

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 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 number 0-16125

FASTENAL COMPANY

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of
incorporation or organization)

41-0948415
(I.R.S. Employer
Identification No.)

2001 Theurer Boulevard
Winona, Minnesota
(Address of principal executive offices)

55987-1500
(Zip Code)

(507) 454-5374
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ 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 ☒ No ☐

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 definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ 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 Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Class
Common Stock, \$.01 par value

Outstanding at April 19, 2011
147,430,712

FASTENAL COMPANY

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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
FASTENAL COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets
(Amounts in thousands except share information)

	(Unaudited) March 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 124,848	143,693
Marketable securities	26,208	26,067
Trade accounts receivable, net of allowance for doubtful accounts of \$4,712 and \$4,761, respectively	325,685	270,133
Inventories	576,451	557,369
Deferred income tax assets	17,947	17,897
Other current assets	61,782	70,539
Total current assets	1,132,921	1,085,698
Marketable securities	4,548	5,152
Property and equipment, less accumulated depreciation	373,498	363,419
Other assets, net	13,646	14,014
Total assets	<u>\$1,524,613</u>	<u>1,468,283</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 68,519	60,474
Accrued expenses	92,478	96,412
Income taxes payable	48,519	5,299
Total current liabilities	209,516	162,185
Deferred income tax liabilities	23,580	23,586
Stockholders' equity:		
Preferred stock, 5,000,000 shares authorized	0	0
Common stock, 200,000,000 shares authorized, 147,430,712 shares issued and outstanding	1,474	1,474
Additional paid-in capital	5,263	4,363
Retained earnings	1,264,015	1,258,183
Accumulated other comprehensive income	20,765	18,492
Total stockholders' equity	1,291,517	1,282,512
Total liabilities and stockholders' equity	<u>\$1,524,613</u>	<u>1,468,283</u>

The accompanying notes are an integral part of the consolidated financial statements.

FASTENAL COMPANY AND SUBSIDIARIES

Consolidated Statements of Earnings
(Amounts in thousands except earnings per share)

	(Unaudited) Three months ended March 31,	
	2011	2010
Net sales	\$640,583	520,772
Cost of sales	307,203	254,859
Gross profit	333,380	265,913
Operating and administrative expenses	204,692	175,410
Loss on sale of property and equipment	25	67
Operating income	128,663	90,436
Interest income	148	233
Earnings before income taxes	128,811	90,669
Income tax expense	49,264	34,635
Net earnings	\$ 79,547	56,034
Basic net earnings per share	\$ 0.54	0.38
Diluted net earnings per share	\$ 0.54	0.38
Basic weighted average shares outstanding	147,431	147,431
Diluted weighted average shares outstanding	147,714	147,431

The accompanying notes are an integral part of the consolidated financial statements.

FASTENAL COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Amounts in thousands)

	(Unaudited) Three months ended March 31,	
	2011	2010
Cash flows from operating activities:		
Net earnings	\$ 79,547	56,034
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of property and equipment	10,481	10,287
Loss on sale of property and equipment	25	67
Bad debt expense	2,267	1,624
Deferred income taxes	(56)	6
Stock based compensation	900	1,000
Amortization of non-compete agreements	148	17
Changes in operating assets and liabilities:		
Trade accounts receivable	(57,819)	(49,918)
Inventories	(19,082)	1,162
Other current assets	8,757	2,655
Accounts payable	8,045	12,288
Accrued expenses	(3,934)	8,709
Income taxes	43,220	33,460
Other	1,785	1,637
Net cash provided by operating activities	74,284	79,028
Cash flows from investing activities:		
Purchase of property and equipment	(21,206)	(8,138)
Proceeds from sale of property and equipment	621	685
Net decrease in marketable securities	463	988
Net decrease (increase) in other assets	220	(44)
Net cash used in investing activities	(19,902)	(6,509)
Cash flows from financing activities:		
Payment of dividends	(73,715)	(58,972)
Net cash used in financing activities	(73,715)	(58,972)
Effect of exchange rate changes on cash	488	423
Net (decrease) increase in cash and cash equivalents	(18,845)	13,970
Cash and cash equivalents at beginning of period	143,693	164,852
Cash and cash equivalents at end of period	\$124,848	178,822
Supplemental disclosure of cash flow information:		
Cash paid during each period for income taxes	\$ 6,100	1,169

The accompanying notes are an integral part of the consolidated financial statements.

FASTENAL COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands except share and per share information and where otherwise noted)

March 31, 2011 and 2010

(Unaudited)

(1) Basis of Presentation

The accompanying unaudited consolidated financial statements of Fastenal Company and subsidiaries (collectively referred to as the Company, Fastenal, or by terms such as we, our, or us) have been prepared in accordance with United States generally accepted accounting principles for interim financial information. They do not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements. However, except as described herein, there has been no material change in the information disclosed in the notes to consolidated financial statements included in our consolidated financial statements as of and for the year ended December 31, 2010. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Stock split – On April 19, 2011, our board of directors declared a two-for-one stock split. Holders of Fastenal common stock of record at the close of business on May 2, 2011 will receive one additional share of common stock for every share of common stock they own. The stock split will take effect at the close of business on May 20, 2011. All share and per share amounts in this report are stated on a pre-split basis as this report was filed before the effective date of the split.

(2) Marketable Securities

We follow a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to measurements involving significant unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1 measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 measurements are inputs other than quoted prices included in level 1 that are observable either directly or indirectly.
- Level 3 measurements are unobservable inputs.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

FASTENAL COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands except share and per share information and where otherwise noted)

March 31, 2011 and 2010

(Unaudited)

The following table presents the placement in the fair value hierarchy of assets that are measured at fair value on a recurring basis at period end:

		Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs
Assets at March 31, 2011:	Total			
Common stock	\$ 337	337	0	0
State and municipal bonds	4,548	0	4,548	0
Government and agency securities	25,871	25,871	0	0
Total available-for-sale securities	\$30,756	26,208	4,548	0
Assets at March 31, 2010:	Total	Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs
State and municipal bonds	5,210	0	5,210	0
Government and agency securities	24,440	24,440	0	0
Total available-for-sale securities	\$29,650	24,440	5,210	0

There were no transfers between levels during the three months ended March 31, 2011 and 2010.

As of March 31, 2011 our financial assets that are measured at fair value on a recurring basis are common stock and debt securities. As of March 31, 2010 our financial assets that are measured at fair value on a recurring basis consisted of debt securities. The state and municipal bonds have maturities ranging from one to 24 years. The government and agency securities have a maturity of twelve months. The debt securities are classified as marketable securities.

Marketable securities, all treated as available-for-sale securities at period end, consist of the following:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
March 31, 2011:				
Common stock	\$ 183	154	0	337
State and municipal bonds	4,560	0	(12)	4,548
Government and agency securities	25,851	20	0	25,871
Total available-for-sale securities	\$30,594	174	(12)	30,756

(Continued)

FASTENAL COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands except share and per share information and where otherwise noted)

March 31, 2011 and 2010

(Unaudited)

March 31, 2010:	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
State and municipal bonds	\$ 5,210	0	0	5,210
Government and agency securities	24,400	40	0	24,440
Total available-for-sale securities	\$29,610	40	0	29,650

The unrealized gains and losses recorded in accumulated other comprehensive income and the realized gains and losses recorded in earnings were immaterial during the periods reported in these consolidated financial statements.

Future maturities of our available-for-sale securities consist of the following:

March 31, 2011:	Less than 12 months		Greater than 12 months	
	Amortized cost	Fair value	Amortized cost	Fair value
Common stock	\$ 183	337	0	0
State and municipal bonds	0	0	4,560	4,548
Government and agency securities	25,851	25,871	0	0
Total available-for-sale securities	\$26,034	26,208	4,560	4,548

(3) Stockholders' Equity – See note (1) regarding our stock split declaration.

Our authorized and issued shares (stated in whole numbers) at period end consist of the following:

	Par Value	2011	2010
Preferred Stock	\$.01/share		
Authorized		5,000,000	5,000,000
Shares issued		0	0
Common Stock	\$.01/share		
Authorized		200,000,000	200,000,000
Shares issued		147,430,712	147,430,712

Dividends

On April 11, 2011, our board of directors declared a dividend of \$0.26 per share of common stock that is to be paid in cash on April 28, 2011 to shareholders of record at the close of business on April 12, 2011. Historically, we have paid semi-annual dividends, which we have typically paid in the first and third quarters. In 2010 and 2008, we paid a supplemental dividend in the fourth quarter. Our board of directors also expressed their intention to begin paying quarterly dividends, provided the future determination as to payment of dividends will depend on the financial needs of the Company and such other factors as deemed relevant by the board of directors.

(Continued)

FASTENAL COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands except share and per share information and where otherwise noted)

March 31, 2011 and 2010

(Unaudited)

The following table presents the dividends paid previously and declared by our board of directors for future payment by quarter (amounts are stated in per share value):

	2011	2010
First quarter	\$0.50	\$0.40
Second quarter	\$0.26	\$0.00
Third quarter		\$0.42
Fourth quarter		\$0.42
Total	<u>\$0.76</u>	<u>\$1.24</u>

Stock Options

On April 19, 2011, the compensation committee of our board of directors approved the grant under our employee stock option plan, effective at the close of business that day, of options to purchase approximately 200 thousand shares of our common stock at a strike price of \$70.00 per share. The closing stock price on the date of grant was \$63.56 per share.

The following tables summarize the details of previous grants made under our stock option plan and the assumptions used to value the grants. The grants listed below exclude grants that have expired due to the lapse of time. All options granted were effective at the close of business on the date of grant.

Date of grant	Shares granted	Option exercise (strike) price	Closing stock price on date of grant	March 31, 2011	
				Options outstanding	Options vested
April 20, 2010	265,000	\$ 60.00	\$ 54.26	210,000	0
April 21, 2009	395,000	\$ 54.00	\$ 35.22	305,000	0
April 15, 2008	275,000	\$ 54.00	\$ 48.70	185,000	0
April 17, 2007	2,190,000	\$ 45.00	\$ 40.30	1,905,000	319,000

Date of grant	Risk-free interest rate	Expected life of option in years	Expected dividend yield	Expected stock volatility	Estimated fair value of stock option
April 20, 2010	2.6%	5.00	1.5%	39.10%	\$ 16.27
April 21, 2009	1.9%	5.00	1.0%	38.80%	\$ 7.27
April 15, 2008	2.7%	5.00	1.0%	30.93%	\$ 15.50
April 17, 2007	4.6%	4.85	1.0%	31.59%	\$ 11.36

All of the options in the tables above vest and become exercisable over a period of up to eight years, except for a limited number of the 2007 grants which are exercisable over a period of up to five or seven years. Each option will terminate, to the extent not previously exercised, 13 months after the end of the relevant vesting period.

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FASTENAL COMPANY AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts in thousands except share and per share information and where otherwise noted)

March 31, 2011 and 2010

(Unaudited)

The fair value of each share-based option is estimated on the date of grant using a Black-Scholes valuation method that uses the assumptions listed above. The expected life is the average length of time over which we expect the employee groups will exercise their options, which is based on historical experience with similar grants. Expected volatilities are based on the movement of our stock over the most recent historical period equivalent to the expected life of the option. The risk-free interest rate is based on the U.S. Treasury rate over the expected life at the time of grant. The dividend yield is estimated over the expected life based on our current dividend payout, historical dividends paid, and expected future cash dividends.

Compensation expense equal to the grant date fair value will be recognized for all of these awards over the vesting period. The stock-based compensation expense for the three month periods ended March 31, 2011 and 2010 was \$900 and \$1,000, respectively. Unrecognized compensation expense related to outstanding stock options as of March 31, 2011 was \$14,741 and is expected to be recognized over a weighted average period of 4.63 years. Any future changes in estimated forfeitures will impact this amount.

Earnings Per Share

The following tables present a reconciliation of the denominators used in the computation of basic and diluted earnings per share related to our stock option plan and a summary of the options to purchase shares of common stock which were excluded from the diluted earnings calculation because they were anti-dilutive:

Reconciliation	Three-month period	
	2011	2010
Basic-weighted average shares outstanding	147,430,712	147,430,712
Weighted shares assumed upon exercise of stock options	283,759	0
Diluted-weighted average shares outstanding	147,714,471	147,430,712

Summary of anti-dilutive options excluded	Three-month period	
	2011	2010
Options to purchase shares of common stock	404,944	2,553,333
Weighted-average exercise prices of anti-dilutive options	\$ 57.22	\$ 47.07

Any dilutive impact summarized above would relate to periods when the average market price of our stock exceeded the exercise price of the potentially dilutive option securities then outstanding.

(Continued)

FASTENAL COMPANY AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts in thousands except share and per share information and where otherwise noted)

March 31, 2011 and 2010

(Unaudited)

(4) Comprehensive Income

Comprehensive income and the components of other comprehensive income were as follows:

	Three-month period	
	2011	2010
Net earnings	\$79,547	56,034
Translation adjustment	2,131	2,020
Change in marketable securities	142	40
Total comprehensive income	<u>\$81,820</u>	<u>58,094</u>

(5) Income Taxes

Fastenal, or one of its subsidiaries, files income tax returns in the United States Federal jurisdiction, numerous states, and various local and foreign jurisdictions. With limited exceptions, we are no longer subject to income tax examinations by taxing authorities for taxable years before 2007 in the case of United States Federal and non-United States examinations and 2006 in the case of state and local examinations.

As of March 31, 2011 and 2010, the Company had \$3,800 and \$1,606, respectively, of liabilities recorded related to unrecognized tax benefits. Included in this liability for unrecognized tax benefits is an immaterial amount for interest and penalties, both of which we classify as a component of income tax expense. The Company does not anticipate that total unrecognized tax benefits will change significantly during the next 12 months.

(6) Operating Leases

We lease certain pick-up trucks under operating leases. These leases have a non-cancellable lease term of one year, with renewal options for up to 72 months. The pick-up truck leases include an early buy out clause we generally exercise, thereby giving the leases an effective term of 28-36 months. We provided a \$1,289 loss on disposal reserve at March 31, 2011.

(7) Subsequent Events

On April 11, 2011, our board of directors declared a dividend of \$0.26 per share. This dividend is discussed in footnote (3) '*Stockholders' Equity*'.

On April 19, 2011, our board of directors declared a two-for-one stock split. This split is discussed in footnote (1) '*Basis of Presentation*'.

On April 19, 2011, the compensation committee of our board of directors approved a grant, effective at the close of business that day, of options to purchase approximately 200 thousand shares of our common stock. This grant is discussed in footnote (3) '*Stockholders' Equity*'.

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FASTENAL COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands except share and per share information and where otherwise noted)

March 31, 2011 and 2010

(Unaudited)

(8) Contingencies

In early February 2010, we received a letter from a California fastener supplier dated January 26, 2010. This letter threatened to sue us for an alleged violation of an exclusive distribution arrangement this supplier believes exists between our organizations. In addition to the letter, this supplier provided a press release and a video regarding the claim that they threatened to make public unless we agreed to mediation of the claim. Shortly after receipt of this letter, we performed a preliminary internal review to understand (1) who this supplier was and (2) the nature of our relationship with this supplier. Based on that review, we determined that this supplier manufactures a niche type of fastener and that the total volume of purchases by us, from all suppliers, over the purported term of the alleged exclusivity arrangement of this niche type of fastener did not exceed \$1 million. Following completion of our preliminary internal review, we requested additional information and documentation from the supplier. The supplier's response failed to provide the requested information and documentation. By letter dated February 26, 2010, we quantified for the supplier our total volume of purchases as discussed above and informed the supplier that we believed their claim was grossly exaggerated and completely unsupported. We have not received any direct response to our February 26, 2010 letter. On May 3, 2010, this supplier filed suit in Arkansas federal court alleging damages. In response, we filed a motion to dismiss. This motion to dismiss was denied on August 16, 2010. It is too early to determine how this case will progress. Based on current information, we believe the prospect that we will incur a material liability as a result of this claim is remote. While we are not required to disclose this matter under the rules of the Securities and Exchange Commission ('SEC'), we initially disclosed the existence of this threat in February 2010 (in our 2009 annual report on Form 10-K) as we believed that disclosure was prudent due to the alleged amount (\$180 million) of the claim and the threat to make these allegations public.

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ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management’s discussion and analysis of certain significant factors that have affected our financial position and operating results during the periods included in the accompanying consolidated financial statements. (Dollar amounts are in thousands except for per share amounts and where otherwise noted.)

BUSINESS AND OPERATIONAL OVERVIEW:

Fastenal is a North American leader in the wholesale distribution of industrial and construction supplies. We distribute these supplies through a network of over 2,500 company owned stores. Most of our customers are in the manufacturing and non-residential construction markets. The manufacturing market includes both original equipment manufacturers (OEM) and maintenance and repair operations (MRO). The non-residential construction market includes general, electrical, plumbing, sheet metal, and road contractors. Other users of our product include farmers, truckers, railroads, mining companies, federal, state, and local governmental entities, schools, and certain retail trades. Geographically, our stores and customers are primarily located in North America.

Like most industrial and construction centric organizations, we have endured a roller coaster ride over the last several years. The third quarter of 2008 included the final months of an inflationary period related to both steel prices (approximately 50% of our sales consist of some type of fastener – nuts, bolts, screws, etc. – most of which are made of steel) and energy prices (a meaningful item for us given the amount of energy that is necessary in the production of our products and in the transportation of our products across North America in one of our over 5,000 vehicles on the road).

In the fourth quarter of 2008, and throughout much of 2009, this inflation turned to deflation. When the swings are dramatic, this can hurt our gross margins because we are selling expensive inventory on the shelf at declining prices. This hurt our gross margins in 2009. The drop in energy costs over the same period provided some relief, but it was small in comparison to the impact of deflation. The deflation of 2009 ended and these conditions normalized and allowed our gross margins to recover in 2010 and in the first quarter of 2011. (See later discussion on gross margins.) In recent months, we have seen evidence of inflation creeping into our supply chain. Both in the form of steel price inflation and energy inflation. The impact of this is discussed later in this report.

The discussion that follows includes information regarding our sales growth and our sales by product line. This information provides a nice summary view to understand the dynamics of the quarter. However, we feel the real story is told in the monthly sales changes, sequential trends, and end market information that follow – they explain the real impact of the market dynamics affecting us over this period of uncertainty.

Over the last several years, we have continued to make significant investments in (1) store locations, (2) national accounts, (3) government sales, (4) internal manufacturing support, (5) international operations (now over 10% of our sales), and (6) industrial vending. We are excited about the prospects of each and will continue to shed light on these areas as we move through 2011.

As always, the ‘pathway to profit’ is the cornerstone of our business evolution, and it influences everything we do. Remember, our business centers on our 2,500 plus stores – their individual success leads to the success of the entire organization over time. As you read the balance of this discussion you will see our stores were able to make great strides in their endeavor to dig out of the economic hole known as 2009. We will continue to work to complete this task and maintain our goal of *Growth through Customer Service*.

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SALES GROWTH:

Net sales and growth rates in net sales were as follows:

	Three-month period	
	2011	2010
Net sales	\$640,583	520,772
Percentage change	23.0%	6.4%

The increase in net sales in the first three months of 2011 came primarily from higher unit sales. Our growth in net sales was impacted by inflationary price changes in our products, but the impact was limited. Our growth in net sales was not meaningfully impacted by the introduction of new products or services. The higher unit sales resulted primarily from increases in sales at older store locations (discussed below and again later in this document) and to a lesser degree the opening of new store locations in the last several years. The growth in net sales at the older store locations was due to the moderating impacts of the current recessionary environment, an environment which dramatically worsened late in 2008. The increase in net sales also resulted from the strengthening of the Canadian currency relative to the United States dollar. This added approximately 0.7 and 0.9 percentage points to our growth in the quarters ended March 31, 2011 and 2010, respectively.

The impact of the economy is best reflected in the growth performance of our stores opened greater than ten years ago (store sites opened as follows: 2011 group – opened 2001 and earlier, and 2010 group – opened 2000 and earlier) and opened greater than five years ago (store sites opened as follows: 2011 group – opened 2006 and earlier, and 2010 group – opened 2005 and earlier). These two groups of stores are more cyclical due to the increased market share they enjoy in their local markets. The stores opened greater than two years ago represent a consistent ‘same store’ view of our business (store sites opened as follows: 2011 group – opened 2009 and earlier, and 2010 group – opened 2008 and earlier). The daily sales change for each of these groups was as follows:

Store Age	Three-month period	
	2011	2010
Opened greater than 10 years ago	15.0%	2.1%
Opened greater than 5 years ago	17.5%	1.7%
Opened greater than 2 years ago	18.0%	4.3%

Note: The age groups above are measured as of the last day of each respective year.

SALES BY PRODUCT LINE:

The mix of sales from the original fastener product line and from the other product lines was as follows:

	Three-month period	
	2011	2010
Fastener product line	47.6%	49.8%
Other product lines	52.4%	50.2%
	100.0%	100.0%

COMMENTS REGARDING MONTHLY SALES CHANGES, SEQUENTIAL TRENDS, AND END MARKET PERFORMANCE

Note – Daily sales are defined as the sales for the period divided by the number of business days in the period.

This section focuses on three distinct views of our business – monthly sales changes, sequential trends, and end market performance. The first discussion regarding monthly sales changes provides a good mechanical view of our business based on the age of our stores. The second discussion provides a framework for understanding the sequential trends (that is, comparing a period to the immediately preceding period) in our business since the market deteriorated late in 2008. Finally, we believe the third discussion regarding end market performance provides insight into activities with our various types of customers.

MONTHLY SALES CHANGES:

All company sales – During each of the first three months in 2011 and each of the twelve months in 2010 and 2009, all of our selling locations combined had daily sales growth rates of (compared to the comparable month in the preceding year):

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
2011	18.8%	21.5%	22.8%									
2010	2.4%	4.4%	12.1%	18.6%	21.1%	21.1%	24.4%	22.1%	23.5%	22.4%	17.9%	20.9%
2009	-8.5%	-10.5%	-17.4%	-21.0%	-20.7%	-22.5%	-22.9%	-21.4%	-20.8%	-18.7%	-12.0%	-8.6%

The improvement in 2010, and into 2011, generally continues the trend we saw in the latter half of 2009. The slow-down in the final three months of 2008 and all of 2009 relate to the general economic weakness in the global marketplace.

Several additional factors positively impacted our sales growth in the first quarter: (1) the strengthening Canadian dollar (when compared to the United States dollar) added approximately 0.7 and 0.9 percentage points to our daily sales growth in 2011 and 2010, respectively and (2) our Holo-Krome business, which we acquired in December 2009, added approximately 0.5 percentage points to our daily sales growth in 2010, as there were no comparable sales in 2009.

Stores opened greater than two years – Our stores opened greater than two years (store sites opened as follows: 2011 group – opened 2009 and earlier, 2010 group – opened 2008 and earlier, and 2009 group – opened 2007 and earlier) represent a consistent 'same-store' view of our business. During each of the first three months in 2011 and each of the twelve months in 2010 and 2009, the stores opened greater than two years had daily sales growth rates of (compared to the comparable month in the preceding year):

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
2011	16.0%	18.4%	19.4%									
2010	0.6%	2.3%	9.6%	16.3%	18.5%	18.3%	21.3%	19.2%	19.8%	18.8%	14.1%	16.8%
2009	-11.2%	-13.8%	-20.1%	-24.0%	-23.7%	-25.1%	-25.4%	-24.0%	-23.1%	-20.9%	-13.7%	-10.6%

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Stores opened greater than five years – The impact of the economy, over time, is best reflected in the growth performance of our stores opened greater than five years (store sites opened as follows: 2011 group – opened 2006 and earlier, 2010 group – opened 2005 and earlier, and 2009 group – opened 2004 and earlier). This store group is more cyclical due to the increased market share these stores enjoy in their local markets. During each of the first three months in 2011 and each of the twelve months in 2010 and 2009, the stores opened greater than five years had daily sales growth rates of (compared to the comparable month in the preceding year):

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
2011	15.3%	17.9%	19.2%									
2010	-2.1%	-0.5%	7.4%	14.9%	17.3%	16.2%	19.8%	18.2%	18.9%	17.9%	13.2%	16.0%
2009	-12.4%	-14.3%	-21.5%	-25.2%	-25.2%	-26.3%	-26.6%	-24.7%	-24.2%	-21.7%	-15.0%	-12.1%

SEQUENTIAL TRENDS:

We find it helpful to think about the monthly sequential changes in our business using the analogy of climbing a stairway – This stairway has several predictable landings where there is a pause in the sequential gain (i.e. April, July, and October to December), but generally speaking, climbs from January to October. The October landing then establishes the benchmark for the start of the next year.

History has identified these landings in our business cycle. They generally relate to months with impaired business days (certain holidays). The first landing centers on Easter, which alternates between March and April (Easter occurred in April in both 2011 and 2010), the second landing centers on July 4th, and the third landing centers on the approach of winter with its seasonal impact on primarily our construction business and with the Christmas / New Year holidays. The holidays we noted impact the trends because they either move from month-to-month or because they move around during the week.

The table below shows the pattern to our sequential change in our daily sales. The line labeled 'Past' is an historical average of our sequential daily sales change for the period 1998 to 2003. We chose this time frame because it had similar characteristics, a weaker industrial economy in North America, and could serve as a benchmark for a possible trend line. The '2010' and '2011' lines represent our actual sequential daily sales changes. The '10Delta' line is the difference between the 'Past' and '2010'; similarly, the '11Delta' is the difference between the 'Past' and '2011'.

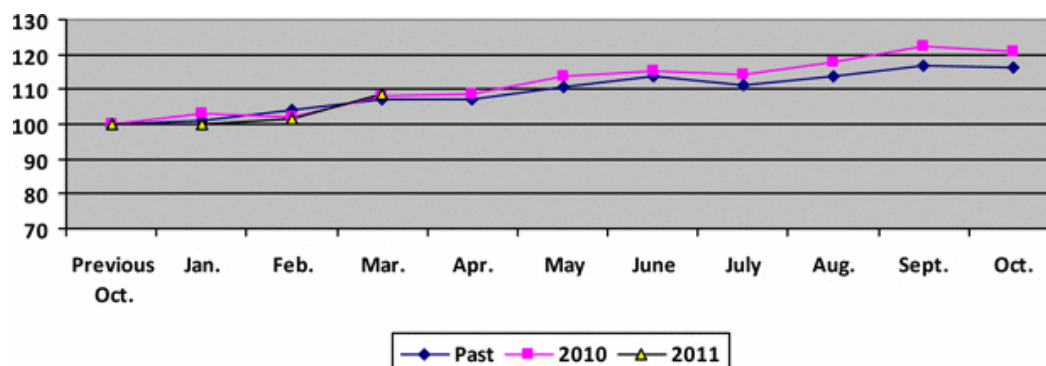
	Jan.(1)	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
Past	0.9%	3.3%	2.9%	-0.3%	3.4%	2.8%	-2.3%	2.6%	2.6%	-0.7%
2010	2.9%	-0.7%	5.9%	0.6%	4.8%	1.7%	-1.0%	3.5%	4.5%	-1.5%
10Delta	2.0%	-4.0%	3.0%	0.9%	1.4%	-1.1%	1.3%	0.9%	1.9%	-0.8%
2011	-0.2%	1.6%	7.0%							
11Delta	-1.1%	-1.7%	4.1%							

- (1) The January figures represent the percentage change from the previous October, whereas the remaining figures represent the percentage change from the previous month.

During 2010, and year-to-date in 2011, sales were strong - our business has closely followed the trend line since the fall of 2009. The months of February 2011 and 2010 were both negatively impacted by weather.

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A graph of the sequential daily sales change pattern discussed above, starting with a base of '100' in the previous October and ending with the next October, would be as follows:



END MARKET PERFORMANCE:

Fluctuations in end market business – The sequential trends noted above were directly linked to fluctuations in our end markets. To place this in perspective – approximately 50% of our business has historically been with customers engaged in some type of manufacturing. The daily sales to these customers grew or contracted in the first, second, third, and fourth quarters (when compared to the same quarter in the previous year), and for the year, as follows:

	Q1	Q2	Q3	Q4	Annual
2011	15.5%				
2010	15.7%	29.8%	30.6%	17.7%	22.4%
2009	-16.0%	-25.2%	-22.8%	-10.1%	-18.8%

The 2011 and 2010 growth was more pronounced in our industrial production business (this is business where we supply products that become part of the finished goods produced by our customers) and less pronounced in the maintenance portion of our manufacturing business (this is business where we supply products that maintain the facility or the equipment of our customers engaged in manufacturing). The 2009 contraction was more severe in our industrial production business and less severe in the maintenance portion of our manufacturing business. These patterns continue to reflect the strength noted in the ISM Index. This is the index published by the Institute for Supply Management (<http://www.ism.ws/>).

Our non-residential construction customers have historically represented 20% to 25% of our business. The daily sales to these customers grew or contracted in the first, second, third, and fourth quarters (when compared to the same quarter in the previous year), and for the year, as follows:

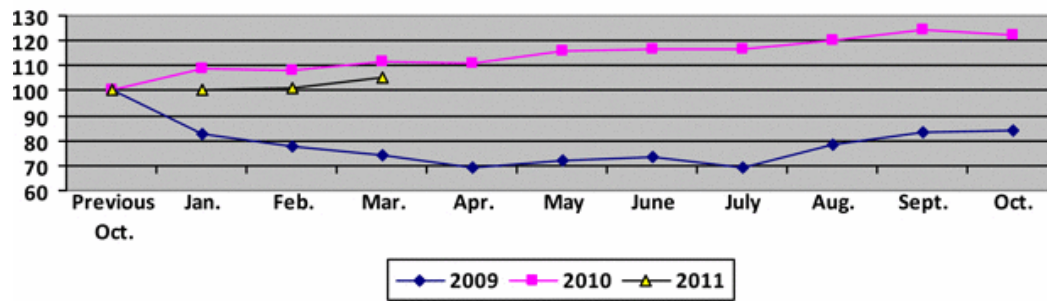
	Q1	Q2	Q3	Q4	Annual
2011	17.7%				
2010	-14.7%	0.5%	6.3%	10.3%	-0.3%
2009	-6.4%	-19.6%	-25.3%	-24.8%	-19.4%

On a sequential basis, the sales to our manufacturing customers stabilized in May 2009 and then started to demonstrate patterns that resemble historical norms. This reversed the negative trend which began in October 2008. This stabilization and improvement was partially offset by continued deterioration in our non-residential construction business which weakened dramatically in the first eight months of 2009, and then began to also demonstrate patterns that resemble historical norms.

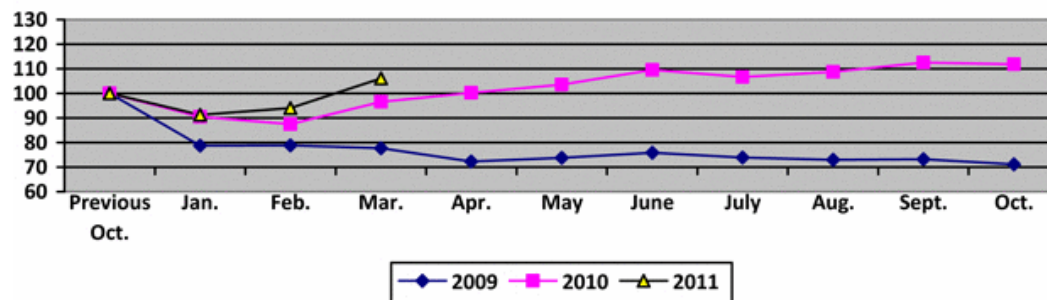
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A graph of the sequential daily sales trends to these two end markets in 2009, 2010, and 2011, starting with a base of '100' in the previous October and ending with the next October, would be as follows:

Manufacturing



Non-Residential Construction



PATHWAY TO PROFIT AND ITS IMPACT ON OUR BUSINESS:

During April 2007 we disclosed our intention to alter the growth drivers of our business – For most of the preceding ten years, we used store openings as the primary growth driver of our business (our historical rate was approximately 14% new stores each year). As announced in April 2007, we began to add outside sales personnel into existing stores at a faster rate than historical patterns. We funded this sales force expansion with the occupancy savings generated by opening stores at the rate of 7% to 10% per year (see our disclosure below regarding the temporary slowing of our store growth in 2009 and 2010). Our goal was four-fold: (1) to continue growing our business at a similar rate with the new outside sales investment model, (2) to grow the sales of our average store to \$125 thousand per month in the five year period from 2007 to 2012, (3) to enhance the profitability of the overall business by capturing the natural expense leverage that has historically occurred in our existing stores as their sales grow, resulting in a growth of our pre-tax earnings to 23% of net sales by 2012, and (4) to improve the performance of our business due to the more efficient use of working capital (primarily inventory) as our average sales volume per store increases. The economic weakness that dramatically worsened in the fall of 2008 and continued into 2009 caused us to alter the ‘pathway to profit’ beginning in 2009. These changes centered on two aspects (1) temporarily slowing new store openings to a range of 2% to 5% per year, and (2) temporarily stopping headcount additions except for new store openings and for stores that are growing. (See later discussion on future store openings.)

One side benefit of the ‘pathway to profit’ initiative, described above, is a slow altering of our cost structure over the last several years to increase the portion of our operating costs that are variable versus fixed. This dramatically improved our ability to manage through the economic environment of the last several years. As discussed in our third quarter 2009 earnings release, we began to stabilize our store headcount in October 2009. From the first quarter of 2010 to the first quarter of 2011 we grew our store average full-time equivalent (FTE) headcount from 7,004 to 7,839, or 11.9%. (See later discussion on store count and FTE numbers by quarter.)

The ‘pathway to profit’ initiative allows us to focus on the three drivers of our business: (1) store headcount, (2) store (or unit) growth, and (3) average sales volume per store, which ultimately drive our level of profitability. Our original goal was to hit the \$125 thousand per month store average, and grow our pre-tax earnings to 23% of net sales, by 2012. We previously disclosed that we believed the duration of the economic weakness could delay the timing of when we achieve these goals by 24-30 months. However, as described below, we have modified our thinking regarding our pre-tax earnings goals.

During 2010, we modified our thought process around the ‘pathway to profit’ in two regards: (1) with a structurally lowered cost structure, we concluded we could hit our profitability target in the ‘pathway to profit’ initiative with average store sales of \$100 - \$110 thousand per month by 2013 (see evidence of this in our ‘Store Size and Profitability’ table later in this document) and (2) we decided to hire fewer store-based people and instead added resources focused on specific opportunities, such as national accounts personnel and dedicated sales specialists (manufacturing, government, industry focused, and industrial vending solutions). The decision to accelerate the addition of non-store selling resources into the areas of national accounts and dedicated sales specialists reinforces our belief that these areas represent an efficient manner to accelerate sales at existing stores.

Future store openings – In July 2010, we indicated our intentions to open 80 to 95 new stores during the second half of 2010 (or an annualized rate of 6.8% to 8.0%). During the second half of 2010 we opened 82 stores. In 2011, we intend to open 150 to 200 new stores, or an annualized rate of 6.0% to 8.0%. In the first quarter of 2011, we opened 37 new stores.

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Store Count and Full-Time Equivalent (FTE) Headcount – Because of the ‘pathway to profit’, we increased both our store count and our store FTE headcount during 2007 and 2008. However, as indicated earlier, the rate of increase in store locations slowed and our FTE headcount for all types of personnel was reduced when the economy weakened late in 2008. The number of stores at quarter end, the average headcount at our stores per quarter, the average FTE headcount per quarter, and the percentage change were as follows for the first quarter of 2007 (the last completed quarter before we began the ‘pathway to profit’), for the third quarter of 2008 (our peak quarter before the economy weakened), and for each of the last five quarters:

	Q1 2007	Q3 2008	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011
Store locations-quarter end count	2,073	2,300	2,392	2,407	2,453	2,490	2,522
% change since Q1 2007		11.0%	15.4%	16.1%	18.3%	20.1%	21.7%
% change (twelve months)		7.2%	2.1%	2.4%	4.3%	5.1%	5.4%
Store personnel - absolute headcount	6,849	9,123	8,404	8,401	8,643	9,048	9,361
% change since Q1 2007		33.2%	22.7%	22.7%	26.2%	32.1%	36.7%
% change (twelve months)		17.9%	-7.8%	-3.7%	0.4%	6.2%	11.4%
Store personnel - FTE	6,383	8,280	7,004	7,118	7,450	7,611	7,839
Non-store selling personnel - FTE	616	599	594	591	639	712	779
Sub-total of all sales personnel - FTE	6,999	8,879	7,598	7,709	8,089	8,323	8,618
Distribution and manufacturing personnel-FTE ¹	1,962	2,244	1,800	1,884	2,007	2,040	2,055
Administrative personnel-FTE	767	805	706	707	726	744	760
Sub-total of non-sales personnel - FTE	2,729	3,049	2,506	2,591	2,733	2,784	2,815
Total - average FTE headcount	9,728	11,928	10,104	10,300	10,822	11,107	11,433
% change since Q1 2007							
Store personnel - FTE		29.7%	9.7%	11.5%	16.7%	19.2%	22.8%
Non-store selling personnel - FTE		-2.8%	-3.6%	-4.1%	3.7%	15.6%	26.5%
Sub-total of all sales personnel - FTE		26.9%	8.6%	10.1%	15.6%	18.9%	23.1%
Distribution and manufacturing personnel-FTE ¹		14.4%	-8.3%	-4.0%	2.3%	4.0%	4.7%
Administrative personnel-FTE		5.0%	-8.0%	-7.8%	-5.3%	-3.0%	-0.9%
Sub-total of non-sales personnel - FTE		11.7%	-8.2%	-5.1%	0.1%	2.0%	3.2%
Total - average FTE headcount		22.6%	3.9%	5.9%	11.2%	14.2%	17.5%
% change (twelve months)							
Store personnel - FTE		15.2%	-9.7%	-1.2%	5.1%	8.6%	11.9%
Non-store selling personnel - FTE		-2.4%	-1.3%	0.3%	9.0%	19.3%	31.1%
Sub-total of all sales personnel - FTE		13.8%	-9.1%	-1.1%	5.4%	9.5%	13.4%
Distribution and manufacturing personnel-FTE ¹		5.4%	-8.7%	1.5%	13.8%	15.4%	14.2%
Administrative personnel-FTE		7.9%	-10.7%	-8.5%	-1.4%	6.1%	7.6%
Sub-total of non-sales personnel - FTE		6.0%	-9.3%	-1.4%	9.4%	12.8%	12.3%
Total - average FTE headcount		11.7%	-9.1%	-1.2%	6.4%	10.3%	13.2%

¹ Note – The distribution and manufacturing headcount was impacted by the addition of 92 employees with the acquisition of Holo-Krome in December 2009.

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Store Size and Profitability – The store groups listed in the table below, when combined with our strategic account stores, represented approximately 88%, 86%, and 89% of our sales in the first quarter of 2011, 2010, and 2009, respectively. Strategic account stores are stores that are focused on selling to a group of strategic account customers in a limited geographic market. Our remaining sales (approximately 12%, 14%, and 11%, respectively) relate to either: (1) our in-plant locations, (2) our direct Fastenal Cold Heading business (including our Holo-Krome business acquired in December 2009), or (3) our direct import business. Our average store had sales of \$74,400, \$62,700, and \$61,900 per month in the first quarter of 2011, 2010, and 2009, respectively. This average amount was \$71,600 per month in the first quarter of 2007 (the last completed quarter before we began the ‘pathway to profit’). The average age, number of stores, and pre-tax earnings data by store size for the first quarter of 2011, 2010, and 2009, respectively, were as follows:

<u>Sales per Month</u>	<u>Average Age (Years)</u>	<u>Number of Stores</u>	<u>Percentage of Stores</u>	<u>Pre-Tax Earnings Percentage</u>
Three months ended March 31, 2011				
\$0 to \$30,000	4.2	401	15.9%	-12.2%
\$30,001 to \$60,000	7.4	886	35.1%	12.6%
\$60,001 to \$100,000	10.1	676	26.8%	22.2%
\$100,001 to \$150,000	12.3	317	12.6%	25.4%
Over \$150,000	15.5	198	7.9%	27.1%
Strategic Account Store		44	1.7%	
Company Total		<u>2,522</u>	<u>100.0%</u>	<u>20.1%</u>
Three months ended March 31, 2010				
\$0 to \$30,000	4.4	516	21.6%	-14.5%
\$30,001 to \$60,000	7.4	942	39.4%	11.2%
\$60,001 to \$100,000	10.1	561	23.5%	21.3%
\$100,001 to \$150,000	12.9	231	9.7%	24.6%
Over \$150,000	16.2	111	4.6%	26.3%
Strategic Account Store		31	1.3%	
Company Total		<u>2,392</u>	<u>100.0%</u>	<u>17.4%</u>
Three months ended March 31, 2009				
\$0 to \$30,000	3.8	605	25.8%	-23.4%
\$30,001 to \$60,000	6.6	836	35.7%	9.8%
\$60,001 to \$100,000	9.5	528	22.5%	20.1%
\$100,001 to \$150,000	11.9	231	9.9%	24.6%
Over \$150,000	15.5	121	5.2%	26.8%
Strategic Account Store		21	0.9%	
Company Total		<u>2,342</u>	<u>100.0%</u>	<u>16.1%</u>

Note – Amounts may not foot due to rounding difference.

Our original intent under the ‘pathway to profit’ was to increase the sales of our average store to approximately \$125,000 per month (see earlier discussion) in order to meet our pre-tax earnings profitability goal of 23%. This would have shifted the store mix emphasis from the first three categories (\$0 to \$30,000, \$30,001 to \$60,000, and \$60,001 to \$100,000) to the last three categories (\$60,001 to \$100,000, \$100,001 to \$150,000, and over \$150,000), and we believe would have allowed us to leverage our fixed cost and increase our overall productivity. Our goal today is to continue (1) to grow the business and (2) to grow our pre-tax earnings as a percent of net sales. As stated earlier, we now believe, based on the profitability improvements noted in the table above, we can hit our pre-tax earnings percent goal of 23% with average store sales of approximately \$100,000 - \$110,000 per month.

Note – Dollar amounts in this section are presented in whole dollars, not thousands.

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STATEMENT OF EARNINGS INFORMATION (percentage of net sales) for the three-month periods ended March 31:

	Three-month period	
	2011	2010
Net sales	100.0%	100.0%
Gross profit	52.0%	51.1%
Operating and administrative expenses	32.0%	33.7%
Loss on sale of property and equipment	0.0%	0.0%
Operating income	20.1%	17.4%
Interest income	0.0%	0.0%
Earnings before income taxes	20.1%	17.4%

Note – Amounts may not foot due to rounding difference.

Gross profit percentage for the first quarter of 2011 increased from the same period in 2010. Sequentially, the gross profit held constant with the fourth quarter of 2010.

The gross profit percentage in the first, second, third and fourth quarters was as follows:

	Q1	Q2	Q3	Q4
2011	52.0%			
2010	51.1%	52.1%	51.8%	52.0%
2009	52.9%	51.1%	50.0%	49.9%

The fluctuations in our gross profit percentages are typically driven by: (1) transactional gross profit, (2) organizational gross profit, and (3) vendor incentive gross profit. The transactional gross profit represents the gross profit realized due to the day-to-day fluctuations in customer pricing relative to product and freight costs. This component was negatively influenced by the competitive landscape in 2009 which depressed the prices we could charge for our products. This component has generally improved since August 2009, except for customer mix which is discussed later. The organizational gross profit represents the component of gross profit we attribute to buying scale and efficiency gains. This component was negatively influenced by deflationary impacts in 2009 as we were selling inventory sourced at peak costs late in 2008. This component was magnified in 2009 due to the nature of our inventory turns and the dramatic decrease in sales activity during much of the year. However, this component improved in the first, second, third, and fourth quarters of 2010, and in the first quarter of 2011, when compared to the fourth quarter of 2009. The third component relates to vendor volume allowances. The gross profit dollars associated with this component dropped dramatically in the second half of 2009. However, this component improved in the first, second, third, and fourth quarters of 2010, and in the first quarter of 2011, when compared to the fourth quarter of 2009.

The decrease in gross profit percentage, from the second quarter of 2010 to the third and fourth quarters of 2010 and the first quarter of 2011, was primarily caused by the strong growth of our industrial production business, which resulted in a change in our overall business mix. The industrial production business has a lower gross margin; therefore, the change in mix pulled our gross margin down. However, since the operating expenses of our industrial production business are lower, operating income produced by that business is similar to our overall business. As we indicated in our second quarter 2010 earnings release, vendor volume allowances largely recovered during the second quarter of 2010 to the levels in place in 2008 and in early 2009 due to the reset of vendor allowance programs which tend to be calendar based. Generally speaking, the decline in the gross margin percentage from 2008 to 2009 was evenly split between a deterioration in the three components discussed earlier. The improvement from 2009 to 2010 was primarily related to improvements in vendor incentive gross profit (about half of the improvement), with the balance evenly split between improvements in organizational gross profit and transactional gross profit. This improvement split is also true in the first quarter of 2011 when compared to the first quarter of 2010.

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Operating and administrative expenses improved relative to sales in the first quarter of 2011 versus the first quarter of 2010.

Historically, 65% to 70% of our operating and administrative expenses consist of employee related costs. The components are: (1) payroll (which includes cash compensation, stock option expense, and profit sharing), (2) health care, (3) education, and (4) social taxes. During 2009, these components had reduced to a range between 60% and 65% due to the factors noted below. During the first quarter of 2011 and during 2010, this range moved back to the historical level.

The two largest components of employee related costs grew/contracted as follows for the three-month periods ended March 31:

	Three-month period	
	2011	2010
Payroll cost	29.2%	-4.1%
Health care cost	-5.6%	21.5%

The two largest components of operating and administrative expenses, outside of the employee related costs, grew/contracted as follows for the three-month periods ended March 31:

	Three-month period	
	2011	2010
Occupancy	7.8%	-1.7%
Selling transportation	12.7%	8.1%

The increase in payroll costs from the first quarter of 2010 to the first quarter of 2011 noted above was greater than the change in full-time equivalent headcount noted earlier in this document. This was driven by several factors: (1) sales commissions earned grew (this increase was amplified by the sales growth and the gross margin expansion, both of which have a meaningful impact on the commissions earned), (2) total bonuses earned increased due to our profit growth, (3) hours worked per employee grew, and (4) our profit sharing contribution grew. For the first quarter of 2011 and 2010, these four items all grew at a rate faster than the rate of sales growth.

Our health care costs in the first quarter of 2011 decreased from the unusual peak in the same period in 2010. Health care costs in 2009, and the first quarter of 2010, increased due to the increase in the percentage of employees opting for expanded coverage as their spouses lost their insurance coverage at other employers, increases in COBRA costs due to changes in federal funding within COBRA, and an increase in health care utilization when compared to previous years.

The two largest components of the remaining costs within our operating and administrative expenses include occupancy and selling transportation. Occupancy expenses for the first quarter of 2011, increased from the first quarter of 2010 and from the fourth quarter of 2010. Approximately 50% of the increase from the first quarter of 2010 to the first quarter of 2011 was caused by increases in utility costs, while all of the 2010 comparable decrease was caused by decreases in utility costs. The selling transportation costs consist primarily of our store fleet as most of the distribution fleet costs are included in cost of sales. Selling transportation costs included in operating and administrative expenses increased in the first quarter of 2011 and 2010. Most of the cost components stayed relatively flat or improved nominally in both years; however, the fuel component increased in both periods due to improving sales patterns, new store locations, and increases in energy costs.

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The last several years have seen meaningful swings in the cost of diesel fuel and gasoline – During the first quarter of 2011, our total vehicle fuel costs were approximately \$8.6 million. During the first, second, third, and fourth quarters of 2010, our total vehicle fuel costs were approximately \$6.4 million, \$6.8 million, \$6.6 million, and \$7.1 million, respectively. The changes resulted from variations in fuel costs, variations in the service levels provided to our stores from our distribution centers, and changes in the number of vehicles at our store locations. These fuel costs include the fuel utilized in our distribution vehicles (semi-tractors, straight trucks, and sprinter trucks) which is recorded in cost of goods and the fuel utilized in our store delivery vehicles which is included in operating and administrative expenses (the split in the last several years has been approximately 50:50 between distribution and store use).

The average per gallon fuel costs (in actual dollars) and the percentage change (on a year-over-year basis) for the last three years was as follows:

<u>Per gallon average price</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
<u>2011 price</u>				
Diesel fuel	\$3.60			
Gasoline	\$3.22			
<u>2010 price</u>				
Diesel fuel	\$2.89	3.06	2.96	3.14
Gasoline	\$2.68	2.80	2.71	2.84
<u>2009 price</u>				
Diesel fuel	\$2.19	2.29	2.61	2.70
Gasoline	\$1.86	2.25	2.55	2.54
<u>Per gallon price change</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
<u>2011 change</u>				
Diesel fuel	24.6%			
Gasoline	20.1%			
<u>2010 change</u>				
Diesel fuel	32.0%	33.6%	13.4%	16.3%
Gasoline	44.1%	24.4%	6.3%	11.8%

Income taxes – Incomes taxes as a percentage of earnings before income taxes were approximately 38.2% for the first quarter of 2011 and 2010.

WORKING CAPITAL:

The year-over-year comparison and the related dollar and percentage changes related to accounts receivable and inventories were as follows:

	<u>Balance at March 31:</u>			<u>Twelve Month Dollar Change</u>		<u>Twelve Month Percentage Change</u>	
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Accounts receivable, net	\$325,685	262,463	240,658	63,222	21,805	24.1%	9.1%
Inventories	576,451	507,243	555,283	69,208	(48,040)	13.6%	-8.7%

The accounts receivable increase of 24.1% from 2010 to 2011 was created by a daily sales increase of 21.5% and 22.8% in February and March 2011, respectively. The increase in accounts receivable was greater than the increase in daily sales. This was primarily driven by the significant growth in both our national account (large customer) business and in our international business, both of which typically pay slower than our remaining business. The accounts receivable increase of 9.1% from 2009 to 2010 relates to a daily sales increase of 4.4% and 12.1% in February and March 2010, respectively. The accounts receivable increase since year end was caused by (1) the seasonality in our business, and (2) sales growth.

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A portion of our inventory procurement has a longer lead time than our ability to foresee sales trends; therefore, the drop in sales growth activity in the fourth quarter of 2008 and during the first two months of 2009 continued to result in inventory consumption that was less than the amount of inbound product. The inventory decrease began in March 2009 and continued through most of 2009. Our inventory dropped approximately \$9,000, \$36,000, and \$21,000 during the first, second, and third quarters of 2009, respectively. This related to our conscious effort to lower the stocking levels in our distribution centers in the wake of the economic meltdown late in 2008 and in the first half of 2009. The inventory grew by approximately \$10,000 in the fourth quarter of 2009; approximately half of this increase related to our December 2009 acquisition of Holo-Krome and the balance related to an increase in inventory stocking at our distribution centers to support the improving sales trends we had experienced since August 2009. During 2010, our inventory decreased approximately \$1,000 in the first quarter, and increased approximately \$15,000, \$24,000, and \$11,000 in the second, third, and fourth quarters, respectively, resulting in a \$49,000 annual net increase. During the first quarter of 2011, our inventory grew by approximately \$19,000. In its most simplified view, our expanding inventories are directly related to (1) the expanding sales growth trends (with emphasis on our large account business – both OEM & MRO), (2) our confidence in their sustainability, (3) an increase in the rate of store openings, and (4) in recent months, inflation.

BALANCE SHEET AND CASH FLOW:

Our balance sheet continues to be very strong and our operations have good cash generating characteristics. During the first quarter of 2011, we generated \$74,284 (or 93.4% of net earnings) of operating cash flow. Our first quarter typically has stronger cash flow characteristics due to the timing of tax payments; this benefit reverses itself in the second, third, and fourth quarters as income tax payments go out in April, June, September, and December. The remaining amounts of cash flow from operating activities are largely linked to the pure dynamics of a distribution business and its strong correlation to working capital as discussed above.

The strong free cash flow (operating cash flow less net capital expenditures) during 2010 and 2011 allowed us to increase our first dividend payment (declared in January 2011 and paid in February 2011) by 25.0% (from \$0.40 per share in 2010 to \$0.50 per share in 2011). In addition, we declared the first 'second quarter' dividend in our history (declared on April 11, 2011, with a payment date of April 28, 2011); this dividend is \$0.26 per share. Our board of directors also indicated their present intention to change the frequency of our dividend from semi-annual to quarterly in the future.

STOCK REPURCHASE:

In July 2009, we announced our board of directors had authorized purchases by us of up to 2,000,000 shares of our common stock. This authorization replaced any unused authorization previously approved by our board of directors. During 2009, we purchased 1,100,000 shares of our outstanding stock at an average price of approximately \$37.37 per share. These purchases occurred in the fourth quarter of 2009. We did not purchase any stock in 2010 or in the first quarter of 2011.

CRITICAL ACCOUNTING POLICIES:

A discussion of the critical accounting policies related to accounting estimates is contained in our 2010 Annual Report on Form 10-K.

LIQUIDITY AND CAPITAL RESOURCES:

Cash flow activity in dollars and as a percentage of net earnings was as follows:

	Three-month period	
	2011	2010
Net cash provided by operating activities	\$74,284	79,028
Net cash used in investing activities	\$19,902	6,509
Net cash used in financing activities	\$73,715	58,972
Net cash provided by operating activities	93.4%	141.0%
Net cash used in investing activities	25.0%	11.6%
Net cash used in financing activities	92.7%	105.2%

Net cash provided by operating activities decreased from the prior year. This decrease was driven by the expansion of our net sales growth from 6.4% in 2010 to 23.0% in 2011 and the expected impact of that expansion on the working capital of a distribution business. These would include: accounts receivable changes, inventory and related accounts payable changes, and finally accrued expense and income tax payable changes.

Net cash used in investing activities changed primarily due to changes in capital expenditures and short-term investments. Property and equipment expenditures in the first three months of 2011 consisted of: (1) the purchase of software and hardware for Fastenal's information processing systems, (2) the addition of certain pickup trucks, (3) the purchase of signage, shelving, and other fixed assets related to store openings, (4) the addition of manufacturing and warehouse equipment, (5) the expansion or improvement of certain owned or leased store properties, (6) the expansion of Fastenal's distribution/trucking fleet, (7) the capital improvements to our new manufacturing property in Connecticut to support our new Holo-Krome business into the future, (8) the expansion of our Indianapolis, Indiana master distribution center, and (9) purchases related to our industrial vending solutions. Property and equipment expenditures in the same period of 2010 consisted of these same types of items (excluding item (7)) as well as the additional cost related to the expansion of our Denton, Texas regional distribution center. Disposals of property and equipment in both periods consisted of the planned disposition of certain pickup trucks, semi-tractors, and trailers in the normal course of business and the disposition of real estate relating to several store locations.

Cash requirements for property and equipment expenditures were satisfied from net earnings, cash on hand, and the proceeds of disposals. As of March 31, 2011, we had approximately \$28,000 of commitments outstanding relating to property and equipment expenditures. We anticipate funding our current expansion plans with cash generated from operations, from available cash and cash equivalents, and, to a lesser degree, from our borrowing capacity.

Net cash used in financing activities consisted of the payment of dividends. Our dividend payout in the first three months of 2011 increased 25.0% over the same period in 2010.

A discussion of the nature and amount of future cash commitments is contained in our 2010 Annual Report on Form 10-K.

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ITEM 2 – (Continued)

Certain Risks and Uncertainties— This report contains statements that are not historical in nature and that are intended to be, and are hereby identified as, “forward-looking statements” under the Private Securities Litigation Reform Act of 1995, including statements regarding (1) the goals of our long-term growth strategy, ‘pathway to profit’, including anticipated decreases in the rate of new store openings from our historic rate prior to implementation of the strategy, planned additions to our sales personnel, the expected funding of such additions out of cost savings resulting from the slowing of the rate of new store openings, the growth in average store sales expected to result from that strategy and from our recent decision to add resources focused on specific sales opportunities and the expected timeline for achieving that growth, the leverage, working capital and productivity improvements expected to result from the strategy, and the growth in profitability expected to result from the strategy and the expected timeline for achieving that growth (including our belief that we can achieve targeted profitability due to a structural lowering of our costs even if our average store sales do not grow as expected), (2) the expected rate of new store openings, (3) our expectations regarding sales growth and our confidence in the sustainability of that growth, (4) our board’s intent to pay quarterly dividends in the future, (5) the funding of our expansion plans, (6) our expectation that total unrecognized tax benefits will not change significantly during the next twelve months, (7) the expected unrecognized compensation expense related to stock options, and (8) our expectations regarding the litigation disclosed in this report. The following factors are among those that could cause the Company’s actual results to differ materially from those predicted in such forward-looking statements: (1) a downturn or continued weakness in the economy or in the manufacturing or commercial construction industries, changes in the expected rate of new store openings, difficulties in successfully attracting and retaining additional qualified sales personnel, an inability to realize anticipated savings from lowering our cost structure, and difficulties in changing our sales process could adversely impact our ability to achieve the goals of our ‘pathway to profit’ initiative and the expected time frame for achieving those goals, (2) a downturn or continued weakness in the economy or in the manufacturing or commercial construction industries, a change from that projected in the number of North American markets able to support stores, or an inability to recruit and retain qualified employees could cause the rate of new store openings to change from that expected, (3) a downturn or continued weakness in the economy or in the manufacturing or commercial construction industries could affect our ability to sustain our sales growth, (4) changes in our financial condition or results of operations could cause our board to modify our expected future dividend practices, (5) a change in our ability to generate free cash flow resulting from a slowdown in our sales or our inability to manage expenses could negatively impact the funding of our expansion plans, (6) changes in tax law or changes in the interpretation of tax law at the federal, state or local level could impact our expectation about total unrecognized tax benefits during the next twelve months, (7) an unexpected change in forfeiture rates due to demotion or turnover could impact the unrecognized compensation expense related to stock options, and (8) our expectations about the litigation disclosed in this report may be impacted by the disclosure of currently unknown facts and other uncertainties in the litigation including the possible expansion of claims brought by the claimants beyond those currently raised. A discussion of other risks and uncertainties which could cause our operating results to vary from anticipated results or which could materially adversely effect our business, financial condition, or operating results is included in our 2010 Annual Report on Form 10-K under the sections captioned *Certain Risks and Uncertainties* and *Item 1A – Risk Factors*. We assume no obligation to update any forward-looking statements or any discussions of risks and uncertainties.

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ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks from changes in interest rates, foreign currency exchange rates, commodity steel pricing, and commodity fuel prices. Changes in these factors cause fluctuations in our earnings and cash flows. We evaluate and manage exposure to these market risks as follows:

Interest Rates— We have a line of credit totaling \$8 million which expires on August 26, 2011. The line bears interest at 0.9% over the LIBOR rate. During the quarter ended March 31, 2011, there was \$0 outstanding on the line. We pay no fee for the unused portion of the line of credit.

Foreign Currency Exchange Rates— Foreign currency fluctuations can affect our net investments and earnings denominated in foreign currencies. Our primary exchange rate exposure is with the Canadian dollar against the United States dollar. Our estimated net earnings exposure for foreign currency exchange rates was not material at March 31, 2011.

Commodity Steel Pricing— We buy and sell various types of steel products; these products consist primarily of different types of threaded fasteners. During the last decade, there has been nominal movement in overall steel pricing, with some deflation occurring in the wake of the economic crisis of the Far East markets that occurred in the late 1990's. This trend reversed to inflation in the period from late 2003 to the early part of 2005 and again from mid 2007 to the fall of 2008. This flipped to deflation in the fall of 2008 and during most of 2009 and became largely neutral to minimal inflation as we moved through 2010 and into the first quarter of 2011. The threat of more inflation is emerging as we move through 2011. We are exposed to the impacts of commodity steel pricing and our related ability to pass through the impacts to our end customers.

Commodity Fuel Prices— We have market risk for changes in gasoline and diesel fuel costs. Historically this risk has been mitigated over time by our ability to pass freight costs to our customers and the efficiency of our trucking distribution network.

ITEM 4 – CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures— As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer of Fastenal, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including the principal executive officer and principal financial officer, to allow for timely decisions regarding disclosure. There was no change in our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II—OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

In early February 2010, we received a letter from a California fastener supplier dated January 26, 2010. This letter threatened to sue us for an alleged violation of an exclusive distribution arrangement this supplier believes exists between our organizations. In addition to the letter, this supplier provided a press release and a video regarding the claim that they threatened to make public unless we agreed to mediation of the claim. Shortly after receipt of this letter, we performed a preliminary internal review to understand (1) who this supplier was and (2) the nature of our relationship with this supplier. Based on that review, we determined that this supplier manufactures a niche type of fastener and that the total volume of purchases by us, from all suppliers, over the purported term of the alleged exclusivity arrangement of this niche type of fastener did not exceed \$1 million. Following completion of our preliminary internal review, we requested additional information and documentation from the supplier. The supplier's response failed to provide the requested information and documentation. By letter dated February 26, 2010, we quantified for the supplier our total volume of purchases as discussed above and informed the supplier that we believed their claim was grossly exaggerated and completely unsupported. We have not received any direct response to our February 26, 2010 letter. On May 3, 2010, this supplier filed suit in Arkansas federal court alleging damages. In response, we filed a motion to dismiss. This motion to dismiss was denied on August 16, 2010. It is too early to determine how this case will progress. Based on current information, we believe the prospect that we will incur a material liability as a result of this claim is remote. While we are not required to disclose this matter under the rules of the Securities and Exchange Commission ('SEC'), we initially disclosed the existence of this threat in February 2010 (in our 2009 annual report on Form 10-K) as we believed that disclosure was prudent due to the alleged amount (\$180 million) of the claim and the threat to make these allegations public.

ITEM 1A – RISK FACTORS

We are affected by risks specific to us as well as factors that affect all businesses operating in a global market. The significant factors known to us that could materially adversely affect our business, financial condition, or operating results are described in Item 2 of Part I above and in our most recently filed Annual Report on Form 10-K under *Certain Risks and Uncertainties* and *Item 1A – Risk Factors*. There has been no material change in those risk factors.

ITEM 5 – OTHER INFORMATION

On April 19, 2011, the board of directors approved a two-for-one stock split of the Company's outstanding common stock. Holders of the Company's common stock, par value \$0.01 per share, at the close of business on May 2, 2011 will receive one additional share of common stock for every share of common stock they own. The stock split will take effect at the close of business on May 20, 2011.

In connection with the stock split, the board of directors approved an amendment to the Restated Articles of Incorporation of the Company which will, effective May 20, 2011, increase the aggregate number of shares that the Company has authority to issue. The amount of shares authorized will increase from 205,000,000 to 405,000,000. The shares will be classified in two classes, consisting of 5,000,000 shares of preferred stock, par value \$0.01 per share, and 400,000,000 shares of common stock, par value of \$0.01 per share. A copy of the Company's Restated Articles of Incorporation, as amended effective as of May 20, 2011, is filed with this report as Exhibit 3.1 and is incorporated herein by reference.

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ITEM 6 – EXHIBITS

- 3.1 Restated Articles of Incorporation of Fastenal Company, as amended effective as of May 20, 2011
- 3.2 Restated By-Laws of Fastenal Company (incorporated by reference to Exhibit 3.2 to Fastenal Company’s Form 8-K dated as of October 15, 2010)
- 31 Certifications under Section 302 of the Sarbanes-Oxley Act of 2002
- 32 Certification under Section 906 of the Sarbanes-Oxley Act of 2002
- 101 The following financial statements from Fastenal Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, filed on April 21, 2011, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Earnings, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Cash Flows, and (iv) the Notes to Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FASTENAL COMPANY

/s/ Willard D. Oberton

(Willard D. Oberton, Chief Executive Officer)
(Duly Authorized Officer)

Date April 21, 2011

/s/ Daniel L. Florness

(Daniel L. Florness, Chief Financial Officer)
(Principal Financial Officer)

INDEX TO EXHIBITS

3.1	Restated Articles of Incorporation of Fastenal Company, as amended effective as of May 20, 2011	Electronically Filed
3.2	Restated By-Laws of Fastenal Company	(Incorporated by reference to Exhibit 3.2 to Fastenal Company's Form 8-K dated as of October 15, 2010)
31	Certifications under Section 302 of the Sarbanes-Oxley Act of 2002	Electronically Filed
32	Certification under Section 906 of the Sarbanes-Oxley Act of 2002	Electronically Filed
101.INS	XBRL Instance Document	Electronically Filed
101.SCH	XBRL Taxonomy Extension Schema Document	Electronically Filed
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Electronically Filed
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Electronically Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Electronically Filed
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Electronically Filed

RESTATED
ARTICLES OF INCORPORATION
OF
FASTENAL COMPANY

ARTICLE I.

The name of the corporation is Fastenal Company.

ARTICLE II.

The address of the registered office of the corporation is 2001 Theurer Boulevard, Winona, Minnesota 55987.

ARTICLE III.

The aggregate number of shares that the corporation has authority to issue is 20,000,000. The shares are classified in two classes, consisting of 5,000,000 shares of Preferred Stock of the par value of \$.01 per share and 15,000,000 shares of Common Stock of the par value of \$.01 per share. The Board of Directors is authorized to establish one or more series of Preferred Stock, setting forth the designation of each such series, and fixing the relative rights and preferences of each such series.

ARTICLE IV.

Shareholders of the corporation shall have no preemptive rights to acquire securities or rights to purchase securities of the corporation.

ARTICLE V.

There shall be no cumulative voting in the election of directors of the corporation.

ARTICLE VI.

A. In addition to any affirmative vote required by law or the Articles of Incorporation of the corporation, and except as otherwise expressly provided in Section B of this Article VI, a Business Combination (as hereinafter defined) shall require the affirmative vote of not less than seventy-five percent (75%) of the votes entitled to be cast by the holders of all then outstanding shares of Voting Stock (as hereinafter defined), voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage or separate class vote may be specified, by law or by any other provision of the Articles of Incorporation of the corporation or in any agreement with any national securities exchange or otherwise.

B. The provisions of Section A of this Article VI shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote, if any, as is required by law or by any other provision of the Articles of Incorporation of the corporation or in any agreement with any national securities exchange or otherwise, if the conditions specified in either of the following Paragraphs 1 or 2 are met:

1. The Business Combination shall have been approved by a majority of the Continuing Directors (as hereinafter defined).

2. All of the following conditions shall have been met:

(a) The aggregate amount of cash and the Fair Market Value (as hereinafter defined) as of the date of consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of Common Stock in such Business Combination shall be at least equal to the higher amount determined under clauses (i) and (ii) below:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Interested Shareholder (as hereinafter defined), for any share of Common Stock in connection with the acquisition by the Interested Shareholder of beneficial ownership of shares of Common Stock (a) within the two-year period immediately prior to the date of the first public announcement of the proposed Business Combination (the "Announcement Date") or (b) in the transaction in which it became an Interested Shareholder, whichever is higher; and

(ii) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Shareholder became an interested Shareholder (such latter date being referred to herein as the "Determination Date"), whichever is higher.

(b) The aggregate amount of cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of any class or series of outstanding Capital Stock (as hereinafter defined), other than Common Stock, shall be at least equal to the highest amount determined under clauses (i), (ii) and (iii) below:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Interested Shareholder for any share of such class or series of Capital Stock in connection with the acquisition by the Interested Shareholder of beneficial ownership of shares of such class or series of Capital Stock (a) within the

two-year period immediately prior to the Announcement Date or (b) in the transaction in which it became an Interested Shareholder, whichever is higher;

(ii) the Fair Market Value per share of such class or series of Capital Stock on the Announcement Date or on the Determination Date, whichever is higher; and

(iii) (if applicable) the highest preferential amount per share to which the holders of shares of such class or series of Capital Stock would be entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the corporation, regardless of whether the Business Combination to be consummated constitutes such an event.

The provisions of Paragraphs 2(a) and (b) shall be required to be met with respect to every class or series of outstanding Capital Stock, whether or not the Interested Shareholder has previously acquired beneficial ownership of any shares of a particular class or series of Capital Stock.

(c) the consideration to be received by holders of a particular class or series of outstanding Capital Stock shall be in cash or in the same form as previously has been paid by or on behalf of the Interested Shareholder in connection with its direct or indirect acquisition of beneficial ownership of shares of such class or series of Capital Stock. If the consideration so paid for shares of any class or series of Capital Stock varied as to form, the form of consideration for such class or series of Capital Stock shall be either cash or the form used to acquire beneficial ownership of the largest number of shares of such class or series of Capital Stock previously acquired by the Interested Shareholder. The price determined in accordance with Paragraphs 2(a) and 2(b) of Section B of this Article VI shall be subject to appropriate adjustment in the event of any stock dividend, stock split, combination of shares or similar event.

(d) After such Interested Shareholder has become an Interested Shareholder and prior to the consummation of such Business Combination:

(i) there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) payable in accordance with the terms of any outstanding Capital Stock, except as approved by a majority of the Continuing Directors; (ii) there shall have been no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any stock dividend, stock split, combination of shares or similar event), except as approved by a majority of the Continuing Directors; (iii) there shall have been an increase in the annual rate of dividends paid on the Common Stock as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction that has the effect of reducing the number of outstanding shares of Common Stock, unless the failure to increase such annual rate is approved by a majority of the Continuing Directors; and

(iv) except as approved by a majority of the Continuing Directors, such Interested Shareholder shall not have become the beneficial owner of any additional shares of Capital Stock except as part of the transaction that results in such Interested Shareholder becoming an Interested Shareholder and except in a transaction that, after giving effect thereto, would not result in any increase in the Interested Shareholder's percentage beneficial ownership of any class or series of Capital Stock.

(e) After such Interested Shareholder has become an Interested Shareholder, such Interested Shareholder shall not have received the benefit, directly or indirectly (except proportionately as a shareholder of the corporation), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(f) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, or any subsequent provisions replacing such Act, rules or regulations (collectively, the "Act"), shall be mailed to all shareholders of the corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to the Act). The proxy or information statement shall contain on the first page thereof, in a prominent place, any statement as to the advisability (or inadvisability) of the Business Combination that a majority of the Continuing Directors may choose to make and, if deemed advisable by a majority of the Continuing Directors, the opinion of an investment banking firm selected by a majority of the Continuing Directors as to the fairness (or lack of fairness) of the terms of the Business Combination from a financial point of view to the holders of the outstanding shares of Capital Stock other than the Interested Shareholder and its Affiliates (as hereinafter defined) or Associates (as hereinafter defined).

(g) Such Interested Shareholder shall not have made or caused to be made any major change in the corporation's business or equity capital structure without the approval of a majority of the Continuing Directors.

C. For the purposes of this Article VI:

1. The term "Business Combination" shall mean:

(a) any merger, consolidation or statutory exchange of shares of the corporation or any Subsidiary (as hereinafter defined), with (i) any Interested Shareholder or (ii) any other corporation (whether or not itself an Interested Shareholder) which is or after such merger, consolidation or statutory share exchange would be an Affiliate or Associate of an Interested Shareholder; provided, however, that the foregoing shall not include the merger of a wholly-owned Subsidiary of the corporation into the corporation or the merger of two or more wholly-owned Subsidiaries of the corporation; or

(b) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with an Interested Shareholder or any Affiliate or Associate of any Interested Shareholder of any assets of the corporation or any Subsidiary equal to or greater than ten percent (10%) of the book value of the consolidated assets of the corporation; or

(c) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with the corporation or any Subsidiary of any assets of any Interested Shareholder or any Affiliate or Associate of any Interested Shareholder equal to or greater than ten percent (10%) of the book value of the consolidated assets of the corporation; or

(d) the adoption of any plan or proposal for the liquidation or dissolution of the corporation proposed by or on behalf of an Interested Shareholder or any Affiliate or Associate of any Interested Shareholder; or

(e) the issuance or transfer by the corporation or any Subsidiary (in one transaction or a series of transactions) to any Interested Shareholder or any Affiliate or Associate of any interested Shareholder of any securities of the corporation other than Capital Stock of the corporation not exceeding in the aggregate 1% of the then outstanding Capital Stock of the corporation (except pursuant to stock dividends, stock splits or similar transactions which would not have the effect, directly or indirectly, of increasing the proportionate share of any class or series of Capital Stock, or any securities convertible into Capital Stock or into equity securities of any Subsidiary, that is beneficially owned by any Interested Shareholder or any Affiliate or Associate of any Interested Shareholder) or of any securities of a Subsidiary (except pursuant to a pro rata distribution to all holders of Common Stock of the corporation); or

(f) any other transaction (whether or not with or otherwise involving an Interested Shareholder) that has the effect, directly or indirectly, of increasing the proportionate share of any class or series of Capital Stock, or any securities convertible into Capital Stock or into equity securities of any Subsidiary, that is beneficially owned by any Interested Shareholder or any Affiliate or Associate of any Interested Shareholder, including, without limitation any reclassification of securities (including any reverse stock split), or recapitalization of the corporation, or any merger, consolidation or statutory exchange of shares of the corporation with any of its Subsidiaries; or

(g) any agreement, contract or other arrangement or understanding providing for any one or more of the actions specified in the foregoing clauses (a) to (f).

2. The term “Capital Stock” shall mean all shares of the corporation authorized to be issued from time to time under the Articles of Incorporation of the corporation. The term “Voting Stock” shall mean all Capital Stock of the corporation entitled to vote generally in the election of directors of the corporation.

3. The term “person” shall mean any individual, firm, corporation or other entity and shall include any group comprised of any person and any other person with whom such person or any Affiliate or Associate of such person has any agreement, arrangement or understanding, directly or indirectly, for the purpose of acquiring, holding, voting or disposing of Capital Stock.

4. The term “Interested Shareholder” shall mean any person (other than the corporation or any Subsidiary and other than any profit-sharing, employee stock ownership or other employee benefit plan of the corporation or any Subsidiary or any trustee or fiduciary with respect to any such plan when acting in such capacity) who (a) is the beneficial owner of Voting Stock representing fifteen percent (15%) or more of the votes entitled to be cast by the holders of all then outstanding shares of Voting Stock; or (b) is an Affiliate or Associate of the corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner of Voting Stock representing fifteen percent (15%) or more of the votes entitled to be cast by the holders of all then outstanding shares of Voting Stock; or (c) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933, as amended.

5. A person shall be a “beneficial owner” of any Capital Stock (a) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly; (b) which such person or any of its Affiliates or Associates has, directly or indirectly, (i) the right to acquire (whether such right is exercisable immediately or subject only to the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote, pursuant to any agreement, arrangement or understanding, or (iii) the right to dispose or direct the disposition of, pursuant to any agreement, arrangement or understanding; or (c) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Capital Stock. For the purposes of determining whether a person is an Interested Shareholder pursuant to Paragraph 4 of this Section C, the number of shares of Capital Stock deemed to be outstanding shall include shares deemed beneficially owned by such person through application of this Paragraph 5, but shall not include any other shares of Capital Stock that may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, exchange rights, warrants or options, or otherwise.

6. The term “Affiliate”, as used to indicate a relationship with a specified person, shall mean a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified person. The term

“Associate”, as used to indicate a relationship with a specified person, shall mean (a) any person (other than the corporation or a Subsidiary) of which such specified person is an officer or partner or is, directly or indirectly, the beneficial owner of ten percent (10%) or more of any class of equity securities, (b) any trust or other estate in which such specified person has a substantial beneficial interest or as to which such specified person serves as trustee or in a similar fiduciary capacity, (c) any relative or spouse of such specified person or any relative of such spouse, who has the same home as such specified person or who is a director or officer of the corporation or any Subsidiary, and (d) any person who is a director or officer of such specified person or any of its parents or subsidiaries (other than the corporation or a Subsidiary).

7. The term “Subsidiary” shall mean any corporation of which a majority of any class of equity security is beneficially owned, directly or indirectly, by the corporation; provided, however, that for the purposes of Paragraph 4 of this Section C, the term “Subsidiary” shall mean only a corporation of which a majority of each class of equity security is beneficially owned, directly or indirectly, by the corporation.

8. The term “Continuing Director” shall mean any member of the Board of Directors of the corporation, while such person is a member of the Board of Directors, who was a member of the Board of Directors prior to June 2, 1987 or prior to the time that the Interested Shareholder involved in the Business Combination in question became an Interested Shareholder, and any member of the Board of Directors, while such person is a member of the Board of Directors, whose election, or nomination for election, by the corporation’s shareholders, was approved by a vote of a majority of the Continuing Directors; provided, however, that in no event shall an Interested Shareholder involved in the Business Combination in question or any Affiliate or Associate of such Interested Shareholder, be deemed to be a Continuing Director.

9. The term “Fair Market Value” shall mean (a) in the case of cash, the amount of such cash; (b) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Act on which such stock is listed, or, if such stock is not listed on any such exchange, on the NASDAQ National Market System, or, if such stock is not quoted on the NASDAQ National Market System, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any similar system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (c) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined in good faith by a majority of the Continuing Directors.

10. In the event of any Business Combination in which the corporation survives, the phrase “consideration other than cash to be received” as used in Paragraphs 2(a) and 2(b) of Section B of this Article VI shall include the shares of Common Stock and/or the shares of any other class or series of Capital Stock retained by the holders of such shares.

D. The Continuing Directors by majority vote shall have the power to determine for the purposes of this Article VI, on the basis of information known to them after reasonable inquiry, (a) whether a person is an Interested Shareholder, (b) the number of shares of Capital Stock (including Voting Stock) or other securities beneficially owned by any person, (c) whether a person is an Affiliate or Associate of another, (d) whether the assets that are the subject of any Business Combination equal or exceed ten percent (10%) of the book value of the consolidated assets of the corporation, (e) whether a proposed plan of dissolution or liquidation is proposed by or on behalf of an Interested Shareholder or any Affiliate or Associate of any Interested Shareholder, (f) whether any transaction has the effect, directly or indirectly, of increasing the proportionate share of any class or series of Capital Stock, or any securities convertible into Capital Stock or into equity securities of any Subsidiary, that is beneficially owned by an Interested Shareholder or any Affiliate or Associate of an interested Shareholder, (g) whether any Business Combination satisfies the conditions set forth in Paragraph 2 of Section B of this Article VI, and (h) such other matters with respect to which a determination is required under this Article VI. Any such determination made in good faith shall be binding and conclusive on all parties.

E. Nothing contained in this Article VI shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

F. The fact that any Business Combination complies with the provisions of Section B of this Article VI shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, or the Continuing Directors, or any of them, to approve such Business Combination or recommend its adoption or approval to the shareholders of the corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, or the Continuing Directors, or any of them, with respect to evaluations of or actions and responses taken with respect to such Business Combination.

G. Notwithstanding any other provisions of the Articles of Incorporation of the corporation (and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law or the Articles of Incorporation of the corporation), the affirmative vote of the holders of not less than seventy-five percent (75%) of the votes entitled to be cast by the holders of all then outstanding shares of Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article VI.

ARTICLE VII.

Any action required or permitted to be taken at a meeting of the Board of Directors of the corporation, other than actions requiring shareholder approval, may be taken by written action signed by the number of directors that would be required to take the same action at a meeting of the Board of Directors at which all directors were present.

ARTICLE VIII.

No director of the corporation shall be personally liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director; provided, however,

that this Article shall not eliminate or limit the liability of a director to the extent provided by applicable law: (a) for any breach of the director's duty of loyalty to the corporation or its shareholders, (b) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (c) under Section 302A.559 or 80A.23 of the Minnesota Statutes, (d) for any transaction from which the director derived an improper personal benefit, or (e) for any act or omission occurring prior to the effective date of this Article. No amendment to or repeal of this Article shall apply to or have any effect on the liability or alleged liability of any director of the corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

ARTICLE IX.

Section 302A.671 of the Minnesota Statutes, as amended from time to time, shall apply to each acquisition of shares of the corporation constituting a "control share acquisition", as defined in Section 302A.011 of the Minnesota Statutes, as amended from time to time. The affirmative vote of the holders of a majority of the voting power of all shares of the corporation entitled to vote shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article IX.

ARTICLES OF AMENDMENT
OF
RESTATED ARTICLES OF INCORPORATION
OF
FASTENAL COMPANY

I, Robert A. Kierlin, the Chairman of the Board and President of Fastenal Company, a Minnesota corporation (the "Corporation"), do hereby certify that the following resolutions as hereinafter set forth were adopted pursuant to Section 302A.441 of the Minnesota Statutes by written action of all of the shareholders of the Corporation, effective August 6, 1987.

RESOLVED, that the Restated Articles of Incorporation of the Corporation be and hereby are amended (i) by restating Article IX thereof in its entirety to read as follows:

ARTICLE IX.

The corporation shall be subject, and hereby elects to be subject, to Section 302A.671 of the Minnesota Statutes, as amended from time to time. The affirmative vote of the holders of a majority of the voting power of all shares of the corporation entitled to vote, and the affirmative vote of the holders of a majority of the voting power of all shares of the corporation entitled to vote excluding, if the corporation shall then have an "acquiring person" (as defined in Section 302A.011 of the Minnesota Statutes as amended from time to time) all "interested shares" (as defined in Section 302A.011 of the Minnesota Statutes, as amended from time to time), shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article IX.

and (ii) by adding thereto the following new Article X:

ARTICLE X.

The corporation shall be subject, and hereby elects to be subject, to Section 302A.673 of the Minnesota Statutes, as amended from time to time. The affirmative vote of the shareholders of the corporation, other than "interested shareholders" and their "affiliates" and "associates" (each as defined in Section 302A.011 of the Minnesota Statutes, as amended from time to time), holding a majority of the outstanding voting power of all shares of the corporation entitled to vote, excluding the shares of interested shareholders and their affiliates and associates, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article X; provided, however, that no such amendment, repeal or inconsistent provision shall be effective (i) until eighteen (18) months after the vote of shareholders of the corporation and (ii) unless such amendment, repeal or inconsistent provision provides that it does not apply to any "business combination" (as defined in Section 302A.011 of the Minnesota Statutes, as amended from time to time) of the corporation with, with respect to, proposed by or on behalf of, or pursuant to any agreement, arrangement or understanding

(whether or not in writing) with, an interested shareholder whose “share acquisition date” (as defined in Section 302A.011 of the Minnesota Statutes, as amended from time to time) is on or before the effective date of such amendment, repeal or inconsistent provision, or any affiliate or associate of that interested shareholder.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Amendment this 6th day of August, 1987.

/s/ Robert A. Kierlin
Robert A. Kierlin, Chairman
of the Board and President

STATE OF MINNESOTA)
) SS,
COUNTY OF WINONA)

Subscribed and sworn to before me this 6th day of August, 1987.

/s/ Gary I. McDowell
Notary Public

(NOTARIAL SEAL)

ARTICLES OF AMENDMENT
OF
RESTATED ARTICLES OF INCORPORATION
OF
FASTENAL COMPANY

I, the undersigned, Robert A. Kierlin, the President of Fastenal Company, a Minnesota corporation (the "Company"), do hereby certify that the following resolutions as hereinafter set forth were adopted pursuant to Chapter 302A by the affirmative vote of the holders of a majority of the voting power of the shares present and entitled to vote at the Annual Meeting of Shareholders of the Company held on April 24, 1990.

RESOLVED, that Article III of the Restated Articles of Incorporation of the Company be and hereby is amended to read in its entirety as follows:

"ARTICLE III.

The aggregate number of shares that the corporation has authority to issue is 35,000,000. The shares are classified in two classes, consisting of 5,000,000 shares of Preferred Stock of the par value of \$.01 per share and 30,000,000 shares of Common Stock of the par value of \$.01 per share. The Board of Directors is authorized to establish one or more series of Preferred Stock, setting forth the designation of each such series, and fixing the relative rights and preferences of each such series."

RESOLVED FURTHER, that the President of the Company be and he hereby is authorized and directed to execute and acknowledge Articles of Amendment embracing the foregoing resolution and to cause such Articles of Amendment to be filed in the manner required by the laws of the State of Minnesota.

IN WITNESS WHEREOF, I have subscribed my name this 24th day of April, 1990.

/s/ Robert A. Kierlin
Robert A. Kierlin, President

STATE OF MINNESOTA)
) SS,
COUNTY OF HENNEPIN)

Subscribed and sworn to before me this 24th day of April, 1990.

/s/ Stephen M. Slaggie
NOTARY PUBLIC

(NOTARIAL SEAL)

ARTICLES OF AMENDMENT
OF
RESTATED ARTICLES OF INCORPORATION
OF
FASTENAL COMPANY

I, the undersigned, Robert A. Kierlin, the President of Fastenal Company, a Minnesota corporation (the "Company") do hereby certify that the following resolutions as hereinafter set forth were adopted pursuant to Chapter 302A by the affirmative vote of the holders of a majority of the voting power of the shares present and entitled to vote at the Annual Meeting of Shareholders of the Company held on April 20, 1993.

RESOLVED, that Article III of the Restated Articles of Incorporation of the Company be and hereby is amended to read in its entirety as follows:

"ARTICLE III.

The aggregate number of shares that the corporation has authority to issue is 55,000,000. The shares are classified in two classes, consisting of 5,000,000 shares of Preferred Stock of the par value of \$.01 per share and 50,000,000 shares of Common Stock of the par value of \$.01 per share. The Board of Directors is authorized to establish one or more series of Preferred Stock, setting forth the designation of each such series, and fixing the relative rights and preferences of each such series."

RESOLVED FURTHER, that the President of the Company is hereby authorized and directed to make and execute Articles of Amendment containing the foregoing amendment and to cause such Articles of Amendment to be filed with the Minnesota Secretary of State in the manner required by the laws of the State of Minnesota.

IN WITNESS WHEREOF, I have subscribed my name this 20th day of April, 1993.

/s/ Robert A. Kierlin
Robert A. Kierlin, President

**ARTICLES OF AMENDMENT
OF
RESTATED ARTICLES OF INCORPORATION
OF
FASTENAL COMPANY**

The undersigned, Daniel L. Florness, Chief Financial Officer of Fastenal Company, a Minnesota corporation (the "Corporation"), hereby certifies (i) that Article III of the Corporation's Restated Articles of Incorporation has been amended, effective at the close of business on May 10, 2002 (the "Effective Time"), to read in its entirety as follows:

"ARTICLE III.

The aggregate number of shares that the corporation has authority to issue is 105,000,000. The shares are classified in two classes, consisting of 5,000,000 shares of Preferred Stock of the par value of \$.01 per share and 100,000,000 shares of Common Stock of the par value of \$.01 per share. The Board of Directors is authorized to establish one or more series of Preferred Stock, setting forth the designation of each such series, and fixing the relative rights and preferences of each such series."

(ii) that such amendment has been adopted in accordance with the requirements of, and pursuant to, Chapter 302A of the Minnesota Statutes; (iii) that such amendment was adopted pursuant to Section 302A.402, Subd. 3, of the Minnesota Statutes in connection with a two-for-one division of the Corporation's Common Stock, par value \$.01 per share (the "Common Stock"); and (iv) that such amendment will not adversely affect the rights or preferences of the holders of outstanding shares of any class or series of the Corporation and will not result in the percentage of authorized shares of any class or series that remains unissued after such division exceeding the percentage of authorized shares of that class or series that were unissued before the division.

The division giving rise to the amendment set forth above is a two-for-one division of the Common Stock. Such division is being effected as follows:

(i) Effective at the Effective Time, each share of Common Stock outstanding immediately prior to the Effective Time will be split and divided into two shares of Common Stock, all of which shall be validly issued, fully paid and nonassessable;

(ii) Each stock certificate representing a share or shares of Common Stock immediately prior to the Effective Time shall continue to represent the same number of shares following the Effective Time; and

(iii) A stock certificate or certificates representing one additional share of authorized but previously unissued Common Stock for each share of Common Stock outstanding immediately prior to the Effective Time shall be mailed or delivered at the Effective Time or as soon thereafter as practicable to each shareholder of record entitled to receive such stock certificate or certificates. The record date for determining the shareholders of record entitled to receive such stock certificate or certificates shall be the close of business on April 29, 2002 (the "Record Date"). With respect to each share of Common Stock, if any, that is first issued and becomes outstanding after the close of business on the Record Date, but prior to the Effective Time, and remains outstanding at the Effective Time, the stock certificate for the additional share resulting from the division of any such share of Common Stock shall be mailed or delivered to the first holder of record to whom such share of Common Stock was issued.

The foregoing Articles of Amendment shall take effect at the Effective Time previously stated herein.

IN WITNESS WHEREOF, I have subscribed my name this 15th day of April, 2002.

/s/ Daniel L. Florness

Daniel L. Florness

**ARTICLES OF AMENDMENT
OF
RESTATED ARTICLES OF INCORPORATION
OF
FASTENAL COMPANY**

The undersigned, Daniel L. Flomess, Chief Financial Officer of Fastenal Company, a Minnesota corporation (the "Corporation"), hereby certifies (i) that Article III of the Corporation's Restated Articles of Incorporation has been amended, effective at the close of business on November 10, 2005 (the "Effective Time"), to read in its entirety as follows:

"ARTICLE III.

The aggregate number of shares that the corporation has authority to issue is 205,000,000. The shares are classified in two classes, consisting of 5,000,000 shares of Preferred Stock of the par value of \$.01 per share and 200,000,000 shares of Common Stock of the par value of \$.01 per share. The Board of Directors is authorized to establish one or more series of Preferred Stock, setting forth the designation of each such series, and fixing the relative rights and preferences of each such series."

(ii) that such amendment has been adopted in accordance with the requirements of, and pursuant to, Chapter 302A of the Minnesota Statutes; (iii) that such amendment was adopted pursuant to Section 302A.402, Subd. 3, of the Minnesota Statutes in connection with a two-for-one division of the Corporation's Common Stock, par value \$.01 per share (the "Common Stock"); and (iv) that such amendment will not adversely affect the rights or preferences of the holders of outstanding shares of any class or series of the Corporation and will not result in the percentage of authorized shares of any class or series that remains unissued after such division exceeding the percentage of authorized shares of that class or series that were unissued before the division.

The division giving rise to the amendment set forth above is a two-for-one division of the Common Stock. Such division is being effected as follows:

(i) Effective at the Effective Time, each share of Common Stock outstanding immediately prior to the Effective Time will be split and divided into two shares of Common Stock, all of which shall be validly issued, fully paid and nonassessable;

(ii) Each stock certificate representing a share or shares of Common Stock immediately prior to the Effective Time shall continue to represent the same number of shares following the Effective Time; and

(iii) A stock certificate or certificates representing one additional share of authorized but previously unissued Common Stock for each share of Common Stock outstanding immediately prior to the Effective Time shall be mailed or delivered at the Effective Time or as soon thereafter as practicable to each shareholder of record entitled to receive such stock certificate or certificates. The record date for determining the shareholders of record entitled to receive such stock certificate or certificates shall be the close of business on October 31, 2005 (the "Record Date"). With respect to each share of Common Stock, if any, that is first issued and becomes outstanding after the close of business on the Record Date, but prior to the Effective Time, and remains outstanding at the Effective Time, the stock certificate for the additional share resulting from the division of any such share of Common Stock shall be mailed or delivered to the first holder of record to whom such share of Common Stock was issued.

The foregoing Articles of Amendment shall take effect at the Effective Time previously stated herein.

IN WITNESS WHEREOF, I have subscribed my name this 11th day of October, 2005.

/s/ Daniel L. Florness

Daniel L. Florness

**ARTICLES OF AMENDMENT
OF
RESTATED ARTICLES OF INCORPORATION
OF
FASTENAL COMPANY**

The undersigned, Daniel L. Flomess, Chief Financial Officer of Fastenal Company, a Minnesota corporation (the "Corporation"), hereby certifies (i) that Article III of the Corporation's Restated Articles of Incorporation has been amended, effective at the close of business on May 20, 2011 (the "Effective Time"), to read in its entirety as follows:

"ARTICLE III.

The aggregate number of shares that the corporation has authority to issue is 405,000,000. The shares are classified in two classes, consisting of 5,000,000 shares of Preferred Stock of the par value of \$.01 per share and 400,000,000 shares of Common Stock of the par value of \$.01 per share. The Board of Directors is authorized to establish one or more series of Preferred Stock, setting forth the designation of each such series, and fixing the relative rights and preferences of each such series."

(ii) that such amendment has been adopted in accordance with the requirements of, and pursuant to, Chapter 302A of the Minnesota Statutes; (iii) that such amendment was adopted pursuant to Section 302A.402, Subd. 3, of the Minnesota Statutes in connection with a two-for-one division of the Corporation's Common Stock, par value \$.01 per share (the "Common Stock"); and (iv) that such amendment will not adversely affect the rights or preferences of the holders of outstanding shares of any class or series of the Corporation and will not result in the percentage of authorized shares of any class or series that remains unissued after such division exceeding the percentage of authorized shares of that class or series that were unissued before the division.

The division giving rise to the amendment set forth above is a two-for-one division of the Common Stock. Such division is being effected as follows:

(i) Effective at the Effective Time, each share of Common Stock outstanding immediately prior to the Effective Time will be split and divided into two shares of Common Stock, all of which shall be validly issued, fully paid and nonassessable;

(ii) Each stock certificate representing a share or shares of Common Stock immediately prior to the Effective Time shall continue to represent the same number of shares following the Effective Time; and

(iii) One additional share of authorized but previously unissued Common Stock will be issued for each share of Common Stock outstanding immediately prior to the Effective Time. The record date for determining the shareholders of record entitled to receive such stock certificate or certificates shall be the close of business on May 2, 2011 (the "Record Date"). With respect to each share of Common Stock, if any, that is first issued and becomes outstanding after the close of business on the Record Date, but prior to the Effective Time, and remains outstanding at the Effective Time, the stock certificate for the additional share resulting from the division of any such share of Common Stock shall be issued to the first holder of record to whom such share of Common Stock was issued.

The foregoing Articles of Amendment shall take effect at the Effective Time previously stated herein.

IN WITNESS WHEREOF, I have subscribed my name this 19th day of April, 2011.

/s/ Daniel L. Florness

Daniel L. Florness

CERTIFICATIONS

I, Willard D. Oberton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fastenal Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date April 21, 2011

/s/ Willard D. Oberton

(Willard D. Oberton, Chief Executive Officer)
(Principal Executive Officer)

CERTIFICATIONS

I, Daniel L. Florness, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fastenal Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date April 21, 2011

/s/ Daniel L. Florness

(Daniel L. Florness, Chief Financial Officer)
(Principal Financial Officer)

CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of Fastenal Company.

A signed original of this written statement required by Section 906 has been provided to Fastenal Company and will be retained by Fastenal Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date April 21, 2011

/s/ Willard D. Oberton

Willard D. Oberton
Chief Executive Officer

/s/ Daniel L. Florness

Daniel L. Florness
Chief Financial Officer

