and marketer of power tools and accessories, hardware and home improvement products, and technology-based (engineered) fastening systems. Black & Decker enjoys worldwide recognition of its strong brand names and a superior reputation for quality, design, innovation and value. In connection with the Merger, Stanley changed its name to Stanley Black & Decker, Inc. Throughout this document, references to the Company refer to Stanley Black & Decker, Inc. The Company s consolidated financial statements include Black & Decker s results of operations and cash flows from March 13, 2010.

As detailed in Note E, Merger and Acquisitions, of the Notes to the Consolidated Financial Statements in Item 8, Black & Decker stockholders received 1.275 shares of Stanley common stock for each share of Black & Decker common stock outstanding as of the merger date. Outstanding Black & Decker equity awards (primarily stock options) were similarly exchanged for Stanley equity awards. After the exchange was completed, pre-merger Stanley shareowners retained ownership of 50.5% of the newly combined company. Based on the $57.86 closing price of Stanley common stock on March 12, 2010, the aggregate fair value of the consideration transferred to consummate the Merger was $4.657 billion.

Management believes the Merger is a transformative event bringing together two highly complementary companies, with iconic brands, rich histories and common distribution channels, yet with minimal product overlap. The Merger also enables a global offering in hand and power tools, as well as hardware, thus enhancing the Company s value proposition to customers. Management believes the value unlocked by the anticipated $425 million in cost synergies, expected to be achieved by the end of 2012, will help fuel future growth and facilitate global cost leadership. This updated cost synergy estimate represents a $75 million increase from the original $350 million by March, 2013 at the time of the Merger. The cost synergy drivers are: business unit and regional consolidation (management, sales force and shared services integration), $145 million; purchasing (materials, freight etc.) $100 million; corporate overhead $95 million; and manufacturing and distribution facility consolidation, $85 million. The Company is ahead of plan on the integration of the two companies and realized $135 million of the cost synergies in 2010, which is $45 million more than originally forecasted for the nine month period that followed the merger. An additional $165 million of cost synergies are anticipated in 2011, and an incremental $125 million in 2012 to achieve the total cumulative $425 million in cost synergies in 2012. Of the $330 million in cost synergies pertaining to operations (all but the $95 million of corporate overhead), the benefit by segment is estimated to be 70% in CDIY, 20% in Security (mechanical access solutions), and 10% in Industrial. Management estimates there will be an additional $200 million in total costs, incurred over the next two years, to achieve these synergies from the Merger.

Additionally, it is projected that revenue synergies from the Merger will be in the range of $300 million to $400 million by 2013, which implies a benefit of $0.35 $0.50 of earnings per diluted share. Revenue synergies are expected to add an incremental 50 basis points (approximately $50 million) to 2011 revenue growth and have a modest earnings impact, with remaining revenue synergies to be achieved in 2012 and 2013. The anticipated revenue synergies will come from: geographic expansion into Latin America and other emerging markets, leveraging pre-existing infrastructure (30%); channel and cross-selling of existing products, such as the sale of power tools through the Company s industrial and automotive repair distributors (30%); brand expansion, i.e. utilizing the array of powerful brands in different product categories and channels and

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expanding across the globe, as exemplified by the recent introduction of DeWalt hand tools in certain channels, (30%); and joint new product development, which entails leveraging development expertise from both legacy companies to pursue new product opportunities (10%). The CDIY segment is expected to realize approximately two-thirds of the revenue synergies, and the remainder will be split evenly in the Industrial and Security segments. In 2011, the Company intends to increase capital expenditures to 2.5% 2.8% of revenues partially as a result of infrastructure improvements to foster attainment of the revenue synergies. In 2012 and beyond, the capital expenditure ratio is expected to return to more historical levels (2.0% 2.5% of revenues) in 2012.

Net sales from continuing operations have increased from $3.7 billion in 2009 to a record $8.4 billion in 2010, primarily as a result of the Merger, double digit organic growth in the legacy Stanley Industrial segment, as well as the effects of several smaller acquisitions. The Company sold the CST/berger business in 2008 along with several other small divestitures in 2008. Results have been recast for these discontinued operations. Refer to Note E, Merger and Acquisitions, and Note T, Discontinued Operations, of the Notes to the Consolidated Financial Statements in Item 8 for a discussion of acquisitions and divestitures over the past three years.

At January 1, 2011, the Company employed approximately 36,700 people worldwide. The Company s principal executive office is located at 1000 Stanley Drive, New Britain, Connecticut 06053 and its telephone number is (860) 225-5111.

(ii) Restructuring Activities. Information regarding the Company s restructuring activities is incorporated herein by reference to the material captioned Restructuring Activities in Item 7 and Note O, Restructuring and Asset Impairments, of the Notes to the Consolidated Financial Statements in Item 8.

1(b) FINANCIAL INFORMATION ABOUT SEGMENTS

Financial information regarding the Company s business segments is incorporated herein by reference to the material captioned Business Segment Results in Item 7 and Note P, Business Segments and Geographic Areas, of the Notes to the Consolidated Financial Statements in Item 8.

1(c) NARRATIVE DESCRIPTION OF BUSINESS

The Company s operations are classified into three reportable business segments: Construction & Do-It-Yourself (CDIY), Security, and Industrial. All segments have significant international operations in developed countries, but do not have large investments that would be subject to expropriation risk in developing countries. Fluctuations in foreign currency exchange rates affect the U.S. dollar translation of international operations in each segment.

After consummation of the Merger, the Black & Decker businesses were assessed and integrated into the Company s existing reportable segments. The legacy Black & Decker segments: Power Tools and Accessories, Hardware & Home Improvement (HHI) and Fastening and Assembly Systems, were integrated into the Company s CDIY, Security and Industrial segments, respectively, with the exception of the Pfister plumbing products business which was formerly part of HHI but is included in the CDIY segment. The results of Black & Decker s operations are presented within each of these segments and reflect activity since the Merger date.

<u>CDIY</u>

The CDIY segment manufactures and markets hand tools, corded and cordless electric power tools and equipment, lawn and garden products, consumer portable power products, home products, accessories and attachments for power tools, plumbing products, consumer mechanics tools, storage systems, and pneumatic tools and fasteners. These products are sold to professional end users, distributors, and consumers, and are primarily distributed through retailers (including home centers, mass merchants, hardware stores, and retail lumber yards). Hand tools include measuring and leveling tools, planes, hammers, demolition tools, knives and blades, screwdrivers, saws, chisels and consumer tackers. Corded and cordless electric power tools and equipment include drills, impact wrenches and drivers, wet/dry vacuums, lights, radios/chargers, grinders, various saws, polishers, plate joiners, jointers, lathes, dust management systems, routers, planers, tile saws, sanders, air tools, building instruments, air compressors, laser products, and Workmate® products. Lawn and garden products include hedge trimmers, string trimmers, lawn mowers, edgers, pruners, shears, shrubbers, blowers/vacuums, chain saws, and related accessories. Consumer portable power products include inverters,

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jump-starters, vehicle battery chargers, rechargeable spotlights, and other related products. Home products are comprised of stick, canister and hand-held vacuums, flexible flashlights, paint tools and cleaning solutions. Accessories and attachments for power tools include drill bits, hammer bits, router bits, hacksaws and blades, circular saw blades, jig and reciprocating saw blades, diamond blades, screwdriver bits and quick-change systems, bonded and other abrasives and worksite tool belts and bags. Plumbing products consist of a variety of conventional and decorative lavatory, kitchen, tub and shower faucets. Consumer mechanics tools include wrenches and sockets. Storage systems include plastic boxes, sawhorses and storage units. Pneumatic tools and fasteners include nail guns, staplers, nails and staples that are used for construction, remodeling, furniture making, pallet manufacturing and other applications involving the attachment of wooden materials.

The Company s product service program supports its power tools and lawn and garden products. Replacement parts and product repair services are available through a network of company-operated service centers. At January 1, 2011, there were approximately 100 such service centers, of which approximately 80 were located in the United States of America. The remaining centers are located around the world, primarily in Canada, Europe and Asia. These company-operated service centers are supplemented by several hundred authorized service centers operated by independent local owners. The Company also operates reconditioning centers in which power tools, lawn and garden products, and electric cleaning and lighting products are reconditioned and then resold through various company-operated factory outlets and service centers and various independent distributors.

Security

The Security segment provides access and security solutions primarily for consumers, retailers, educational, financial and healthcare institutions, as well as commercial, governmental and industrial customers. The Company provides an extensive suite of mechanical and electronic security products and systems, and a variety of security services. These include security integration systems, software, related installation, maintenance, and monitoring services, automatic doors, door closers, electronic keyless entry systems, exit devices, healthcare storage and supply chain solutions, patient protection products, hardware (including door and cabinet knobs and hinges, door stops, kick plates, house numbers, gate hardware, cabinet pulls, hooks, braces and shelf brackets), locking mechanisms, electronic keyless entry systems, keying systems, tubular and mortise door locksets. Security products are sold predominantly on a direct sales basis, distributed through retailers (including home centers) and in certain instances, through third party distributors.

Industrial

The Industrial segment manufactures and markets professional industrial and automotive mechanics tools and storage systems, metal and plastic fasteners and engineered fastening systems, hydraulic tools and accessories, and specialty tools. These products are sold to industrial customers including automotive, transportation, electronics, aerospace, machine tool and appliance industries and are distributed through third party distributors as well as through direct sales forces. Through its acquisition of CRC-Evans Pipeline International (CRC-Evans) in 2010, the Industrial segment also provides services and specialized tools and equipment such as custom pipe handling, joint welding and coating equipment used in the construction of large and small diameter pipelines.

Professional and automotive mechanics tools and storage systems include wrenches, sockets, electronic diagnostic tools, power tools, tool boxes and high-density industrial storage and retrieval systems. Metal and plastic fasteners and engineered fastening systems include blind riveting, stud welding, specialty screws, prevailing torque nuts and assemblies, insert systems, metal and plastic fasteners, and self-piercing riveting systems, as well as electric and pneumatic assembly tools. These are high performance precision tools, controllers and systems for tightening threaded fasteners used chiefly by vehicle manufacturers. Hydraulic tools and accessories are comprised of hand-held hydraulic tools and mounted hydraulic tools used by scrap yards, contractors, utilities, railroads and public works as well as mounted demolition hammers and compactors designed to work on skid steer loaders, mini-excavators, backhoes and large excavators. Specialty tools are used for assembling, repairing and testing electronic equipment.

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Competition

The Company competes on the basis of its reputation for product quality, its well-known brands, its commitment to customer service, strong customer relationships, the breadth of its product lines and its innovative products and customer value propositions.

The Company encounters active competition in all of its businesses from both larger and smaller companies that offer the same or similar products and services or that produce different products appropriate for the same uses. The Company has a large number of competitors; however, aside from a small number of competitors in the consumer hand tool and consumer hardware businesses who produce a range of products somewhat comparable to the Company s, the majority of its competitors compete only with respect to one or more individual products or product lines in that segment. Certain large customers offer private label brands (house brands) that compete across a wider spectrum of the Company s CDIY segment product offerings. The Company is one of the largest manufacturers of hand and power tools in the world. The Company is a significant manufacturer of pneumatic fastening tools and related fasteners for the construction, furniture and pallet industries as well as a leading manufacturer of hydraulic tools used for heavy construction, railroad, utilities and public works. The Company also believes that it is among the larger direct providers of commercial access security integration and alarm monitoring services in North America and France.

Customers

A significant portion of the Company s products are sold to home centers and mass merchants in the U.S. and Europe. A consolidation of retailers both in North America and abroad has occurred over time. While this consolidation and the domestic and international expansion of these large retailers has provided the Company with opportunities for growth, the increasing size and importance of individual customers creates a certain degree of exposure to potential sales volume loss. As a result of the Company s diversification strategy, legacy Stanley sales to U.S. home centers and mass merchants declined from a high of approximately 40% in 2002 to 14% in 2010. On a pro-forma combined basis (as if combined the entire year), Stanley and Black & Decker 2010 sales to U.S. home centers and mass merchants were approximately 31%, including nearly 21% of sales to the combined Company s two largest customers. As acquisitions in the various growth platforms (electronic/convergent Security, mechanical security, engineered fastening, infrastructure solutions and healthcare solutions) are made in future years, the proportion of sales to these valued U.S. home center and mass merchant customers is expected to decrease.

Raw Materials

The Company s products are manufactured using both ferrous and non-ferrous metals including, but not limited to steel, zinc, copper, brass, aluminum and nickel, and resin also represents a significant commodity used in production. Additionally, the Company uses other commodity-based materials for components and packaging including, but not limited to, plastics, wood, and other corrugated products. The raw materials required are procured globally and available from multiple sources at competitive prices. The Company does not anticipate difficulties in obtaining supplies for any raw materials or energy used in its production processes.

Backlog

Due to short order cycles and rapid inventory turnover in most of the Company s CDIY and Industrial segment businesses, backlog is generally not considered a significant indicator of future performance. At February 5, 2011, the Company had approximately $705 million in unfilled orders. Substantially all of these orders are reasonably expected to be filled within the current fiscal year. As of February 6, 2010 and February 2, 2009, unfilled orders amounted to $320 million and $348 million, respectively.

Patents and Trademarks

No business segment is dependent, to any significant degree, on patents, licenses, franchises or concessions and the loss of these patents, licenses, franchises or concessions would not have a material adverse effect on any of the business segments. The Company owns numerous patents, none of which individually is material to

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the Company s operations as a whole. These patents expire at various times over the next 20 years. The Company holds licenses, franchises and concessions, none of which individually or in the aggregate are material to the Company s operations as a whole. These licenses, franchises and concessions vary in duration, but generally run from one to 40 years.

The Company has numerous trademarks that are used in its businesses worldwide. The STANLEY® and STANLEY in a Notched Rectangle® trademarks are material to all three business segments. These well-known trademarks enjoy a reputation for quality and value and are among the world s most trusted brand names. The Company s tagline, Make Something Great® is the centerpiece of the brand strategy for all segments. In the CDIY segment, the Bostitch®, Bailey®, Powerlock®, Tape Rule Case Design®, FatMax®, Black & Decker®, DeWalt®, DustBuster®, Porter-Cable®, Workmate® and Pfister® family of trademarks are material. The BEST®, Blick™, HSM®, National®, Sargent & Greenleaf®, S&G® Sonitrol®, Xmark®, Kwikset®, Weiser®, and Baldwin® trademarks are material to the Security segment. The CRC®, LaBounty®, MAC®, Mac Tools®, Proto®, Vidmar®, Facom®, Virax®, USAG®, and Emhart Teknologies™ trademarks are material to the Industrial segment. The terms of these trademarks vary, typically, from 10 to 20 years, with most trademarks being renewable indefinitely for like terms.

Environmental Regulations

The Company is subject to various environmental laws and regulations in the U.S. and foreign countries where it has operations. Future laws and regulations are expected to be increasingly stringent and will likely increase the Company s expenditures related to environmental matters.

The Environmental Protection Agency (EPA) has provided an affiliate of Black & Decker a Notice of Potential Liability related to environmental contamination found at the Centredale Manor Restoration Project Superfund site, located in North Providence, Rhode Island. The EPA has discovered a variety of contaminants at the site, including but not limited to, dioxins, polychlorinated biphenyls, and pesticides. The EPA alleged that an affiliate of Black & Decker is liable for site clean-up costs under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) as a successor to the liability of Metro-Atlantic, Inc., a former operator at the site, and demanded reimbursement of the EPA s costs related to this site. The EPA released a draft Feasibility Study Report in May 2010, which identified and evaluated possible remedial alternatives for the site. The estimated remediation costs related to this Centredale site (including the EPA s past costs as well as costs of additional investigation, remediation, and related costs such as the EPA s oversight costs, less escrowed funds contributed by primary potentially responsible parties (PRPs) who have reached settlement agreements with the EPA), which the Company considers to be probable and reasonably estimable, range from approximately $68.3 million to $212.8 million, with no amount within that range representing a more likely outcome until such time as the EPA completes its remedy selection process for the site. The Company s reserve for this environmental remediation matter of $68.3 million reflects the fact that the EPA considers Metro-Atlantic, Inc. to be a primary source of contamination at the site. The Company has determined that it is likely to contest the EPA s claims with respect to this site. Further, to the extent that the Company agrees to perform or finance additional remedial activities at this site, it intends to seek participation or contribution from additional PRPs and insurance carriers. As the specific nature of the environmental remediation activities that may be mandated by the EPA at this site have not yet been determined, the ultimate remedial costs associated with the site may vary from the amount accrued by the Company at January 1, 2011.

The EPA and the Santa Ana Regional Water Quality Control Board have each initiated administrative proceedings against Black & Decker and certain of its current or former affiliates alleging that Black & Decker and numerous other defendants are responsible to investigate and remediate alleged groundwater contamination in and adjacent to a 160-acre property located in Rialto, California. The cities of Colton and Rialto, as well as Goodrich Corporation, also initiated lawsuits against Black & Decker and certain of its former or current affiliates in the Federal District Court for California, Central District alleging similar claims that Black & Decker is liable under CERCLA, the Resource

Conservation and Recovery Act, and state law for the discharge or release of hazardous substances into the environment and the contamination caused by those alleged releases. The City of Colton also has a companion case in California State court, which is currently stayed for all purposes. Certain defendants in that case have cross-claims against other defendants and have asserted claims against the State of California. The administrative proceedings and the lawsuits generally allege that West Coast Loading Corporation (WCLC), a defunct company that operated in Rialto between 1952 and 1957, and an as yet undefined number of other defendants are responsible for the release of perchlorate and solvents into the groundwater basin, and that Black & Decker and certain of its current or former affiliates are liable as a successor of WCLC. The Company believes that neither the facts nor the law support an allegation that Black & Decker is responsible for the contamination and is vigorously contesting these claims.

In addition, the Company is a party to a number of proceedings before federal and state regulatory agencies relating to environmental remediation. Also, the Company, along with many other companies, has been named as a PRP in a number of administrative proceedings for the remediation of various waste sites, including 36 active Superfund sites. Current laws potentially impose joint and several liabilities upon each PRP. In assessing its potential liability at these sites, the Company has considered the following: whether responsibility is being disputed, the terms of existing agreements, experience at similar sites, and the Company s volumetric contribution at these sites.

The Company s policy is to accrue environmental investigatory and remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The amount of liability recorded is based on an evaluation of currently available facts with respect to each individual site and includes such factors as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. The liabilities recorded do not take into account any claims for recoveries from insurance or third parties. As assessments and remediation progress at individual sites, the amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. As of January 1, 2011 and January 2, 2010, the Company had reserves of $173.0 million and $29.7 million, respectively, for remediation activities associated with Company-owned properties, as well as for Superfund sites, for losses that are probable and estimable. Of the 2010 amount, $25.9 million is classified as current and $147.1 million as long-term which is expected to be paid over the estimated remediation period. The range of environmental remediation costs that is reasonably possible is $157 million to $349 million which is subject to change in the near term. The Company may be liable for environmental remediation of sites it no longer owns. Liabilities have been recorded on those sites in accordance with policy.

The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. Actual costs to be incurred in future periods may vary from the estimates, given the inherent uncertainties in evaluating certain exposures. Subject to the imprecision in estimating future contingent liability costs, the Company does not expect that any sum it may have to pay in connection with these matters in excess of the amounts recorded will have a materially adverse effect on its financial position, results of operations or liquidity.

Employees

At January 1, 2011, the Company had approximately 36,700 employees, nearly 14,400 of whom were employed in the U.S. Approximately 950 U.S. employees are covered by collective bargaining agreements negotiated with 21 different local labor unions who are, in turn, affiliated with approximately 6 different international labor unions. The majority of the Company s hourly-paid and weekly-paid employees outside the U.S. are not covered by collective bargaining agreements. The Company s labor agreements in the U.S. expire in 2011, 2012, 2013 and 2014. There have been no significant interruptions or curtailments of the Company s operations in recent years due to labor disputes. The Company believes that its relationship with its employees is good.

1(d) FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

Financial information regarding the Company s geographic areas is incorporated herein by reference to Note P, Business Segments and Geographic Areas, of the Notes to the Consolidated Financial Statements in Item 8.

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1(e) AVAILABLE INFORMATION

The Company s website is located at http://www.stanleyblackanddecker.com. This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our website. The information on our website is not, and is not intended to be, part of this Form 10-K and is not incorporated into this report by reference. The Company makes its Forms 10-K, 10-Q, 8-K and amendments to each available free of charge on its website as soon as reasonably practicable after filing them with, or furnishing them to, the U.S. Securities and Exchange Commission.

ITEM 1A. RISK FACTORS

The Company s business, operations and financial condition are subject to various risks and uncertainties. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including those risks set forth under the heading entitled Cautionary Statements Under the Private Securities Litigation Reform Act of 1995 , and in other documents that the Company files with the U.S. Securities and Exchange Commission, before making any investment decision with respect to its securities. If any of the risks or uncertainties actually occur or develop, the Company s business, financial condition, results of operations and future growth prospects could change. Under these circumstances, the trading prices of the Company s securities could decline, and you could lose all or part of your investment in the Company s securities.

If the pace of recovery in the retail, residential and commercial markets in the Americas, Europe or Asia is sluggish, or general economic conditions do not improve, it could have a material adverse effect on the Company s business.

The Company conducts business in various parts of the world, primarily in the United States and Europe and, to a lesser extent, in Mexico, Central America, the Caribbean, South America, Canada, Asia and Australia. As a result of this worldwide exposure, the Company s businesses could be adversely affected by a decline in the U.S. and international economies, particularly with respect to residential and commercial markets, including, but not limited to recession, inflation or deflation. It is possible any such softness may result in an unfavorable impact on sales, earnings and cash flows. Also, any deterioration of retail, automotive, residential or commercial construction markets, changes in consumer purchasing power or in general economic conditions, could reduce demand for Company products and therefore have a material adverse effect on sales, earnings and cash flows. In addition, due to such economic conditions, it is possible certain customers credit-worthiness may erode resulting in increased write-offs of customer receivables.

The failure to successfully integrate the businesses of Stanley and Black & Decker in the expected time frame could adversely affect the Company s future results.

The success of the Merger will depend, in large part, on the ability of the Company to realize the anticipated benefits, including cost savings, from combining the businesses of Stanley and Black & Decker. To realize these anticipated benefits, the businesses of Stanley and Black & Decker must be successfully integrated. This integration is complex and time-consuming. The failure to integrate successfully and to manage successfully the challenges presented by the integration process may result in the combined company not achieving the anticipated benefits of the Merger;

Potential difficulties that may be encountered in the integration process include the following:

- the inability to successfully integrate the businesses of Stanley and Black & Decker in a manner that permits the combined company to achieve the cost savings anticipated to result from the Merger;

the inability to implement information technology system changes to get the combined businesses on common platforms;

lost sales and customers as a result of customers of either of the two companies deciding not to do business with the combined company;

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complexities associated with managing the larger, more complex, combined business;

integrating personnel from the two companies while maintaining focus on providing consistent, high quality products;

potential unknown liabilities and unforeseen expenses, delays or regulatory conditions associated with the Merger; and

performance shortfalls at one or both of the companies as a result of the diversion of management s attention caused by integrating the companies operations.

The Company has incurred, and will continue to incur, substantial integration-related expenses resulting from the Merger.

The Company will continue to incur substantial expenses in connection with the Merger and the integration of Black & Decker including certain restructuring actions that may be taken to achieve synergies. Approximately $200 million of pre-tax restructuring and integration expense pertaining to the Merger is expected to be incurred over the next two years, in order to achieve an additional estimated $290 million of pre-tax annualized synergy benefits. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated, including purchasing, accounting and finance, sales, billing, payroll, manufacturing, marketing and benefits. While the Company has assumed an estimated $200 million of expenses will be incurred, there are many factors beyond its control that could affect the total amount or the timing of the integration expenses. Moreover, many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. These expenses could, particularly in the near term, exceed the savings that the Company expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings. During 2010 the Company incurred $538 million of pre-tax merger and acquisition-related charges primarily related to restructuring costs associated with facility closures, employee severance charges, certain executive compensation charges, investment banking fees, and integration related advisory and consulting fees. While management believes the $200 million estimate is reasonable, the amount of future integration expense is not certain and could result in the Company taking significant additional charges against earnings in future periods.

The Company s growth and repositioning strategies include acquisitions. The Company may not be able to successfully integrate the operations of recent acquisitions and the Company may not be able to identify suitable future acquisition candidates.

In 2002, the Company embarked on a growth strategy to shift its business portfolio toward favored growth markets through acquisitions and divestitures. The strategy has been advanced over the last several years with the Merger and the acquisition of a number of companies, including Stanley Solutions de Sécurité (SSDS), CRC-Evans Pipeline International (CRC-Evans), GMT, Infologix, Générale de Protection (GdP), Xmark Corporation (Xmark), Sonitrol Corporation (Sonitrol), and HSM Electronic Protection Services, Inc. (HSM).

The Company expends significant resources identifying opportunities to acquire new lines of business and companies that could contribute to its success and expansion into existing and new markets. Although the Company has extensive experience with acquisitions, there can be no assurance that recently acquired companies will be successfully integrated or that anticipated cost savings, synergies, or other benefits will be realized. If the Company successfully integrates the acquired companies and effectively implements its repositioning strategy, there can be no assurance that these acquired businesses will enjoy continued market acceptance or profitability.

In addition, there can be no assurance that the Company will be able to successfully identify suitable future acquisition candidates, negotiate appropriate terms, obtain the necessary financing, complete the transactions or successfully integrate the new companies as necessary to continue its growth and repositioning strategies. If the Company is unable to successfully integrate acquisitions, it could have a material adverse affect on its business, financial condition and future growth.

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The Company s acquisitions may result in certain risks for its business and operations.

In addition to the Merger, the Company made one other significant acquisition of CRC-Evans in 2010 in addition to nine smaller acquisitions, six small acquisitions in 2009, and a number of more significant acquisitions in 2008, including, but not limited to: GdP in October 2008 and Sonitrol and Xmark in July 2008. The Company may make additional acquisitions in the future. Acquisitions involve a number of risks, including:

- the diversion of Company management s attention and other resources,
- the incurrence of unexpected liabilities, and
- the loss of key personnel and clients or customers of acquired companies.

Any intangible assets that the Company acquires may have a negative effect on its earnings and return on capital employed. In addition, the success of the Company s future acquisitions will depend in part on its ability to:

- combine operations,
- integrate departments, systems and procedures, and
- obtain cost savings and other efficiencies from the acquisitions.

Failure to effectively consummate or manage future acquisitions may adversely affect the Company s existing businesses and harm its operational results due to large write-offs, contingent liabilities, substantial depreciation, adverse tax or other consequences. The Company is still in the process of integrating the businesses and operations of Black & Decker, CRC-Evans, SSDS and certain other smaller acquisitions made in the past two years. The Company cannot ensure that such integrations will be successfully completed, or that all of the planned synergies will be realized.

The Company has incurred, and may incur in the future, significant indebtedness, or issue additional equity securities, in connection with mergers or acquisitions which may impact the manner in which it conducts business or the Company s access to external sources of liquidity. The potential issuance of such securities may limit the Company s ability to implement elements of its growth strategy and may have a dilutive effect on earnings.

As described in Note H, Long-Term Debt and Financing Arrangements, of the Notes to the Consolidated Financial Statements in Item 8, the Company has a committed revolving credit agreement, expiring in February 2013, supporting borrowings up to $800 million. Upon closing of the Merger, the Company entered into a $700 million revolving credit agreement that became effective on March 12, 2010 and will expire in March 2011. These agreements include provisions that allow designated subsidiaries to borrow up to $250 million in Euros and Pounds Sterling, which may be available to, among other things, fund acquisitions.

The instruments and agreements governing certain of the Company s current indebtedness contain requirements or restrictive covenants that include, among other things:

- a limitation on creating liens on certain property of the Company and its subsidiaries;
- a restriction on entering into certain sale-leaseback transactions;

customary events of default. If an event of default occurs and is continuing, the Company might be required to repay all amounts outstanding under the respective instrument or agreement; and

maintenance of a specified financial ratio. The Company has an interest coverage covenant that must be maintained to permit continued access to its committed revolving credit facilities. The interest coverage ratio tested for covenant compliance compares adjusted Earnings Before Interest, Taxes, Depreciation and Amortization to adjusted Interest Expense (adjusted EBITDA / adjusted Interest Expense); such adjustments to interest or EBITDA include, but are not limited to, removal of non-cash interest expense, certain restructuring and other merger and acquisition-related charges as well as stock-based compensation expense. The adjustments to interest expense and EBITDA for purposes of this interest coverage ratio computation are defined in the debt agreements included as Exhibits 10.1, 10.2(a), 10.2(b) and 10.2(c) of this Form 10K. The ratio required for compliance is 3.5 EBITDA to 1.0 Interest Expense and is computed quarterly, on a rolling twelve months (last twelve months) basis. Under this covenant definition, the interest coverage ratio was approximately 11 times EBITDA or higher in each of the 2010 quarterly measurement periods. Management does not believe it is reasonably likely the Company will breach this covenant. Failure to maintain this ratio could adversely affect further access to liquidity.

Future instruments and agreements governing indebtedness may impose other restrictive conditions or covenants. Such covenants could restrict the Company in the manner in which it conducts business and operations as well as in the pursuit of its growth and repositioning strategies.

The Company is exposed to counterparty risk in its hedging arrangements.

From time to time the Company enters into arrangements with financial institutions to hedge exposure to fluctuations in currency and interest rates, including forward contracts and swap agreements. The failure of one or more counterparties to the Company s hedging arrangements to fulfill their obligations could adversely affect the Company s results of operations.

The Company s results of operations could be negatively impacted by inflationary or deflationary economic conditions which could affect the ability to obtain raw materials, component parts, freight, energy, labor and sourced finished goods in a timely and cost-effective manner.

The Company s products are manufactured using both ferrous and non-ferrous metals including, but not limited to steel, zinc, copper, brass, aluminum and nickel, and resin also represents a significant commodity used in production. Additionally, the Company uses other commodity-based materials for components and packaging including, but not limited to: plastics, wood, and other corrugated products. The Company s cost base also reflects significant elements for freight, energy and labor. The Company also sources certain finished goods directly from vendors. If the Company is unable to mitigate any inflationary increases through various customer pricing actions and cost reduction initiatives, its profitability may be adversely affected.

Conversely, in the event there is deflation, the Company may experience pressure from its customers to reduce prices; there can be no assurance that the Company would be able to reduce its cost base (through negotiations with suppliers or other measures) to offset any such price concessions which could adversely impact results of operations and cash flows.

Further, as a result of inflationary or deflationary economic conditions, the Company believes it is possible that a limited number of suppliers may either cease operations or require additional financial assistance from the Company in order to fulfill their obligations. In a limited number of circumstances, the magnitude of the Company s purchases of certain items is of such significance that a change in established supply relationships with suppliers or increase in the costs of purchased raw materials, component parts or finished goods could result in manufacturing interruptions, delays, inefficiencies or an inability to market products. An increase in value-added tax rebates currently available to the Company or to its suppliers, could also increase the costs of the Company s manufactured products as well as purchased products and components and could adversely affect the Company s results of operations.

Tight capital and credit markets could adversely affect the Company by limiting the Company s or its customers ability to borrow or otherwise access liquidity.

The Company s growth plans are dependent on, among other things, the availability of funding to support corporate initiatives and complete appropriate acquisitions and the ability to increase sales of existing product lines. While the Company has not encountered financing difficulties to date, the capital and credit markets experienced extreme volatility and disruption in late 2008 and in early 2009. Market conditions could make it more difficult for the Company to borrow or otherwise obtain the cash required for significant new corporate initiatives and acquisitions. In addition, there could be a number of follow-on effects from such a credit crisis

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on the Company s businesses, including: insolvency of key suppliers resulting in product delays; inability of customers to obtain credit to finance purchases of the Company s products and/or customer insolvencies; and failure of derivative counterparties and other financial institutions negatively impacting the Company s treasury operations.

The Company is exposed to market risk from changes in foreign currency exchange rates which could negatively impact profitability.

The Company manufactures and sell its products in many countries throughout the world. As a result, there is exposure to foreign currency risk as the Company enters into transactions and makes investments denominated in multiple currencies. The Company s predominant exposures are in European, Canadian, British, and Asian currencies, including the Chinese Renminbi (RMB). In preparing its financial statements, for foreign operations with functional currencies other than the U.S. dollar, asset and liability accounts are translated at current exchange rates, and income and expenses are translated using weighted-average exchange rates. With respect to the effects on translated earnings, if the U.S. dollar strengthens relative to local currencies, the Company s earnings could be negatively impacted. In 2010, foreign currency translation positively impacted earnings by $0.04 per diluted share. The translation impact has been more material in the past and may be more material in the future. Although the Company utilizes risk management tools, including hedging, as it deems appropriate, to mitigate a portion of potential market fluctuations in foreign currencies, there can be no assurance that such measures will result in all market fluctuation exposure being eliminated. The Company does not make a practice of hedging its non-U.S. dollar earnings.

The Company sources many products from China and other Asian low-cost countries for resale in other regions. To the extent the RMB or other currencies appreciate with respect to the U.S. dollar, the Company may experience cost increases on such purchases. The Company may not be successful at implementing customer pricing or other actions in an effort to mitigate the related cost increases and thus its profitability may be adversely impacted.

The Company s business is subject to risks associated with sourcing and manufacturing overseas.

The Company imports large quantities of finished goods, component parts and raw materials. Substantially all of its import operations are subject to customs requirements and to tariffs and quotas set by governments through mutual agreements, bilateral actions or, in some cases unilateral action. In addition, the countries in which the Company s products and materials are manufactured or imported may from time to time impose additional quotas, duties, tariffs or other restrictions on its imports (including restrictions on manufacturing operations) or adversely modify existing restrictions. Imports are also subject to unpredictable foreign currency variation which may increase the Company s cost of goods sold. Adverse changes in these import costs and restrictions, or the Company s suppliers failure to comply with customs regulations or similar laws, could harm the Company s business.

The Company s operations are also subject to the effects of international trade agreements and regulations such as the North American Free Trade Agreement, and the activities and regulations of the World Trade Organization. Although these trade agreements generally have positive effects on trade liberalization, sourcing flexibility and cost of goods by reducing or eliminating the duties and/or quotas assessed on products manufactured in a particular country, trade agreements can also impose requirements that adversely affect the Company s business, such as setting quotas on products that may be imported from a particular country into key markets including the U.S. or the European Union, or making it easier for other companies to compete, by eliminating restrictions on products from countries where the Company s competitors source products.

The Company s ability to import products in a timely and cost-effective manner may also be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as port and shipping capacity, labor disputes, severe weather or increased homeland security requirements in the U.S. and other countries. These issues could delay importation of products or require the Company to locate alternative ports or warehousing providers to avoid disruption to customers. These alternatives may not be available on

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short notice or could result in higher transit costs, which could have an adverse impact on the Company s business and financial condition.

The Company s success depends on its ability to improve productivity and streamline operations to control or reduce costs.

The Company is committed to continuous productivity improvement and evaluating opportunities to reduce fixed costs, simplify or improve processes, and eliminate excess capacity. The Company has also undertaken restructuring actions, the savings of which may be mitigated by many factors, including economic weakness, competitive pressures, and decisions to increase costs in areas such as sales promotion or research and development above levels that were otherwise assumed. Failure to achieve or delays in achieving projected levels of efficiencies and cost savings from such measures, or unanticipated inefficiencies resulting from manufacturing and administrative reorganization actions in progress or contemplated, would adversely affect the Company s results of operations.

Changes in customer preferences, the inability to maintain mutually beneficial relationships with large customers, inventory reductions by customers, and the inability to penetrate new channels of distribution could adversely affect the Company s business.

The Company has certain significant customers, particularly home centers and major retailers, although no one customer represented more than 10% of consolidated net sales in 2010. However, on a pro-forma basis (as if Black & Decker were part of the Company s results for the entire year 2010), the two largest customers comprised nearly 21% of net sales and U.S. mass merchants and home centers collectively comprised approximately 31% of net sales. The loss or material reduction of business, the lack of success of sales initiatives, or changes in customer preferences or loyalties, for the Company s products related to any such significant customer could have a material adverse impact on the Company s results of operations and cash flows. In addition, the Company s major customers are volume purchasers, a few of which are much larger than the Company and have strong bargaining power with suppliers. This limits the ability to recover cost increases through higher selling prices. Furthermore, unanticipated inventory adjustments by these customers can have a negative impact on sales.

During 2009 the Company experienced significant distributor inventory corrections reflecting de-stocking of the supply chain associated with difficult credit markets. Such distributor de-stocking exacerbated sales volume declines pertaining to weak end user demand and the broader economic recession. The Industrial segment generally sells to distributors where the Company does not have point of sale data to see end user demand trends; however, a substantial portion of the overall volume declines within the Industrial segment was believed to be attributable to such de-stocking or customer inventory adjustments. The Company s results may be adversely impacted in future periods by such customer inventory adjustments. Further, the inability to continue to penetrate new channels of distribution may have a negative impact on the Company s future results.

Customer consolidation could have a material adverse effect on the Company s business.

A significant portion of the Company s products are sold through home centers and mass merchant distribution channels in the U.S. and Europe. A consolidation of retailers in both North America and abroad has occurred over time and the increasing size and importance of individual customers creates risk of exposure to potential volume loss. The loss of certain larger home centers as customers would have a material adverse effect on the Company s business until either such customers were replaced or the Company made the necessary adjustments to compensate for the loss of business.

If the Company were required to write down all or part of its goodwill, indefinite-lived trade names, or other definite-lived intangible assets, its net income and net worth could be materially adversely affected.

As a result of the Merger and previous acquisitions, the Company has $5.942 billion of goodwill, $1.652 billion of indefinite-lived trade names, and $1.220 billion of definite-lived intangible assets at January 1, 2011. The

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Company is required to periodically, at least annually, determine if its goodwill or indefinite-lived trade names have become impaired, in which case it would write down the impaired portion of the intangible asset. The definite-lived intangible assets, including customer relationships, are amortized over their estimated useful lives; such assets are also evaluated for impairment when appropriate. Impairment of intangible assets may be triggered by developments outside of the Company s control, such as worsening economic conditions, technological change, intensified competition or other factors resulting in deleterious consequences.

Income tax payments may ultimately differ from amounts currently recorded by the Company. Future tax law changes may materially increase the Company s prospective income tax expense.

The Company is subject to income taxation in the U.S. as well as numerous foreign jurisdictions. Judgment is required in determining the Company s worldwide income tax provision and accordingly there are many transactions and computations for which the final income tax determination is uncertain. The Company is routinely audited by income tax authorities in many tax jurisdictions. Although management believes the recorded tax estimates are reasonable, the ultimate outcome from any audit (or related litigation) could be materially different from amounts reflected in the Company s income tax provisions and accruals. Future settlements of income tax audits may have a material effect on earnings between the period of initial recognition of tax estimates in the financial statements and the point of ultimate tax audit settlement. Additionally, it is possible that future income tax legislation may be enacted that could have a material impact on the Company s worldwide income tax provision beginning with the period that such legislation becomes effective. Also, while a reduction in statutory rates would result in a favorable impact on future net earnings, it would require an initial write down of any deferred tax assets in the related jurisdiction.

The Company s failure to continue to successfully avoid, manage, defend, litigate and accrue for claims and litigation could negatively impact its results of operations or cash flows.

The Company is exposed to and becomes involved in various litigation matters arising out of the ordinary routine conduct of its business, including, from time to time, actual or threatened litigation relating to such items as commercial transactions, product liability, workers compensation, the Company s distributors and franchisees, intellectual property claims and regulatory actions.

In addition, the Company is subject to environmental laws in each jurisdiction in which business is conducted. Some of the Company s products incorporate substances that are regulated in some jurisdictions in which it conducts manufacturing operations. The Company could be subject to liability if it does not comply with these regulations. In addition, the Company is currently, and may in the future, be held responsible for remedial investigations and clean-up costs resulting from the discharge of hazardous substances into the environment, including sites that have never been owned or operated by the Company but at which it has been identified as a potentially responsible party under federal and state environmental laws and regulations. Changes in environmental and other laws and regulations in both domestic and foreign jurisdictions could adversely affect the Company s operations due to increased costs of compliance and potential liability for non-compliance.

There can be no assurance that the Company will be able to continue to successfully avoid, manage and defend such matters. In addition, given the inherent uncertainties in evaluating certain exposures, actual costs to be incurred in future periods may vary from the Company s estimates for such contingent liabilities.

The Company s brands are important assets of its businesses and violation of its trademark rights by imitators, or the failure of its licensees or vendors to comply with the Company s product quality, manufacturing requirements, marketing standards, and other requirements could negatively impact revenues and brand reputation.

The Company s trademarks enjoy a reputation for quality and value and are important to its success and competitive position. Unauthorized use of the Company s trademark rights may not only erode sales of the Company s products, but may also cause significant damage to its brand name and reputation, interfere with its ability to effectively represent the Company to its customers, contractors, suppliers, and/or licensees, and increase litigation costs. Similarly, failure by licensees or vendors to adhere to the Company s standards of

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quality and other contractual requirements could result in loss of revenue, increased litigation, and/or damage to the Company s reputation and business. There can be no assurance that the Company s on-going effort to protect its brand and trademark rights and ensure compliance with its licensing and vendor agreements will prevent all violations.

Successful sales and marketing efforts depend on the Company s ability to recruit and retain qualified employees.

The success of the Company s efforts to grow its business depends on the contributions and abilities of key executives, its sales force and other personnel, including the ability of its sales force to adapt to any changes made in the sales organization and achieve adequate customer coverage. The Company must therefore continue to recruit, retain and motivate management, sales and other personnel sufficiently to maintain its current business and support its projected growth. A shortage of these key employees might jeopardize the Company s ability to implement its growth strategy.

The Company faces active global competition and if it does not compete effectively, its business may suffer.

The Company faces active competition and resulting pricing pressures. The Company s products compete on the basis of, among other things, its reputation for product quality, its well-known brands, price, innovation and customer service capabilities. The Company competes with both larger and smaller companies that offer the same or similar products and services or that produce different products appropriate for the same uses. These companies are often located in countries such as China, Taiwan and India where labor and other production costs are substantially lower than in the U.S., Canada and Western Europe. Also, certain large customers offer house brands that compete with some of the Company s product offerings as a lower-cost alternative. To remain profitable and defend market share, the Company must maintain a competitive cost structure, develop new products and services, lead product innovation, respond to competitor innovations and enhance its existing products in a timely manner. The Company may not be able to compete effectively on all of these fronts and with all of its competitors, and the failure to do so could have a material adverse effect on its sales and profit margins.

The Stanley Fulfillment System (SFS) is a continuous operational improvement process applied to many aspects of the Company s business such as procurement, quality in manufacturing, maximizing customer fill rates, integrating acquisitions and other key business processes. In the event the Company is not successful in effectively applying the SFS disciplines to its key business processes, including those of acquired businesses, its ability to compete and future earnings could be adversely affected.

In addition, the Company may have to reduce prices on its products and services, or make other concessions, to stay competitive and retain market share. Price reductions taken by the Company in response to customer and competitive pressures, as well as price reductions and promotional actions taken to drive demand that may not result in anticipated sales levels, could also negatively impact its business. The Company engages in restructuring actions, sometimes entailing shifts of production to low-cost countries, as part of its efforts to maintain a competitive cost structure. If the Company does not execute restructuring actions well, its ability to meet customer demand may decline, or earnings may otherwise be adversely impacted; similarly if such efforts to reform the cost structure are delayed relative to competitors or other market factors the Company may lose market share and profits.

The performance of the Company may suffer from business disruptions associated with information technology, system implementations, or catastrophic losses affecting distribution centers and other infrastructure.

The Company relies heavily on computer systems to manage and operate its businesses, and record and process transactions. Computer systems are important to production planning, customer service and order fulfillment among other business-critical processes. Consistent and efficient operation of the computer hardware and software systems is imperative to the successful sales and earnings performance of the various businesses in many countries.

Despite efforts to prevent such situations, insurance policies and loss control and risk management practices, that partially mitigate these risks, the Company s systems may be affected by damage or interruption from, among other causes, power outages, computer viruses, or security breaches. Computer hardware and storage equipment that is integral to efficient operations, such as e-mail, telephone and other functionality, is concentrated in certain physical locations in the various continents in which the Company operates.

In addition, the Company is in the process of implementing system conversions to SAP to provide a common platform across most of its businesses. There can be no assurances that expected expense synergies will be achieved or that there will not be delays to the expected timing. It is possible the costs to complete the system conversions may exceed current expectations, and that significant costs may be incurred that will require immediate expense recognition as opposed to capitalization. The risk of disruption to key operations is increased when complex system changes such as the SAP conversions are undertaken. If systems fail to function effectively, or become damaged, operational delays may ensue and the Company may be forced to make significant expenditures to remedy such issues. Any significant disruption in the Company s computer operations could have a material adverse impact on its business and results of operations.

The Company s operations are significantly dependent on infrastructure, notably certain distribution centers and security alarm monitoring facilities, which are concentrated in various geographic locations. If any of these were to experience a catastrophic loss, such as a fire, earthquake, hurricane, or flood, it could disrupt operations, delay production, shipments and revenue and result in large expenses to repair or replace the facility. The Company maintains business interruption insurance, but it may not fully protect the Company against all adverse effects that could result from significant disruptions.

Unforeseen events, including war, terrorism and other international conflicts and public health issues, whether occurring in the United States or abroad, could disrupt our operations, disrupt the operations of our suppliers or customers, or result in political or economic instability. These events could reduce demand for our products and make it difficult or impossible for us to manufacture our products, deliver products to customers, or to receive materials from suppliers.

If the investments in employee benefit plans do not perform as expected, the Company may have to contribute additional amounts to these plans, which would otherwise be available to cover operating expenses or other business purposes.

The Company sponsors pension and other post-retirement defined benefit plans. The Company s defined benefit plan assets are currently invested in equity securities, bonds and other fixed income securities, and money market instruments. The Company s funding policy is generally to contribute amounts determined annually on an actuarial basis to provide for current and future benefits in accordance with applicable law which require, among other things, that the Company make cash contributions to under-funded pension plans. During 2010, the Company made cash contributions to its defined benefit plans of $277 million and it expects to contribute approximately $140 million to its defined benefit plans in 2011.

There can be no assurance that the value of the defined benefit plan assets, or the investment returns on those plan assets, will be sufficient in the future. It is therefore possible that the Company may be required to make higher cash contributions to the plans in future years which would reduce the cash available for other business purposes, and that the Company will have to recognize a significant pension liability adjustment which would decrease the net assets of the Company and result in higher expense in future years. The fair value of these assets at January 1, 2011 was $1.751 billion.

The Company is exposed to credit risk on its accounts receivable.

The Company s outstanding trade receivables are not generally covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on its trade and non-trade receivables, there can be no assurance such procedures will effectively limit its credit risk and avoid losses, which could have an adverse affect on the Company s financial condition and operating results.

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Low demand for new products and the inability to develop and introduce new products at favorable margins could adversely impact the Company s performance and prospects for future growth.

The Company s competitive advantage is due in part to its ability to develop and introduce new products in a timely manner at favorable margins. The uncertainties associated with developing and introducing new products, such as market demand and costs of development and production, may impede the successful development and introduction of new products on a consistent basis. Introduction of new technology may result in higher costs to the Company than that of the technology replaced. That increase in costs, which may continue indefinitely or until and if increased demand and greater availability in the sources of the new technology drive down its cost, could adversely affect the Company s results of operations. Market acceptance of the new products introduced in recent years and scheduled for introduction in 2011 may not meet sales expectations due to various factors, such as the failure to accurately predict market demand, end-user preferences, and evolving industry standards. Moreover, the ultimate success and profitability of the new products may depend on the Company s ability to resolve technical and technological challenges in a timely and cost-effective manner, and to achieve manufacturing efficiencies. The Company s investments in productive capacity and commitments to fund advertising and product promotions in connection with these new products could erode profits if those expectations are not met.

The Company s products could be subject to product liability claims and litigation.

The Company manufactures products, configures and installs security systems and performs various services that create exposure to product and professional liability claims and litigation. If such products, systems and services are not properly manufactured, configured, installed, designed or delivered, personal injuries, property damage or business interruption could result, which could subject the Company to claims for damages. The costs associated with defending product liability claims and payment of damages could be substantial. The Company s reputation could also be adversely affected by such claims, whether or not successful.

The Company s products could be recalled.

The Consumer Product Safety Commission or other applicable regulatory bodies may require the recall, repair or replacement of the Company s products if those products are found not to be in compliance with applicable standards or regulations. A recall could increase costs and adversely impact the Company s reputation.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of January 1, 2011, the Company and its subsidiaries owned or leased material facilities for manufacturing, distribution and sales offices in 17 states and 16 foreign countries. The Company believes that its material facilities are suitable and adequate for its business.

Certain properties are utilized by more than one segment and in such cases the property is reported in the segment with highest usage.

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Material facilities owned and leased by the Company and its subsidiaries follow:

Corporate Offices

Owned by the Company	Leased by the Company
None	New Britain, Connecticut, United States of America

CDIY

Owned by the Company	Leased by the Company
New Britain, Connecticut, United States of America	Rialto, California, United States of America
Shelbyville, Kentucky, United States of America	Miramar, Florida, United States of America
Towson, Maryland, United States of America	Riverview, Florida, United States of America
East Greenwich, Rhode Island, United States of America	Greenfield, Indiana, United States of America
Cheraw, South Carolina. United States of America	Kannapolis, North Carolina United States of America
Fort Mill, South Carolina, United States of America	Epping, Australia
Jackson, Tennessee, United States of America	Aarschot, Belgium
Uberaba, Brazil	Mechelen, Belgium
Jiashan City, China	Tongeren, Belgium
Langfang, China	Brockville, Canada
Suzhou, China	Oakville, Canada
Arbois, France	Shenzhen City, China
Besancon, France	Suzhou, China
Buchlberg, Germany	Trmice, Czech Republic
Perugia, Italy	Dole, France
Puebla, Mexico	Biassono, Italy
Reynosa, Mexico	Reynosa, Mexico
Wroclaw, Poland	Gliwice, Poland
Taichung, Taiwan	Dubai, United Arab Emirates
Bangpakong, Thailand	Spennymoor, United Kingdom
Brackmills, United Kingdom	
Hellaby, United Kingdom	

Security

Owned by the Company	Leased by the Company
Farmington, Connecticut, United States of America	Lake Forest, California, United States of America
Rock Falls, Illinois, United States of America	Mira Loma, California, United States of America
Indianapolis, Indiana, United States of America	Kentwood, Michigan, United States of America
Nicholasville, Kentucky, United States of America	Charlotte, North Carolina, United States of America
Reading, Pennsylvania, United States of America	Xiamen, China
Denison, Texas, United States of America	Mexicali, Mexico
Xiaolan, China	

Nogales, Mexico
Nueva Leon, Mexico

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Industrial

Owned by the Company	Leased by the Company
Danbury, Connecticut, United States of America	Milwaukie, Oregon, United States of America
Montpelier, Indiana, United States of America	Paris, France
Campbellsville, Kentucky, United States of America	
Hopkinsville, Kentucky, United States of America	
Mt Clemens, Michigan, United States of America	
Columbus, Ohio, United States of America	
Georgetown, Ohio, United States of America	
Tulsa, Oklahoma, United States of America	
Allentown, Pennsylvania, United States of America	
Farmers Branch, Texas, United States of America	
Pecky, Czech Republic	
Epernay, France	
Feuquieres en Vimeu, France	
Paris, France	
Giessen, Germany	
Gemonio, Italy	
Toyohashi, Japan	
Birmingham, United Kingdom	

Material Facilities not being Used by the Company

Owned by the Company	Leased by the Company
Clinton, Connecticut, United States of America	None
New Britain, Connecticut, United States of America	
Sterling, Illinois, United States of America	
Smiths Falls, Canada	
Villeneuve le Roi, France	

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business, the Company is involved in various lawsuits and claims, including product liability, environmental and distributor claims, and administrative proceedings. The Company does not expect that the resolution of these matters will have a materially adverse effect on the Company s consolidated financial position, results of operations or liquidity.

ITEM 4. [REMOVED AND RESERVED]

PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company s common stock is listed and traded on the New York Stock Exchange, Inc. (NYSE) under the abbreviated ticker symbol SWK , and is a component of the Standard & Poor s (S&P) 500 Composite Stock Price Index. The Company s high and low quarterly stock prices on the NYSE for the years ended January 1, 2011 and January 2, 2010 follow:

	2010			2009		
	High	Low	Dividend Per Common Share	High	Low	Dividend Per Common Share
QUARTER:						
First	$59.90	$51.25	$0.33	$36.38	$22.75	$0.32
Second	$65.07	$49.58	$0.33	$40.01	$29.91	$0.32
Third	$62.02	$49.62	$0.34	$42.69	$31.28	$0.33
Fourth	$67.29	$58.71	$0.34	$53.13	$40.97	$0.33
Total			$1.34			$1.30

As of February 15, 2011 there were 11,935 holders of record of the Company s common stock.

Information required by Item 201(d) of Regulation S-K concerning securities authorized for issuance under equity compensation plans can be found under Item 12 of this Annual Report on Form 10-K.

The following table provides information about the Company s purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act for the three months ended January 1, 2011:

2010	(a) Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number Of Shares Purchased As Part Of A Publicly Announced Plan or Program	Maximum Number Of Shares That May Yet Be Purchased Under The Program

October 3 November 6	553	$62.65
November 7 December 4		
December 5 January 1	41,831	$63.97
	42,384	$63.96

As of January 1, 2011, 7.8 million shares of common stock remain authorized for repurchase, associated with the prior authorization of the repurchase of 10.0 million shares on December 12, 2007. The Company may continue to repurchase shares in the open market or through privately negotiated transactions from time to time pursuant to this prior authorization to the extent management deems warranted based on a number of factors, including the level of acquisition activity, the market price of the Company s common stock and the current financial condition of the Company.

(a) The shares of common stock in this column were deemed surrendered to the Company by participants in various benefit plans of the Company to satisfy the participants taxes related to vesting or delivery of time vesting restricted share units under those plans.

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ITEM 6. SELECTED FINANCIAL DATA

The Merger and other significant acquisitions made by the Company during the five-year period presented below affect comparability of results. Refer to Note E, Merger and Acquisitions, of the Notes to Consolidated Financial Statements for further information. Additionally, as detailed in Note T, Discontinued Operations, and prior year 10-K filings, the results in 2006 through 2008 were recast for certain discontinued operations for comparability (in millions, except per share amounts):

	2010(b)	2009(d)	2008(h)	2007	2006(i)
Continuing Operations:					
Net sales	**$8,410**	$3,737	$4,426	$4,360	$3,897
Net earnings attributable to Stanley Black & Decker, Inc.	**$198(a)**	$227	$219	$321	$279
Basic earnings per share:					
Continuing operations	**$1.34(a)**	$2.84	$2.77	$3.89	$3.40
Discontinued operations(c)	**$**	$(0.03)	$1.11	$0.14	$0.13
Total basic earnings per share	**$1.34**	$2.81	$3.88	$4.03	$3.53
Diluted earnings per share:					
Continuing operations	**$1.32(a)**	$2.82	$2.74	$3.82	$3.33
Discontinued operations(c)	**$**	$(0.03)	$1.10	$0.13	$0.13
Total diluted earnings per share	**$1.32**	$2.79	$3.84	$3.95	$3.46
Percent of net sales:					
Cost of sales	**64.9%(a)**	59.6%	62.2%	62.1%	63.7%
Selling, general and administrative(e)	**25.8%(a)**	27.5%	25.0%	23.8%	23.9%
Other, net	**2.4%(a)**	3.7%	2.3%	1.9%	1.3%
Interest, net	**1.2%**	1.6%	1.9%	2.0%	1.7%
Earnings before income taxes	**2.8%(a)**	7.6%	6.6%	9.8%	9.0%
Net earnings attributable to Stanley Black & Decker, Inc.	**2.4%(a)**	6.1%	4.9%	7.4%	7.2%
Balance sheet data:					
Total assets(f)	**$15,139**	$4,769	$4,867	$4,741	$3,926
Long-term debt	**$3,018**	$1,085	$1,384	$1,165	$679
Stanley Black & Decker, Inc. s Shareowners Equity(g)	**$7,017**	$1,986	$1,706	$1,754	$1,548
Ratios:					
Current ratio	**1.8**	1.2	1.3	1.4	1.4
Total debt to total capital	**32.9%**	41.1%	48.6%	45.4%	39.2%
Income tax rate continuing operations	**16.4%(a)**	19.2%	24.7%	24.9%	19.8%
Return on average equity continuing operations	**4.4%(a)**	12.4%	12.8%	19.5%	18.9%
Common stock data:					
Dividends per share	**$1.34**	$1.30	$1.26	$1.22	$1.18
Equity per share at year-end	**$42.18**	$24.68	$21.63	$21.82	$18.92
Market price per share high	**$67.29**	$53.13	$52.18	$64.25	$54.59
Market price per share low	**$49.58**	$22.75	$24.19	$47.01	$41.60

Average shares outstanding (in 000 s):					
Basic	**147,224**	79,788	78,897	82,313	81,866