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STANLEY WORKS
Form 11-K/A
July 19, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K/A #2

(Mark One)

Annual Report pursuant to Section 15(d) of the Securities Exchange
Act of 1934

For the fiscal year ended December 31, 2001

or

Transition Report Pursuant to Section 15(d) of the Securities
Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 1-5224

Stanley Account Value Plan

(Full title of the plan)

The Stanley Works
1000 Stanley Drive
New Britain, Connecticut 06053

(Name of issuer of the securities held pursuant to the plan
and the address of its principal executive offices)

The Stanley Account Value Plan (the "Plan") hereby amends its Annual
Report for the Year Ended December 31, 2001 on Form 11-K to update Footnote 1.
Description of the Plan. The purpose of the amendment is to describe more

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accurately the terms of the Plan, including the discussion of voting rights with respect to shares of The Stanley Works held by participants in the Plan.

Stanley Account Value Plan

Audited Financial Statements
and Supplemental Schedules

Years ended December 31, 2001 and 2000

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Report of Independent Auditors

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Finance and Pension Committee of The Board of Directors
The Stanley Works

We have audited the accompanying statements of net assets available for benefits of the Stanley Account Value Plan as of December 31, 2001 and 2000, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2001 and 2000, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets (held at end of year) as of December 31, 2001, and reportable transactions for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Hartford, Connecticut
June 25, 2002

Stanley Account Value Plan

Statement of Net Assets Available for Benefits

December 31, 2001

STANLEY STOCK

CORNERSTONE

UNALLOCA
STANLEY S

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| | FUND ---- | LOAN FUND ----- | FUND ----- | FUND ----- |
|---|---------------|--------------------|---------------|---------------|
| ASSETS | | | | |
| Investments, at current market value: | | | | |
| The Stanley Works Common Stock: | | | | |
| 89,761 shares (cost \$1,448,234) | | | \$4,180,170 | |
| 6,017,356 shares (cost \$166,704,171) | \$280,228,269 | | | |
| 7,637,039 shares (cost \$133,113,081) | | | | \$355,656, |
| Short-term investments | 2,122,068 | | 1,776,109 | 34, |
| Mutual Funds | | | 23,954,928 | |
| | ----- | | ----- | ----- |
| | 282,350,337 | | 29,911,207 | 355,691, |
| Cash | 3,297,266 | 119,734 | (6,643) | |
| Contributions receivable | | | 5,716,603 | |
| Dividends and interest receivable | 2,918 | | 575,098 | |
| Debt issuance costs, net of accumulated amortization of \$330,327 | | | | 2,501, |
| Loans to participants | | 6,839,274 | | |
| | ----- | ----- | ----- | ----- |
| | \$285,650,521 | \$6,959,008 | \$36,196,265 | \$358,192, |
| | ===== | ===== | ===== | ===== |
| LIABILITIES | | | | |
| Liabilities: | | | | |
| Debt | | | | \$187,736, |
| Accounts payable | | | \$525,589 | |
| | | | ----- | ----- |
| | | | 525,589 | 187,736, |
| Net assets available for benefits | \$285,650,521 | \$6,959,008 | 35,670,676 | 170,455, |
| | ----- | ----- | ----- | ----- |
| | \$285,650,521 | \$6,959,008 | \$36,196,265 | \$358,192, |
| | ===== | ===== | ===== | ===== |

See accompanying notes.

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Stanley Account Value Plan

Statement of Net Assets Available for Benefits

December 31, 2000

| STANLEY STOCK FUND ---- | LOAN FUND ----- | CORNERSTONE FUND ----- | UNALLOCA STANLEY S FUND ----- |
|-------------------------------|--------------------|------------------------------|--|
|-------------------------------|--------------------|------------------------------|--|

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ASSETS

Investments, at current market value:

The Stanley Works Common Stock:

68,402 shares (cost \$1,096,439) \$ 2,133,322

7,236,426 shares

(cost \$151,677,907) \$225,689,654

8,129,686 shares

(cost \$141,026,106)

\$253,548,2

Short-term investments

1,831,359

1,863,331

5,4

Mutual Funds

18,607,094

227,521,013

22,603,747

253,553,7

Cash

1,224,843

\$ 82,780

Contributions receivable

13,557,664

Dividends and interest receivable

7,888

540,184

1,0

Debt issuance costs, net of

accumulated amortization

of \$235,948

2,595,4

Loans to participants

8,000,490

\$228,753,744

\$8,083,270

\$36,701,595

\$256,150,2

LIABILITIES

Liabilities:

Debt

\$194,836,2

Accounts payable

\$ 506,635

506,635

194,836,2

Net assets available for benefits

\$228,753,744

\$8,083,270

\$36,194,960

61,314,0

\$228,753,744

\$8,083,270

\$36,701,595

\$256,150,2

See accompanying notes.

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Stanley Account Value Plan

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2001

STANLEY STOCK
FUND

LOAN FUND

CORNER

ADDITIONS

Investment income:

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| | | | | |
|--|----|--------------|----------------|-------|
| Dividends | \$ | 6,166,824 | | \$ |
| Interest | | 79,873 | | |
| | | ----- | | ----- |
| | | 6,246,697 | | |
| Net appreciation (depreciation) | | 96,574,945 | | |
| Employee contributions | | 6,891,338 | | |
| Employer contribution | | 3,254,644 | | 1 |
| DEDUCTIONS | | | | |
| Withdrawals | | (74,360,737) | | |
| Administrative expenses | | (107,686) | | |
| Amortization expense | | | | |
| Interest expense | | | | |
| Interfund transfers - net | | 18,397,576 | \$ (1,124,262) | (1 |
| | | ----- | ----- | ----- |
| Net increase (decrease) | | 56,896,777 | (1,124,262) | |
| Net assets available for benefits at beginning of year | | 228,753,744 | 8,083,270 | 3 |
| | | ----- | ----- | ----- |
| Net assets available for benefits at end of year | \$ | 285,650,521 | \$ 6,959,008 | \$ 3 |
| | | ===== | ===== | ===== |
| | | | | |
| | | MUTUAL FUNDS | TOTAL | |
| | | ----- | ----- | |
| ADDITIONS | | | | |
| Investment income: | | | | |
| Dividends | \$ | 350,991 | \$ 13,980,507 | |
| Interest | | 417 | 148,073 | |
| | | ----- | ----- | |
| | | 351,408 | 14,128,580 | |
| Net appreciation (depreciation) | | (1,271,534) | 210,999,538 | |
| Employee contributions | | 7,757,378 | 14,648,716 | |
| Employer contribution | | | 13,823,178 | |
| DEDUCTIONS | | | | |
| Withdrawals | | | (74,360,737) | |
| Administrative expenses | | (61,345) | (243,499) | |
| Amortization expense | | | (94,379) | |
| Interest expense | | | (11,662,059) | |
| Interfund transfers - net | | (3,926,555) | | |
| | | ----- | ----- | |
| Net increase (decrease) | | 2,849,352 | 167,239,338 | |
| Net assets available for benefits at beginning of year | | 16,956,363 | 351,302,379 | |
| | | ----- | ----- | |
| Net assets available for benefits at end of year | \$ | 19,805,715 | \$ 518,541,717 | |
| | | ===== | ===== | |

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See accompanying notes.

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Stanley Account Value Plan
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2000

| | STANLEY STOCK FUND | LOAN FUND | CORNER |
|--|-----------------------|--------------|--------|
| | ----- | ----- | ----- |
| ADDITIONS | | | |
| Investment income: | | | |
| Dividends | \$ 5,040,212 | | \$ |
| Interest | 102,864 | \$ 28,889 | |
| | ----- | ----- | ----- |
| | 5,143,076 | 28,889 | |
| Net realized and unrealized appreciation (depreciation) | 4,896,909 | | (|
| Employee contributions | 9,124,783 | | |
| Employer contribution | 4,633,497 | | 2 |
| DEDUCTIONS | | | |
| Withdrawals | (42,538,567) | | |
| Administrative expenses | (248,437) | (74) | |
| Amortization expense | | | |
| Interest expense | | | |
| Interfund transfers - net | 8,684,765 | (1,677,290) | (|
| | ----- | ----- | ----- |
| Net increase (decrease) | (10,303,974) | (1,648,475) | 1 |
| Net assets available for benefits at beginning of year | 239,057,718 | 9,731,745 | 2 |
| | ----- | ----- | ----- |
| Net assets available for benefits at end of year | \$ 228,753,744 | \$ 8,083,270 | \$ 3 |
| | ===== | ===== | ===== |

MUTUAL FUNDS

TOTAL

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ADDITIONS

Investment income:

| | | |
|-----------|------------|---------------|
| Dividends | \$ 197,942 | \$ 14,485,851 |
| Interest | 302,106 | 510,992 |

| | | |
|--|---------|------------|
| | ----- | ----- |
| | 500,048 | 14,996,843 |

Net realized and unrealized appreciation
(depreciation)

| | |
|-------------|-----------|
| (1,482,965) | 1,501,742 |
|-------------|-----------|

Employee contributions

| | |
|-----------|------------|
| 8,424,265 | 17,549,048 |
|-----------|------------|

Employer contribution

| |
|------------|
| 25,358,081 |
|------------|

DEDUCTIONS

Withdrawals

| |
|--------------|
| (42,538,567) |
|--------------|

Administrative expenses

| | |
|----------|-----------|
| (52,542) | (395,017) |
|----------|-----------|

Amortization expense

| |
|----------|
| (94,379) |
|----------|

Interest expense

| |
|--------------|
| (12,103,340) |
|--------------|

Interfund transfers - net

| | |
|-------------|---|
| (1,651,343) | - |
|-------------|---|

Net increase (decrease)

| | |
|-----------|-----------|
| 5,737,463 | 4,274,411 |
|-----------|-----------|

Net assets available for benefits at beginning of
year

| | |
|------------|-------------|
| 11,218,900 | 347,027,968 |
|------------|-------------|

Net assets available for benefits at end of year

| | |
|---------------|----------------|
| \$ 16,956,363 | \$ 351,302,379 |
| ===== | ===== |

See accompanying notes.

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Stanley Account Value Plan

Notes to Financial Statements

December 31, 2001

1. DESCRIPTION OF THE PLAN

The Stanley Account Value Plan (the "Plan"), which operates as a leveraged employee stock ownership plan, is designed to comply with Sections 401(a), 401(k) and 4975(e)(7) of the Internal Revenue Code of 1986, as amended, and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended. The Plan is a defined contribution plan for eligible United States salaried and hourly paid employees of The Stanley Works and its affiliates (the "Company").

Each year, subject to certain additional limitations participants may contribute to the Plan, through pre-tax payroll deductions up to 15% of their compensation, as defined in the Plan. Non-highly compensated employees have the option of making after-tax contributions to the Plan. Pre-tax contributions are matched in an amount equal to 50% of the participant's pre-tax contributions for a year up to a maximum matching allocation of 3 1/2% of the participant's compensation for

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the year. A participant's contributions and matching allocations are allocated to a "Choice Account."

Prior to July 1, 1998, participant contributions were invested solely in common stock of The Stanley Works. Effective July 1, 1998, post-June 30, 1998 participant contributions could be invested in four investment funds in addition to The Stanley Works common stock. Effective April 1, 1999, a Stanley Stock Fund, consisting primarily of shares of common stock of The Stanley Works, holds the common stock of The Stanley Works that is offered as an investment under the Plan. Participants may now invest their post-June 30, 1998 contributions in one or more of the investment funds, including the Stanley Stock Fund, or choose one of three pre-mixed blended investment options. All matching allocations and all pre-July 1, 1998 participant contributions are invested exclusively in the Stanley Stock Fund. Participants' pre-tax contributions made prior to July 1, 1998 are guaranteed while invested in the Stanley Stock Fund by the Pension Plan for Hourly Paid Employees of The Stanley Works. (Prior to April 30, 2001, the guarantee was provided for certain participants under The Stanley Works Retirement Plan. Effective April 30, 2001, the guarantee is provided through the Pension Plan for Hourly Paid Employees of The Stanley Works). This guarantee provides that the investment return from the Stanley Stock Fund attributable to pre-tax employee contributions will not be less than an investment return based on two-year U.S. Treasury notes. For post-June 30, 1998 participant contributions, the following investment funds are offered:

STANLEY STOCK FUND--Consists of common stock of The Stanley Works, along with a minor portion in cash for transaction purposes. This stock is traded on the New York and Pacific Stock Exchanges under the symbol SWK.

MUTUAL FUNDS

PYRAMID EQUITY INDEX FUND--Seeks long-term growth, subject to the short-term fluctuations characteristic of the stock market. The fund invests in most of the Standard & Poors 500 (S&P 500), as well as other investments whose value is based on S&P 500 stocks.

INVESCO RETIREMENT TRUST STABLE VALUE FUND--Seeks liquidity and safety of principal, while providing a higher return than is typically offered by money market funds. The fund invests in a diversified portfolio of investment contracts with insurance companies, banks and other financial institutions.

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Stanley Account Value Plan

Notes to Financial Statements (continued)

1. DESCRIPTION OF THE PLAN (CONTINUED)

AMERICAN FUNDS EUROPACIFIC GROWTH FUND--Seeks long-term growth, subject to the risks involved in investing outside of the United States, such as currency fluctuations, political instability, differing securities regulations and periods of liquidity.

FIDELITY SMALL CAP INDEPENDENCE FUND--Seeks long-term growth, subject to the short-term fluctuations characteristic of the small stock market. The fund

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invests in securities of small capitalization companies in various industries.

CORNERSTONE FUND

In 1998, the Plan was amended to provide an additional allocation for eligible U.S. salaried and non-union hourly employees ("Cornerstone Fund"). No employees of Contact East, Inc. and no employees who are accruing a benefit under the Pension Plan for Hourly Paid Employees of The Stanley Works are eligible for Cornerstone Fund allocations. Under this arrangement, eligible participants currently receive allocations to Cornerstone Accounts of amounts ranging from 3% to 9% of compensation depending upon age. Additional Cornerstone Fund allocations are required for active participants who were covered under The Stanley Works Retirement Plan on January 31, 1998. The amount of this additional allocation is a percentage of pay based on age and service as set forth in the Plan. Also, certain additional funds may be allocated to Cornerstone Accounts in a particular year for designated groups of participants. Assets of the Cornerstone Fund are invested in professionally managed diversified investment funds.

Employees are fully vested as to amounts in their accounts attributable to their own contributions and earnings thereon and amounts transferred from other qualified plans on their behalf. All participants are vested in 100% of the value of the matching allocations and Cornerstone Fund allocations made on their behalf once they have completed 5 years of service with no vesting in the matching allocations and Cornerstone Fund allocations until completion of 5 years of service.

Benefits generally are distributed upon termination of employment. Normally, a lump-sum distribution is made in cash or shares of the Company's Common Stock (hereinafter referred to as Common Stock, Stanley Stock, or shares), at the election of the participant, from the Stanley Stock Fund.

During active employment, subject to financial hardship rules, participants may withdraw a portion of vested amounts in their Choice Accounts.

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Stanley Account Value Plan

Notes to Financial Statements (continued)

1. DESCRIPTION OF THE PLAN (CONTINUED)

LOAN FUND

Participants may borrow from their Choice Accounts up to an aggregate amount equal to the lesser of \$50,000 or 50% of the value of their vested interest in such accounts with a minimum loan of \$1,000. The \$50,000 loan amount limitation is reduced by the participant's highest outstanding loan balance during the 12 months preceding the date the loan is made. Each loan is evidenced by a negotiable promissory note bearing a rate of interest equal to the prime rate as reported in The Wall Street Journal on the first business day of the month in which the loan request is processed, which is payable, through payroll deductions, over a term of not more than five years. Participants are allowed ten years to repay the loan if the proceeds are used to purchase a principal

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residence. Only one loan per participant may be outstanding at any time.

If a loan is outstanding at the time a distribution becomes payable to a participant (or beneficiary), the distribution is made net of the loan outstanding, and the distribution shall fully discharge the Plan with respect to the participant's account value attributable to the outstanding loan balance.

UNALLOCATED STANLEY STOCK FUND

The Plan borrowed \$95,000,000 in 1989 from a group of financial institutions and \$180,000,000 in 1991 from the Company (see Notes 3 and 4) to acquire 5,868,088 and 9,696,968 shares, respectively, of Common Stock from the Company's treasury and previously unissued shares. The shares purchased from the proceeds of the loans were placed in the Unallocated Stanley Stock Fund (the "Unallocated Fund"). Under the 1989 loan agreement, the Company guaranteed the loan and is obligated to make annual contributions sufficient to enable the Plan to repay the loan plus interest.

Monthly transfers of shares of Stanley Stock are made from the Unallocated Fund for allocation to participants based on the portion of principal and interest paid under each loan for the month. Dividends received on allocated and unallocated shares of Stanley Stock and employee and Company contributions are used to make payments under the loans. If dividends on the allocated shares are applied to the payment of debt service, a number of shares of Stanley Stock having a fair market value at least equal to the amount of the dividends so applied are allocated to the Choice Accounts of participants who would otherwise have received cash dividends.

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Stanley Account Value Plan

Notes to Financial Statements (continued)

1. DESCRIPTION OF THE PLAN (CONTINUED)

The fair market value of shares of Stanley Stock released from the Unallocated Fund pursuant to loan repayments made during any year, along with contributions made during that year that are not used to repay the loan may exceed the total of employee contributions, matching allocations (other than allocations attributable to forfeitures), Cornerstone Fund allocations (other than allocations attributable to forfeitures) and cash dividends on allocated shares of Stanley Stock applied to the payment of a loan for the year. If that occurs, such excess value is allocated in shares of Stanley Stock among all non-union participants who are employed by the Company on the last day of the year based on relative compensation.

The trust agreement governing the Plan provides that the trustee will vote the shares of Stanley Stock in the Stanley Stock Fund attributable to a participant's Choice Account in the Plan in accordance with such participant's directions. The trust agreement governing the Plan provides that, if the trustee does not receive voting instructions with respect to shares of Stanley Stock in the Stanley Stock Fund attributable to a participant's Choice Account in the Plan, the trustee will vote such shares in the same proportion as it votes the allocated shares for which instructions are received from Plan participants. The trust agreement also provides that shares in the Unallocated Fund are to be

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voted by the trustee in the same proportion as it votes the shares of Stanley Stock in the Stanley Stock Fund attributable to Choice Accounts for which instructions are received from Plan participants. Therefore, by providing voting instructions with respect to shares of Stanley Stock in the Stanley Stock Fund attributable to a participant's Choice Account in the Plan, a Plan participant will in effect be providing instructions with respect to a portion of the shares in the Unallocated Fund and a portion of the shares of Stanley Stock in the Stanley Stock Fund attributable to Choice Accounts in the Plan for which instructions were not provided as well. The foregoing provisions are subject to applicable law which requires the trustee to act as a fiduciary for Plan participants. Therefore, it is possible that the trustee may vote shares of Stanley Stock in the Stanley Stock Fund attributable to Choice Accounts in the Plan for which it does not receive instructions (as well as shares held in the Unallocated Fund) in a manner other than the proportionate method described above if it believes that proportionate voting would violate applicable law.

The Stanley Works reserves the right to terminate the Plan at any time. Upon such termination of the Plan, the interest of each participant in the trust fund will become vested and be distributed to such participant or his or her beneficiary at the time prescribed by the Plan terms and the Internal Revenue Code.

The Plan sponsor has engaged Hewitt Associates to maintain separate accounts for each participant. Such accounts are credited with each participant's contributions, matching allocations, Cornerstone Fund allocations, related gains, losses, dividend income, and loan activity.

At December 31, 2001 and 2000, benefits payable to terminated vested participants amounted to \$3,360,480 and \$1,201,101, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS

The Plan investments consist primarily of shares of Stanley Stock. Stanley Stock is traded on a national exchange and is valued at the last reported sales price on the last business day of the plan year. Mutual funds are stated at fair value which equals the quoted market price on the last business day of the plan year. Short-term investments consist of short-term bank-administered trust funds which earn interest daily at rates approximating U.S. Government securities; cost approximates market value.

The assets of the Plan are held in trust by an independent corporate trustee, Citibank, N. A. (the "Trustee") pursuant to the terms of a written Trust Agreement between the Trustee and the Company.

Stanley Account Value Plan

Notes to Financial Statements (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

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The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that can affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

DIVIDEND INCOME

Dividend income is accrued on the ex-dividend date.

GAINS OR LOSSES ON SALES OF INVESTMENTS

Gains or losses realized on the sales of investments are determined based on average cost.

EXPENSES

Administrative expenses not paid by the Plan are paid by the Company.

3. DEBT

Debt consisted of the following at December 31:

| | 2001 | 2000 |
|---|----------------|----------|
| Notes payable in monthly installments to 2009 with interest at 6.07% | \$ 22,510,763 | \$ 27,9 |
| Notes payable to the Company in monthly installments to 2028 with interest at 6.09% | 165,225,837 | 166,9 |
| | \$ 187,736,600 | \$ 194,8 |

During 1998, notes payable to financial institutions were refinanced, resulting in a reduction in the interest rate, extension of the maturity and a prepayment penalty of \$2,831,378, which is being amortized over the remaining term of the debt. Concurrently, notes payable to the Company were restructured, resulting in a reduction in the interest rate and extension of the maturity. Additionally, the Plan borrowed funds from the Company to pay the prepayment penalty.

Stanley Account Value Plan

Notes to Financial Statements (continued)

3. DEBT (CONTINUED)

The scheduled maturities of debt for the next five years are as follows: 2002--\$6,900,000; 2003--\$7,000,000; 2004--\$6,900,000; 2005--\$7,150,999; and 2006--\$8,400,000.

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The notes payable to the Company are secured by shares held in the Unallocated Stock Fund. The number of shares held as security is reduced as shares are released to Stanley Stock Fund pursuant to principal and interest payments. During the year, 256,845 shares were released and at December 31, 2001, 7,120,955 shares are pledged as security.

Payment of the Plan's debt has been guaranteed by the Company. Should the principal and interest due exceed the dividends paid on shares in the Stanley Stock and Unallocated Stock Funds, and employee and Company matching contributions, the Company is responsible for funding such shortfall.

4. TRANSACTIONS WITH PARTIES-IN-INTEREST

Fees paid during 2001 and 2000 for management and other services rendered by parties-in-interest were based on customary and reasonable rates for such services. The majority of such fees were paid by the Plan. Fees incurred and paid by the Plan during 2001 and 2000 were \$243,499 and \$395,017, respectively.

In 1991, the Plan borrowed \$180,000,000 from the Company, the proceeds of which were used to purchase 9,696,968 shares of stock for the Plan. In 1998, the Plan borrowed \$2.8 million from the Company, the proceeds of which were used to pay a prepayment penalty incurred in connection with debt refinancing. The Plan made \$10,119,808 and \$11,921,749 of principal and interest payments related to such debt in 2001 and 2000, respectively. At December 31, 2001, \$165,225,837 was outstanding on such debt.

5. INCOME TAX STATUS

The Internal Revenue Service has ruled that the Plan and the trust qualify under Sections 401(a) and 401(k) of the Internal Revenue Code (IRC) and are therefore not subject to tax under present income tax law. Once qualified, the Plan is required to operate in accordance with the IRC to maintain its qualification. The Pension Committee is not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

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Stanley Account Value Plan

Schedule H, Line 4(i)--Schedule of Assets (Held At End of Year)

EIN-06-0548860

December 31, 2001

| IDENTITY OF ISSUE, BORROWER, OR SIMILAR PARTY | DESCRIPTION OF INVESTMENT, INCLUDING MATURITY DATE, RATE OF INTEREST, PAR OR MATURITY VALUE | COST |
|--|---|------|
| ----- | | |
| Common Stock: The Stanley Works* | 13,744,156 shares of Common Stock; par value \$2.50 per share | |

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| | | |
|--|---|----------------------------------|
| | | \$ 301,265,486 |
| Citibank, N.A.* | Short-Term Investment Fund- Pooled Bank Fund | 3,941,751 |
| Mutual Funds: | | |
| BT S&P Index Fund | Pyramid Equity Index Fund | 9,019,256 |
| Invesco Retirement Trust Stable Value Fund | Invesco Retirement Trust | 4,848,499 |
| American Funds Euro Pacific Growth Fund | Euro Pacific Growth Fund | 3,818,003 |
| Fidelity Small Cap Independence Fund | Fidelity Select Small Capitalization Pool | 3,467,811 |
| BT Pyramid Russell 3000 Fund | Russell 300 Fund | 19,408,418 |
| BT Pyramid Broad Market Fixed Income Fund | Fixed Income Fund | 5,785,893 |
| Total investments | | ----- 351,555,117 |
| Loans to participants | Promissory notes at prime rate with maturities of five years or ten years | 6,839,274 |
| Total | | ----- \$ 358,394,391 ===== |

*Indicates party-in-interest to the Plan.

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Stanley Account Value Plan

Schedule H, 4(j)--Schedule of Reportable Transactions

EIN 06-0548860

Year ended December 31, 2001

| IDENTITY OF PARTY INVOLVED | PURCHASE DESCRIPTION OF ASSETS | SELLING PRICE | COST OF ASSET | CURRENT VALU ASSET ON TRANSACTION |
|----------------------------|--------------------------------|---------------|---------------|-----------------------------------|
|----------------------------|--------------------------------|---------------|---------------|-----------------------------------|

Category (iii) - Series of transactions in excess of 5 percent of plan assets

Citibank, N.A.* Short-Term Investment Fund- United States

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| | | | | | | |
|-----------------|--|----|------------|------------|----|---------|
| | Government Securities | | \$ | 13,130,429 | \$ | 13,130, |
| Citibank, N.A.* | Short-Term Investment Fund- United States | | | | | |
| | Government Securities | \$ | 47,437,680 | 26,741,825 | | 47,437, |

There were no category (i), (ii) or (iv) reportable transactions during 2001.

* Indicates party-in-interest to the Plan.

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Stanley Account Value Plan has duly caused this annual report to be signed on its behalf by the undersigned hereto duly authorized.

The Stanley Works
Account Value Plan

Date: July 19, 2002

By: /s/ Mark Mathieu

Mark Mathieu
Vice President, Human Resources

EXHIBIT 23

Consent of Independent Auditors

We consent to the use of our report dated June 25, 2002, included in the Annual Report (Form 11-K) of The Stanley Works Account Value Plan for the year ended December 31, 2001, with respect to the financial statements and schedules, as amended, included in this Form 11-K/A #2.

/s/ Ernst & Young LLP

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Hartford, Connecticut
July 18, 2002