



Related Person Policy

Fastenal Company Related Person Transaction Approval Policy Of the Fastenal Company Board of Directors (Adopted January 2007)

Transactions Subject to Policy

Any transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships in which the Company (including any of its subsidiaries) is or will be a participant and in which a Related Person has a direct or indirect interest. In order for the transaction, arrangement or relationship to be subject to this policy, there must be a financial aspect to the transaction, which may, for example, involve payments or other provision of value between the Company and the Related Person or an entity in which the Related Person has an interest.

"Related Persons" include:

- all directors and executive officers of the Company;
- any nominee for director of the Company;
- any immediate family member of a director, nominee for director or executive officer of the Company; and
- any holder of more than five percent (5%) of the Company's common stock, or an immediate family member of such holder.

"Immediate family members" include children, stepchildren, parents, stepparents, spouses, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and any other person (other than a tenant or employee) sharing the household of one of the individuals listed above.

An "indirect" interest of a Related Person in a transaction includes a Related Person serving as an officer or general partner of, or being a significant investor or equity holder in, an entity that is a party to a transaction with the Company.

The following transactions are exempt from this policy:

- payment of compensation by the Company to a Related Person for the Related Person's service to the Company in the capacity or capacities that give rise to the person's status as a "Related Person;"
- transactions available to all employees or all shareholders of the Company on the same terms;
- purchases of supplies from the Company in the ordinary course of business at the same prices and on the same terms as offered to other customers of the Company; and
- transactions, which when aggregated with the amount of all other transactions between the Company and the Related Person or any entity in which the Related Person has an interest, involve less than \$120,000 in a fiscal year.

Approval or Ratification of Related Person Transactions

The Audit Committee of the Board of Directors of the Company (the "Committee") is to approve any related person transaction subject to this policy (a "Related Person Transaction") before commencement of the Related Person Transaction; provided, however, that if a Related Person Transaction is identified after it commences, it shall be brought to the Committee for ratification.

If an executive officer of the Company becomes aware of a Related Person Transaction that has not previously been approved under this policy:

- if it is pending or ongoing, it will be submitted to the Committee promptly and the Committee will consider the transaction in light of the standards of approval listed below. Based on this evaluation, the Committee will consider all options, including approval, ratification, amendment, denial or termination of the Related Person Transaction; and
- if the transaction is completed, the Committee will evaluate the transaction in accordance with the same standards to determine whether rescission of the transaction is appropriate and feasible.

If a Related Person Transaction is not submitted to the Committee prior to its commencement, the Committee will request that the General Counsel seek to ascertain the reason the transaction was not previously submitted to the Committee for prior approval.

The Committee hereby delegates authority to its Chairperson to, upon request of an executive officer of the Company, approve any Related Person Transaction or take any other action with respect to any Related Person Transaction that the Committee would be authorized to take if such Related Person Transaction arises, or first becomes known, between Committee meetings. The Chairperson may take any such action or, in his or her discretion, require that the matter be brought before the full Committee. Any action taken by the Chairperson shall be reported to the Committee at its next regularly scheduled meeting.

Standards for Approval of Transactions

The Committee will analyze the following factors, in addition to any other factors the Committee deems appropriate, in determining whether to approve a Related Person Transaction:

- whether the terms are fair to the Company;
- whether the transaction is material to the Company;
- the role the Related Person has played in arranging the Related Person Transaction;
- the structure of the Related Person Transaction; and
- the interests of all Related Persons in the Related Person Transaction.

A Related Person Transaction will only be approved by the Committee if the Committee determines that the Related Person Transaction is beneficial to the Company and the terms of the Related Person Transaction are fair to the Company.

Approval Process

The Committee may, in its sole discretion, approve or deny any Related Person Transaction. Approval of a Related Person Transaction may be conditioned upon the Company and the Related Person taking any or all of the following additional actions, or any other actions that the Committees deems appropriate:

- requiring the Related Person to resign from, or change position within, an entity that is involved in the Related Person Transaction with the Company;
- assuring that the Related Person will not be directly involved in negotiating the terms of the Related Person Transaction or in the ongoing relationship between the Company and the other persons or entities involved in the Related Person Transaction;
- limiting the duration or magnitude of the Related Person Transaction;
- requiring that information about the Related Person Transaction be documented and that reports reflecting the nature and amount of the Related Person Transaction be delivered to the Committee on a regular basis;
- requiring that the Company have the right to terminate the Related Person Transaction by giving a specified period of advance notice; or
- appointing a Company representative to monitor various aspects of the Related Person Transaction.