

MASCO CORP /DE/

FORM 10-K405

(Annual Report (Regulation S-K, item 405))

Filed 03/28/95 for the Period Ending 12/31/94

| | |
|-------------|---|
| Address | 21001 VAN BORN RD TAYLOR, MI 48180 |
| Telephone | 3132747400 |
| CIK | 0000062996 |
| Symbol | MAS |
| SIC Code | 2430 - Millwork, Veneer, Plywood, And Structural Wood |
| Industry | Constr. - Supplies & Fixtures |
| Sector | Capital Goods |
| Fiscal Year | 12/31 |

MASCO CORP /DE/

FORM 10-K405
(Annual Report (Regulation S-K, item 405))

Filed 3/28/1995 For Period Ending 12/31/1994

| | |
|-------------|---|
| Address | 21001 VAN BORN RD TAYLOR, Michigan 48180 |
| Telephone | 313-274-7400 |
| CIK | 0000062996 |
| Industry | Furniture & Fixtures |
| Sector | Consumer Cyclical |
| Fiscal Year | 12/31 |

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1994 COMMISSION FILE NUMBER 1-5794

MASCO CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OF INCORPORATION)
21001 VAN BORN ROAD, TAYLOR, MICHIGAN
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

38-1794485
(I.R.S. EMPLOYER IDENTIFICATION NO.)
48180
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: 313-274-7400

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

| TITLE OF EACH CLASS | NAME OF EACH EXCHANGE ON WHICH REGISTERED |
|--|--|
| COMMON STOCK, \$1.00 PAR VALUE | NEW YORK STOCK EXCHANGE, INC. |
| 5 1/4% CONVERTIBLE SUBORDINATED DEBENTURES DUE 2012 | NEW YORK STOCK EXCHANGE, INC. |

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

NONE

INDICATE BY CHECK MARK WHETHER THE REGISTRANT: (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS, AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES /X/ NO //

INDICATE BY CHECK MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. /X/

THE AGGREGATE MARKET VALUE OF THE REGISTRANT'S COMMON STOCK HELD BY NON-AFFILIATES OF THE REGISTRANT ON MARCH 15, 1995 (BASED ON THE CLOSING SALE PRICE OF \$25 1/2 OF THE REGISTRANT'S COMMON STOCK, AS REPORTED ON THE NEW YORK STOCK EXCHANGE COMPOSITE TAPE ON SUCH DATE) WAS APPROXIMATELY \$3,890,000,000.

NUMBER OF SHARES OUTSTANDING OF THE REGISTRANT'S COMMON STOCK AT MARCH 15, 1995:

158,364,823 SHARES OF COMMON STOCK, PAR VALUE \$1.00 PER SHARE

PORTIONS OF THE REGISTRANT'S DEFINITIVE PROXY STATEMENT TO BE FILED FOR ITS 1995 ANNUAL MEETING OF STOCKHOLDERS ARE INCORPORATED BY REFERENCE INTO PART III OF THIS REPORT.

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PART I

ITEM 1. BUSINESS.

Masco manufactures home improvement, building and home furnishings products for the home and family. Masco believes that it is the largest domestic manufacturer of faucets, plumbing supplies, kitchen and bath cabinets and furniture, and that it is a leading domestic producer of a number of other home improvement, building and home furnishings products. Masco was incorporated under the laws of Michigan in 1929 and in 1968 was reincorporated under the laws of Delaware.

Except as the context otherwise indicates, the terms "Masco" and the "Company" refer to Masco Corporation and its consolidated subsidiaries.

INDUSTRY SEGMENTS

The following table sets forth for the three years ended December 31, 1994, the contribution of the Company's industry segments to net sales and operating profit:

| | (IN THOUSANDS) | | |
|---|---------------------|-------------|-------------|
| | NET SALES | | |
| | 1994 | 1993 | 1992 |
| Home Improvement and Building Products..... | \$2,523,000 | \$2,188,000 | \$1,991,000 |
| Home Furnishings Products..... | 1,945,000 | 1,698,000 | 1,534,000 |
| | ----- | ----- | ----- |
| | \$4,468,000 | \$3,886,000 | \$3,525,000 |
| | ===== | ===== | ===== |
| | OPERATING PROFIT(1) | | |
| | 1994 | 1993 | 1992 |
| | ----- | ----- | ----- |
| Home Improvement and Building Products..... | \$ 504,000 | \$ 412,000 | \$ 368,000 |
| Home Furnishings Products..... | 89,000 | 69,000 | 60,000 |
| | ----- | ----- | ----- |
| | \$ 593,000 | \$ 481,000 | \$ 428,000 |
| | ===== | ===== | ===== |

(1) Amounts are before general corporate expense.

Additional financial information concerning the Company's operations by industry segments as of and for each of the three years ended December 31, 1994, is set forth in Item 8 of this Report in the Note to the Company's Consolidated Financial Statements captioned "Segment Information."

HOME IMPROVEMENT AND BUILDING PRODUCTS

The Company is among the country's largest manufacturers of brand-name consumer products designed for the improvement and building of the home, including faucets, kitchen and bath cabinets, kitchen appliances, bath and shower enclosure units, spas and hot tubs, other shower and plumbing specialties and accessories, door locks and other builders' hardware, air treatment products, venting and ventilating equipment and water pumps. These products are sold for the home improvement and home construction markets through mass merchandisers, hardware stores, home centers and other outlets to consumers and contractors.

The Company manufactures a variety of single and double handle faucets. DELTA(R) and PEERLESS(R) single and double handle faucets are used on kitchen, lavatory and other sinks and in bath and shower installations. DELTA faucets are sold primarily through manufacturers' representatives to distributors who sell the faucets to plumbers, building contractors, remodelers, retailers and others. PEERLESS faucets are sold primarily through manufacturers' representatives directly to retail outlets such as mass merchandisers, home centers and hardware stores and are also sold under private label. The Company's ARTISTIC BRASS(R) and SHERLE WAGNER(TM) faucets and accessories are produced for the decorator markets and are sold through wholesalers, distributor showrooms and other outlets. In

addition to its domestic manufacturing, the Company manufactures faucets in Denmark, Italy and Canada.

Sales of faucets approximated \$667 million in 1994, \$608 million in 1993 and \$528 million in 1992. The percentage of operating profit on faucets is somewhat higher than that on products within the Home Improvement and Building Products Segment as a whole. The Company believes that the simplicity, quality and reliability of its faucet mechanisms, its marketing and merchandising activities, and the development of a broad line of products have accounted for the continued strength of its faucet sales.

The Company manufactures stock, semi-custom and custom kitchen and bath cabinetry in a variety of styles and in various price ranges. The Company sells cabinets under a number of trademarks, including MERILLAT(R), KRAFTMAID(R), STARMARK(R) and FIELDSTONE(R), with sales in both the home improvement and new construction markets. In addition to its domestic manufacturing, the Company manufactures cabinetry in Germany and England. Sales of kitchen and bath cabinets were approximately \$665 million in 1994, \$570 million in 1993 and \$515 million in 1992.

The Company's brass and copper plumbing system components and other plumbing specialties are sold to plumbing, heating and hardware wholesalers and to home centers, hardware stores, building supply outlets and other mass merchandisers. These products are marketed primarily for the wholesale trade under the BRASS-CRAFT(R) trademark and for the "do-it-yourself" market under the PLUMB SHOP(R) and HOME PLUMBER(R) trademarks and are also sold under private label.

Other kitchen and bath consumer products sold by the Company include THERMADOR(R) cooktops, ovens, ranges and related cooking equipment and refrigerators, which are marketed through appliance distributors and dealers. The Company's acrylic and gelcoat bath and shower units and whirlpools are sold under the AQUA GLASS(R) trademark primarily to wholesale plumbing distributors for use in the home improvement and new home construction markets. Luxury bath and shower enclosures are manufactured and sold by the Company under the HUPPE(R) trademark. The Company's spas and hot tubs are sold under the HOT SPRING SPA(R) and other trademarks directly to retailers for sale to residential customers.

Other specialty home improvement and building products include premium quality brass rim and mortise locks and knobs, trim and other builders' hardware which are manufactured and sold under the BALDWIN(R) trademark for the home improvement and new home construction markets. WEISER(R) door locks and related hardware are sold through contractor supply outlets, hardware distributors and home centers. SAFLOK(TM) electronic locks and WINFIELD(TM) mechanical locks are sold primarily to the hospitality market.

In 1994 the Company added several plumbing specialties and bath accessories to its line of products through the acquisition of Melard Corporation, Zenith Products Corporation, American Shower & Bath Corporation and NewTeam Group. The Company expanded its kitchen cabinet businesses during 1994 by the acquisition in Germany of Alma Kuchen Aloys Meyer GmbH and Co.

HOME FURNISHINGS PRODUCTS

The Company is the leading domestic manufacturer of brand-name consumer products for the furnishing of the home, including furniture, upholstery and other fabrics, mirrors, lamps and other decorative accessories.

The Company manufactures a broad array of home furnishings products at a wide range of price points and utilizes a variety of distribution channels to market its products. A complete line of traditional, transitional and contemporary wood and upholstered furniture is sold under the HENREDON(R) trademark through Henredon galleries located in furniture stores, and also through designer showrooms, furniture outlets and department stores. DREXEL(R) and HERITAGE(R) wood and upholstered furniture and home furnishings accessories are marketed through Drexel Heritage galleries located in furniture stores, through showcase stores which primarily feature Drexel Heritage

furniture and also through independent furniture outlets. The Lexington Furniture Industries group produces youth-correlated furniture, moderately priced bedroom and dining room groups, occasional and upholstered furniture and woven wicker and rattan products, which are sold through national and regional chains and independent furniture dealers, department stores and interior designers. Universal Furniture Limited manufactures dining room, bedroom, occasional wood and upholstered furniture, which is sold primarily through furniture retailers and department stores under UNIVERSAL(R), BENCHCRAFT(R) and other trademarks. The Company believes that Universal is the largest supplier in the United States of wood dining room furniture, much of which is shipped in unassembled form from the Company's Far East factories to assembly and distribution centers in the United States. The Berkline Corporation, acquired in 1994, manufactures family or home entertainment room motion furniture, which is sold primarily through furniture retailers and department stores under the BERKLINE(R) trademark. The Company also manufactures and sells designer upholstered products and upholstered furniture under private label to furniture stores and other retailers. Sales of the Company's furniture products approximated \$1.57 billion in 1994, \$1.34 billion in 1993 and \$1.19 billion in 1992.

The Company's textile group includes Robert Allen Fabrics, Inc., Ametex Fabrics, Inc., Sunbury Textile Mills, Inc., Ametex U.K. Limited and Ramm, Son & Crocker Limited. Robert Allen markets fabrics, which are used primarily for residential furnishings, through independent sales representatives to designers and retailers. Company-operated and independent showrooms have also been established to sell fabrics and display and sell many of the Company's other home furnishings products. Ametex and Ametex U.K. design and convert moderately priced fabrics for use in commercial and residential furnishings, which are sold through independent sales representatives to furniture and other furnishings manufacturers, fabric jobbers and the hospitality market. Sunbury manufactures high-quality jacquard woven fabrics which are sold through sales representatives primarily to furniture manufacturers and decorative jobbers for furniture and other decorative applications. Ramm, Son & Crocker is a United Kingdom supplier of high-quality printed fabrics to the furniture and decorative fabric markets.

Additional markets for the Company's furnishings business include the hospitality and institutional markets and the design trade. The Company supplies furniture and accessories to contract accounts for the hotel and motel industry as well as for commercial, governmental and institutional applications. The Company's Beacon Hill showrooms, located in design centers, offer wide selections of high-end furniture, fabrics and accessories, many of which are not generally available through traditional retail channels.

GENERAL INFORMATION CONCERNING INDUSTRY SEGMENTS

No material portion of the Company's business is seasonal or has special working capital requirements, although the Company maintains a higher investment in inventories for certain of its businesses than the average manufacturing company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Receivables and Inventories," included in Item 7 of this Report. The Company does not consider backlog orders to be a material factor in its industry segments, and no material portion of its business is dependent upon any one customer or subject to renegotiation of profits or termination of contracts at the election of the federal government. Compliance with federal, state and local regulations relating to the discharge of materials into the environment, or otherwise relating to the protection of the environment, is not expected to result in material capital expenditures by the Company or to have a material effect on the Company's earnings or competitive position. In general, raw materials required by the Company are obtainable from various sources and in the quantities desired.

INTERNATIONAL OPERATIONS

The Company, through its subsidiaries, has manufacturing plants in Belgium, Canada, the People's Republic of China, Denmark, France, Germany, Hong Kong, Indonesia, Italy, Malaysia, Mexico, the Philippines, Singapore, Sweden, Taiwan, Turkey and the United Kingdom. Products manufactured by

the Company outside of the United States include faucets and accessory products, bath and shower enclosures, kitchen and bath cabinets, furniture, decorative accessories, door locks and related hardware, ventilating fans and equipment and submersible water pumps.

The Company's foreign operations are subject to political, monetary, economic and other risks attendant generally to international businesses. These risks generally vary from country to country.

Financial information concerning the Company's foreign and domestic operations, including the amounts of net sales, operating profit and assets employed which are attributable to the Company's operations in the United States and in foreign countries, as of and for the three years ended December 31, 1994, is set forth in Item 8 of this Report in the Note to the Company's Consolidated Financial Statements captioned "Segment Information." From 1992 through 1994, the Company's annual net export sales from the United States to other countries, as a percentage of consolidated annual net sales, approximated three percent.

EQUITY INVESTMENTS

MascoTech, Inc.

In 1984, Masco transferred its industrial businesses to a newly formed subsidiary, MascoTech, Inc. (formerly Masco Industries, Inc.), which became a separate public company in July, 1984 when Masco distributed to its stockholders shares of MascoTech common stock as a special dividend. Masco currently owns approximately 44 percent of the outstanding common stock of MascoTech.

MascoTech is a supplier of powertrain and chassis components, technical engineering and related services and automotive aftermarket products and a manufacturer of architectural products and other specialty products primarily for the defense industry. In 1994, MascoTech had sales of \$1.7 billion.

MascoTech has adopted a long term strategic plan to focus on certain core operating capabilities and divest certain other businesses. In late 1993, MascoTech adopted a plan to divest the businesses in its energy segment, which has since been completed. MascoTech's financial statements have been reclassified to present the operating results of the energy segment as discontinued operations. These businesses manufactured specialized tools, equipment and other products for energy-related industries. In late 1994, MascoTech adopted a plan to dispose of its architectural products, defense and certain of its transportation-related businesses. The disposition of these businesses, which have annual sales of approximately \$700 million, is expected to occur primarily in 1995 with the cash portion of the proceeds applied to reduce MascoTech's indebtedness and to provide capital to invest in its core businesses. The disposition of these businesses does not meet the criteria for discontinued operations treatment for accounting purposes; accordingly, the sales and results of operations of these businesses will be included in the results of continuing operations through the date of disposition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in Item 7 of this Report regarding the effect of these actions on the Company.

MascoTech's core transportation-related businesses manufacture powertrain, chassis and aftermarket products and provide technical engineering and other related services. Powertrain and chassis products include semi-finished transmission shafts, drive gears, engine connecting rods, wheel spindles, front wheel drive and exhaust system components, control arms and heavy stampings and related assemblies for suspension and chassis applications. MascoTech's technical engineering and related services businesses supply engineering and engineering services to support the vehicle development processes of automotive original equipment manufacturers as well as specialty vehicle, marketing, training, visual and other related professional services. Aftermarket products include fuel and emission systems components, windshield wiper blades, constant-velocity joints, brake hardware repair kits and automotive accessories. MascoTech's transportation-related businesses held for disposition manufacture products for vehicle body related applications including automotive trim, luggage racks and accessories and light, medium and specialty metal stampings. These businesses also supply specialty coatings and truck cab body and passenger car convertible assemblies. MascoTech's products

are manufactured using various metalworking technologies, including cold, warm and hot forming, powdered metal forming and stamping. During 1994, sales to various divisions and subsidiaries of Ford Motor Company, Chrysler Corporation and General Motors Corporation accounted for approximately 19 percent, 13 percent and 12 percent, respectively, of MascoTech's net sales (including both core businesses and businesses held for disposition).

Specialty products manufactured by MascoTech include a variety of architectural products for commercial, institutional and residential markets. Products include steel doors and frames; stainable and low maintenance steel doors; wood windows and aluminum-clad wood windows; leaded, etched and beveled glass for decorative windows and entryways; residential entry systems; garage doors; sectional and rolling doors; security grilles; and modular metal partitions. MascoTech's sales of architectural products in 1994 were \$277 million. MascoTech's other specialty products consist primarily of defense products, including large diameter cold formed cartridge cases, projectiles and casings for rocket motors and missiles for the United States government and its suppliers. MascoTech also markets waste-water treatment services to other industrial companies principally in southern California. MascoTech's sales in 1994 of these other specialty products were \$93 million.

TriMas Corporation

The Company and MascoTech currently own approximately 5 percent and 41 percent, respectively, of the outstanding common stock of TriMas Corporation. TriMas is a diversified proprietary products company with leadership positions in commercial, industrial and consumer niche markets, including industrial container closures, pressurized gas cylinders, specialty industrial gaskets, towing systems products, specialty fasteners, tapes and products for fiberglass insulation, and precision cutting tools.

Hans Grohe

The Company has a partnership interest in Hans Grohe GmbH & Co. KG, a German manufacturer of faucets, handheld showers, shower heads and other shower accessories.

PATENTS AND TRADEMARKS

The Company holds a number of United States and foreign patents covering various design features and valve constructions used in certain of its faucets, and also holds a number of other patents and patent applications, licenses, trademarks and trade names. As a manufacturer of brand-name consumer products, the Company views its trademarks as important, but does not believe that there is any reasonable likelihood of a loss of such rights which would have a material adverse effect on the Company's industry segments or its present business as a whole.

COMPETITION

The major domestic and foreign markets for the Company's products in its industry segments are highly competitive. Competition is based primarily on performance, quality, style, service and price, with the relative importance of such factors varying among products. A number of companies of varying size compete with one or more of the Company's product lines.

EMPLOYEES

At December 31, 1994, the Company employed approximately 51,300 people. Satisfactory relations have generally prevailed between the Company and its employees.

ITEM 2. PROPERTIES.

The following list includes the Company's principal manufacturing facilities by location and the industry segments utilizing such facilities:

| | |
|---------------------|--|
| Arizona..... | Tucson (1) |
| California..... | Carlsbad (1), City of Industry (2), Compton (2), Corona (1), Costa Mesa (1), Los Angeles (1)(1), Pico Rivera (1), Pomona (1), Rosemead (2), South Gate (1), Vista (1) and Whittier (2) |
| Georgia..... | Atlanta (2) |
| Illinois..... | Alsip (2) and Chicago (2) |
| Indiana..... | Cumberland (1), Greensburg (1) and Kendallville (1) |
| Iowa..... | Northwood (1) |
| Kentucky..... | Henderson (1 and 2) and Morgantown (1) |
| Massachusetts..... | Framingham (2) and Holyoke (2) |
| Michigan..... | Adrian (1), Hillsdale (1), Holland (2), Lapeer (1), Madison Heights (1) and Riverview (1) |
| Minnesota..... | Lakeville (1) |
| Mississippi..... | Blue Mountain (2), New Albany (2), Olive Branch (1) and Ripley (2)(2)(2) |
| Nevada..... | Las Vegas (1) |
| New Jersey..... | Bellmawr (1) and Passaic (1) |
| North Carolina..... | Black Mountain (2), Drexel (2), Goldsboro (2), Hickory (2)(2), High Point (2)(2)(2), Hildebran (2)(2), Lexington (2)(2)(2)(2)(2), Linwood (2), Longview (2), Marion (2)(2), Mocksville (2), Morganton (2)(2)(2)(2)(2), Mt. Airy (2), Shelby (2), Spruce Pine (2), Thomasville (1) and Whittier (2) |
| Ohio..... | Jackson (1), Loudonville (1) and Middlefield (1)(1) |
| Oklahoma..... | Chickasha (1) |
| Oregon..... | Klamath Falls (1) |
| Pennsylvania..... | Aston (1), Hazelton (1), Reading (1 and 2) and Sunbury (2) |
| South Carolina..... | Kingstree (2) |
| South Dakota..... | Rapid City (1) and Sioux Falls (1) |
| Tennessee..... | Adamsville (1)(1), LaFollette (1), Livingston (2), McEwen (1), Morristown (2)(2)(2)(2)(2) and Rockwood (2) |
| Texas..... | Lancaster (1) |
| Virginia..... | Atkins (1)(1), Culpeper (1), Lynchburg (1), Mt. Jackson (1) and Portsmouth (2) |
| Belgium..... | Brussels (1) |
| Canada..... | Burnaby (1), British Columbia; Brantford (1), Cambridge (1), London (1), Mississauga (2) and St. Thomas (1), Ontario; Montreal (1) and Ville D'Anjou (2), Quebec |
| China (P.R.C.)..... | Chang Chun (2)(2), Guangzhou (2) and Tianjin (2)(2)(2) |
| Denmark..... | Odense (1) |
| France..... | Sevres (1) |
| Germany..... | Ahaus (1), Bad Zwischenahn (1), Grunhain (1), Iserlohn (1)(1), Netzschkau (1), Steinhagen (1), Tangermunde (2) and Waldenburg (1) |

| | |
|---------------------|---|
| Hong Kong..... | (2)(2) |
| Indonesia..... | Semarang (2) |
| Italy..... | Lacchiarella (1) and Zingonia (1) |
| Malaysia..... | Johor (2) and Kedah (2)(2) |
| Mexico..... | Mexicali (1) |
| Philippines..... | Cebu (2)(2) |
| Singapore..... | Kranji (2)(2) |
| Sweden..... | Skene (2) |
| Taiwan..... | Kaohsiung (2), Tai Chung (1), Tao Yuan (2) and Tung Kang (2) |
| Turkey..... | Adana (1) |
| United Kingdom..... | Brownhills (1), Corby (1), Silsden (2) and Warminster (2), England; Aberdare (2) and Merthyr Tydfil (2), Wales |

Note: Multiple footnotes within the same parenthesis indicate the facility is engaged in activities relating to both segments. Multiple footnotes to the same municipality denote separate facilities in that location. Industry segments in the preceding table are identified as follows: (1) Home Improvement and Building Products Segment, and (2) Home Furnishings Products Segment.

The home furnishings products manufacturing facilities are located primarily in North Carolina, with principal facilities ranging in size from 710,000 to 1,108,000 square feet. The two principal faucet manufacturing plants are located in Greensburg, Indiana and Chickasha, Oklahoma and a new 394,000 square foot faucet manufacturing plant is under construction in Jackson, Tennessee. The faucet manufacturing plants and the majority of the Company's other facilities range from approximately 20,000 to 700,000 square feet. The Company owns most of its manufacturing facilities and none of the properties is subject to significant encumbrances. The Company also maintains approximately 1.5 million square feet of designer and trade showroom space at various locations throughout the United States where it coordinates the display and sale of its home furnishings products and owns 725,000 square feet of showroom space in High Point, North Carolina utilized for furniture industry trade shows. In addition, the Company maintains 357,000 square feet of designer and trade showroom space at various foreign locations. The Company's corporate headquarters are located in Taylor, Michigan and are owned by the Company. An additional building near its corporate headquarters is used by the Company's corporate research and development department.

The Company's buildings, machinery and equipment have been generally well maintained, are in good operating condition, and are adequate for current production requirements.

The following list identifies the location of the principal manufacturing facilities of MascoTech and the industry segments utilizing such facilities:

| | |
|-----------------|---|
| Arizona..... | Chandler (2) |
| California..... | Vernon (3) and Yuba City (1) |
| Florida..... | Auburndale (2), Deerfield Beach (1) and Orlando (2) |
| Georgia..... | Adel (1) |
| Indiana..... | Fort Wayne (1), Kendallville (1) and North Vernon (1) |
| Iowa..... | Dubuque (2) |
| Kentucky..... | Nicholasville (1) |

| | |
|---------------------|--|
| Michigan..... | Auburn Hills (1)(1)(1), Brighton (1), Burton (1), Coopersville (1), Dearborn (1), Detroit (1)(1)(1), Farmington Hills (1), Fraser (1), Green Oak Township (1 and 3), Hamburg (1 and 3), Holland (1), Livonia (1), Mesick (1), Mt. Clemens (1), Oxford (1)(1)(1), Port Huron (1), Redford (1), Royal Oak (1), Shelby Township (1), St. Clair (1), St. Clair Shores (1), Sterling Heights (1), Traverse City (1)(1)(1)(1)(1), Troy (1)(1), Warren (1), West Branch (2) and Ypsilanti (1) |
| Mississippi..... | Nesbit (2) |
| New York..... | Brooklyn (2) and Maspeth (2) |
| Ohio..... | Blue Ash (2), Bluffton (1), Canal Fulton (1), Columbus (2), Lima (1), Minerva (1), Perrysburg (2), Port Clinton (1), Shelby (1) and Upper Sandusky (1) |
| Oklahoma..... | Tulsa (1) |
| Pennsylvania..... | Ridgway (1) |
| Virginia..... | Duffield (1) and Salem (1) |
| Germany..... | Zell am Harmersbach (1 and 3) |
| Italy..... | Poggio Rusco (1) |
| United Kingdom..... | Wednesfield, England (1) |

Note: Multiple footnotes within the same parenthesis indicate the facility is engaged in significant activities relating to more than one segment. Multiple footnotes to the same municipality denote separate facilities in that location. Industry segments in the preceding table are identified as follows: (1) transportation-related products; (2) specialty products - architectural and (3) specialty products - other.

MascoTech's largest manufacturing facility is located in Vernon, California and is a multi-plant facility of approximately 920,000 square feet. MascoTech owns the largest plant, comprising approximately 540,000 square feet, and operates the remaining portions of this facility under leases, the earliest of which expires at the end of 1996. Except for the foregoing facility and an additional manufacturing facility covering approximately 605,000 square feet, MascoTech's manufacturing facilities range in size from approximately 10,000 to 325,000 square feet, are owned by MascoTech or leased and are not subject to significant encumbrances. MascoTech's executive offices are located in Taylor, Michigan, and are provided by the Company to MascoTech under a corporate services agreement.

MascoTech's buildings, machinery and equipment have been generally well maintained, are in good operating condition, and are adequate for current production requirements.

ITEM 3. LEGAL PROCEEDINGS.

Civil suits were filed in December 1992 in a California state court by the California Attorney General, the Natural Resources Defense Council and the Environmental Law Foundation against a subsidiary of the Company and approximately 15 other manufacturers or distributors of faucets sold in that state. The suits principally allege that brass faucets unlawfully leach lead into tap water and that the defendants have failed to provide clear and reasonable warnings in violation of California law. The plaintiffs have requested, among other things, that the defendants be enjoined from selling products in California that leach lead into tap water, be ordered to offer restitution to California purchasers of defendants' products, and pay unspecified compensatory and punitive damages. Based upon the Company's present knowledge and subject to future legal and factual developments, the Company does not believe that these suits will result in any material adverse effect on the Company's financial position.

The Company is subject to other claims and litigation in the ordinary course of business, but does not believe that any such claim or litigation will have a material adverse effect on its consolidated financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

SUPPLEMENTARY ITEM. EXECUTIVE OFFICERS OF REGISTRANT (PURSUANT TO INSTRUCTION 3 TO ITEM 401(B) OF REGULATION S-K).

| NAME | POSITION | AGE | OFFICER SINCE |
|-----------------------------|--|-----|---------------|
| Alex Manoogian..... | Chairman Emeritus | 93 | 1929 |
| Richard A. Manoogian..... | Chairman of the Board and Chief Executive Officer | 58 | 1962 |
| Wayne B. Lyon..... | President and Chief Operating Officer | 62 | 1972 |
| Gerald Bright..... | Vice President and Assistant Secretary | 72 | 1970 |
| David A. Doran..... | Vice President - Taxes | 53 | 1984 |
| Eugene A. Gargaro, Jr. | Vice President and Secretary | 52 | 1993 |
| Ronald L. Jones..... | President - Home Furnishings Products | 52 | 1989 |
| Raymond F. Kennedy..... | President - Building Products | 52 | 1989 |
| John R. Leekley..... | Vice President and General Counsel | 51 | 1979 |
| Richard G. Mosteller..... | Senior Vice President - Finance | 62 | 1962 |
| John C. Nicholls, Jr. | Treasurer | 61 | 1967 |
| Robert B. Rosowski..... | Vice President - Controller | 54 | 1973 |
| Samuel Valenti, III..... | Vice President - Investments | 49 | 1971 |
| David G. Wesenberg..... | Vice President - Human Resources | 64 | 1980 |

Executive officers who are elected by the Board of Directors serve for a term of one year or less. Each elected executive officer has been employed in a managerial capacity with the Company for over five years except for Mr. Gargaro. Mr. Gargaro joined the Company as its Vice President and Secretary on October 1, 1993. Prior to joining the Company, Mr. Gargaro was a partner at the Detroit law firm of Dykema Gossett PLLC. Mr. Gargaro has served as a director and Secretary of MascoTech, Inc., since 1984 and a director and Secretary of TriMas Corporation since 1989. Richard A. Manoogian, the Chairman of the Board and Chief Executive Officer of the Company, is the son of its Chairman Emeritus, Alex Manoogian.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The New York Stock Exchange is the principal market on which the Company's Common Stock is traded. The following table indicates the high and low sales prices of the Company's Common Stock as reported on the New York Stock Exchange Composite Tape and the cash dividends declared per share for the periods indicated:

| QUARTER | MARKET PRICE | | DIVIDENDS DECLARED |
|-------------|--------------|--------|-----------------------|
| | HIGH | LOW | |
| ----- | | | |
| 1993 | | | |
| First..... | \$35 1/4 | \$ 29 | \$.16 |
| Second..... | 34 3/4 | 28 5/8 | .16 |
| Third..... | 32 1/4 | 25 1/2 | .17 |
| Fourth..... | 38 7/8 | 28 3/4 | .17 |
| Total..... | | | \$.66 |
| ===== | | | |
| 1994 | | | |
| First..... | \$39 3/4 | \$ 31 | \$.17 |
| Second..... | 32 1/8 | 26 1/4 | .17 |
| Third..... | 28 1/4 | 23 5/8 | .18 |
| Fourth..... | 25 1/4 | 21 1/4 | .18 |
| Total..... | | | \$.70 |
| ===== | | | |

On March 15, 1995, there were approximately 6,680 holders of record of the Company's Common Stock.

The Company expects that its practice of paying quarterly dividends on its Common Stock will continue, although future dividends will continue to depend upon the Company's earnings, capital requirements, financial condition and other factors.

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth summary consolidated financial information of the Company, for the years and dates indicated:

| | (IN THOUSANDS EXCEPT PER SHARE AMOUNTS) | | | | |
|----------------------------|--|-------------|-------------|-------------|-------------|
| | 1994 | 1993 | 1992 | 1991 | 1990 |
| Net sales..... | \$4,468,000 | \$3,886,000 | \$3,525,000 | \$3,141,000 | \$3,209,000 |
| Net income(1)..... | \$ 193,700 | \$ 221,100 | \$ 183,100 | \$ 44,900 | \$ 138,800 |
| Per share of common stock: | | | | | |
| Net income(1)..... | \$1.22 | \$1.45 | \$1.21 | \$.30 | \$.91 |
| Dividends declared..... | \$.70 | \$.66 | \$.62 | \$.58 | \$.55 |
| Dividends paid..... | \$.69 | \$.65 | \$.61 | \$.57 | \$.54 |
| At December 31: | | | | | |
| Total assets..... | \$4,390,000 | \$4,053,100 | \$4,011,600 | \$3,785,800 | \$3,760,700 |
| Long-term debt..... | \$1,592,600 | \$1,418,300 | \$1,487,100 | \$1,369,300 | \$1,334,300 |

(1) After the \$79 million after-tax (\$.50 per share) non-cash equity investment charge in 1994.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CORPORATE DEVELOPMENT

Acquisitions have historically contributed significantly to Masco's long-term growth, even though generally the initial impact on earnings is minimal after deducting acquisition-related costs such as interest and added depreciation and amortization. The important earnings benefit to Masco arises from subsequent growth of acquired companies, since incremental sales are not handicapped by these expenses.

In early 1994, the Company acquired for common stock, Melard Corporation and Zenith Products Corporation, manufacturers of plumbing specialties and bath accessories, and Berklene Corporation, a manufacturer of popularly priced recliners and motion upholstered furniture, all of which were accounted for as poolings of interests.

In December 1994, the Company acquired Alma Kuchen Aloys Meyer GmbH and Co., a German manufacturer of kitchen cabinets, and NewTeam Group, a United Kingdom manufacturer of handheld showers and other bath accessories, both of which were accounted for as purchase transactions.

The above pooled and purchased companies had annual net sales in 1993 of approximately \$320 million.

In January 1995, the Company received approximately \$70 million upon the sale of its investment in Formica Corporation. The Company anticipates that the gain from this transaction, however, will be largely offset by charges and reserves for profit improvement programs and asset disposals that should enhance the Company's future performance.

PROFIT MARGINS

Net income and earnings per share for 1994, prior to an unusual non-cash fourth quarter equity investment charge, were \$273 million and \$1.72, representing increases of 23 percent and 19 percent from \$221 million and \$1.45 in 1993, respectively. Including the unusual charge of approximately \$.50 per share, net income was \$194 million, with earnings per share of \$1.22. The unusual charge is the Company's equity share of its affiliate MascoTech, Inc.'s \$315 million non-cash after-tax charge which results from MascoTech's strategic decision to focus on its core transportation-related business and divest non-core businesses. MascoTech believes that this strategy should strengthen its balance sheet and profitability, which in turn should enhance the value of the Company's investment in MascoTech.

After-tax profit margin on sales and after-tax profit return on shareholders' equity in 1994, before the effect of the above-mentioned unusual equity charge, increased to 6.1 percent and 13.7 percent, respectively, as compared with 5.7 percent and 11.7 percent, respectively, in 1993, and 5.2 percent and 10.2 percent, respectively, in 1992, primarily due to increased product sales resulting from improved market shares and the expanded economy. Including the effect of the equity charge, after-tax profit margin as a percent of net sales and after-tax profit return on shareholders' equity were 4.3 percent and 9.7 percent, respectively, in 1994.

LIQUIDITY AND CAPITAL RESOURCES

Over the years, the Company has largely funded its growth through cash provided by a combination of operations and long-term bank and other borrowings.

At year-end 1994, current assets were approximately 3.1 times current liabilities.

During 1994, cash of \$311 million was provided by operating activities and by \$134 million from a net increase in debt; cash decreased by \$191 million for the purchase of property and equipment, by \$127 million for the acquisition of companies, by \$62 million for the repurchase of Company Common Stock, by \$109 million for cash dividends and by \$15 million for other cash outflows. The aggregate of the preceding items represents a net cash outflow of \$59 million in 1994. Cash provided by operating

activities totalled \$311 million, \$261 million and \$204 million in 1994, 1993 and 1992, respectively; the Company has generally reinvested a majority of these funds in its operations.

In late 1994, the Company's Board of Directors authorized the repurchase of up to 10 million shares of its common stock in open-market transactions or otherwise. Pursuant to this authorization, approximately 2.8 million common shares were repurchased in the fourth quarter of 1994.

The Company's anticipated internal cash flow is expected to provide sufficient liquidity to fund its near-term working capital and other investment needs. The Company believes that its longer-term working capital and other general corporate requirements will be satisfied through its internal cash flow and to the extent necessary in the financial markets.

RECEIVABLES AND INVENTORIES

During 1994, the Company's receivables increased by \$135 million. This increase is primarily comprised of receivables from existing operations, which increased by \$53 million, principally as a result of increased sales in the fourth quarter of 1994 compared with the same period in 1993, and receivables of acquired companies.

During 1994, the Company's inventories increased by \$125 million. This increase is primarily comprised of a \$75 million increase in inventories from existing operations which had increased sales, and inventories of acquired companies.

As compared with the average manufacturing company, the Company maintains a higher investment in inventories, which relates to the Company's business strategies of providing better customer service, establishing efficient production scheduling and benefitting from larger, more cost-effective purchasing.

CAPITAL EXPENDITURES AND DEPRECIATION

Capital expenditures totalled \$191 million in 1994, compared with \$167 million in 1993. These amounts primarily pertain to expenditures for additional facilities related to increased demand for existing products as well as for new Masco products.

The Company continues to invest in automating its manufacturing operations and increasing its productivity, in order to be a more efficient producer and improve customer service and response time.

Depreciation expense and amortization expense were \$88.1 million and \$32.5 million, respectively, in 1994, compared with \$82.1 million and \$33.9 million, respectively, in 1993. The major portion of amortization expense, from the excess of cost over net assets acquired, relates to companies acquired in previous years. These companies have been successful for many years in established markets not subject to rapid technological changes. At each balance sheet date, management assesses whether there has been an impairment in the carrying value of excess of cost over net assets of acquired companies, primarily by comparing current and projected sales, operating income and annual cash flows with the related annual amortization expense as well as considering the equity of such companies.

EQUITY AND OTHER INVESTMENTS IN AFFILIATES

Equity losses from affiliates were \$101.3 million in 1994, compared with equity earnings of \$18.7 million in 1993 and \$17.3 million in 1992.

In December 1994, MascoTech, an equity affiliate of the Company, announced and recorded a non-cash after-tax charge of \$315 million in anticipation of losses associated with the planned disposition of its non-core businesses. As a result, the Company recorded \$138 million pre-tax (\$79 million after-tax) as its equity share of this non-cash charge.

CASH DIVIDENDS

During 1994, the Company increased its dividend rate six percent to \$.18 per share quarterly. This marks the 36th consecutive year in which dividends have been increased. Dividend payments over this period have increased at an 18 percent average annual rate. Although the Company is aware of the greater interest in yield by many investors and has maintained an increased dividend payout in recent years, the Company continues to believe that its shareholders' long-term interests are best served by investing a significant portion of its earnings in the future growth of the Company.

RECENTLY ISSUED PROFESSIONAL ACCOUNTING STANDARDS

The American Institute of Certified Public Accountants' Statement of Position 93-7, Reporting on Advertising Costs, becomes effective in 1995. This statement provides guidance on the accounting treatment and reporting of advertising costs and should not have a material effect on the Company's financial statements.

GENERAL FINANCIAL ANALYSIS

1994 VERSUS 1993

Net sales in 1994, aided by acquisitions, increased 15 percent to \$4,468 million; excluding acquisitions, net sales increased 7 percent. Sales in 1994 of the Company's Home Improvement and Building Products and Home Furnishings Products each increased 15 percent to \$2,523 million and \$1,945 million, respectively; excluding acquisitions, sales of Home Improvement and Building Products and Home Furnishings Products increased 8 percent and 6 percent, respectively.

Cost of sales as a percentage of sales decreased modestly to 67.2 percent in 1994 from 67.5 percent in 1993. Selling, general and administrative expenses as a percentage of sales decreased to 21.4 percent in 1994 from 22.1 percent in 1993. Operating profit, after general corporate expense, increased 26 percent to \$510 million in 1994, primarily due to increased sales and profit improvement programs.

Operating profit of the Company's Home Improvement and Building Products segment, before general corporate expense, increased 22 percent to \$504 million. Operating profit of the Company's Home Furnishings Products segment, before general corporate expense, increased 29 percent to \$89 million.

Included in other income and expense for 1994 are equity losses from MascoTech of \$106 million, which reflect the Company's \$138 million pre-tax equity share of MascoTech's unusual non-cash fourth quarter charge, as compared with \$13.2 million of equity earnings from MascoTech in 1993. MascoTech reported a loss from continuing operations and a net loss, after preferred stock dividends, of \$234.4 million and \$233.1 million, respectively, in 1994, as compared with income from continuing operations and net income, after preferred stock dividends, of \$70.9 million and \$32.7 million, respectively, in 1993.

Net income and earnings per common share, for 1994 prior to the above-mentioned MascoTech charge, were \$273 million and \$1.72, representing increases of 23 percent and 19 percent from \$221 million and \$1.45 in 1993, respectively. Including the above-mentioned charge of approximately \$.50 per share, net income was \$194 million, with earnings per share of \$1.22.

1993 VERSUS 1992

Net sales in 1993 increased 10 percent to \$3,886 million. The sales increase was primarily due to increased shipments of kitchen, bath and home furnishings products. Cost of sales as a percentage of sales was 67.5 percent in both 1993 and 1992. Selling, general and administrative expenses as a percentage of sales decreased modestly to 22.1 percent in 1993 from 22.3 percent in 1992. Operating profit increased 13 percent in 1993 from 1992.

The Company's Home Improvement and Building Products sales in 1993 increased 10 percent to \$2,188 million while operating profit increased 12 percent to \$412 million.

Sales in 1993 of the Company's Home Furnishings Products increased 11 percent to \$1,698 million and operating profit increased 15 percent to \$69 million.

Included in other income and expense for 1993 are equity earnings from MascoTech, Inc. of \$23.2 million, prior to an approximate \$10 million after-tax fourth quarter charge which reflects the Company's equity share of MascoTech's loss provision for the disposition of its energy-related businesses and extraordinary loss on the early extinguishment of debt, as compared with \$12.6 million of equity earnings in 1992. MascoTech reported income from continuing operations of \$70.9 million and \$39.0 million in 1993 and 1992, respectively, and net income, after preferred stock dividends, of \$32.7 million for 1993 and \$29.1 million for 1992. The 1993 results of MascoTech were favorably impacted by internal cost reductions and from increased demand in its transportation industries, which more than offset its fourth quarter special charges of approximately \$26 million after-tax.

Included in the fourth quarter of 1993 is a \$28.3 million pre-tax gain (approximately \$18 million after-tax) on the redemption of MascoTech's 10% exchangeable preferred stock. This gain was principally offset by the Company's approximate \$10 million after-tax equity share of MascoTech's above-mentioned fourth quarter special charges, as well as by charges related to certain restructurings of Company operations which should result in future cost savings.

The Company reported increases in net income and earnings per share of 21 percent and 20 percent, respectively, in 1993 as compared with 1992.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
and Shareholders of Masco Corporation:

We have audited the accompanying consolidated balance sheet of Masco Corporation and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 1994, and the financial statement schedule as listed in Item 14(a)(2)(i) of this Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Masco Corporation and subsidiaries as of December 31, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

Detroit, Michigan
February 17, 1995

MASCO CORPORATION
CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1994 AND 1993

ASSETS

| | 1994 | 1993 |
|---|-----------------|-----------------|
| | ----- | ----- |
| Current Assets: | | |
| Cash and cash investments..... | \$ 61,160,000 | \$ 119,980,000 |
| Marketable securities..... | 9,910,000 | 4,890,000 |
| Receivables..... | 745,170,000 | 610,120,000 |
| Inventories..... | 948,830,000 | 824,130,000 |
| Prepaid expenses and other..... | 126,370,000 | 116,750,000 |
| | ----- | ----- |
| Total current assets..... | 1,891,440,000 | 1,675,870,000 |
| Equity investments in MascoTech, Inc..... | 184,960,000 | 294,700,000 |
| Equity investments in other affiliates..... | 57,790,000 | 54,630,000 |
| Property and equipment..... | 1,231,810,000 | 1,095,170,000 |
| Excess of cost over acquired net assets..... | 706,160,000 | 605,170,000 |
| Other assets..... | 317,880,000 | 327,570,000 |
| | ----- | ----- |
| Total assets..... | \$4,390,040,000 | \$4,053,110,000 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Notes payable..... | \$ 48,380,000 | \$ 33,160,000 |
| Accounts payable..... | 201,320,000 | 161,220,000 |
| Accrued liabilities..... | 351,590,000 | 296,060,000 |
| | ----- | ----- |
| Total current liabilities..... | 601,290,000 | 490,440,000 |
| Long-term debt..... | 1,592,610,000 | 1,418,290,000 |
| Deferred income taxes and other..... | 83,460,000 | 145,950,000 |
| | ----- | ----- |
| Total liabilities..... | 2,277,360,000 | 2,054,680,000 |
| | ----- | ----- |
| Shareholders' Equity: | | |
| Common shares authorized: 400,000,000; issued: 1994 -- 156,990,000; 1993 -- 152,850,000..... | 156,990,000 | 152,850,000 |
| Preferred shares authorized: 1,000,000..... | -- | -- |
| Paid-in capital..... | 44,840,000 | 69,880,000 |
| Retained earnings..... | 1,924,740,000 | 1,805,170,000 |
| Cumulative translation adjustments..... | (13,890,000) | (29,470,000) |
| | ----- | ----- |
| Total shareholders' equity..... | 2,112,680,000 | 1,998,430,000 |
| | ----- | ----- |
| Total liabilities and shareholders' equity..... | \$4,390,040,000 | \$4,053,110,000 |
| | ===== | ===== |

See notes to consolidated financial statements.

MASCO CORPORATION

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992

| | 1994 | 1993 | 1992 |
|---|-----------------|-----------------|-----------------|
| Net sales..... | \$4,468,000,000 | \$3,886,000,000 | \$3,525,000,000 |
| Cost of sales..... | 3,001,770,000 | 2,621,630,000 | 2,381,040,000 |
| Gross profit..... | 1,466,230,000 | 1,264,370,000 | 1,143,960,000 |
| Selling, general and administrative expenses... | 956,630,000 | 860,540,000 | 785,420,000 |
| Operating profit..... | 509,600,000 | 403,830,000 | 358,540,000 |
| Other income (expense), net: | | | |
| Re: MascoTech, Inc.: | | | |
| Equity earnings (loss)..... | (106,110,000) | 13,160,000 | 12,570,000 |
| Interest and dividend income..... | -- | 16,220,000 | 17,100,000 |
| Gain from redemption of preferred stock... | -- | 28,300,000 | -- |
| Equity earnings, other affiliates..... | 4,800,000 | 5,580,000 | 4,720,000 |
| Other, net..... | 19,030,000 | 1,330,000 | 12,510,000 |
| Interest expense..... | (104,720,000) | (105,820,000) | (100,640,000) |
| | (187,000,000) | (41,230,000) | (53,740,000) |
| Income before income taxes..... | 322,600,000 | 362,600,000 | 304,800,000 |
| Income taxes..... | 128,900,000 | 141,500,000 | 121,700,000 |
| Net income..... | \$ 193,700,000 | \$ 221,100,000 | \$ 183,100,000 |
| Earnings per share..... | \$1.22 | \$1.45 | \$1.21 |

See notes to consolidated financial statements.

MASCO CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992

| | 1994 | 1993 | 1992 |
|--|----------------|----------------|----------------|
| | ----- | ----- | ----- |
| CASH FLOWS FROM (FOR): | | | |
| Operating Activities: | | | |
| Net income..... | \$ 193,700,000 | \$ 221,100,000 | \$ 183,100,000 |
| Depreciation and amortization..... | 120,630,000 | 115,990,000 | 114,450,000 |
| Equity (earnings) loss, net..... | 108,030,000 | (13,800,000) | (13,190,000) |
| Deferred income taxes and other..... | (36,050,000) | (8,500,000) | 11,620,000 |
| Gain from redemption of MascoTech preferred stock, net of tax..... | -- | (17,550,000) | -- |
| | ----- | ----- | ----- |
| Total from earnings..... | 386,310,000 | 297,240,000 | 295,980,000 |
| (Increase) in receivables..... | (53,470,000) | (42,520,000) | (52,450,000) |
| (Increase) in inventories..... | (74,540,000) | (38,840,000) | (35,100,000) |
| Increase (decrease) in accounts payable and accrued liabilities, net..... | 52,860,000 | 45,050,000 | (4,800,000) |
| | ----- | ----- | ----- |
| Net cash from operating activities.... | 311,160,000 | 260,930,000 | 203,630,000 |
| Investing Activities: | | | |
| Capital expenditures..... | (190,610,000) | (166,540,000) | (117,690,000) |
| Currency translation adjustments..... | 15,580,000 | (17,500,000) | (27,090,000) |
| Sale of affiliate investments to MascoTech..... | -- | 87,500,000 | -- |
| Proceeds from redemption of MascoTech preferred stock..... | -- | 100,000,000 | -- |
| Acquisition of companies..... | (126,830,000) | -- | -- |
| Other, net..... | (31,650,000) | 40,700,000 | (63,380,000) |
| | ----- | ----- | ----- |
| Net cash from (for) investing activities..... | (333,510,000) | 44,160,000 | (208,160,000) |
| Financing Activities: | | | |
| Issuance of notes..... | -- | 400,000,000 | 400,000,000 |
| Retirement of notes..... | -- | (200,000,000) | (300,000,000) |
| Increase in other debt..... | 264,600,000 | 290,770,000 | 460,470,000 |
| Payment of other debt..... | (130,380,000) | (622,230,000) | (480,000,000) |
| Repurchase of Company common stock..... | (61,730,000) | -- | -- |
| Cash dividends paid..... | (108,960,000) | (99,000,000) | (92,690,000) |
| | ----- | ----- | ----- |
| Net cash (for) financing activities.... | (36,470,000) | (230,460,000) | (12,220,000) |
| Cash and Cash Investments: | | | |
| Increase (decrease) for the year..... | (58,820,000) | 74,630,000 | (16,750,000) |
| At January 1..... | 119,980,000 | 45,350,000 | 62,100,000 |
| | ----- | ----- | ----- |
| At December 31..... | \$ 61,160,000 | \$ 119,980,000 | \$ 45,350,000 |
| | ===== | ===== | ===== |

See notes to consolidated financial statements.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

Principles of Consolidation. The consolidated financial statements include the accounts of Masco Corporation and all majority-owned subsidiaries. All significant intercompany transactions have been eliminated. Certain prior period amounts have been reclassified to conform with the current-year presentation.

Average Shares Outstanding. The average number of common shares outstanding in 1994, 1993 and 1992 approximated 158.8 million, 152.7 million and 151.7 million, respectively.

Cash and Cash Investments. The Company considers all highly liquid investments with an original maturity of three months or less to be cash and cash investments.

Receivables. Accounts and notes receivable are presented net of allowances for doubtful accounts of \$20.1 million at December 31, 1994 and \$19.1 million at December 31, 1993.

Property and Equipment. Property and equipment, including significant betterments to existing facilities, are recorded at cost. Upon retirement or disposal, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Maintenance and repair costs are charged to expense as incurred.

Depreciation and Amortization. Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Annual depreciation rates are as follows: buildings and land improvements, 2 to 10 percent, and machinery and equipment, 5 to 33 percent. Depreciation was \$88.1 million, \$82.1 million and \$79.4 million in 1994, 1993 and 1992, respectively.

The excess of cost over net assets of acquired companies is being amortized using the straight-line method over periods not exceeding 40 years; at December 31, 1994 and 1993, such accumulated amortization totalled \$147.3 million and \$127.2 million, respectively. At each balance sheet date, management assesses whether there has been an impairment in the carrying value of excess of cost over net assets of acquired companies, primarily by comparing current and projected sales, operating income and annual cash flows with the related annual amortization expense as well as considering the equity of such companies. Purchase costs of patents are being amortized using the straight-line method over the legal lives of the patents, not to exceed 17 years. Amortization of intangible assets was \$32.5 million, \$33.9 million and \$35.1 million in 1994, 1993 and 1992, respectively.

Fair Value of Financial Instruments. The carrying value of financial instruments reported in the balance sheet for current assets and current liabilities approximates fair value. The fair value of financial instruments that are carried as long-term investments (other than those accounted for by the equity method) was based principally on quoted market prices for those or similar investments or by discounting future cash flows using a discount rate that approximates the risk of the investments. The fair value of the Company's long-term debt instruments was based principally on quoted market prices for the same or similar issues or the current rates available to the Company for debt with similar terms and remaining maturities. The aggregate market value of the Company's long-term investments and long-term debt at December 31, 1994 was approximately \$187 million and \$1,483 million, as compared with the Company's carrying value of \$152 million and \$1,593 million, respectively. The aggregate market value of the Company's long-term investments and long-term debt at December 31, 1993 was approximately \$230 million and \$1,471 million, as compared with the Company's carrying value of \$200 million and \$1,418 million, respectively.

Statement of Financial Accounting Standards No. 119, Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments, became effective in 1994. This Standard defines

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

ACCOUNTING POLICIES -- (CONTINUED)

the disclosure requirements for derivative financial instruments, of which the Company has no material holdings.

Recently Issued Professional Accounting Standards. The American Institute of Certified Public Accountants' Statement of Position 93-7, Reporting on Advertising Costs, becomes effective in 1995. This statement provides guidance on the accounting treatment and reporting of advertising costs and should not have a material effect on the Company's financial statements.

ACQUISITIONS

POOLING ACQUISITIONS:

During 1994, the Company issued approximately 6.5 million of its common shares for the acquisitions of Melard Manufacturing Corporation, Zenith Products Corporation and Berkline Corporation. Each of these acquisitions was accounted for as a pooling of interests. Melard and Zenith are manufacturers of plumbing specialties and bath accessories, and Berkline is a manufacturer of recliners and motion upholstered furniture. Prior year financial statements were not restated due to immateriality.

PURCHASE ACQUISITIONS:

In December 1994, the Company acquired Alma Kuchen Aloys Meyer GmbH and Co., a German manufacturer of kitchen cabinets, and NewTeam Group, a United Kingdom manufacturer of handheld showers and other bath accessories, for approximately \$100 million.

The Company also acquired several other companies in 1994 for approximately \$25 million.

The above pooled and purchased companies had combined net sales in 1993 of approximately \$320 million.

INVENTORIES

| | (IN THOUSANDS) | |
|----------------------|------------------|-----------|
| | AT DECEMBER 31 | |
| | 1994 | 1993 |
| Finished goods..... | \$388,440 | \$312,470 |
| Raw material..... | 333,280 | 280,450 |
| Work in process..... | 227,110 | 231,210 |
| | \$948,830 | \$824,130 |
| | ===== | ===== |

Inventories are stated at the lower of cost or net realizable value, with cost determined principally by use of the first-in, first-out method.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

EQUITY INVESTMENTS IN AFFILIATES

Equity investments in affiliates consist primarily of the following common equity and partnership interests:

| | AT DECEMBER 31 | | |
|---------------------------------------|----------------|------|------|
| | 1994 | 1993 | 1992 |
| MascoTech, Inc..... | 44% | 42% | 47% |
| Hans Grohe, a German partnership..... | 27% | 27% | 27% |
| TriMas Corporation..... | 5% | 5% | 7% |

MascoTech, Inc. presently has voting preferred shares outstanding, which are to be converted into common shares no later than mid-1997. On an assumed converted basis and utilizing the minimum number of common shares to be so issued, the Company's equity investment in MascoTech would be 38 percent at December 31, 1994 (which equals the Company's voting interest at that date).

Excluding the partnership interest in Hans Grohe, for which there is no quoted market value, the aggregate market value of the Company's equity investments at December 31, 1994 (which may differ from the amounts that could then have been realized upon disposition), based upon quoted market prices at that date, was \$431 million, as compared with the Company's related aggregate carrying value of \$205 million.

The Company's carrying value of its equity investments in MascoTech exceeds its equity in the underlying net book value by approximately \$73 million at December 31, 1994. This excess, which principally resulted from repurchases by MascoTech of its common stock, is being amortized over a period not to exceed 40 years. The Company's carrying value of its other equity investments at December 31, 1994 approximates the Company's equity in the underlying net book value in these affiliates.

In March 1993, the Company and MascoTech partially restructured their affiliate relationships through transactions that reduced the Company's common equity interest in MascoTech from 47 percent to approximately 35 percent and resulted in MascoTech's acquisition of the Company's investments in Emco Limited, a Canadian company. The Company received \$87.5 million in cash, \$100 million of 10% exchangeable preferred stock and seven-year warrants to purchase 10 million common shares of MascoTech at \$13 per share. MascoTech received 10 million of its common shares, all \$77.5 million of its 12% exchangeable preferred stock, the Company's investments in Emco Limited and a modified option expiring in early 1997 to require the Company to purchase up to \$200 million aggregate amount of debt securities in MascoTech.

In November 1993, MascoTech redeemed for cash its \$100 million of 10% exchangeable preferred stock issued in March 1993. As a result of this redemption, the Company realized a \$28.3 million pre-tax gain.

In December 1993, following MascoTech's call for redemption, the Company converted \$130 million of MascoTech's 6% debentures due 2011 into MascoTech common stock, thereby increasing the Company's common equity interest in MascoTech from approximately 35 percent to 42 percent.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

EQUITY INVESTMENTS IN AFFILIATES -- (CONTINUED)

Approximate combined condensed financial data of the above-listed affiliates are summarized in U.S. dollars as follows, in thousands:

| | 1994 | 1993 | 1992 |
|--|--------------|--------------|--------------|
| | ----- | ----- | ----- |
| At December 31: | | | |
| Current assets..... | \$ 944,940 | \$ 875,610 | \$ 881,200 |
| Current liabilities..... | (277,260) | (300,650) | (371,350) |
| | ----- | ----- | ----- |
| Working capital..... | 667,680 | 574,960 | 509,850 |
| Property and equipment..... | 626,670 | 720,290 | 755,290 |
| Other assets..... | 681,630 | 853,720 | 737,660 |
| Long-term liabilities..... | (1,266,060) | (1,213,940) | (1,400,950) |
| | ----- | ----- | ----- |
| Shareholders' equity..... | \$ 709,920 | \$ 935,030 | \$ 601,850 |
| | ===== | ===== | ===== |
| Net sales..... | \$ 2,465,070 | \$ 2,230,330 | \$ 2,051,730 |
| | ===== | ===== | ===== |
| Income (loss) from continuing operations..... | \$ (165,200) | \$ 199,190 | \$ 115,180 |
| | ===== | ===== | ===== |
| Net income (loss) attributable to common shareholders..... | \$ (164,750) | \$ 75,900 | \$ 34,030 |
| | ===== | ===== | ===== |
| The Company's net equity in above income (loss)..... | \$ (101,310) | \$ 18,740 | \$ 17,290 |
| | ===== | ===== | ===== |
| Cash dividends received by the Company from affiliates..... | \$ 6,720 | \$ 4,940 | \$ 4,100 |
| | ===== | ===== | ===== |

In December 1994, MascoTech announced and recorded a non-cash after-tax charge of \$315 million in anticipation of losses associated with the planned disposition of its non-core businesses. As a result, the Company recorded \$138 million pre-tax as its equity share of this non-cash charge.

Equity in undistributed earnings of affiliates of \$24 million at December 31, 1994, \$132 million at December 31, 1993 and \$118 million at December 31, 1992 are included in consolidated retained earnings.

PROPERTY AND EQUIPMENT

| | (IN THOUSANDS) | |
|------------------------------------|----------------|-------------|
| | AT DECEMBER 31 | |
| | 1994 | 1993 |
| | ----- | ----- |
| Land and improvements..... | \$ 87,460 | \$ 78,670 |
| Buildings..... | 685,310 | 595,630 |
| Machinery and equipment..... | 1,145,120 | 1,009,060 |
| | ----- | ----- |
| | 1,917,890 | 1,683,360 |
| Less accumulated depreciation..... | 686,080 | 588,190 |
| | ----- | ----- |
| | \$1,231,810 | \$1,095,170 |
| | ===== | ===== |

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

ACCRUED LIABILITIES

| | (IN THOUSANDS) AT DECEMBER 31 | |
|--------------------------------------|------------------------------------|-----------|
| | 1994 | 1993 |
| Salaries, wages and commissions..... | \$ 79,170 | \$ 60,910 |
| Advertising and sales promotion..... | 43,080 | 32,370 |
| Insurance..... | 38,060 | 35,180 |
| Dividends payable..... | 29,250 | 26,260 |
| Employee retirement plans..... | 27,690 | 21,840 |
| Interest..... | 25,960 | 26,070 |
| Income taxes..... | 24,140 | 26,110 |
| Other..... | 84,240 | 67,320 |
| | ----- | ----- |
| | \$351,590 | \$296,060 |
| | ===== | ===== |

LONG-TERM DEBT

| | (IN THOUSANDS) AT DECEMBER 31 | |
|--|------------------------------------|-------------|
| | 1994 | 1993 |
| Notes, 6.25%, due 1995..... | \$ 200,000 | \$ 200,000 |
| Notes, 9%, due 1996..... | 250,000 | 250,000 |
| Notes, 6.625%, due 1999..... | 200,000 | 200,000 |
| Notes, 9%, due 2001..... | 175,000 | 175,000 |
| Notes, 6.125%, due 2003..... | 200,000 | 200,000 |
| Notes, 7.125%, due 2013..... | 200,000 | 200,000 |
| Notes payable to banks..... | 70,000 | -- |
| Convertible subordinated debentures, 5.25%, due 2012..... | 177,920 | 177,930 |
| Other, primarily acquisition related in 1994..... | 134,330 | 23,980 |
| | ----- | ----- |
| | 1,607,250 | 1,426,910 |
| Less current portion..... | 14,640 | 8,620 |
| | ----- | ----- |
| | \$1,592,610 | \$1,418,290 |
| | ===== | ===== |

At December 31, 1994, all of the outstanding notes other than notes payable to banks are nonredeemable.

The Company intends to refinance the 6.25% notes due June 15, 1995 through borrowings under its bank revolving-credit agreement.

In August 1993, the Company issued \$200 million of 7.125% notes due August 15, 2013. In September 1993, the Company issued \$200 million of 6.125% notes due September 15, 2003. The proceeds from these financings were used to eliminate floating-rate borrowings under the Company's bank revolving-credit agreement.

The 5.25% subordinated debentures due February 15, 2012 are convertible into common stock at \$42.28 per share.

The notes payable to banks at December 31, 1994 relate to a \$750 million revolving-credit agreement, with any outstanding balance due and payable in May 1998. Interest is payable on borrowings under this agreement based upon various floating rates as selected by the Company.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

LONG-TERM DEBT -- (CONTINUED)

Certain debt agreements contain limitations on additional borrowings and restrictions on cash dividend payments and common share repurchases. At December 31, 1994, the amount of retained earnings available for cash dividends and common share repurchases approximated \$199 million under the most restrictive of these provisions.

At December 31, 1994, the maturities of long-term debt during each of the next five years were approximately as follows: 1995-\$214.6 million; 1996-\$257.2 million; 1997-\$2.6 million; 1998-\$105.8 million; and 1999-\$200.9 million.

In October 1994, the Company amended its shelf registration statements, on file with the Securities and Exchange Commission, for the purpose of converting these statements to an unallocated shelf registration, which allows for the issuance of up to a combined \$800 million of debt and equity securities.

Interest paid was approximately \$103 million, \$104 million and \$121 million in 1994, 1993 and 1992, respectively.

SHAREHOLDERS' EQUITY

| | (IN THOUSANDS) | | |
|---|----------------|-------------|-------------|
| | 1994 | 1993 | 1992 |
| | ----- | ----- | ----- |
| Common Shares, \$1 Par Value | | | |
| Balance, January 1..... | \$ 152,850 | \$ 152,470 | \$ 153,210 |
| Shares issued..... | 6,910 | 380 | 1,470 |
| Shares repurchased..... | (2,770) | -- | -- |
| Shares retired..... | -- | -- | (2,210) |
| | ----- | ----- | ----- |
| Balance, December 31..... | 156,990 | 152,850 | 152,470 |
| | ----- | ----- | ----- |
| Paid-In Capital | | | |
| Balance, January 1..... | 69,880 | 61,370 | 64,950 |
| Common shares issued..... | 33,920 | 8,510 | 25,050 |
| Common shares repurchased..... | (58,960) | -- | -- |
| Common shares retired..... | -- | -- | (28,630) |
| | ----- | ----- | ----- |
| Balance, December 31..... | 44,840 | 69,880 | 61,370 |
| | ----- | ----- | ----- |
| Retained Earnings | | | |
| Balance, January 1..... | 1,805,170 | 1,685,010 | 1,596,180 |
| Retained earnings of pooled companies.... | 37,820 | -- | -- |
| Net income..... | 193,700 | 221,100 | 183,100 |
| Cash dividends declared..... | (111,950) | (100,940) | (94,270) |
| | ----- | ----- | ----- |
| Balance, December 31..... | 1,924,740 | 1,805,170 | 1,685,010 |
| | ----- | ----- | ----- |
| Cumulative Translation Adjustments | | | |
| Balance, December 31..... | (13,890) | (29,470) | (11,970) |
| | ----- | ----- | ----- |
| Treasury Shares | | | |
| Balance, January 1..... | -- | -- | (30,550) |
| Shares repurchased..... | -- | -- | (290) |
| Shares retired..... | -- | -- | 30,840 |
| | ----- | ----- | ----- |
| Balance, December 31..... | -- | -- | -- |
| | ----- | ----- | ----- |
| Shareholders' Equity | | | |
| Balance, December 31..... | \$2,112,680 | \$1,998,430 | \$1,886,880 |
| | ===== | ===== | ===== |

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

SHAREHOLDERS' EQUITY -- (CONTINUED)

On the basis of amounts paid (declared), cash dividends per share were \$.69 (\$.70) in 1994, \$.65 (\$.66) in 1993 and \$.61 (\$.62) in 1992.

In 1994, the Company's Board of Directors authorized the repurchase of up to 10 million shares of its common stock in open-market transactions or otherwise. Pursuant to this authorization, approximately 2.8 million common shares were repurchased in the fourth quarter of 1994 at an aggregate cost of approximately \$62 million.

STOCK OPTIONS AND AWARDS

For the three years ended December 31, 1994, stock option data pertaining to stock option plans for key employees of the Company and affiliated companies are as follows:

| | (SHARES IN THOUSANDS) | | |
|---|-----------------------|-----------|-----------|
| | 1994 | 1993 | 1992 |
| | ----- | ----- | ----- |
| Option shares outstanding, January 1..... | 5,686 | 6,742 | 7,390 |
| Option shares granted..... | 73 | 298 | 1,212 |
| Option price..... | \$25-\$40 | \$27-\$37 | \$25-\$30 |
| Option shares exercised..... | 224 | 1,210 | 1,860 |
| Option price..... | \$15-\$32 | \$2-\$30 | \$2-\$21 |
| Option shares cancelled..... | 25 | 144 | -- |
| Option price..... | \$21-\$30 | \$2-\$21 | -- |
| Option shares outstanding, December 31..... | 5,510 | 5,686 | 6,742 |
| Option price..... | \$11-\$40 | \$10-\$37 | \$2-\$30 |
| Option shares exercisable, December 31..... | 2,445 | 1,457 | 1,326 |

Pursuant to restricted stock incentive award plans, the Company granted long-term incentive awards, net, for 598,000, 100,000 and 267,000 shares of Company Common Stock during 1994, 1993 and 1992, respectively, to key employees of the Company and affiliated companies. The unamortized costs of unvested awards under these plans, aggregating approximately \$55.3 million at December 31, 1994, are being amortized over the ten-year vesting periods.

At December 31, 1994, a combined total of 10,680,000 shares of Company Common Stock was available for the granting of stock options and incentive awards under the above plans.

Pursuant to the 1984 Restricted Stock (MascoTech) Incentive Plan, the Company may award to key employees of the Company and affiliated companies, shares of common stock of MascoTech, Inc. held by the Company. No such awards were granted in 1994, 1993 or 1992. At December 31, 1994, there were 4,695,000 of such shares available for granting future awards under this plan.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

EMPLOYEE RETIREMENT PLANS

The Company sponsors defined-benefit pension plans for most of its employees. In addition, substantially all salaried employees participate in noncontributory profit-sharing plans, to which payments are determined annually by the Directors. Aggregate charges to income under the pension and profit-sharing plans were \$23.3 million in 1994, \$19.2 million in 1993 and \$16.9 million in 1992.

Net periodic pension cost for the Company's pension plans includes the following components:

| | (IN THOUSANDS) | | |
|--|----------------|-----------|-----------|
| | 1994 | 1993 | 1992 |
| Service cost -- benefits earned during the year..... | \$ 13,690 | \$ 11,800 | \$ 10,850 |
| Interest cost on projected benefit obligation... | 20,060 | 17,240 | 15,280 |
| Actual return on assets..... | 8,650 | (28,940) | (12,190) |
| Net amortization and deferral..... | (35,740) | 6,100 | (9,810) |
| Net periodic pension cost..... | \$ 6,660 | \$ 6,200 | \$ 4,130 |

Major assumptions used in accounting for the Company's pension plans are as follows:

| | 1994 | 1993 | 1992 |
|---|-------|-------|-------|
| Discount rate for obligations..... | 8.5% | 7.25% | 8.0% |
| Rate of increase in compensation levels..... | 5.0% | 5.0% | 6.0% |
| Expected long-term rate of return on plan assets..... | 13.0% | 13.0% | 13.0% |

The funded status of the Company's pension plans is summarized as follows, in thousands, at December 31:

| | 1994 | | 1993 | |
|--|------------------------------------|---------------------------|------------------------------------|---------------------------|
| | ASSETS EXCEED ACCUMULATED BENEFITS | ACCUMULATED EXCEED ASSETS | ASSETS EXCEED ACCUMULATED BENEFITS | ACCUMULATED EXCEED ASSETS |
| Actuarial present value of benefit obligations: | | | | |
| Vested benefit obligation..... | \$ 147,110 | \$ 46,840 | \$ 135,800 | \$ 54,130 |
| Accumulated benefit obligation..... | \$ 151,710 | \$ 56,010 | \$ 142,110 | \$ 62,660 |
| Projected benefit obligation..... | \$ 190,120 | \$ 64,210 | \$ 181,850 | \$ 68,420 |
| Assets at fair value..... | 170,130 | 35,250 | 158,630 | 47,790 |
| Projected benefit obligation in excess of plan assets..... | (19,990) | (28,960) | (23,220) | (20,630) |
| Reconciling items: | | | | |
| Unrecognized net loss..... | 21,510 | 5,240 | 22,780 | 13,720 |
| Unrecognized prior service cost..... | 7,740 | 10,030 | 8,680 | 1,240 |
| Unrecognized net (asset) obligation at transition..... | (12,340) | 6,640 | (12,800) | 1,400 |
| Requirement to recognize minimum liability..... | -- | (14,360) | -- | (11,170) |
| Accrued pension cost..... | \$ (3,080) | \$ (21,410) | \$ (4,560) | \$ (15,440) |

The Company sponsors certain postretirement benefit plans that provide medical, dental and life insurance coverage for eligible retirees and dependents in the United States based on age and length of service. At December 31, 1994, the aggregate present value of the accumulated postretirement benefit obligation approximated \$6 million pre-tax and is being amortized over 20 years.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

SEGMENT INFORMATION

The Company's operations in the industry segments detailed below consisted of the manufacture and sale principally of the following products:

Home improvement and building -- faucets; plumbing fittings; kitchen and bath cabinets; shower tubs, whirlpools and spas; bath accessories; kitchen appliances; builders' hardware; venting and ventilating equipment; and water pumps.

Home furnishings products -- quality furniture, fabrics and other home furnishings products.

Corporate assets consisted primarily of real property and other investments.

Pursuant to a corporate services agreement to provide MascoTech, Inc. with certain corporate staff and administrative services, the Company charges a fee approximating .8 percent of MascoTech net sales. This fee approximated \$11 million in each of 1994, 1993 and 1992 and is included as a reduction of general corporate expense.

| | (IN THOUSANDS) | | | | | | | | |
|---|----------------|-------------|-------------|------------------|-----------|-----------|-----------------------|-------------|-------------|
| | NET SALES | | | OPERATING PROFIT | | | ASSETS AT DECEMBER 31 | | |
| | 1994 | 1993 | 1992 | 1994 | 1993 | 1992 | 1994 | 1993 | 1992 |
| The Company's operations by segment were: | | | | | | | | | |
| Home improvement and building.... | \$2,523,000 | \$2,188,000 | \$1,991,000 | \$504,000 | \$412,000 | \$368,000 | \$1,603,000 | \$1,297,000 | \$1,262,000 |
| Home furnishings products.... | 1,945,000 | 1,698,000 | 1,534,000 | 89,000 | 69,000 | 60,000 | 1,966,000 | 1,886,000 | 1,778,000 |
| Total..... | \$4,468,000 | \$3,886,000 | \$3,525,000 | \$593,000 | \$481,000 | \$428,000 | \$3,569,000 | \$3,183,000 | \$3,040,000 |
| The Company's operations by geographic area were: | | | | | | | | | |
| United States..... | \$3,741,000 | \$3,194,000 | \$2,895,000 | \$480,000 | \$387,000 | \$334,000 | \$2,822,000 | \$2,638,000 | \$2,522,000 |
| European Union..... | 404,000 | 375,000 | 378,000 | 73,000 | 60,000 | 64,000 | 399,000 | 240,000 | 245,000 |
| Other foreign countries... | 323,000 | 317,000 | 252,000 | 40,000 | 34,000 | 30,000 | 348,000 | 305,000 | 273,000 |
| Total, as above... | \$4,468,000 | \$3,886,000 | \$3,525,000 | 593,000 | 481,000 | 428,000 | 3,569,000 | 3,183,000 | 3,040,000 |
| Other expense, net..... | | | | (187,000) | (41,000) | (54,000) | | | |
| General corporate expense, net.... | | | | (83,000) | (77,000) | (69,000) | | | |
| Income before income taxes(1)..... | | | | \$323,000 | \$363,000 | \$305,000 | | | |
| Equity and other investments in affiliates... Corporate assets..... | | | | | | | 243,000 | 349,000 | 463,000 |
| | | | | | | | 578,000 | 521,000 | 509,000 |
| Total assets... | | | | | | | \$4,390,000 | \$4,053,000 | \$4,012,000 |

| | PROPERTY ADDITIONS (2) | | | DEPRECIATION AND AMORTIZATION | | |
|---|------------------------|-----------|-----------|-------------------------------|----------|----------|
| | 1994 | 1993 | 1992 | 1994 | 1993 | 1992 |
| The Company's operations by segment were: | | | | | | |
| Home improvement and building..... | \$128,000 | \$80,000 | \$80,000 | \$52,000 | \$48,000 | \$48,000 |
| Home furnishings products..... | 70,000 | 71,000 | 35,000 | 48,000 | 46,000 | 45,000 |
| Total..... | \$198,000 | \$151,000 | \$115,000 | \$100,000 | \$94,000 | \$93,000 |

=====

(1) Income before income taxes and net income from foreign operations for 1994, 1993 and 1992 were \$114 million and \$76 million, \$92 million and \$55 million, and \$88 million and \$54 million, respectively.

(2) Property additions include assets of acquired companies.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

OTHER INCOME (EXPENSE), NET

| | (IN THOUSANDS) | | |
|---|----------------|-------------|-------------|
| | 1994 | 1993 | 1992 |
| | ----- | ----- | ----- |
| Re: MascoTech, Inc.: | | | |
| Equity earnings (loss)..... | \$(106,110) | \$ 13,160 | \$ 12,570 |
| | ----- | ----- | ----- |
| Interest and dividend income..... | -- | 16,220 | 17,100 |
| | ----- | ----- | ----- |
| Gain from redemption of preferred stock.... | -- | 28,300 | -- |
| | ----- | ----- | ----- |
| Equity earnings, other affiliates..... | 4,800 | 5,580 | 4,720 |
| | ----- | ----- | ----- |
| Other, net: | | | |
| Income from cash and marketable securities..... | 2,280 | 3,250 | 4,330 |
| Other interest income..... | 8,230 | 9,800 | 11,640 |
| Other items..... | 8,520 | (11,720) | (3,460) |
| | ----- | ----- | ----- |
| | 19,030 | 1,330 | 12,510 |
| | ----- | ----- | ----- |
| Interest expense..... | (104,720) | (105,820) | (100,640) |
| | ----- | ----- | ----- |
| | \$(187,000) | \$ (41,230) | \$ (53,740) |
| | ===== | ===== | ===== |

Equity earnings from MascoTech for 1994 were \$32 million, prior to the Company's \$138 million pre-tax equity share of MascoTech's non-cash fourth quarter charge.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

INCOME TAXES

| | (IN THOUSANDS) | | |
|--|----------------|------------|-----------|
| | 1994 | 1993 | 1992 |
| | ----- | ----- | ----- |
| Income before income taxes: | | | |
| Domestic..... | \$208,170 | \$270,930 | \$216,460 |
| Foreign..... | 114,430 | 91,670 | 88,340 |
| | ----- | ----- | ----- |
| | \$322,600 | \$362,600 | \$304,800 |
| | ===== | ===== | ===== |
| Provision for income taxes: | | | |
| Currently payable: | | | |
| Federal..... | \$110,150 | \$ 96,830 | \$ 62,360 |
| State and local..... | 19,000 | 13,530 | 12,500 |
| Foreign..... | 32,230 | 39,640 | 35,220 |
| Deferred: | | | |
| Federal, net..... | (39,090) | (5,570) | 12,090 |
| Foreign..... | 6,610 | (2,930) | (470) |
| | ----- | ----- | ----- |
| | \$128,900 | \$141,500 | \$121,700 |
| | ===== | ===== | ===== |
| Deferred tax assets at December 31: | | | |
| Intangibles..... | \$ 31,810 | -- | |
| Inventories..... | 17,480 | \$ 12,080 | |
| Earlier recognition of expenses for financial reporting purposes..... | 37,990 | 26,670 | |
| Other, principally equity investments..... | 57,770 | 19,450 | |
| | ----- | ----- | |
| | 145,050 | 58,200 | |
| | ----- | ----- | |
| Deferred tax liabilities at December 31: | | | |
| Property and equipment..... | 152,830 | 145,880 | |
| Other..... | 14,020 | 9,240 | |
| | ----- | ----- | |
| | 166,850 | 155,120 | |
| | ----- | ----- | |
| Net deferred tax liability at December 31..... | \$ 21,800 | \$ 96,920 | |
| | ===== | ===== | |
| Provision for deferred income taxes for temporary differences: | | | |
| Accelerated tax deductions, including depreciation..... | \$ 15,970 | \$ 900 | \$ 3,990 |
| Earlier recognition of gains and (losses), net for financial reporting purposes..... | (48,450) | (9,400) | 7,630 |
| | ----- | ----- | ----- |
| | \$(32,480) | \$ (8,500) | \$ 11,620 |
| | ===== | ===== | ===== |

Net deferred tax liability at December 31, 1994 and 1993 consists of net short-term deferred tax assets of \$44.5 million and \$32.1 million, respectively, and net long-term deferred tax liabilities of \$66.3 million and \$129.0 million, respectively.

The effective tax rate differs from the United States federal statutory rate principally due to: foreign income tax (-1 percent in 1993 and -2 percent in 1992), amortization in excess of tax, net (-2 percent in 1994, -1 percent in 1993 and -2 percent in 1992), dividends-received deduction (2 percent in 1994 and 1 percent in 1993 and 1992), state income tax (-4 percent in 1994, -2 percent in 1993 and -3 percent in 1992) and other (-1 percent in 1994 and 1993).

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

INCOME TAXES -- (CONTINUED)

Income taxes paid were approximately \$175 million, \$135 million and \$97 million in 1994, 1993 and 1992, respectively.

Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which requires the use of an asset and liability method of accounting for income taxes, became effective in January 1993. Deferred income taxes result from temporary differences between the tax basis of assets and liabilities and the related basis reported in the consolidated financial statements. Prior to 1993, the Company followed the requirements of Statement of Financial Accounting Standards No. 96, Accounting for Income Taxes.

Provision has not been made for U.S. or additional foreign taxes on approximately \$75 million of remaining undistributed earnings of foreign subsidiaries, as those earnings are intended to be permanently reinvested. Generally, such earnings become taxable upon the remittance of dividends and under certain other circumstances. It is not practicable to estimate the amount of deferred tax liability on foreign undistributed earnings which are intended to be permanently reinvested.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

COMBINED FINANCIAL STATEMENTS (UNAUDITED)

The following presents the combined financial statements of the Company, MascoTech, Inc. and TriMas Corporation as one entity, with Masco Corporation as the parent company. Intercompany transactions have been eliminated. Amounts, except earnings per share, are in thousands.

| | AT DECEMBER 31 | |
|---|----------------|-------------|
| | 1994 | 1993 |
| COMBINED BALANCE SHEET | | |
| Assets | | |
| Current assets: | | |
| Cash and cash investments..... | \$ 230,780 | \$ 272,950 |
| Marketable securities..... | 72,020 | 32,680 |
| Receivables..... | 980,940 | 906,500 |
| Prepaid expenses..... | 133,490 | 118,700 |
| Deferred income taxes..... | 68,270 | 73,830 |
| Net current assets of businesses held for disposition..... | 146,690 | 28,830 |
| Inventories: | | |
| Finished goods..... | 449,290 | 393,820 |
| Raw material..... | 404,240 | 365,370 |
| Work in process..... | 266,810 | 281,680 |
| | 1,120,340 | 1,040,870 |
| Total current assets..... | 2,752,530 | 2,474,360 |
| Equity investments in affiliates..... | 150,310 | 163,970 |
| Property and equipment..... | 1,779,520 | 1,747,590 |
| Excess of cost over acquired net assets..... | 964,000 | 1,114,740 |
| Net non-current assets of businesses held for disposition..... | 232,370 | 38,680 |
| Other assets..... | 405,220 | 428,390 |
| Total assets..... | \$6,283,950 | \$5,967,730 |
| | ===== | ===== |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Notes payable..... | \$ 52,330 | \$ 36,310 |
| Accounts payable..... | 334,770 | 277,070 |
| Accrued liabilities..... | 457,160 | 428,720 |
| Total current liabilities..... | 844,260 | 742,100 |
| Long-term debt..... | 2,699,450 | 2,445,540 |
| Deferred income taxes and other..... | 206,630 | 307,450 |
| Other interests in combined affiliates..... | 420,930 | 474,210 |
| Total liabilities..... | 4,171,270 | 3,969,300 |
| Equity of shareholders of Masco Corporation..... | 2,112,680 | 1,998,430 |
| Total liabilities and shareholders' equity..... | \$6,283,950 | \$5,967,730 |
| | ===== | ===== |

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

COMBINED FINANCIAL STATEMENTS (UNAUDITED) -- (CONTINUED)

| | YEARS ENDED DECEMBER 31 | | |
|--|-------------------------|--------------|--------------|
| | 1994 | 1993 | 1992 |
| COMBINED STATEMENT OF INCOME | | | |
| Net sales..... | \$ 6,692,190 | \$ 5,901,060 | \$ 5,360,330 |
| Cost of sales..... | (4,735,170) | (4,169,190) | (3,797,980) |
| Selling, general and administrative expenses..... | (1,233,870) | (1,112,300) | (1,033,350) |
| Charge for disposition of businesses.... | (400,000) | -- | -- |
| Operating profit..... | 323,150 | 619,570 | 529,000 |
| Other income (expense), net: | | | |
| Interest expense..... | (167,480) | (189,610) | (188,230) |
| Other, net..... | 74,930 | 45,360 | 45,040 |
| | (92,550) | (144,250) | (143,190) |
| Income before income taxes and other interests..... | 230,600 | 475,320 | 385,810 |
| Income taxes..... | 126,760 | 208,930 | 172,610 |
| Other interests in combined affiliates..... | (89,860) | 45,290 | 30,100 |
| Net income..... | \$ 193,700 | \$ 221,100 | \$ 183,100 |
| Earnings per share..... | \$1.22 | \$1.45 | \$1.21 |

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

COMBINED FINANCIAL STATEMENTS (UNAUDITED) -- (CONTINUED)

| | YEARS ENDED DECEMBER 31 | | |
|--|-------------------------|-------------|------------|
| | 1994 | 1993 | 1992 |
| COMBINED STATEMENT OF CASH FLOWS | | | |
| Cash Flows From (For) Operating Activities: | | | |
| Net income..... | \$ 193,700 | \$ 221,100 | \$ 183,100 |
| Depreciation and amortization..... | 207,970 | 194,270 | 191,290 |
| Equity (earnings), net of dividends..... | (5,020) | (4,840) | (1,140) |
| Gain from change in investment..... | -- | (9,490) | (16,700) |
| Deferred income taxes and other..... | (100,600) | 7,590 | 15,860 |
| Charge for disposition of businesses..... | 400,000 | -- | -- |
| Other interests in net income (loss) of combined affiliates, net..... | (89,860) | 45,290 | 30,100 |
| Total from earnings..... | 606,190 | 453,920 | 402,510 |
| (Increase) in receivables..... | (98,690) | (52,670) | (75,340) |
| (Increase) in inventories..... | (100,790) | (49,950) | (36,550) |
| Increase (decrease) in accounts payable and accrued liabilities, net..... | 90,670 | 37,230 | (9,690) |
| Discontinued operations, net..... | (30,410) | 16,700 | 830 |
| Net cash from operating activities..... | 466,970 | 405,230 | 281,760 |
| Cash Flows From (For) Investing Activities: | | | |
| Capital expenditures..... | (330,140) | (252,360) | (198,170) |
| Acquisitions, net of cash acquired..... | (126,830) | -- | -- |
| Currency translation adjustments..... | 15,580 | (17,500) | (27,090) |
| Proceeds from sale of subsidiaries..... | 41,220 | 33,170 | -- |
| Other, net..... | (69,590) | 39,730 | (45,810) |
| Net cash (for) investing activities..... | (469,760) | (196,960) | (271,070) |
| Cash Flows From (For) Financing Activities: | | | |
| Increase in debt..... | 684,570 | 862,800 | 872,140 |
| Payment of debt..... | (479,940) | (1,087,400) | (915,630) |
| Issuance of common shares..... | -- | -- | 85,150 |
| Issuance of preferred stock..... | -- | 209,520 | -- |
| Repurchase of common stock..... | (115,860) | -- | -- |
| Cash dividends paid..... | (128,150) | (106,360) | (93,410) |
| Net cash (for) financing activities..... | (39,380) | (121,440) | (51,750) |
| Cash and Cash Investments: | | | |
| Increase (decrease) for the year..... | (42,170) | 86,830 | (41,060) |
| At January 1..... | 272,950 | 186,120 | 227,180 |
| At December 31..... | \$ 230,780 | \$ 272,950 | \$ 186,120 |

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONCLUDED)

INTERIM FINANCIAL INFORMATION (UNAUDITED)

| QUARTERS ENDED | (IN THOUSANDS EXCEPT PER SHARE AMOUNTS) | | | |
|-------------------|---|-----------------|-------------------------|---------------------------------|
| | NET SALES | GROSS PROFIT | NET INCOME (LOSS) | EARNINGS (LOSS) PER SHARE |
| ----- | | | | |
| 1994 | | | | |
| December 31..... | \$1,148,000 | \$ 365,030 | \$(13,800) | \$ (.09) |
| September 30..... | 1,150,000 | 382,700 | 72,100 | .45 |
| June 30..... | 1,120,000 | 366,500 | 70,100 | .44 |
| March 31..... | 1,050,000 | 352,000 | 65,300 | .42 |
| | ----- | ----- | ----- | ----- |
| | \$4,468,000 | \$1,466,230 | \$193,700 | \$1.22 |
| | ===== | ===== | ===== | ===== |
| 1993 | | | | |
| December 31..... | \$1,010,000 | \$ 322,070 | \$ 57,600 | \$.38 |
| September 30..... | 982,000 | 319,900 | 55,700 | .36 |
| June 30..... | 948,000 | 309,500 | 53,300 | .35 |
| March 31..... | 946,000 | 312,900 | 54,500 | .36 |
| | ----- | ----- | ----- | ----- |
| | \$3,886,000 | \$1,264,370 | \$221,100 | \$1.45 |
| | ===== | ===== | ===== | ===== |

Fourth quarter 1994 net loss and loss per share reflect the Company's \$138 million pre-tax equity share of MascoTech's non-cash fourth quarter charge associated with the planned disposition of its non-core businesses.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information regarding executive officers required by this Item is set forth as a Supplementary Item at the end of Part I hereof (pursuant to Instruction 3 to Item 401(b) of Regulation S-K). Other information required by this Item will be contained in the Company's definitive Proxy Statement for its 1995 Annual Meeting of Stockholders, to be filed on or before April 28, 1995, and such information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

Information required by this Item will be contained in the Company's definitive Proxy Statement for its 1995 Annual Meeting of Stockholders, to be filed on or before April 28, 1995, and such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information required by this Item will be contained in the Company's definitive Proxy Statement for its 1995 Annual Meeting of Stockholders, to be filed on or before April 28, 1995, and such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information required by this Item will be contained in the Company's definitive Proxy Statement for its 1995 Annual Meeting of Stockholders, to be filed on or before April 28, 1995, and such information is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(A) LISTING OF DOCUMENTS.

(1) Financial Statements. The Company's Consolidated Financial Statements included in Item 8 hereof, as required at December 31, 1994 and 1993, and for the years ended December 31, 1994, 1993 and 1992, consist of the following:

Consolidated Balance Sheet

Consolidated Statement of Income

Consolidated Statement of Cash Flows

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules.

(i) Financial Statement Schedule of the Company appended hereto, as required for the years ended December 31, 1994, 1993 and 1992, consists of the following:

II. Valuation and Qualifying Accounts

(ii) (A) MascoTech, Inc. and Subsidiaries Consolidated Financial Statements appended hereto, as required at December 31, 1994 and 1993, and for the years ended December 31, 1994, 1993 and 1992, consist of the following:

Consolidated Balance Sheet

Consolidated Statement of Operations

Consolidated Statement of Cash Flows

Notes to Consolidated Financial Statements

(ii) (B) MascoTech, Inc. and Subsidiaries Financial Statement Schedule appended hereto, as required for the years ended December 31, 1994, 1993 and 1992, consists of the following:

II. Valuation and Qualifying Accounts

(3) Exhibits.

- 3.i Restated Certificate of Incorporation of Masco Corporation and amendments thereto.
- 3.ii Bylaws of Masco Corporation, as amended.(2)
- 4.a.i Indenture dated as of December 1, 1982 between Masco Corporation and Morgan Guaranty Trust Company of New York, as Trustee(6), and Directors' resolutions establishing Masco Corporation's: (i) 9% Notes Due April 15, 1996,(5), (ii) 9% Notes Due October 1, 2001,(6), (iii) 6 1/4% Notes Due June 15, 1995,(4), (iv) 6 5/8% Notes Due September 15, 1999,(4), 6 1/8% Notes Due September 15, 2003,(3), and (vi) 7 1/8% Debentures Due August 15, 2013,(3).
- 4.a.ii Agreement of Appointment and Acceptance of Successor Trustee dated as of July 25, 1994 among Masco Corporation, Morgan Guaranty Trust Company of New York and The First National Bank of Chicago.(1)
- 4.a.iii Supplemental Indenture dated as of July 26, 1994 between Masco Corporation and The First National Bank of Chicago.(1)

- 4.b Indenture dated as of December 1, 1982 between Masco Corporation and Citibank, N.A., as Trustee, and Directors' resolutions establishing Masco Corporation's 5 1/4% Convertible Subordinated Debentures Due 2012, including form of Debenture.(6)
- 4.c \$750,000,000 Amended and Restated Credit Agreement dated as of May 18, 1994 among Masco Corporation, the banks signatory thereto and Morgan Guaranty Trust Company of New York, as agent.(1)
- 4.d Indenture dated as of November 1, 1986 between Masco Industries, Inc. (now known as MascoTech, Inc.) and Morgan Guaranty Trust Company of New York, as Trustee, and Directors' resolutions establishing Masco Industries, Inc.'s 4 1/2% Convertible Subordinated Debentures Due 2003,(2), Agreement of Appointment and Acceptance of Successor Trustee dated as of August 4, 1994 among MascoTech, Inc., Morgan Guaranty Trust Company of New York and The First National Bank of Chicago and Supplemental Indenture dated as of August 5, 1994 among MascoTech, Inc. and The First National Bank of Chicago.
- 4.e Credit Agreement dated as of September 2, 1993 by and among MascoTech, Inc., the banks party thereto, and NBD Bank, N.A. (now known as NBD Bank), as Agent, and Comerica Bank, The Bank of New York, The First National Bank of Chicago, Morgan Guaranty Trust Company of New York and NationsBank of North Carolina, N.A., as Co-Agents(2), First Amendment thereto dated June 29, 1994 and Second Amendment thereto dated December 21, 1994.
- NOTE: Other instruments, notes or extracts from agreements defining the rights of holders of long-term debt of Masco Corporation or its subsidiaries have not been filed since (i) in each case the total amount of long-term debt permitted thereunder does not exceed 10 percent of Masco Corporation's consolidated assets, and (ii) such instruments, notes and extracts will be furnished by Masco Corporation to the Securities and Exchange Commission upon request.
- 10.a Assumption and Indemnification Agreement dated as of May 1, 1984 between Masco Corporation and Masco Industries, Inc. (now known as MascoTech, Inc.).(7)
- 10.b Corporate Services Agreement dated as of January 1, 1987 between Masco Corporation and Masco Industries, Inc. (now known as MascoTech, Inc.).(4)
- 10.c Corporate Opportunities Agreement dated as of May 1, 1984 between Masco Corporation and Masco Industries, Inc. (now known as MascoTech, Inc.).(7)
- 10.d Stock Repurchase Agreement dated as of May 1, 1984 between Masco Corporation and Masco Industries, Inc. (now known as MascoTech, Inc.) and related forfeiture letter dated September 20, 1985, Amendment to Stock Repurchase Agreement dated as of December 20, 1990(6) and Agreement dated as of November 23, 1993 including an amendment to Stock Repurchase Agreement.(2)
- NOTE: Exhibits 10.e through 10.p constitute the management contracts and executive compensatory plans or arrangements in which certain of the Directors and executive officers of the company participate.
- 10.e Masco Corporation 1991 Long-Term Stock Incentive Plan.(6)
- 10.f Masco Corporation 1988 Restricted Stock Incentive Plan (Restated September 11, 1990).(7)
- 10.g Masco Corporation 1988 Stock Option Plan (Restated September 11, 1990).(7)
- 10.h Masco Corporation 1984 Restricted Stock (Industries) Incentive Plan (Restated September 14, 1993).

| | |
|------|--|
| 10.i | Masco Corporation 1984 Stock Option Plan (Restated September 14, 1993). |
| 10.j | Masco Corporation Restricted Stock Incentive Plan (Restated September 14, 1993). |
| 10.k | MascoTech, Inc. 1991 Long-Term Stock Incentive Plan (Restated September 14, 1993).(2) |
| 10.l | MascoTech, Inc. 1984 Restricted Stock Incentive Plan (Restated September 14, 1993).(2) |
| 10.m | MascoTech, Inc. 1984 Stock Option Plan (Restated September 14, 1993).(2) |
| 10.n | Masco Corporation Supplemental Executive Retirement and Disability Plan. |
| 10.o | Masco Corporation Benefits Restoration Plan. |
| 10.p | Form of Agreement dated June 29, 1989 between Masco Corporation and certain of its officers.(2) |
| 10.q | Amended and Restated Securities Purchase Agreement dated as of November 23, 1993 between Masco Corporation and MascoTech, Inc., including form of Note.(2) |
| 10.r | Registration Agreement dated as of March 31, 1993 between Masco Corporation and Masco Industries, Inc. (now known as MascoTech, Inc.).(2) |
| 10.s | Stock Purchase Agreement between Masco Corporation and Masco Industries, Inc. (now known as MascoTech, Inc.) dated as of December 23, 1991 (regarding Masco Capital Corporation).(6) |
| 11 | Computation of Primary and Fully Diluted Per Share Earnings. |
| 12 | Computation of Ratio of Earnings to Fixed Charges. |
| 21 | List of Subsidiaries. |
| 23.a | Consent of Coopers & Lybrand L.L.P. relating to Masco Corporation's Financial Statements and Financial Statement Schedule. |
| 23.b | Consent of Coopers & Lybrand L.L.P. relating to MascoTech, Inc.'s Financial Statements and Financial Statement Schedule. |
| 27 | Financial Data Schedule. |

(1) Incorporated by reference to the Exhibits filed with Masco Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994.

(2) Incorporated by reference to the Exhibits filed with Masco Corporation's Annual Report on Form 10-K for the year ended December 31, 1993.

(3) Incorporated by reference to the Exhibits filed with Masco Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

(4) Incorporated by reference to the Exhibits filed with Masco Corporation's Annual Report on Form 10-K for the year ended December 31, 1992.

(5) Incorporated by reference to the Exhibits filed with Masco Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1991.

(6) Incorporated by reference to the Exhibits filed with Masco Corporation's Annual Report on Form 10-K for the year ended December 31, 1991.

(7) Incorporated by reference to the Exhibits filed with Masco Corporation's Annual Report on Form 10-K for the year ended December 31, 1990.

(B) REPORTS ON FORM 8-K.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

MASCO CORPORATION

By /s/ RICHARD G. MOSTELLER

RICHARD G. MOSTELLER

Senior Vice President -- Finance

March 28, 1995

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

PRINCIPAL EXECUTIVE OFFICER:

/s/ RICHARD A. MANOOGIAN

Chairman of the Board
and Chief Executive Officer

RICHARD A. MANOOGIAN

PRINCIPAL FINANCIAL OFFICER:

/s/ RICHARD G. MOSTELLER

Senior Vice President -- Finance

RICHARD G. MOSTELLER

PRINCIPAL ACCOUNTING OFFICER:

/s/ ROBERT B. ROSOWSKI

Vice President -- Controller

ROBERT B. ROSOWSKI

/s/ WAYNE B. LYON

President and Director

WAYNE B. LYON

/s/ LILLIAN BAUDER

Director

March 28, 1995

LILLIAN BAUDER

/s/ ERWIN L. KONING

Director

ERWIN L. KONING

/s/ JOHN A. MORGAN

Director

JOHN A. MORGAN

/s/ ARMAN SIMONE

Director

ARMAN SIMONE

/s/ PETER W. STROH

Director

PETER W. STROH

MASCO CORPORATION

FINANCIAL STATEMENT SCHEDULES

PURSUANT TO ITEM 14(A)(2) OF FORM 10-K

ANNUAL REPORT TO THE SECURITIES AND EXCHANGE COMMISSION

Schedules, as required, for the years ended December 31, 1994, 1993 and 1992:

| | PAGE |
|--|------|
| II. Valuation and Qualifying Accounts..... | F-2 |
| MascoTech, Inc. and Subsidiaries Consolidated Financial Statements and Financial Statement Schedules..... | F-3 |

MASCO CORPORATION

SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992

| COLUMN A ----- DESCRIPTION ----- | COLUMN B ----- BALANCE AT BEGINNING OF PERIOD ----- | COLUMN C ----- ADDITIONS ----- | | COLUMN D ----- DEDUCTIONS ----- | COLUMN E ----- BALANCE AT END OF PERIOD ----- |
|--|--|--|---|--|---|
| | | CHARGED TO COSTS AND EXPENSES ----- | CHARGED TO OTHER ACCOUNTS ----- (A) | | |
| Allowance for doubtful accounts, deducted from accounts receivable in the balance sheet: | | | | | |
| 1994..... | \$19,070,000 ===== | \$ 9,770,000 ===== | \$1,400,000 ===== | \$10,190,000 ===== | \$20,050,000 ===== |
| 1993..... | \$16,340,000 ===== | \$12,900,000 ===== | \$ (130,000) ===== | \$10,040,000 ===== | \$19,070,000 ===== |
| 1992..... | \$13,680,000 ===== | \$15,460,000 ===== | -- ===== | \$12,800,000 ===== | \$16,340,000 ===== |

Notes:

(A) Allowance of companies acquired and companies disposed of, net.

(B) Deductions, representing uncollectible accounts written off, less recoveries of accounts written off in prior years.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
and Shareholders of MascoTech, Inc.:

We have audited the accompanying consolidated balance sheet of MascoTech, Inc. and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of operations and cash flows for each of the three years in the period ended December 31, 1994, and the financial statement schedule as listed in Item 14(a)(2)(ii) of this Form 10-K. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of MascoTech, Inc. and subsidiaries as of December 31, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

Detroit, Michigan
February 17, 1995

MASCOTECH, INC.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1994 AND 1993

ASSETS

| | 1994 | 1993 |
|---|-----------------|-----------------|
| | ----- | ----- |
| Current assets: | | |
| Cash and cash investments..... | \$ 61,950,000 | \$ 83,200,000 |
| Marketable securities..... | 62,110,000 | 27,790,000 |
| Receivables..... | 171,870,000 | 238,820,000 |
| Inventories..... | 91,950,000 | 140,040,000 |
| Deferred and refundable income taxes..... | 23,800,000 | 41,780,000 |
| Prepaid expenses and other assets..... | 39,800,000 | 24,210,000 |
| Net current assets of businesses held for disposition..... | 146,690,000 | 28,830,000 |
| | ----- | ----- |
| Total current assets..... | 598,170,000 | 584,670,000 |
| Equity and other investments in affiliates..... | 173,230,000 | 170,510,000 |
| Property and equipment, net..... | 379,330,000 | 490,190,000 |
| Excess of cost over net assets of acquired companies..... | 93,820,000 | 439,760,000 |
| Notes receivable and other assets..... | 53,770,000 | 66,100,000 |
| Net non-current assets of businesses held for disposition..... | 232,370,000 | 38,680,000 |
| | ----- | ----- |
| Total assets..... | \$1,530,690,000 | \$1,789,910,000 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable..... | \$ 111,860,000 | \$ 95,520,000 |
| Accrued liabilities..... | 72,090,000 | 103,260,000 |
| Current portion of long-term debt..... | 3,670,000 | 2,830,000 |
| | ----- | ----- |
| Total current liabilities..... | 187,620,000 | 201,610,000 |
| Long-term debt..... | 868,240,000 | 788,360,000 |
| Deferred income taxes and other long-term liabilities..... | 93,690,000 | 132,310,000 |
| | ----- | ----- |
| Total liabilities..... | 1,149,550,000 | 1,122,280,000 |
| | ----- | ----- |
| Shareholders' equity: | | |
| Preferred stock, \$1 par: Authorized: 25 million; Outstanding: 10.8 million (liquidation value -- \$216 million)..... | 10,800,000 | 10,800,000 |
| Common stock, \$1 par: Authorized: 250 million; Outstanding: 56.6 million and 60.5 million..... | 56,610,000 | 60,510,000 |
| Paid-in capital..... | 318,960,000 | 367,290,000 |
| Retained earnings (deficit)..... | (7,590,000) | 232,120,000 |
| Cumulative translation adjustments..... | 2,360,000 | (3,090,000) |
| | ----- | ----- |
| Total shareholders' equity..... | 381,140,000 | 667,630,000 |
| | ----- | ----- |
| Total liabilities and shareholders' equity..... | \$1,530,690,000 | \$1,789,910,000 |
| | ===== | ===== |

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

MASCOTECH, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992

| | 1994 | 1993 | 1992 |
|--|------------------|------------------|------------------|
| Net sales..... | \$ 1,702,260,000 | \$ 1,582,880,000 | \$ 1,455,320,000 |
| Cost of sales..... | (1,385,430,000) | (1,257,480,000) | (1,159,050,000) |
| Gross profit..... | 316,830,000 | 325,400,000 | 296,270,000 |
| Selling, general and administrative expenses..... | (194,680,000) | (179,680,000) | (184,430,000) |
| Charge for disposition of businesses..... | (400,000,000) | -- | -- |
| Operating profit (loss)..... | (277,850,000) | 145,720,000 | 111,840,000 |
| Other income (expense), net: | | | |
| Interest expense, Masco Corporation..... | -- | (6,990,000) | (7,800,000) |
| Other interest expense..... | (49,830,000) | (74,370,000) | (78,190,000) |
| Equity and interest income from affiliates..... | 29,810,000 | 21,000,000 | 15,750,000 |
| Gain from change in investment of equity affiliates..... | -- | 9,490,000 | 16,700,000 |
| Other, net..... | 33,380,000 | 26,330,000 | 9,950,000 |
| | 13,360,000 | (24,540,000) | (43,590,000) |
| Income (loss) from continuing operations before income taxes (credit) and extraordinary income (loss)..... | (264,490,000) | 121,180,000 | 68,250,000 |
| Income taxes (credit)..... | (30,070,000) | 50,290,000 | 29,210,000 |
| Income (loss) from continuing operations before extraordinary income (loss)..... | (234,420,000) | 70,890,000 | 39,040,000 |
| Discontinued energy operations (net of income taxes): | | | |
| Income (loss) from operations of discontinued energy segment..... | -- | 2,630,000 | (610,000) |
| Gain (loss) on disposition..... | 11,700,000 | (22,270,000) | -- |
| Income (loss) before extraordinary income (loss)..... | (222,720,000) | 51,250,000 | 38,430,000 |
| Extraordinary income (loss) (net of income taxes)..... | 2,600,000 | (3,650,000) | -- |
| Net income (loss)..... | \$ (220,120,000) | \$ 47,600,000 | \$ 38,430,000 |
| Preferred stock dividends..... | \$ 12,960,000 | \$ 14,930,000 | \$ 9,300,000 |
| Earnings (loss) attributable to common stock..... | \$ (233,080,000) | \$ 32,670,000 | \$ 29,130,000 |

| | 1993 | | | |
|---|----------|----------|---------------|---------|
| | 1994 | ASSUMING | | 1992 |
| | PRIMARY | PRIMARY | FULL DILUTION | PRIMARY |
| Earnings (loss) per common and common equivalent share: | | | | |
| Continuing operations..... | \$(4.20) | \$.97 | \$.91 | \$.49 |
| Discontinued energy operations: | | | | |
| Income (loss) from operations of discontinued energy segment..... | -- | .05 | .04 | (.01) |
| Gain (loss) on disposition..... | .20 | (.39) | * | -- |
| Income (loss) before extraordinary income (loss)..... | (4.00) | .63 | .63 | .48 |
| Extraordinary income (loss)..... | .04 | (.06) | * | -- |
| Earnings (loss) attributable to common stock..... | \$(3.96) | \$.57 | \$.57 | \$.48 |

* Anti-dilutive

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

MASCOTECH, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992

| | 1994 | 1993 | 1992 |
|---|-----------------|---------------|---------------|
| | ----- | ----- | ----- |
| CASH FROM (USED FOR): | | | |
| OPERATING ACTIVITIES: | | | |
| Net income (loss)..... | \$(220,120,000) | \$ 47,600,000 | \$ 38,430,000 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities, excluding reclassification of businesses held for disposition: | | | |
| Charge for disposition of businesses..... | 400,000,000 | -- | -- |
| Gain from change in investment of equity affiliates..... | -- | (9,490,000) | (16,700,000) |
| Gains from sales of TriMas common stock.... | (17,900,000) | -- | -- |
| Depreciation and amortization..... | 66,760,000 | 59,810,000 | 59,920,000 |
| Equity earnings, net of dividends..... | (23,720,000) | (12,000,000) | (5,250,000) |
| (Decrease) increase in deferred taxes..... | (67,760,000) | 15,590,000 | 3,130,000 |
| (Increase) decrease in marketable securities, net..... | (34,320,000) | 2,980,000 | 3,150,000 |
| (Increase) in receivables..... | (37,940,000) | (5,900,000) | (23,930,000) |
| (Increase) in inventories..... | (23,390,000) | (2,990,000) | (2,920,000) |
| (Increase) decrease in prepaid expenses.... | (33,490,000) | (11,650,000) | 4,010,000 |
| Increase (decrease) in accounts payable and accrued liabilities..... | 65,330,000 | (5,900,000) | (12,930,000) |
| Other, net, including extraordinary income (loss)..... | (5,370,000) | 8,180,000 | 13,540,000 |
| Net assets of businesses held for disposition, net..... | (30,410,000) | 16,700,000 | 830,000 |
| | ----- | ----- | ----- |
| Net cash from operating activities..... | 37,670,000 | 102,930,000 | 61,280,000 |
| | ----- | ----- | ----- |
| FINANCING ACTIVITIES: | | | |
| Issuance of convertible debt..... | 337,240,000 | -- | -- |
| Increase in other debt..... | 82,730,000 | -- | 11,670,000 |
| Payment or repurchase of other debt..... | (349,230,000) | (150,020,000) | (135,490,000) |
| Issuance of preferred stock..... | -- | 209,520,000 | -- |
| Retirement of Company Common Stock..... | (54,130,000) | -- | -- |
| Retirement of preferred stock..... | -- | (100,000,000) | -- |
| Payment of dividends..... | (18,980,000) | (16,020,000) | (9,300,000) |
| Other, net..... | (5,010,000) | 3,770,000 | (2,240,000) |
| | ----- | ----- | ----- |
| Net cash used for financing activities... | (7,380,000) | (52,750,000) | (135,360,000) |
| | ----- | ----- | ----- |
| INVESTING ACTIVITIES: | | | |
| Cash received from sales or redemption of TriMas securities..... | 18,180,000 | -- | 88,000,000 |
| Cash paid Masco Corporation..... | -- | (87,500,000) | -- |
| Cash received from sale of energy businesses..... | 41,220,000 | 93,450,000 | -- |
| Capital expenditures..... | (115,220,000) | (59,540,000) | (60,000,000) |
| Receipt of cash from notes receivable..... | 14,640,000 | 14,000,000 | 3,830,000 |
| Other, net..... | (10,360,000) | (3,390,000) | 300,000 |
| | ----- | ----- | ----- |
| Net cash (used for) from investing activities..... | (51,540,000) | (42,980,000) | 32,130,000 |
| | ----- | ----- | ----- |
| CASH AND CASH INVESTMENTS: | | | |
| Increase (decrease) for the year..... | (21,250,000) | 7,200,000 | (41,950,000) |
| At January 1..... | 83,200,000 | 76,000,000 | 117,950,000 |
| | ----- | ----- | ----- |
| At December 31..... | \$ 61,950,000 | \$ 83,200,000 | \$ 76,000,000 |
| | ===== | ===== | ===== |

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

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES:

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. All significant intercompany transactions have been eliminated. Corporations that are 20 to 50 percent owned are accounted for by the equity method of accounting. Capital transactions by equity affiliates, which reduce the Company's ownership interest at amounts differing from the Company's carrying amount, are reflected in other income or expense and equity and other investments in affiliates.

Certain amounts for the years ended December 31, 1993 and 1992 have been reclassified to conform to the presentation adopted in 1994. The balance sheet at December 31, 1994 reflects the segregation of net current and net non-current assets related to the plan, adopted in late 1994, to dispose of certain businesses. The financial statements and related notes have been reclassified to present the energy segment as discontinued operations (see "Dispositions of Operations" note).

The Company has a corporate services agreement with Masco Corporation, which at December 31, 1994 owned approximately 44 percent of the Company's Common Stock. Under the terms of the agreement, the Company pays fees to Masco Corporation for various corporate staff support and administrative services, research and development and facilities. Such fees, which are determined principally as a percentage of net sales, including net sales related to businesses held for disposition, aggregated approximately \$11 million in each of 1994, 1993 and 1992.

Cash and Cash Investments. The Company considers all highly liquid debt instruments with an initial maturity of three months or less to be cash and cash investments. The carrying amount reported in the balance sheet for cash and cash investments approximates fair value.

Marketable Securities. The Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", in 1994. At December 31, 1994 marketable equity securities have been categorized as trading securities, and, as a result, are stated at fair value. At December 31, 1993 marketable equity securities were stated at the lower of cost or market. Derivative financial instruments, consisting principally of S&P 500 futures contracts, are held for purposes other than trading and are carried at market value. Changes in market value of outstanding futures contracts are recognized as incurred.

Receivables. Receivables are presented net of allowances for doubtful accounts of approximately \$1.6 million and \$5.1 million at December 31, 1994 and 1993, respectively.

Inventories. Inventories are stated at the lower of cost or net realizable value, with cost determined principally by use of the first-in, first-out method.

Property and Equipment, Net. Property and equipment additions, including significant betterments, are recorded at cost. Upon retirement or disposal of property and equipment, the cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income. Repair and maintenance costs are charged to expense as incurred.

Depreciation and Amortization. Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Annual depreciation rates are as follows: buildings and land improvements, 2 1/2 to 10 percent, and machinery and equipment, 6 2/3 to 33 1/3 percent. Deferred financing costs are amortized over the lives of the related debt securities. The excess of cost over net assets of acquired companies is amortized using the straight-line method over the period estimated to be benefitted, not exceeding 40 years. At each balance sheet date, management assesses whether there has been a permanent impairment of the excess of cost over net assets of acquired companies by comparing anticipated undiscounted future cash flows from operating activities with the carrying amount of the excess of cost over net assets of acquired companies. The factors considered by

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

management in performing this assessment include current operating results, business prospects, market trends, potential product obsolescence, competitive activities and other economic factors. Based on this assessment there was no permanent impairment related to the excess of cost over net assets of acquired companies not held for disposition at December 31, 1994.

At December 31, 1994 and 1993, accumulated amortization of the excess of cost over net assets of acquired companies and patents was \$34.5 million and \$86.5 million, respectively. Amortization expense was \$22.9 million, \$22.2 million and \$22.8 million in 1994, 1993 and 1992, respectively, including amortization expense of approximately \$1.6 million in both 1993 and 1992 related to discontinued operations.

Income Taxes. In January 1993, the Company adopted Statement of Financial Accounting Standards No. 109 ("SFAS No. 109"), "Accounting for Income Taxes." SFAS No. 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, SFAS No. 109 generally allows consideration of all expected future events other than enactments of changes in the tax law or tax rates. There was no income statement impact from the adoption of SFAS No. 109. Provision has not been made for U.S. or additional foreign taxes on approximately \$28 million of undistributed earnings of foreign subsidiaries as those earnings are intended to be permanently reinvested. Generally, such earnings become taxable upon the remittance of dividends and under certain other circumstances. It is not practicable to estimate the amount of deferred tax liability on such undistributed earnings.

Earnings (Loss) Per Common Share. Primary loss per common share in 1994 is based on 58.9 million weighted average shares of common stock outstanding. The effect of stock options and warrants in 1994 would be anti-dilutive. Primary earnings per common share are based on weighted average shares of common stock and common stock equivalents outstanding (including the dilutive effect of stock options and warrants, utilizing the treasury stock method) of 57.4 million and 60.9 million in 1993 and 1992, respectively. Primary earnings (loss) per common share are calculated on earnings (loss) after deducting preferred stock dividends of \$13.0 million, \$14.9 million and \$9.3 million in 1994, 1993 and 1992, respectively.

Fully diluted earnings (loss) per common share are only presented when the assumed conversion of convertible securities is dilutive. Fully diluted earnings per common share in 1993 was calculated based on 68.8 million weighted average common shares outstanding. Convertible securities did not have a dilutive effect on earnings (loss) per common share in 1994 or 1992.

In late 1993, approximately 10.4 million common shares were issued as a result of the conversion of the 6% Convertible Subordinated Debentures (see "Shareholders' Equity" note). If such conversion had taken place at the beginning of 1993, the primary earnings per common and common equivalent share amounts would have approximated the amounts presented for earnings per common and common equivalent share, assuming full dilution, in 1993.

Adoption of Statements of Financial Accounting Standards. The Company expects that the adoption of Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan", will not have a material impact on the financial position or the results of operations of the Company when adopted in 1995.

SUPPLEMENTARY CASH FLOWS INFORMATION:

Significant transactions not affecting cash were: in 1993: in addition to the payment by the Company of \$87.5 million, the non-cash portion of the issuance of Company Preferred Stock and warrants in exchange for Company Common Stock, Company Preferred Stock and Masco

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Corporation's holdings of Emco Limited common stock and convertible debentures (see "Shareholders' Equity" note); conversion of \$187 million of convertible debentures into Company Common Stock (see "Shareholders' Equity" note); and conversion of the Company's TriMas Corporation ("TriMas") convertible preferred stock holdings into TriMas common stock (see "Equity and Other Investments in Affiliates" note).

Income taxes paid were \$28 million, \$32 million and \$23 million in 1994, 1993 and 1992, respectively. Interest paid was \$61 million, \$82 million and \$91 million in 1994, 1993 and 1992, respectively.

DISPOSITIONS OF OPERATIONS:

In late 1994, the Company adopted a plan to dispose, by sale or liquidation, a number of businesses, including its Architectural Products, Defense and certain of its Transportation-Related Products businesses, as part of its long-term strategic plan to increase the focus on its core operating capabilities. The disposition of these businesses is expected to primarily occur in 1995 with the cash portion of the proceeds applied to reduce the Company's indebtedness and to provide capital to invest in its core businesses. The disposition of these businesses does not meet the criteria for discontinued operations treatment for accounting purposes; accordingly, the sales and results of operations of these businesses will be included in continuing operations until disposition. The businesses to be disposed had annual sales of \$675 million, \$715 million and \$675 million in 1994, 1993 and 1992, respectively, and operating profit (loss), before the charge recorded in 1994, of \$(2) million, \$22 million and \$30 million in 1994, 1993 and 1992, respectively.

The expected proceeds from the sale or liquidation of the businesses to be disposed was estimated by the Company's management based on a variety of factors including: historical and projected operating performance, competitive market position, perceived strategic value to potential acquirors, tangible asset values and other relevant factors. In addition, management's estimate of the expected proceeds included input from independent parties familiar with business valuations of this nature. The Company's carrying value of a number of the businesses to be disposed exceeded the estimated proceeds expected from such dispositions. To reflect the estimated loss on the disposition of these businesses, the Company recorded a non-cash charge aggregating \$400 million pre-tax (approximately \$315 million after-tax or \$5.35 per common share) for those businesses for which a loss is anticipated. The approximate components of the charge are as follows (in thousands):

| | |
|--|-----------|
| Write-down of assets due to anticipated net proceeds being less than carrying value: | |
| Excess of cost over net assets of acquired companies..... | \$270,000 |
| Other assets, principally property and equipment..... | 105,000 |
| Expenses of sale or liquidation accruable at December 31, 1994..... | 25,000 |
| | ----- |
| Pre-tax charge..... | \$400,000 |
| | ===== |

Future periods will include the operating results of the businesses to be sold and any additional anticipated costs to be incurred in connection with the sale or liquidation of the remaining businesses which cannot be accrued at December 31, 1994, as well as the result of differences between estimated and actual proceeds. In addition, management expects that certain of the businesses to be disposed may be sold for gains; such gains will be recognized when realized.

In late 1993, the Company adopted a plan to divest the business units in its energy segment. This plan met the criteria for discontinued operations accounting treatment; accordingly, the financial statements and related notes present the Company's energy segment as discontinued operations.

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

During 1993, two such business units were sold for approximately \$93 million, including the sale of one business unit to the Company's equity affiliate, TriMas, for \$60 million cash. The expected loss from the disposition of the Company's energy segment resulted in a fourth quarter 1993 pre-tax charge of approximately \$41 million (approximately \$22 million after-tax), including a provision for the businesses not sold in 1993 and the deferral of a portion of the gain (approximately \$6 million after-tax) related to the sale of the business to TriMas. Certain of the remaining business units were sold at prices greater than those used in estimating the loss on disposition in 1993, resulting in a reversal in 1994 of approximately \$18 million pre-tax (\$11.7 million after-tax) relating to the charge established in 1993.

Selected financial information for the Company's discontinued energy segment is as follows for the period up to the decision to discontinue in 1993, and for the year ended December 31, 1992:

| | (IN THOUSANDS) | |
|---|----------------|-----------|
| | 1993 | 1992 |
| Net sales..... | \$191,930 | \$201,520 |
| | ===== | ===== |
| Operating income..... | \$ 5,540 | \$ 3,050 |
| Other expense..... | (480) | (960) |
| | ----- | ----- |
| Pre-tax income..... | 5,060 | 2,090 |
| Income taxes..... | 2,430 | 2,700 |
| | ----- | ----- |
| Income (loss) from discontinued operations..... | \$ 2,630 | \$ (610) |
| | ===== | ===== |

The unusual relationship of income taxes to pre-tax income in 1992 results principally from foreign losses for which no tax benefit was recorded.

Amounts included in the consolidated balance sheet for net assets of businesses held for disposition consist of the following at December 31, 1994 and 1993, after reflecting the anticipated loss on disposition:

| | (IN THOUSANDS) | |
|---|----------------|-----------|
| | 1994 | 1993 |
| Receivables..... | \$ 107,760 | \$ 34,890 |
| Other current assets, principally inventories..... | 141,140 | 41,250 |
| Current liabilities, including accrued exit costs..... | (102,210) | (47,310) |
| | ----- | ----- |
| Net current assets..... | 146,690 | 28,830 |
| | ----- | ----- |
| Property and equipment, net..... | 120,350 | 30,060 |
| Other non-current assets and liabilities, net, including deferred tax assets..... | 112,020 | 8,620 |
| | ----- | ----- |
| Net non-current assets..... | 232,370 | 38,680 |
| | ----- | ----- |
| Net assets of businesses held for disposition..... | \$ 379,060 | \$ 67,510 |
| | ===== | ===== |

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

INVENTORIES:

| | (IN THOUSANDS) AT DECEMBER 31 | |
|----------------------|----------------------------------|-----------|
| | 1994 | 1993 |
| Finished goods..... | \$15,990 | \$ 39,400 |
| Work in process..... | 29,260 | 38,240 |
| Raw material..... | 46,700 | 62,400 |
| | \$91,950 | \$140,040 |
| | ===== | ===== |

EQUITY AND OTHER INVESTMENTS IN AFFILIATES:

Equity and other investments in affiliates consist primarily of the following common stock interests in publicly traded affiliates:

| | AT DECEMBER 31 | | |
|--------------------------------------|----------------|------|------|
| | 1994 | 1993 | 1992 |
| TriMas Corporation..... | 41% | 43% | 28% |
| Emco Limited..... | 43% | 43% | -- |
| Titan Wheel International, Inc. | 20% | 21% | 47% |

The carrying amount of investments in affiliates at December 31, 1994 and 1993 and quoted market values at December 31, 1994 for publicly traded affiliates (which may differ from the amounts that could have been realized upon disposition) are as follows:

| | (IN THOUSANDS) | | |
|---|-----------------------------------|----------------------------|----------------------------|
| | 1994 QUOTED MARKET VALUE | 1994 CARRYING AMOUNT | 1993 CARRYING AMOUNT |
| Common stock: | | | |
| TriMas Corporation..... | \$303,820 | \$ 60,090 | \$ 40,550 |
| Emco Limited..... | 55,680 | 50,130 | 50,470 |
| Titan Wheel International, Inc. | 40,900 | 20,180 | 15,500 |
| Common stock holdings..... | 400,400 | 130,400 | 106,520 |
| Convertible debt: | | | |
| Emco Limited..... | 29,950 | 31,560 | 30,700 |
| Convertible debt holdings..... | 29,950 | 31,560 | 30,700 |
| Investments in publicly traded affiliates.... | \$430,350 | 161,960 | 137,220 |
| Other non-public affiliates..... | | 11,270 | 33,290 |
| Total..... | | \$173,230 | \$170,510 |
| | | ===== | ===== |

In 1988, the Company transferred several businesses to TriMas, a publicly traded, diversified manufacturer of commercial, industrial and consumer products. In exchange, the Company received \$128 million principal amount of 14% Subordinated Debentures (which were subsequently redeemed resulting in prepayment premium income to the Company of \$9 million pre-tax in 1992), \$70 million (liquidation value) of 10% Convertible Participating Preferred Stock and 9.3 million shares of TriMas common stock.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

During the second quarter of 1992, TriMas sold 9.2 million shares of newly issued common stock at \$9.75 per share in a public offering, which reduced the Company's common equity ownership interest in TriMas to 28 percent from 41 percent. As a result, the Company recognized a pre-tax gain of \$16.7 million from the change in the Company's common equity ownership interest in TriMas. In late 1993, the TriMas 10% Convertible Participating Preferred Stock held by the Company was converted at a conversion price of \$9 per share into 7.8 million shares of TriMas common stock, increasing the Company's common equity ownership interest in TriMas to 43 percent. During 1994, the Company sold a portion of its common stock holdings in TriMas, decreasing the Company's common equity ownership interest in TriMas to 41 percent, and resulting in a pre-tax gain of \$17.9 million.

The Company's holdings in Emco Limited ("Emco") were acquired from Masco Corporation in 1993 (see "Shareholders' Equity" note). Emco is a major, publicly traded, Canadian-based manufacturer and distributor of building and other industrial products with annual sales of approximately \$800 million.

At December 31, 1992, the Company had an approximate 47 percent common equity ownership interest in Titan Wheel International, Inc. ("Titan"), a manufacturer of wheels, tires and other products for agricultural, construction and other off-highway equipment markets. In May 1993, Titan completed an initial public offering of three million shares of common stock at \$15 per share (including 292,000 shares held by the Company), reducing the Company's common equity ownership interest in Titan to 24 percent. The Company's ownership interest was further reduced in late 1993 to 21 percent as a result of the issuance of additional common shares by Titan in connection with an acquisition by Titan. These transactions resulted in 1993 gains aggregating approximately \$12.8 million pre-tax (principally in the second quarter) as a result of the sale of shares held by the Company and from the change in the Company's common equity ownership interest in Titan.

In addition to its equity and other investments in publicly traded affiliates, the Company has equity and other investment interests in privately held manufacturers of automotive components, including the Company's common equity ownership interest in Delco Remy America, Inc. ("Delco Remy"), a manufacturer of automotive electric motors and other components in which the Company acquired an interest in mid-1994.

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Approximate combined condensed financial data of the Company's equity affiliates, including Delco Remy and Emco subsequent to the Company's investment in these affiliates, are as follows:

| (IN THOUSANDS) AT DECEMBER 31 | | |
|--|------------|------------|
| | 1994 | 1993 |
| Current assets..... | \$ 881,150 | \$ 657,680 |
| Current liabilities..... | (320,400) | (222,580) |
| Working capital..... | 560,750 | 435,100 |
| Property and equipment, net..... | 524,140 | 349,740 |
| Excess of cost over net assets of acquired companies..... | 198,620 | 170,760 |
| Other assets..... | 80,710 | 69,540 |
| Long-term debt..... | (780,220) | (628,520) |
| Deferred income taxes and other long-term liabilities..... | (75,730) | (34,950) |
| Shareholders' equity..... | \$ 508,270 | \$ 361,670 |

| FOR THE YEARS ENDED DECEMBER 31 | | | |
|--|-------------|-------------|-----------|
| | 1994 | 1993 | 1992 |
| Net sales..... | \$1,989,670 | \$1,412,620 | \$655,120 |
| Operating profit..... | \$ 174,850 | \$ 119,780 | \$ 77,860 |
| Earnings attributable to common stock..... | \$ 74,870 | \$ 52,030 | \$ 23,200 |

Equity and interest income from affiliates consists of the following:

| (IN THOUSANDS) FOR THE YEARS ENDED DECEMBER 31 | | | |
|---|----------|----------|----------|
| | 1994 | 1993 | 1992 |
| The Company's equity in affiliates' earnings available for common shareholders..... | \$25,970 | \$12,890 | \$ 5,250 |
| Dividends on TriMas preferred stock..... | -- | 5,250 | 7,000 |
| Interest income..... | 3,840 | 2,860 | 3,500 |
| Equity and interest income from affiliates..... | \$29,810 | \$21,000 | \$15,750 |

PROPERTY AND EQUIPMENT, NET:

| (IN THOUSANDS) AT DECEMBER 31 | | |
|------------------------------------|-----------|-----------|
| | 1994 | 1993 |
| Cost: | | |
| Land and land improvements..... | \$ 15,180 | \$ 33,720 |
| Buildings..... | 103,630 | 158,750 |
| Machinery and equipment..... | 507,190 | 605,600 |
| | 626,000 | 798,070 |
| Less accumulated depreciation..... | 246,670 | 307,880 |
| | \$379,330 | \$490,190 |

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Depreciation expense totalled \$44 million, \$48 million and \$46 million in 1994, 1993 and 1992, respectively. These amounts include depreciation expense of approximately \$8 million in each of 1993 and 1992 related to the discontinued energy segment.

ACCRUED LIABILITIES:

| | (IN THOUSANDS) AT DECEMBER 31 | |
|--|----------------------------------|-----------|
| | 1994 | 1993 |
| Salaries, wages and commissions..... | \$18,050 | \$ 22,970 |
| Income taxes..... | 2,740 | 5,930 |
| Interest..... | 9,020 | 20,420 |
| Insurance..... | 16,940 | 11,010 |
| Property, payroll and other taxes..... | 6,730 | 9,360 |
| Other..... | 18,610 | 33,570 |
| | ----- | ----- |
| | \$72,090 | \$103,260 |
| | ===== | ===== |

LONG-TERM DEBT:

| | (IN THOUSANDS) AT DECEMBER 31 | |
|---|----------------------------------|-----------|
| | 1994 | 1993 |
| Bank revolving credit agreement, due 1998..... | \$280,000 | \$295,000 |
| 10% Senior Subordinated Notes, due 1995 (noncallable).... | 233,150 | 233,150 |
| 10 1/4% Senior Subordinated Notes, due 1997..... | -- | 250,000 |
| 4 1/2% Convertible Subordinated Debentures, due 2003..... | 310,000 | -- |
| Other..... | 48,760 | 13,040 |
| | ----- | ----- |
| | 871,910 | 791,190 |
| Less current portion of long-term debt..... | 3,670 | 2,830 |
| | ----- | ----- |
| Long-term debt..... | \$868,240 | \$788,360 |
| | ===== | ===== |

In 1993, the Company entered into a new \$675 million revolving credit agreement with a group of banks, replacing its prior bank credit agreement. During 1994, the Company amended this agreement, resulting in an extension of the due date to July 1998 from January 1997. The interest rates applicable to the revolving credit agreement are principally at alternative floating rates provided for in the agreement (approximately six percent at December 31, 1994).

The revolving credit agreement contains restrictions including limitations on intangible assets, ratio of senior debt to earnings and the ratio of debt to equity. At December 31, 1994, the unused portion of the revolving credit agreement was principally available to refinance the 10% Senior Subordinated Notes and other indebtedness. Cash dividends and any acquisition of Company Common Stock and Convertible Preferred Stock could be accomplished with future internal cash flows and through future reductions of cash investments and marketable securities.

In January 1994, the Company issued, in a public offering, \$345 million of 4 1/2% Convertible Subordinated Debentures due December 15, 2003. These debentures are convertible into Company Common Stock at \$31 per share. The net proceeds of approximately \$337 million were used to redeem the \$250 million of 10 1/4% Senior Subordinated Notes on February 1, 1994 and to reduce other indebtedness. In the fourth quarter of 1993, the Company recognized a \$5.8 million pre-tax

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

extraordinary charge (\$3.7 million after-tax) related to the call premium (1.25%) and unamortized prepaid debenture expense associated with the early extinguishment of the \$250 million of 10 1/4% Senior Subordinated Notes. The 10% Senior Subordinated Notes are due March 15, 1995 but are classified as non-current at December 31, 1994 as the Company has the intent and the ability to maintain these borrowings on a long-term basis (due to available borrowings under the Company's revolving credit agreement). During 1994, the Company recognized extraordinary income of \$4.4 million pre-tax (\$2.6 million after-tax) related to the early extinguishment of a portion of the 4 1/2% Convertible Subordinated Debentures.

The maturities of debt during the next five years are as follows (in millions): 1995 -- \$237; 1996 -- \$1; 1997 -- \$0; 1998 -- \$316; and 1999 -- \$0.

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

SHAREHOLDERS' EQUITY:

| | (IN THOUSANDS) | | | | | |
|--|--------------------|-----------------|--------------------|-----------------------------------|--|-------------------------|
| | PREFERRED STOCK | COMMON STOCK | PAID-IN CAPITAL | RETAINED EARNINGS (DEFICIT) | CUMULATIVE TRANSLATION ADJUSTMENTS | SHAREHOLDERS' EQUITY |
| Balance, January 1, 1992..... | \$ 780 | \$ 59,450 | \$ 83,800 | \$ 173,530 | \$ 9,130 | \$ 326,690 |
| Net income..... | -- | -- | -- | 38,430 | -- | 38,430 |
| Preferred stock dividends..... | -- | -- | -- | (9,300) | -- | (9,300) |
| Translation adjustments, net..... | -- | -- | -- | -- | (3,080) | (3,080) |
| Exercise of stock options..... | -- | 70 | 590 | -- | -- | 660 |
| Balance, December 31, 1992..... | 780 | 59,520 | 84,390 | 202,660 | 6,050 | 353,400 |
| Net income..... | -- | -- | -- | 47,600 | -- | 47,600 |
| Preferred stock dividends..... | -- | -- | -- | (14,930) | -- | (14,930) |
| Common stock dividends..... | -- | -- | -- | (3,210) | -- | (3,210) |
| Retirement of 12% Preferred..... | (780) | -- | (76,720) | -- | -- | (77,500) |
| Issuance of 10% Preferred..... | 1,000 | -- | 99,000 | -- | -- | 100,000 |
| Issuance of warrants..... | -- | -- | 70,800 | -- | -- | 70,800 |
| Issuance of DECS..... | 10,800 | -- | 198,720 | -- | -- | 209,520 |
| Retirement of common stock..... | -- | (10,000) | (90,000) | -- | -- | (100,000) |
| Retirement of 10% Preferred..... | (1,000) | -- | (99,000) | -- | -- | (100,000) |
| Conversion of convertible debentures..... | -- | 10,370 | 174,120 | -- | -- | 184,490 |
| Translation adjustments, net..... | -- | -- | -- | -- | (9,140) | (9,140) |
| Exercise of stock options..... | -- | 620 | 5,980 | -- | -- | 6,600 |
| Balance, December 31, 1993..... | 10,800 | 60,510 | 367,290 | 232,120 | (3,090) | 667,630 |
| Net loss..... | -- | -- | -- | (220,120) | -- | (220,120) |
| Preferred stock dividends..... | -- | -- | -- | (12,960) | -- | (12,960) |
| Common stock dividends..... | -- | -- | -- | (6,630) | -- | (6,630) |
| Retirement of common stock..... | -- | (4,070) | (50,060) | -- | -- | (54,130) |
| Translation adjustments, net..... | -- | -- | -- | -- | 5,450 | 5,450 |
| Exercise of stock options..... | -- | 170 | 1,730 | -- | -- | 1,900 |
| Balance, December 31, 1994..... | \$10,800 | \$ 56,610 | \$318,960 | \$ (7,590) | \$ 2,360 | \$ 381,140 |

On March 31, 1993, the Company acquired from Masco Corporation 10 million shares of Company Common Stock, recorded at \$100 million, \$77.5 million of the Company's previously outstanding 12% Exchangeable Preferred Stock, and Masco Corporation's holdings of Emco Limited common stock and convertible debentures, recorded at \$80.8 million. In exchange, Masco Corporation received \$100 million (liquidation value) of the Company's 10% Exchangeable Preferred Stock, seven-year warrants to purchase 10 million shares of Company Common Stock at \$13 per share, recorded at \$70.8 million, and \$87.5 million in cash. The transferable warrants are not exercisable by Masco Corporation if an exercise would increase Masco Corporation's common equity ownership interest in the Company above 35 percent. The cash portion of this transaction is included in the accompanying statement of cash flows as cash used for investing activities of \$87.5 million. As part of this transaction, as modified in late 1993, Masco Corporation agreed to purchase from the Company, at the Company's option through March 1997, up to \$200 million of subordinated debentures. In late 1993, the Company redeemed the 10% Exchangeable Preferred Stock for its \$100 million liquidation value.

In July 1993, the Company issued 10.8 million shares of 6% Dividend Enhanced Convertible Stock (DECS, classified as Convertible Preferred Stock) at \$20 per share (\$216 million aggregate liquidation amount) in a public offering. The net proceeds from this issuance were used to reduce the Company's indebtedness. On July 1, 1997, each of the then outstanding shares of the DECS will convert into one

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

share of Company Common Stock, if not previously redeemed by the Company or converted at the option of the holder, in both cases for Company Common Stock.

Each share of the DECS is convertible at the option of the holder anytime prior to July 1, 1997 into .806 of a share of Company Common Stock, equivalent to a conversion price of \$24.81 per share of Company Common Stock. Dividends are cumulative and each share of the DECS has 4/5 of a vote, voting together as one class with holders of Company Common Stock.

Beginning July 1, 1996, the Company, at its option, may redeem the DECS at a call price payable in shares of Company Common Stock principally determined by a formula based on the then current market price of Company Common Stock. Redemption by the Company, as a practical matter, will generally not result in a call price that exceeds one share of Company Common Stock or is less than .806 of a share of Company Common Stock (resulting from the holder's conversion option).

The Company's 6% Convertible Subordinated Debentures were called for redemption in late 1993. Substantially all holders, including Masco Corporation, exercised their right to convert these debentures into Company Common Stock (at a conversion price of \$18 per share), resulting in the issuance of approximately 10.4 million shares of Company Common Stock.

During 1994, the Company repurchased and retired approximately four million shares of its common stock in open-market purchases, pursuant to a Board of Directors' authorized repurchase program. At December 31, 1994, the Company may repurchase approximately six million additional shares of Company Common Stock and Convertible Preferred Stock pursuant to this repurchase authorization.

The Company commenced paying cash dividends on its Common Stock in August 1993. On the basis of amounts paid (declared), cash dividends per Common Share were \$.10 (\$.11) in 1994 and \$.04 (\$.06) in 1993.

STOCK OPTIONS AND AWARDS:

For the three years ended December 31, 1994, stock option data pertaining to stock option plans for key employees of the Company and affiliated companies are as follows:

| | (IN THOUSANDS EXCEPT PER SHARE AMOUNTS) | | |
|---------------------------------------|--|---------------|----------------|
| | 1994 | 1993 | 1992 |
| | ----- | ----- | ----- |
| Options outstanding, January 1..... | 3,810 | 4,540 | 3,770 |
| Options granted..... | 20 | 30 | 900 |
| Option price per share..... | \$17-25 1/8 | \$13-26 | \$6 1/8-10 3/4 |
| Options cancelled..... | 40 | -- | 60 |
| Option price per share..... | \$4 1/2 | -- | \$4 1/2 |
| Options exercised..... | 170 | 760 | 70 |
| Option price per share..... | \$4 1/2-9 1/8 | \$4 1/2-9 1/8 | \$9 1/8 |
| | ----- | ----- | ----- |
| Options outstanding, December 31..... | 3,620 | 3,810 | 4,540 |
| | ===== | ===== | ===== |
| Options exercisable, December 31..... | 1,080 | 680 | 880 |
| | ===== | ===== | ===== |

At December 31, 1994, options have been granted and are outstanding with exercise prices ranging from \$4 1/2 to \$26 per share, the fair market value at the dates of grant.

Pursuant to restricted stock incentive plans, the Company granted long-term incentive awards, net, for 213,000, 202,000 and 251,000 shares of Company Common Stock during 1994, 1993 and 1992, respectively, to key employees of the Company and affiliated companies. The unamortized costs of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

incentive awards, aggregating approximately \$22 million at December 31, 1994, are being amortized over the ten-year vesting periods.

At December 31, 1994 and 1993, a combined total of 5,773,000 and 5,631,000 shares, respectively, of Company Common Stock were available for the granting of options and incentive awards under the above plans.

EMPLOYEE BENEFIT PLANS:

Pension and Profit-Sharing Benefits. The Company sponsors defined-benefit pension plans for most of its employees. In addition, substantially all salaried employees participate in noncontributory profit-sharing plans, to which payments are approved annually by the Directors. Aggregate charges to income under these plans were \$9.8 million in 1994, \$10.9 million in 1993 and \$10.3 million in 1992, including approximately \$.9 million in each of 1993 and 1992 related to the discontinued energy segment.

Net periodic pension cost for the Company's defined-benefit pension plans includes the following components for the three years ended December 31, 1994:

| | (IN THOUSANDS) | | |
|--|----------------|----------|----------|
| | 1994 | 1993 | 1992 |
| | ----- | ----- | ----- |
| Service cost -- benefits earned during the year..... | \$ 4,800 | \$ 4,110 | \$ 4,150 |
| Interest cost on projected benefit obligations..... | 5,800 | 5,540 | 5,090 |
| Actual (return) loss on assets..... | 1,850 | (7,730) | (3,820) |
| Net amortization and deferral..... | (8,240) | 1,600 | (1,800) |
| | ----- | ----- | ----- |
| Net periodic pension cost..... | \$ 4,210 | \$ 3,520 | \$ 3,620 |
| | ===== | ===== | ===== |

Major assumptions used in accounting for the Company's defined-benefit pension plans are as follows:

| | 1994 | 1993 | 1992 |
|---|-------|-------|-------|
| | ----- | ----- | ----- |
| Discount rate for obligations..... | 8.5% | 7.0% | 8.25% |
| Rate of increase in compensation levels..... | 5.0% | 5.0% | 6.0% |
| Expected long-term rate of return on plan assets..... | 13.0% | 13.0% | 13.0% |

In 1995, the Company changed its assumption for the expected long-term rate of return on plan assets to 11 percent.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The funded status of the Company's defined-benefit pension plans at December 31, 1994 and 1993 is as follows (at December 31, 1994, no plans had assets which exceeded accumulated benefits):

| RECONCILIATION OF FUNDED STATUS | (IN THOUSANDS) | | |
|---|---|---|---|
| | 1994 | 1993 | |
| | ACCUMULATED BENEFITS EXCEED ASSETS | ASSETS EXCEED ACCUMULATED BENEFITS | ACCUMULATED BENEFITS EXCEED ASSETS |
| Actuarial present value of benefit obligations: | | | |
| Vested benefit obligation..... | \$ 60,300 | \$23,040 | \$ 34,280 |
| | ===== | ===== | ===== |
| Accumulated benefit obligation..... | \$ 64,570 | \$24,450 | \$ 38,650 |
| | ===== | ===== | ===== |
| Projected benefit obligation..... | \$ 75,000 | \$35,270 | \$ 39,920 |
| Assets at fair value..... | 53,280 | 29,550 | 26,560 |
| | ----- | ----- | ----- |
| Projected benefit obligation in excess of plan assets..... | (21,720) | (5,720) | (13,360) |
| Reconciling items: | | | |
| Unrecognized net loss..... | 10,890 | 7,140 | 8,810 |
| Unrecognized prior service cost..... | 7,950 | 460 | 3,250 |
| Unrecognized net (asset) obligation at transition.... | (1,330) | (1,340) | (160) |
| Adjustment required to recognize minimum liability.... | (10,010) | -- | (10,840) |
| | ----- | ----- | ----- |
| (Accrued) prepaid pension cost..... | \$ (14,220) | \$ 540 | \$ (12,300) |
| | ===== | ===== | ===== |

Postretirement Benefits. The Company provides postretirement medical and life insurance benefits for certain of its active and retired employees.

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 106 ("SFAS 106"), "Employers' Accounting for Postretirement Benefits Other Than Pensions", for its postretirement benefit plans. This statement requires the accrual method of accounting for postretirement health care and life insurance based on actuarially determined costs to be recognized over the period from the date of hire to the full eligibility date of employees who are expected to qualify for such benefits. In conjunction with the adoption of SFAS 106, the Company elected to recognize the transition obligation on a prospective basis and accordingly, the net transition obligation is being amortized over 20 years. Net periodic postretirement benefit cost includes the following components for the years ended December 31, 1994 and 1993:

| | (IN THOUSANDS) | |
|---|----------------|---------|
| | 1994 | 1993 |
| Service cost..... | \$ 400 | \$ 300 |
| Interest cost..... | 1,800 | 1,900 |
| Net amortization..... | 1,300 | 1,200 |
| | ----- | ----- |
| Net periodic postretirement benefit cost..... | \$3,500 | \$3,400 |
| | ===== | ===== |

The incremental cost in 1994 and 1993 of accounting for postretirement health care and life insurance benefits under SFAS 106, as compared to 1992, amounted to approximately \$2 million in each year.

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Postretirement benefit obligations, none of which is funded, are summarized as follows at December 31, 1994 and 1993:

| | (IN THOUSANDS) | |
|--|----------------|-----------|
| | 1994 | 1993 |
| | ----- | ----- |
| Accumulated postretirement benefit obligations: | | |
| Retirees..... | \$ 16,400 | \$ 19,400 |
| Fully eligible active plan participants..... | 1,000 | 1,400 |
| Other active participants..... | 5,500 | 6,400 |
| | ----- | ----- |
| Total accumulated postretirement benefit obligation..... | 22,900 | 27,200 |
| Unrecognized net gain (loss)..... | 1,800 | (2,900) |
| Unamortized transition obligation..... | (17,100) | (22,500) |
| | ----- | ----- |
| Accrued postretirement benefits..... | \$ 7,600 | \$ 1,800 |
| | ===== | ===== |

The discount rates used in determining the accumulated postretirement benefit obligation were 8.5 percent and 7.0 percent in 1994 and 1993, respectively. The assumed health care cost trend rate in 1994 was 12 percent, decreasing to an ultimate rate in the year 2000 of seven percent. If the assumed medical cost trend rates were increased by one percent, the accumulated postretirement benefit obligation would increase by \$2.1 million and the aggregate of the service and interest cost components of net periodic postretirement benefit cost would increase by \$.3 million. Included in the Company's 1994 charge for the disposition of certain businesses are curtailment costs for postretirement benefit obligations relating to these businesses of approximately \$3.7 million.

SEGMENT INFORMATION:

The Company's business segments involve the production and sale of the following:

Transportation-Related Products:

Precision products, generally produced using advanced metalworking technologies with significant proprietary content, and aftermarket products for the transportation industry.

Specialty Products:

Architectural -- Doors, windows, security grilles and office panels and partitions for commercial and residential markets.

Other -- Products manufactured principally for the defense industry.

Corporate assets consist primarily of cash and cash investments, marketable securities, equity and other investments in affiliates, notes receivable and net assets of the discontinued energy segment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

| | NET SALES | | | (IN THOUSANDS) OPERATING PROFIT(B) (C) | | | ASSETS EMPLOYED AT DECEMBER 31(D) | | |
|--|-------------|-------------|-------------|---|-----------|-----------|-----------------------------------|-------------|-------------|
| | 1994 | 1993 | 1992 | 1994 | 1993 | 1992 | 1994 | 1993 | 1992 |
| The Company's operations by industry segment are: | | | | | | | | | |
| Transportation-Related Products | | | | | | | | | |
| (A)..... | \$1,332,000 | \$1,195,000 | \$1,058,000 | \$ (55,000) | \$160,000 | \$124,000 | \$ 796,000 | \$ 883,000 | \$ 851,000 |
| Specialty Products: | | | | | | | | | |
| Architectural... | 277,000 | 289,000 | 291,000 | (118,000) | (4,000) | 2,000 | 149,000 | 313,000 | 321,000 |
| Other..... | 93,000 | 99,000 | 106,000 | (78,000) | 5,000 | 3,000 | 32,000 | 104,000 | 109,000 |
| Total..... | \$1,702,000 | \$1,583,000 | \$1,455,000 | (251,000) | 161,000 | 129,000 | 977,000 | 1,300,000 | 1,281,000 |
| Other income (expense), net..... | | | | 13,000 | (25,000) | (44,000) | | | |
| General corporate expense..... | | | | (26,000) | (15,000) | (17,000) | | | |
| Income (loss) from continuing operations before income taxes (credit) and extraordinary income (loss)..... | | | | \$ (264,000) | \$121,000 | \$ 68,000 | | | |
| Corporate assets..... | | | | | | | 554,000 | 490,000 | 526,000 |
| Total assets... | | | | | | | \$1,531,000 | \$1,790,000 | \$1,807,000 |

| | PROPERTY ADDITIONS | | | DEPRECIATION AND AMORTIZATION | | |
|---|--------------------|----------|----------|-------------------------------|----------|----------|
| | 1994 | 1993 | 1992 | 1994 | 1993 | 1992 |
| The Company's operations by industry segment are: | | | | | | |
| Transportation-Related Products..... | \$101,000 | \$52,000 | \$47,000 | \$48,000 | \$42,000 | \$42,000 |
| Specialty Products: | | | | | | |
| Architectural..... | 5,000 | 5,000 | 8,000 | 12,000 | 12,000 | 13,000 |
| Other..... | 9,000 | 3,000 | 5,000 | 7,000 | 6,000 | 5,000 |
| Total..... | \$115,000 | \$60,000 | \$60,000 | \$67,000 | \$60,000 | \$60,000 |

(A) Included within this segment are sales to one customer of \$322 million, \$324 million and \$268 million in 1994, 1993 and 1992, respectively; sales to another customer of \$225 million, \$186 million and \$184 million in 1994, 1993 and 1992, respectively; and sales to a third customer of \$212 million, \$222 million and \$216 million in 1994, 1993 and 1992, respectively.

(B) Other income (expense), net in 1992, includes approximately \$15 million to reflect disposition costs related to idle facilities and other long-term assets.

(C) Operating profit in 1994 includes the impact of a pre-tax charge in the amount of \$400 million for the disposition of businesses. The charge impacts the Company's business segments as follows: Transportation-Related Products -- \$196 million; Architectural -- \$116 million; and Other Specialty Products -- \$75 million. The remaining \$13 million of the charge is included in General Corporate Expense.

(D) Assets employed at December 31, 1994 include net assets related to the disposition of certain operations (see "Dispositions of Operations" note).

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

OTHER INCOME (EXPENSE), NET:

| | (IN THOUSANDS) | | |
|--|----------------|----------|----------|
| | 1994 | 1993 | 1992 |
| | ----- | ----- | ----- |
| Other, net: | | | |
| Net realized and unrealized gains and losses from marketable securities..... | \$ 4,360 | \$11,550 | \$ 4,020 |
| Gains from sales of TriMas common stock..... | 17,900 | -- | -- |
| Interest income..... | 5,490 | 9,570 | 9,260 |
| Dividend income..... | 2,880 | 3,150 | 1,750 |
| Other, net..... | 2,750 | 2,060 | (5,080) |
| | ----- | ----- | ----- |
| | \$33,380 | \$26,330 | \$ 9,950 |
| | ===== | ===== | ===== |

Gains and losses realized from sales of marketable securities and gains from sales of common stock of equity affiliates are determined on a specific identification basis at the time of sale.

INCOME TAXES:

| | (IN THOUSANDS) | | |
|---|----------------|-----------|----------|
| | 1994 | 1993 | 1992 |
| | ----- | ----- | ----- |
| Income (loss) from continuing operations before income taxes (credit) and extraordinary income (loss): | | | |
| Domestic..... | \$(280,900) | \$105,470 | \$57,880 |
| Foreign..... | 16,410 | 15,710 | 10,370 |
| | ----- | ----- | ----- |
| | \$(264,490) | \$121,180 | \$68,250 |
| | ===== | ===== | ===== |
| Provision for income taxes (credit): | | | |
| Federal, current..... | \$ 36,660 | \$ 17,940 | \$12,750 |
| State and local..... | 8,880 | 8,350 | 5,170 |
| Foreign..... | (7,850) | 8,410 | 8,160 |
| Deferred, principally federal..... | (67,760) | 15,590 | 3,130 |
| | ----- | ----- | ----- |
| Income taxes (credit) on income (loss) from continuing operations before extraordinary income (loss)..... | \$ (30,070) | \$ 50,290 | \$29,210 |
| | ===== | ===== | ===== |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The components of deferred taxes at December 31, 1994 and 1993 are as follows:

| | (IN THOUSANDS) | |
|--|----------------|-----------|
| | 1994 | 1993 |
| | ----- | ----- |
| Deferred tax assets: | | |
| Inventories..... | \$ 3,400 | \$ 8,430 |
| Expected capital loss benefit related to businesses held for disposition..... | 53,000 | -- |
| Other, principally deductions reported in different periods for financial reporting and tax purposes..... | 19,260 | 25,780 |
| | ----- | ----- |
| | 75,660 | 34,210 |
| | ----- | ----- |
| Deferred tax liabilities: | | |
| Depreciation and amortization..... | 57,390 | 90,350 |
| Other, principally equity in undistributed earnings of affiliates..... | 27,430 | 18,450 |
| | ----- | ----- |
| | 84,820 | 108,800 |
| | ----- | ----- |
| Net deferred tax liability..... | \$ 9,160 | \$ 74,590 |
| | ===== | ===== |

Net current and net non-current assets of businesses held for disposition at December 31, 1994 include approximately \$60 million of net deferred tax assets, including an expected net capital loss carryforward benefit of approximately \$20 million. This capital loss is expected to be realized through the sale of common stock of equity affiliates that result in capital gains, or through the sale of businesses at a gain.

The following is a reconciliation of tax computed at the U.S. federal statutory rate to the provision for income taxes (credit) allocated to income (loss) from continuing operations before extraordinary income (loss):

| | (IN THOUSANDS) | | |
|---|----------------|----------|----------|
| | 1994 | 1993 | 1992 |
| | ----- | ----- | ----- |
| U.S. federal statutory rate..... | 35% | 35% | 34% |
| Tax (credit) at U.S. federal statutory rate..... | \$(92,570) | \$42,410 | \$23,210 |
| State and local taxes, net of federal tax benefit..... | 5,770 | 5,430 | 3,390 |
| Higher effective foreign tax rate..... | 3,380 | 2,910 | 4,670 |
| Tax benefit on distributed foreign earnings, net..... | (4,200) | -- | -- |
| Dividends-received deduction..... | (690) | (2,290) | (2,320) |
| Non-deductible portion of charge for disposition of businesses..... | 54,600 | -- | -- |
| Amortization in excess of tax, net..... | 2,190 | 3,820 | 4,780 |
| Other, net..... | 1,450 | (1,990) | (4,520) |
| | ----- | ----- | ----- |
| Income taxes (credit) on income (loss) from continuing operations before extraordinary income (loss)..... | \$(30,070) | \$50,290 | \$29,210 |
| | ===== | ===== | ===== |

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS:

In accordance with Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," the following methods were used to estimate the fair value of each class of financial instruments:

MARKETABLE SECURITIES, NOTES RECEIVABLE AND OTHER ASSETS

Fair values of financial instruments included in marketable securities, notes receivable and other assets were estimated using various methods including quoted market prices and discounted future cash flows based on the incremental borrowing rates for similar types of investments. In addition, for variable-rate notes receivable that fluctuate with the prime rate, the carrying amounts approximate fair value.

LONG-TERM DEBT

The carrying amount of bank debt and certain other long-term debt instruments approximate fair value as the floating rates inherent in this debt reflect changes in overall market interest rates. The fair values of the Company's subordinated debt instruments are based on quoted market prices. The fair values of certain other debt instruments are estimated by discounting future cash flows based on the Company's incremental borrowing rate for similar types of debt instruments.

The carrying amounts and fair values of the Company's financial instruments at December 31, 1994 and 1993 are as follows:

| | (IN THOUSANDS) | | | |
|--|--------------------|---------------|--------------------|---------------|
| | 1994 | | 1993 | |
| | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE |
| Cash and cash investments..... | \$ 61,950 | \$ 61,950 | \$ 83,200 | \$ 83,200 |
| Marketable securities, notes receivable and other assets..... | \$101,900 | \$ 99,600 | \$ 72,650 | \$ 80,220 |
| Long-term debt: | | | | |
| Bank debt..... | \$316,000 | \$316,000 | \$295,000 | \$295,000 |
| 10% Senior Subordinated Notes..... | \$233,150 | \$233,910 | \$233,150 | \$243,640 |
| 10 1/4% Senior Subordinated Notes..... | -- | -- | \$250,000 | \$254,380 |
| 4 1/2% Convertible Subordinated Debentures..... | \$310,000 | \$234,050 | -- | -- |
| Other long-term debt..... | \$ 9,090 | \$ 8,990 | \$ 9,120 | \$ 9,150 |

DERIVATIVES

The Company has limited involvement with derivative financial instruments, and does not use derivatives for trading purposes. The derivatives, principally consisting of S&P 500 futures contracts, are intended to reduce the market risk associated with the Company's marketable equity securities portfolio. The Company's investment in futures contracts increases in value as a result of decreases in the underlying index and decreases in value when the underlying index increases. The contracts are financial instruments (with off balance sheet market risk), as they are required to be settled in cash. At December 31, 1994 the notional amount of the derivatives was \$33.2 million. The notional amounts do not represent the amounts exchanged by the parties, and thus are not a measure of the exposure of the Company through its use of derivatives. The Company's market risk is subject to the price differential between the contract market value and contract cost.

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Futures contracts trade on organized exchanges, and as a result, settlement of such contracts has little credit risk. Initial margin requirements are met in cash or other instruments, and changes in the contract values are settled periodically. Initial margin requirements are recorded as cash investments in the balance sheet. Futures contracts are short-term in nature, usually less than six months. Related gains and losses are reported as income or loss in other income (expense) as part of marketable securities gain or loss. At December 31, 1994, based upon the current index, the Company's obligation amounted to \$.3 million and is included in marketable securities.

INTERIM AND OTHER SUPPLEMENTAL FINANCIAL DATA (UNAUDITED):

| | (IN THOUSANDS EXCEPT PER SHARE AMOUNTS) FOR THE QUARTERS ENDED | | | |
|---|---|-------------------|--------------|---------------|
| | DECEMBER 31ST | SEPTEMBER 30TH | JUNE 30TH | MARCH 31ST |
| 1994: | | | | |
| Net sales..... | \$ 440,570 | \$416,500 | \$432,780 | \$412,410 |
| Gross profit..... | \$ 73,390 | \$ 73,440 | \$ 89,710 | \$ 80,290 |
| Income (loss) from continuing operations before extraordinary income (loss): | | | | |
| Income (loss)..... | \$(305,940) | \$ 15,780 | \$ 29,440 | \$ 26,300 |
| Per common and common equivalent share: | | | | |
| Primary..... | \$(5.46) | \$.21 | \$.39 | \$.34 |
| Assuming full dilution..... | \$(5.46) | \$.21 | \$.37 | \$.32 |
| Net income (loss): | | | | |
| Income (loss)..... | \$(294,240) | \$ 18,380 | \$ 29,440 | \$ 26,300 |
| Income (loss) attributable to common stock..... | \$(297,480) | \$ 15,140 | \$ 26,200 | \$ 23,060 |
| Per common and common equivalent share: | | | | |
| Primary..... | \$(5.25) | \$.25 | \$.39 | \$.34 |
| Assuming full dilution..... | \$(5.25) | \$.25 | \$.37 | \$.32 |
| Market price per common share: | | | | |
| High..... | \$13 3/8 | \$15 1/4 | \$23 1/4 | \$27 7/8 |
| Low..... | \$11 | \$11 | \$13 | \$19 7/8 |
| 1993: | | | | |
| Net sales..... | \$ 392,600 | \$373,680 | \$412,530 | \$404,070 |
| Gross profit..... | \$ 76,440 | \$ 78,600 | \$ 85,610 | \$ 84,750 |
| Income from continuing operations before extraordinary income (loss): | | | | |
| Income..... | \$ 18,510 | \$ 15,000 | \$ 21,310 | \$ 16,070 |
| Per common and common equivalent share: | | | | |
| Primary..... | \$.23 | \$.17 | \$.34 | \$.22 |
| Assuming full dilution..... | \$.22 | \$.17 | \$.31 | \$.22 |
| Net income (loss): | | | | |
| Income (loss)..... | \$ (6,980) | \$ 15,320 | \$ 21,740 | \$ 17,520 |
| Income (loss) attributable to common stock..... | \$ (11,660) | \$ 9,900 | \$ 19,240 | \$ 15,190 |
| Per common and common equivalent share: | | | | |
| Primary..... | \$(.20) | \$.18 | \$.35 | \$.25 |
| Assuming full dilution..... | \$(.15) | \$.18 | \$.32 | \$.24 |
| Market price per common share: | | | | |
| High..... | \$28 1/8 | \$22 5/8 | \$21 | \$17 1/4 |
| Low..... | \$18 3/4 | \$19 1/2 | \$15 3/4 | \$11 3/8 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Results for the fourth quarter of 1994 include a non-cash pre-tax charge of \$400 million (\$315 million after-tax or \$5.56 per common share in the fourth quarter of 1994) reflecting the anticipated loss on the disposition of certain businesses (see "Dispositions of Operations" note).

Net income (loss) for the fourth quarter of 1994 also includes income aggregating approximately \$18 million pre-tax (\$11.7 million after-tax or \$.21 per common share) relating to the reversal of the charge established in the fourth quarter of 1993 for the disposition of the Company's energy segment (see "Dispositions of Operations" note).

Net income (loss) for the third quarter of 1994 includes \$4.4 million pre-tax of extraordinary income (\$2.6 million after-tax or \$.04 per common share) related to the early extinguishment of convertible debt.

Results for the first, second and third quarters of 1994 include pre-tax gains of approximately \$9.8 million, \$7.1 million and \$1.0 million, respectively, from the sale by the Company of a portion of its common stock holdings of an equity affiliate.

The 1994 income (loss) per common share amounts for the quarters do not total to the full year amounts due to the purchase and retirement of shares throughout the year and a lower dilutive effect from outstanding options and warrants on the year-to-date calculation.

Results for the second quarter of 1993 include pre-tax income of approximately \$9 million as a result of gains associated with the sale of common stock through public offerings by equity affiliates. This income was largely offset by costs and expenses related to cost reduction initiatives, the restructuring of certain operations and product lines, adjustments to the carrying value of certain long-term assets, and other costs and expenses.

Results for the third quarter of 1993 were reduced by a charge of approximately \$.04 per common share reflecting the increased 1993 federal corporate income tax rate.

The fourth quarter of 1993 net loss includes the effect of a \$5.8 million pre-tax extraordinary loss (\$3.7 million after-tax or \$.06 per common share) related to the early extinguishment of subordinated debt (see "Long-Term Debt" note). The fourth quarter of 1993 net loss also includes an after-tax charge of approximately \$22 million (\$.38 per common share) related to the disposition of a segment of the Company's business (see "Dispositions of Operations" note).

The 1993 results include the benefit of approximately \$11.5 million pre-tax income (\$6.7 million after-tax or \$.12 per common share), primarily in the third and fourth quarters, resulting from net gains from sales of marketable securities.

The 1993 income (loss) per common share amounts for the quarters do not total to the full year amounts due to the changes in the number of common shares outstanding during the year and the dilutive effect of first, second and third quarter 1993 results.

The calculation of earnings per common and common equivalent share for the fourth quarter of 1993 results in dilution for income from continuing operations, assuming full dilution. Therefore, the fully diluted earnings per share computation is used for all computations, even though the result is anti-dilutive for one of the per share amounts.

The following supplemental unaudited financial data combine the Company with TriMas and have been presented for analytical purposes. The Company had a common equity ownership interest in TriMas of approximately 41 percent at December 31, 1994 and 43 percent at December 31, 1993. The

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONCLUDED)

interests of the other common shareholders are reflected below as "Equity of other shareholders of TriMas." All significant intercompany transactions have been eliminated.

| (IN THOUSANDS) | | |
|--|-------------|-------------|
| AT DECEMBER 31 | | |
| | 1994 | 1993 |
| Current assets..... | \$ 861,380 | \$ 799,640 |
| Current liabilities..... | (243,260) | (252,810) |
| Working capital..... | 618,120 | 546,830 |
| Property and equipment, net..... | 547,710 | 652,420 |
| Excess of cost over net assets of acquired companies..... | 182,470 | 526,260 |
| Other assets..... | 432,850 | 269,460 |
| Bank and other debt..... | (1,106,840) | (1,027,250) |
| Deferred income taxes and other long-term liabilities..... | (123,170) | (161,500) |
| Equity of other shareholders of TriMas..... | (170,000) | (138,590) |
| Equity of shareholders of MascoTech..... | \$ 381,140 | \$ 667,630 |

| FOR THE YEARS ENDED DECEMBER 31 | | | |
|--|--------------|-------------|-------------|
| | 1994 | 1993 | 1992 |
| Net sales..... | \$2,232,430 | \$2,022,240 | \$1,841,570 |
| Operating profit (loss)..... | \$ (186,450) | \$ 215,740 | \$ 170,460 |
| Income (loss) from continuing operations before extraordinary income (loss)..... | \$ (234,420) | \$ 70,890 | \$ 39,040 |

FINANCIAL STATEMENT SCHEDULE

PURSUANT TO ITEM 14(A)(2)(II)(B) OF FORM 10-K

ANNUAL REPORT TO THE SECURITIES AND EXCHANGE COMMISSION

FOR THE YEAR ENDED DECEMBER 31, 1994

Schedules, as required for the years ended December 31, 1994, 1993 and 1992:

| | PAGE |
|--|-------|
| | ----- |
| II. Valuation and Qualifying Accounts..... | F-29 |

MASCOTECH, INC.

SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992

| COLUMN A | COLUMN B | COLUMN C | | COLUMN D | COLUMN E |
|---|--------------------------------------|-------------------------------------|---|-------------|-----------------------------|
| DESCRIPTION | BALANCE AT BEGINNING OF PERIOD | ADDITIONS | | DEDUCTIONS | BALANCE AT END OF PERIOD |
| | | CHARGED TO COSTS AND EXPENSES | CHARGED (CREDITED) TO OTHER ACCOUNTS | | |
| | | | (A) | (B) | |
| Allowance for doubtful accounts, deducted from accounts receivable in the balance sheet: | | | | | |
| 1994..... | \$ 5,130,000 | \$3,480,000 | \$(4,310,000) | \$2,710,000 | \$ 1,590,000 |
| 1993..... | \$ 7,190,000 | \$2,470,000 | \$(1,820,000) | \$2,710,000 | \$ 5,130,000 |
| 1992..... | \$ 7,810,000 | \$3,040,000 | -- | \$3,660,000 | \$ 7,190,000 |

NOTES:

(A) Allowance of companies reclassified for businesses held for disposition in 1994, and for discontinuance of Energy-related segment in 1993.

(B) Deductions, representing uncollectible accounts written off, less recoveries of accounts written off in prior years.

EXHIBIT INDEX

| EXHIBIT NUMBER | DESCRIPTION | SEQUENTIALLY NUMBERED PAGE |
|-------------------|---|----------------------------------|
| 3.i | Restated Certificate of Incorporation of Masco Corporation and amendments thereto. | |
| 4.d | Agreement of Appointment and Acceptance of Successor Trustee dated as of August 4, 1994 among MascoTech, Inc., Morgan Guaranty Trust Company of New York and The First National Bank of Chicago and Supplemental Indenture dated as of August 5, 1994 among MascoTech, Inc. and The First National Bank of Chicago. | |
| 4.e | First Amendment dated June 29, 1994 and Second Amendment dated December 21, 1994 to Credit Agreement dated as of September 2, 1993 by and among MascoTech, Inc., the banks party thereto, and NBD Bank, N.A. (now known as NBD Bank), as Agent, and Comerica Bank, The Bank of New York, The First National Bank of Chicago, Morgan Guaranty Trust Company of New York and NationsBank of North Carolina, N.A., as Co-Agents. | |
| 10.h | Masco Corporation 1984 Restricted Stock (Industries) Incentive Plan (Restated September 14, 1993). | |
| 10.i | Masco Corporation 1984 Stock Option Plan (Restated September 14, 1993). | |
| 10.j | Masco Corporation Restricted Stock Incentive Plan (Restated September 14, 1993). | |
| 10.n | Masco Corporation Supplemental Executive Retirement and Disability Plan. | |
| 10.o | Masco Corporation Benefits Restoration Plan. | |
| 11 | Computation of Primary and Fully Diluted Per Share Earnings. | |
| 12 | Computation of Ratio of Earnings to Fixed Charges. | |
| 21 | List of Subsidiaries. | |
| 23.a | Consent of Coopers & Lybrand L.L.P. relating to Masco Corporation's Financial Statements and Financial Statement Schedule. | |
| 23.b | Consent of Coopers & Lybrand L.L.P. relating to MascoTech, Inc.'s Financial Statements and Financial Statement Schedule. | |
| 27 | Financial Data Schedule. | |

RESTATED CERTIFICATE OF INCORPORATION

OF

MASCO CORPORATION

* * * * *

MASCO CORPORATION, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is MASCO CORPORATION. The date of filing its original Certificate of Incorporation with the Secretary of State was June 15, 1962.
2. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Certificate of Incorporation of this corporation as heretofore amended or supplemented and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.
3. The text of the Certificate of Incorporation as amended or supplemented heretofore is hereby restated without further amendments or changes to read as herein set forth in full:

FIRST: The name of the corporation is
MASCO CORPORATION.

SECOND: Its registered office in the State of Delaware is located at the Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name and address of its registered agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801.

THIRD: The nature of the business, or objects or purposes to be transacted, promoted or carried on are: To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of stock the Corporation shall have authority to issue is four hundred one million (401,000,000) shares.

Four hundred million (400,000,000) of such shares shall consist of common shares, par value one dollar (\$1.00) per share, and one million (1,000,000) of such shares shall consist of preferred shares, par value one dollar (\$1.00) per share.

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof are as follows:

A. Each share of common stock shall be equal in all respects to all other shares of such stock, and each share of outstanding common stock is entitled to one vote.

B. Each share of preferred stock shall have or not have voting rights as determined by the Board of Directors prior to issuance.

Dividends on all outstanding shares of preferred stock must be declared and paid, or set aside for payment, before any dividends can be declared and paid, or set aside for payment, on the shares of common stock with respect to the same dividend period.

In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the holders of the preferred stock shall be entitled, before any assets of the Corporation shall be distributed among or paid over to the holders of the common stock, to an amount per share to be determined before issuance by the Board of Directors, together with a sum of money equivalent to the amount of any dividends declared thereon and remaining unpaid at the date of such liquidation, dissolution or winding up of the Corporation. After the making of such payments to the holders of the preferred stock, the remaining assets of the Corporation shall be distributed among the holders of the common stock alone, according to the number of shares held by each. If, upon such liquidation, dissolution or winding up, the assets of the Corporation distributable as aforesaid among the holders of the preferred stock shall be insufficient to permit the payment to them of said amount, the entire assets shall be distributed ratably among the holders of the preferred stock.

The Board of Directors shall have authority to divide the shares of preferred stock into series and fix, from time to time, before issuance, the number of shares to be included in any series and the designation, relative rights, preferences and limitations of all shares of such series. The authority

of the Board of Directors with respect to each series shall include the determination of any or all of the following, and the shares of each series may vary from the shares of any other in the following respects:

(a) the number of shares constituting such series and the designation thereof to distinguish the shares of such series from the shares of all other series; (b) the rate of dividend, cumulative or noncumulative, and the extent of further participation in dividend distribution, if any; (c) the prices at which issued (at not less than par) and the terms and conditions upon which the shares may be redeemable by the Corporation; (d) sinking fund provisions for the redemption or purchase of shares; (e) the voting rights; and (f) the terms and conditions upon which the shares are convertible into other classes of stock of the Corporation, if such shares are to be convertible.

C. No holder of any class of stock issued by this Corporation shall be entitled to pre-emptive rights.

FIFTH: The Corporation is to have perpetual existence.

SIXTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

SEVENTH: (a) The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors consisting of not less than five nor more than twelve directors, the exact number of directors to be determined from time to time by resolution adopted by affirmative vote of a majority of the entire Board of Directors. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. At the 1988 Annual Meeting of stockholders, Class I directors shall be elected for a one-year term, Class II directors for a two-year term and Class III directors for a three-year term. At each succeeding Annual Meeting of stockholders beginning in 1989, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement or removal from office. Except as otherwise required by law, any vacancy on the Board of Directors that results from an increase in the number of directors

shall be filled only by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring in the Board of Directors shall be filled only by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall serve for the remaining term of his predecessor.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of preferred stock or any other class of stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the Certificate of Designation with respect to such stock, such directors so elected shall not be divided into classes pursuant to this Article SEVENTH, and the number of such directors shall not be counted in determining the maximum number of directors permitted under the foregoing provisions of this Article SEVENTH, in each case unless expressly provided by such terms.

(b) Nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote in the election of directors. Any stockholder entitled to vote in the election of directors, however, may nominate one or more persons for election as director only if written notice of such stockholder's intent to make such nomination or nominations has been given either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (i) with respect to an election to be held at an Annual Meeting of stockholders, 45 days in advance of the date on which the Corporation's proxy statement was released to stockholders in connection with the previous year's Annual Meeting of stockholders and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the seventh day following the day on which notice of such meeting is first given to stockholders. Each such notice shall include: (A) the name and address of the stockholder who intends to make the nomination or nominations and of the person or persons to be nominated; (B) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (C) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations is or are to be made by the stockholder; (D) such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission if the nominee had been nominated by the Board of

Directors; and (E) the written consent of each nominee to serve as a director of the Corporation if elected. The chairman of any meeting of stockholders may refuse to acknowledge the nomination of any person if not made in compliance with the foregoing procedure.

(c) Notwithstanding any other provision of this Certificate of Incorporation or the by-laws (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the by-laws), and in addition to any affirmative vote required by law, the affirmative vote of the holders of at least 80% of the voting power of the outstanding capital stock of the Corporation entitled to vote, voting together as a single class, shall be required to amend, adopt in this Certificate of Incorporation or in the by-laws any provision inconsistent with, or repeal this Article SEVENTH.

EIGHTH: Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by any such holders. Except as otherwise required by law, special meetings of stockholders of the Corporation may be called only by the Chairman of the Board, the President or a majority of the Board of Directors, subject to the rights of holders of any one or more classes or series of preferred stock or any other class of stock issued by the Corporation which shall have the right, voting separately by class or series, to elect directors. Notwithstanding any other provision of this Certificate of Incorporation or the by-laws (and notwithstanding that a lesser percentage may be specified by law, this Certificate of Incorporation or the by-laws), and in addition to any affirmative vote required by law, the affirmative vote of the holders of at least 80% of the voting power of the outstanding capital stock of the Corporation entitled to vote, voting together as a single class, shall be required to amend, adopt in this Certificate of Incorporation or in the by-laws any provision inconsistent with, or repeal this Article EIGHTH.

NINTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

To make, alter or repeal the by-laws of the Corporation.

To authorize and cause to be executed mortgages and liens upon the real and personal property of the Corporation.

To set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created.

By resolution passed by a majority of the whole board, to designate one or more committees, each committee to consist of two or more of the Directors of the Corporation, which, to the extent provided in the resolution or in the by-laws of the Corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in the by-laws of the Corporation or as may be determined from time to time by resolution adopted by the Board of Directors.

When and as authorized by the affirmative vote of the holders of a majority of the stock issued and outstanding having voting power given at a stockholders' meeting duly called for that purpose, to sell, lease or exchange all of the property and assets of the Corporation, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may be in whole or in part shares of stock in, and/or other securities of, any other corporation or corporations, as its Board of Directors shall deem expedient and for the best interests of the Corporation.

TENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

ELEVENTH: Meetings of stockholders may be held outside the State of Delaware, if the by-laws so provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in

the by-laws of the Corporation. Elections of Directors need not be by ballot unless the by-laws of the Corporation shall so provide.

TWELFTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

THIRTEENTH: 1. The affirmative vote of the holders of 95% of all shares of stock of the Corporation entitled to vote in elections of directors, considered for the purposes of this Article THIRTEENTH as one class, shall be required for the adoption or authorization of a business combination (as hereinafter defined) with any other entity (as hereinafter defined) if, as of the record date for the determination of stockholders entitled to notice thereof and to vote thereon, such other entity is the beneficial owner, directly or indirectly, of 30% or more of the outstanding shares of stock of the Corporation entitled to vote in elections of directors considered for the purposes of this Article THIRTEENTH as one class; provided that such 95% voting requirement shall not be applicable if:

(a) The cash, or fair market value of other consideration, to be received per share by common stockholders of the Corporation in such business combination bears the same or a greater percentage relationship to the market price of the Corporation's common stock immediately prior to the announcement of such business combination as the highest per share price (including brokerage commissions and soliciting dealers' fees) which such other entity has theretofore paid for any of the shares of the Corporation's common stock already owned by it bears to the market price of the common stock of the Corporation immediately prior to the commencement of acquisition of the Corporation's common stock by such other entity;

(b) The cash, or fair market value of other consideration, to be received per share by common stockholders of the Corporation in such business combination

(i) is not less than the highest per share price (including brokerage commissions and soliciting dealers' fees) paid by such other entity in acquiring any of its holdings of the Corporation's common stock, and (ii) is not less than the earnings per share of common stock of the Corporation for the four full consecutive fiscal quarters immediately preceding the record date for solicitation of votes on such business combination, multiplied by the then price/earnings multiple (if any) of such other entity as customarily computed and reported in the financial community;

(c) After such other entity has acquired a 30% interest and prior to the consummation of such business combination: (i) such other entity shall have taken steps to ensure that the Corporation's Board of Directors included at all times representation by

continuing director(s) (as hereinafter defined) proportionate to the stockholdings of the Corporation's public common stockholders not affiliated with such other entity (with a continuing director to occupy any resulting fractional board position); (ii) there shall have been no reduction in the rate of dividends payable on the Corporation's common stock except as necessary to insure that a quarterly dividend payment does not exceed 5% of the net income of the Corporation for the four full consecutive fiscal quarters immediately preceding the declaration date of such dividend, or except as may have been approved by a unanimous vote of the directors; (iii) such other entity shall not have acquired any newly issued shares of stock, directly or indirectly, from the Corporation (except upon conversion of convertible securities acquired by it prior to obtaining a 30% interest or as a result of a pro rata stock dividend or stock split); and (iv) such other entity shall not have acquired any additional shares of the Corporation's outstanding common stock or securities convertible into common stock except as a part of the transaction which results in such other entity acquiring its 30% interest;

(d) Such other entity shall not have (i) received the benefit, directly or indirectly (except proportionately as a stockholder) of any loans, advances, guarantees, pledges or other financial assistance or tax credits of or provided by the Corporation, or (ii) made any major change in the Corporation's business or equity capital structure without the unanimous approval of the directors, in either case prior to the consummation of such business combination; and

(e) A proxy statement responsive to the requirements of the United States securities laws shall be mailed to all common stockholders of the Corporation for the purpose of soliciting stockholder approval of such business combination and shall contain on its first page thereof, in a prominent place, any recommendations as to the advisability (or inadvisability) of the business combination which the continuing directors, or any of them, may choose to state and, if deemed advisable by a majority of the continuing directors, an opinion of a reputable investment banking firm as to the fairness (or not) of the terms of such business combination, from the point of view of the remaining public stockholders of the Corporation (such investment banking firm to be selected by a majority of the continuing directors and to be paid a reasonable fee for their services by the Corporation upon receipt of such opinion).

The provisions of this Article THIRTEENTH shall also apply to a business combination with any other entity which at any time has been the beneficial owner, directly or indirectly, of 30% or more of the outstanding shares of stock of the Corporation entitled to vote in elections of directors considered for the purposes of this Article THIRTEENTH as one class, notwithstanding the fact that such other entity has reduced its shareholdings below 30% if, as of the

record date for the determination of stockholders entitled to notice of and to vote on to the business combination, such other entity is an "affiliate" of the Corporation (as hereinafter defined).

2. As used in this Article THIRTEENTH, (a) the term "other entity" shall include any corporation, person or other entity and any other entity with which it or its "affiliate" or "associate" (as defined below) has any agreement, arrangement or understanding, directly or indirectly, for the purpose of acquiring, holding, voting or disposing of stock of the Corporation, or which is its "affiliate" or "associate" as those terms are defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934 as in effect on March 31, 1981, together with the successors and assigns of such persons in any transaction or series of transactions not involving a public offering of the Corporation's stock within the meaning of the Securities Act of 1933; (b) an other entity shall be deemed to be the beneficial owner of any shares of stock of the Corporation which the other entity (as defined above) has the right to acquire pursuant to any agreement, arrangement or understanding or upon exercise of conversion rights, warrants or options, or otherwise; (c) the outstanding shares of any class of stock of the Corporation shall include shares deemed owned through application of clause (b) above but shall not include any other shares which may be issuable pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise; (d) the term "business combination" shall include any merger or consolidation of the Corporation with or into any other entity, or the sale or lease of all or any substantial part of the assets of the Corporation to, or any sale or lease to the Corporation or any subsidiary thereof in exchange for securities of the Corporation of any assets (except assets having an aggregate fair market value of less than \$5,000,000) of any other entity; (e) the term "continuing director" shall mean a person who was a member of the Board of Directors of the Corporation elected by stockholders prior to the time that such other entity acquired in excess of 10% of the stock of the Corporation entitled to vote in the election of directors, or a person recommended to succeed a continuing director by a majority of continuing directors; and (f) for the purposes of subparagraphs 1(a) and (b) of this Article THIRTEENTH the term "other consideration to be received" shall mean, in addition to other consideration received, if any, capital stock of the Corporation retained by its existing public stockholders in the event of a business combination with such other entity in which the Corporation is the surviving corporation.

3. A majority of the continuing directors shall have the power and duty to determine for the purposes of this Article THIRTEENTH on the basis of information known to them whether (a) such other entity beneficially owns 30% or more of the outstanding shares of stock of the Corporation entitled to vote in elections of directors; (b) an other entity is an "affiliate" or "associate" (as

defined above) of another; (c) an other entity has an agreement, arrangement or understanding with another; or (d) the assets being acquired by the Corporation, or any subsidiary thereof, have an aggregate fair market value of less than \$5,000,000.

4. No amendment to the Certificate of Incorporation of the Corporation shall amend or repeal any of the provisions of this Article THIRTEENTH, unless the amendment effecting such amendment or repeal shall receive the affirmative vote of the holders of 95% of all shares of stock of the corporation entitled to vote in elections of directors, considered for the purposes of this Article THIRTEENTH as one class; provided that this paragraph 4 shall not apply to, and such 95% vote shall not be required for, any amendment or repeal unanimously recommended to the stockholders by the Board of Directors of the Corporation if all of such directors are persons who would be eligible to serve as "continuing directors" within the meaning of paragraph 2 of this Article THIRTEENTH.

5. Nothing contained in this Article THIRTEENTH shall be construed to relieve any other entity from any fiduciary obligation imposed by law.

FOURTEENTH: A director of this Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the Delaware General Corporation Law, or (d) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law hereafter is amended to authorize the further limitation or elimination of the liability of directors, then the liability of a director of the Corporation, in addition to the limitation on liability provided herein, shall be limited to the fullest extent permitted by the Delaware General Corporation Law, as amended. Any repeal or modification of this Article FOURTEENTH shall not increase the liability of any director of this Corporation for any act or occurrence taking place prior to such repeal or modification, or otherwise adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

FIFTEENTH: 1. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director, officer or employee of the Corporation, whether the basis of such proceeding is alleged action in an official capacity as a director, officer or employee or in any other capacity while serving as a director, officer, or employee, shall be indemnified

and held harmless by the Corporation to the fullest extent permitted by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines and amounts paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of such person's heirs, executors and administrators. The Corporation shall indemnify a director, officer or employee in connection with an action, suit or proceeding (other than an action, suit or proceeding to enforce indemnification rights provided for herein or elsewhere) initiated by such director, officer or employee only if such action, suit or proceeding was authorized by the Board of Directors. The right to indemnification conferred in this Paragraph 1 shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any action, suit or proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in such person's capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person) in advance of the final disposition of an action, suit or proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such director or officer is not entitled to be indemnified for such expenses under this Article FIFTEENTH or otherwise.

2. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide indemnification and the advancement of expenses, to any agent of the Corporation and to any person (other than directors, officers and employees of the Corporation, who shall be entitled to indemnification under Paragraph 1 above) who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, to such extent and to such effect as the Board of Directors shall determine to be appropriate and permitted by applicable law, as the same exists or may hereafter be amended.

3. The rights to indemnification and to the advancement of expenses conferred in this Article FIFTEENTH shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation or by-laws of the Corporation, agreement, vote of stockholders or disinterested directors or otherwise.

4. This Restated Certificate of Incorporation was duly adopted by the Board of Directors in accordance with Section 245 of the General Corporation Law of Delaware.

IN WITNESS WHEREOF, said MASCO CORPORATION has caused its corporate seal to be affixed and this Certificate to be signed by Richard A. Manoogian, its Chairman of the Board, and attested by Gerald Bright, its Secretary, this 25th day of May, 1988.

MASCO CORPORATION

*BY/s/ Richard A. Manoogian
Richard A. Manoogian
Chairman of the Board*

ATTEST:

*/s/ Gerald Bright
Gerald Bright
Secretary*

STATE OF MICHIGAN)

COUNTY OF WAYNE)

I, _____, a notary public, do hereby certify

that on this 25th day of May, 1988, personally appeared before me Richard A. Manoogian, who, being by me first duly sworn, declared that he is the Chairman of the Board of Masco Corporation, that he signed the foregoing document as the act and deed of said corporation, and that the statements therein contained are true.

Wayne County, Michigan

/s/ Terry Lynn Przybylo
Notary Public

My commission expires:

**CERTIFICATE OF MERGER
OF
WASTE KING, INC.
INTO
MASCO CORPORATION**

Masco Corporation, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "GCL"), certifies that:

FIRST: The name and state of incorporation of each of the constituent corporations is as follows:

| Name | State of Incorporation |
|---------------------------------|---------------------------|
| Masco Corporation ("Masco") | Delaware |
| Waste King, Inc. ("Waste King") | Delaware |

SECOND: An Agreement of Merger between Masco and Waste King with respect to the merger of Waste King into Masco (the "Merger"), has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with Section 251 of the GCL.

THIRD: That the name of the surviving corporation of the Merger is Masco Corporation, a Delaware corporation.

FOURTH: That the Restated Certificate of Incorporation of Masco, which is the surviving corporation, shall continue in full force and effect as the Restated Certificate of Incorporation of the surviving corporation.

FIFTH: The executed Agreement is on file at the principal place of business of the surviving corporation, 21001 Van Born Road, Taylor, Michigan 48180.

SIXTH: A copy of the Agreement will be furnished by the surviving corporation, on request and without cost, to any stockholder of the constituent corporations.

SEVENTH: This Certificate of Merger shall be effective as of January 1, 1993.

MASCO CORPORATION

*By/s/ Richard G. Mosteller
Richard G. Mosteller
Senior Vice President - Finance*

ATTEST:

*By/s/ Gerald Bright
Gerald Bright
Secretary*

**AGREEMENT OF APPOINTMENT
AND
ACCEPTANCE OF SUCCESSOR TRUSTEE**

THIS AGREEMENT dated as of August 4, 1994 (the "Agreement"), is among MascoTech, Inc. (the "Company"), Morgan Guaranty Trust Company of New York ("Morgan") and The First National Bank of Chicago ("First Chicago").

WHEREAS, Section 8.10 of the Indenture dated as of November 1, 1986 between the Company and Morgan (the "Indenture") provides that the Trustee thereunder may resign at any time by giving written notice of such resignation to the Company;

WHEREAS, Morgan gave such written notice, dated July 11, 1994, to the Company;

WHEREAS, Section 8.10 of the Indenture provides that in case the Trustee shall resign, the Company shall promptly appoint a successor Trustee thereunder;

WHEREAS, the Company's Board of Directors authorized the appointment of First Chicago as successor Trustee under the Indenture; and

WHEREAS, Section 8.11 of the Indenture provides that any successor Trustee appointed thereunder shall execute, acknowledge and deliver to the Company and the resigning Trustee thereunder an instrument accepting such appointment, and thereupon the resignation of such resigning Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, immunities, duties and obligations of the resigning Trustee thereunder, with like effect as if originally named as Trustee therein.

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that for and in consideration of the premises and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, Morgan and First Chicago hereby covenant and agree as follows:

1. The Company hereby accepts the resignation of Morgan as Trustee under the Indenture, such resignation to become effective at the close of business on the date hereof. From the close of business on the date hereof and except as otherwise provided for herein, Morgan shall have no further responsibility for the exercise of the rights and powers or for the performance of the trusts and duties vested in the Trustee under the Indenture.

2. Pursuant to Section 8.10 of the Indenture, and in accordance with the resolutions duly adopted by the Company's Board of Directors, the Company hereby confirms its appointment of First Chicago as successor Trustee under the Indenture, effective as of the close of business on the date hereof, and hereby vests in First Chicago all the rights, powers, trusts, immunities, duties and obligations which Morgan now holds under and by virtue of the Indenture with like effect as if originally named as Trustee in the Indenture.
3. First Chicago hereby represents that it is qualified and eligible under Article Eight of the Indenture and under the Trust Indenture Act of 1939, as amended, to accept appointment as successor Trustee under the Indenture.
4. First Chicago hereby accepts, as of the close of business on the date hereof, its appointment as successor Trustee under the Indenture and assumes the rights, powers, trusts, immunities, duties and obligations which Morgan now holds under and by virtue of the Indenture, upon the terms and conditions set forth therein.
5. In accordance with Section 8.11 of the Indenture, Morgan hereby confirms, assigns, transfers and sets over to First Chicago, as successor Trustee under the Indenture, all rights, powers, trusts, immunities, duties and obligations which Morgan now holds under and by virtue of the Indenture, and does hereby assign, transfer and deliver to First Chicago, as such Trustee, all property and money held by Morgan as Trustee under the Indenture.
6. In accordance with Section 8.11 of the Indenture, the Company and Morgan, for the purpose of more fully and certainly vesting in and confirming to First Chicago, as successor Trustee under the Indenture, the rights, powers, trusts, immunities, duties and obligations of such Trustee with like effect as if originally named as Trustee in the Indenture, agree upon reasonable request of First Chicago to execute, acknowledge and deliver such further instruments of conveyance and further assurance and to do such other things as may be reasonably required for more fully and certainly vesting and confirming in First Chicago all rights, powers, trusts, immunities, duties and obligations which Morgan now holds under and by virtue of the Indenture.
7. Promptly after the execution hereof, Morgan shall mail the notice of the resignation of Morgan and the succession of First Chicago as successor Trustee in accordance with Sections 8.10 and 8.11 of the Indenture. Such notice shall be in the form attached hereto as Exhibit A.

8. This Agreement may be executed in any number of counterparts all of which taken together shall constitute one and the same Agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart.

9. This Agreement shall be governed by the laws of the State of New York, both in interpretation and performance.

10. Unless otherwise defined, all terms used herein with initial capital letters shall have the meaning given them in the Indenture.

11. Morgan hereby represents and warrants to First Chicago that: (a) no covenant or condition contained in the Indenture has been waived by Morgan or, to the best of the knowledge of the officers assigned to Morgan's Corporate Trust Department, by the Holders of the percentage in aggregate principal amount of the Securities required by the Indenture to effect any such waiver; (b) there is no action, suit or proceeding pending or, to the best of the knowledge of the officers assigned to Morgan's Corporate Trust Department, threatened against Morgan before any court or any governmental authority arising out of any action or omission by Morgan as Trustee under the Indenture; (c) to the best of the knowledge of the officers assigned to Morgan's Corporate Trust Department, no Event of Default, or event which, with the giving of notice or passage of time or both, would become an Event of Default, has occurred and is continuing; and (d) Morgan has furnished, or as promptly as practicable will furnish, to First Chicago originals of all documents relating to the trust created by the Indenture and all material information in its possession relating to the administration and status thereof and will furnish to First Chicago any of such documents or information First Chicago may reasonably request, provided that First Chicago will make available to Morgan as promptly as practicable following the request of Morgan any such original documents which Morgan may need to defend against any action, suit or proceeding against Morgan as Trustee or which Morgan may need for any other proper purpose.

12. The Company hereby represents and warrants to First Chicago and Morgan that no Event of Default, or event which, with the giving of notice or passage of time or both, would become an Event of Default, has occurred and is continuing.

13. Except as hereinabove expressly set forth, all other terms and provisions set forth in the Indenture shall remain in full force and effect and without any change whatsoever being made hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and acknowledged as of the date first written above.

MASCOTECH, INC.

By: /s/ Timothy Wadhams
Name: Timothy Wadhams
Title: Vice President

[Seal]
Attest:

/s/ Eugene A. Gargaro, Jr.
Secretary

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as resigning

Trustee

By: /s/ Michael Culhane
Name: Michael Culhane

Title: Vice President

[Seal]
Attest:

/s/ M. E. McNulty
Assistant Secretary

THE FIRST NATIONAL BANK OF

CHICAGO, as successor Trustee

By: /s/ R. D. Manella
Name: R. D. Manella
Title: Vice President

[Seal]
Attest:

/s/ T. Marshall
Trust Officer

State of Michigan)
) ss
County of Wayne)

On the 2nd day of August, 1994, before me personally came Timothy Wadhams, to me known, who, being by me duly sworn, did depose and say that he is a Vice President of MascoTech, Inc., the corporation described in and which executed the above instrument; that he knows the corporate seal of said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

*/s/ Nancy S. Steinrock
Notary Public
Wayne County, Michigan
My Comm. Exp.: Nov. 9, 1994*

[NOTARIAL SEAL]

State of New York)
) ss
County of New York)

On the 2nd day of August, 1994, before me personally came Michael Culhane, to me known, who, being by me duly sworn, did depose and say that he is a Vice President of Morgan Guaranty Trust Company of New York, the corporation described in and which executed the above instrument; that he knows the corporate seal of said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

*/s/ Thomas J. Courtney
Notary Public
State of New York
No. 24-4996233
Qualified in Kings County
My Comm. Exp.: May 11, 1996*

[NOTARIAL SEAL]

State of Illinois)
) ss
County of Cook)

On the 3rd day of August, 1994, before me personally came R. D. Manella, to me known, who, being by me duly sworn, did depose and say that he is a Vice President of First Chicago, the corporation described in and which executed the above instrument; that he knows the corporate seal of said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

/s/ Nancy Lopez
Notary Public
State of Illinois
My Comm. Exp.: May 21, 1997

[NOTARIAL SEAL]

Exhibit A

**NOTICE OF RESIGNATION OF TRUSTEE
AND
APPOINTMENT OF SUCCESSOR TRUSTEE**

To the Holders of the MascoTech, Inc. 4 1/2% Convertible Subordinated Debentures Due 2003:

NOTICE IS HEREBY GIVEN THAT, pursuant to Sections 8.10 and 8.11 of the Indenture (the "Indenture") dated as of November 1, 1986 between MascoTech, Inc. (formerly Masco Industries, Inc.) (the "Company") and Morgan Guaranty Trust Company of New York ("Morgan Guaranty"), under which the above-referenced Securities were issued:

1. Morgan Guaranty has resigned as Trustee under the Indenture.
2. The Company has appointed The First National Bank of Chicago ("First Chicago") as successor Trustee under the Indenture, and First Chicago has accepted such appointment.
3. The following is the office or agency of the Company where securities issued under the Indenture may be presented for payment, or presented for registration of transfer and for exchange as provided in the Indenture and where notices and demands to or upon the Company in respect of any of the Securities issued under the Indenture or the Indenture may be served:

The First National Bank of Chicago c/o First Chicago Trust Company of New York 14 Wall Street, 8th Floor New York, New York 10005
Attention: Corporate Trust Administration

Dated: August 5, 1994

MASCOTECH, INC.

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

SUPPLEMENTAL INDENTURE

THIS SUPPLEMENTAL INDENTURE, dated as of August 5, 1994, between MascoTec- h, Inc., a Delaware corporation (the "Company"), and The First National Bank of Chicago, as trustee (the "Trustee").

WHEREAS, the Company entered into an Indenture dated as of November 1, 1986 with Morgan Guaranty Trust Company (the "Indenture");

WHEREAS, the Trustee is the successor trustee under the Indenture; and

WHEREAS, Section 11.01(g) the Indenture provides for supplemental indentures to make changes, provided such action does not adversely affect the interests of the holders of the Securities.

NOW, THEREFORE, the parties agree as follows:

1. Section 8.10 of the Indenture shall be amended by inserting the following as a new subparagraph (e):

"(e) Notwithstanding the provisions of Section 8.12, in connection with any sale or proposed sale of all or any portion of the corporate trust business of any Trustee hereunder or any other transaction that would result in a change of control of such corporate trust business, and provided that no Event of Default exists, the Company may remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee. Any removal of the Trustee and appointment of a successor trustee pursuant to the foregoing shall become effective upon acceptance of appointment by the successor trustee as provided in Section 8.11."

2. Except as hereinabove expressly set forth, all other terms and provisions set forth in the Indenture shall remain in full force and effect and without any change whatsoever being made hereby.

IN WITNESS WHEREOF, the parties have caused this Supplemental Indenture to be executed and acknowledged as of the date first written above.

MASCOTECH, INC.

By: /s/ Timothy Wadhams
Timothy Wadhams
Vice President

[Seal]
Attest:

/s/ Eugene A. Gargaro, Jr.
Secretary

THE FIRST NATIONAL BANK
OF CHICAGO

By: /s/ R. D. Manella
R. D. Manella
Vice President

[Seal]
Attest:

/s/ T. Marshall
State of Michigan)
County of Wayne) ss

On the 2nd day of August, 1994, before me personally came Timothy Wadhams, to me known, who, being by me duly sworn, did depose and say that he is a Vice President of MascoTech, Inc., the corporation described in and which executed the above instrument; that he knows the corporate seal of said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

/s/ Nancy S. Steinrock
Notary Public
Wayne County, Michigan
My Comm. Exp.: Nov. 9, 1994

[NOTARIAL SEAL]

State of Illinois)
) ss
County of Cook)

On the 3rd day of August, 1994, before me personally came R. D. Manella, to me known, who, being by me duly sworn, did depose and say that he is a Vice President of The First National Bank of Chicago, the corporation described in and which executed the above instrument; that he knows the corporate seal of said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

*/s/ Nancy Lopez
Notary Public
State of Illinois
My Comm. Exp.: May 21, 1997*

[NOTARIAL SEAL]

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT, dated as of June 29, 1994 (this "Amendment") is by and among MASCOTECH, INC., a Delaware corporation, the Banks, NBD BANK, N.A., a national banking association, as Agent for the Banks, and COMERICA BANK, a Michigan banking association, THE BANK OF NEW YORK, a New York banking corporation, THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, MORGAN GUARANTY TRUST COMPANY OF NEW YORK, a New York banking association, and NATIONSBANK OF NORTH CAROLINA, N.A., a national banking association, as Co-Agents.

RECITALS

A. The Company, the Banks, the Agent and the Co-Agents are parties to a Credit Agreement dated as of September 2, 1993. Capitalized terms used but not defined in this Amendment shall have the respective meanings ascribed thereto in such Agreement.

B. The Company, the Banks, the Agent and the Co-Agents are willing to amend the Agreement as set forth herein.

TERMS

In consideration of the premises and of the mutual agreements herein contained, the parties hereby agree as follows:

ARTICLE I. AMENDMENTS. Upon fulfillment of the conditions set forth in Article III hereof, the Agreement shall be amended as follows:

1.1 Recital B of the Agreement is amended by deleting the second sentence thereof.

1.2 Section 1.1 is hereby amended as follows:

(a) The definition of "Applicable Margin" is amended by adding the following new paragraph to the end of such definition:

Notwithstanding anything in this definition of "Applicable Margin" to the contrary, if the Company has an Investment Grade Senior Debt Rating at any time, including at any time prior to the end of an Application Period, the Applicable Margin shall change on the date such Investment Grade Senior Debt Rating is effective such that the Applicable Margin is (i) 0.45% at any time Level II Status is in effect, or (ii) 0.375% at any time Level I Status is in effect.

(b) The definition of "Available Masco Corporation Funding Commitment" is restated in its entirety as follows:

"Available Masco Corporation Funding Commitment" means, as of any date, any unused and available amount of the "Commitment" of Masco Corporation under, and as defined in, the Securities Purchase Agreement, provided that such amount for purposes of this definition shall not exceed \$100,000,000.

(c) The following definitions are added in appropriate alphabetical order:

"Investment Grade Senior Debt Rating" means, at any date, that the senior unsecured unenhanced long term debt of the Company is rated BBB- or better by S&P and Baa3 or better by Moody's, regardless of whether the Company has any such debt outstanding.

"Level I Status" means, at any date, that the senior unsecured unenhanced long term debt of the Company is rated BBB or better by S&P and Baa2 or better by Moody's, regardless of whether the Company has any such debt outstanding.

"Level II Status" means, at any date, that the senior unsecured unenhanced long term debt of the Company is rated BBB- or better by S&P and Baa3 or better by Moody's and Level I status does not exist, regardless of whether the Company has any such debt outstanding.

"Moody's" means Moody's Investors Service, Inc. or any successor thereto. Any rating or change in rating given by Moody's shall be deemed effective, and in effect, when publicly announced by Moody's.

"S&P" means Standard & Poor's Corporation or any successor thereto. Any rating or change in rating given by S&P shall be deemed effective, and in effect, when publicly announced by S&P.

(d) The definition of "Scheduled Expiration Date" is restated in its entirety as follows:

"Scheduled Expiration Date" means July 31, 1998; provided that if and only if, the requirements of Section 3.10 are satisfied, the "Scheduled Expiration Date" shall be extended to June 29, 1999.

(e) The definition of "Securities Purchase Agreement" is restated in its entirety as follows:

"Securities Purchase Agreement" means the Securities Purchase Agreement dated as of March 31, 1993 between the Company and Masco Corporation, as in effect on the Closing Date in the form attached hereto as Exhibit J,

and as heretofore or hereafter amended, supplemented or otherwise modified from time to time. Nothing in this Agreement shall prohibit the Company and Masco Corporation from amending or terminating such Securities Purchase Agreement, provided that at the time of such amendment or termination, and immediately after giving effect thereto, no Default exists or would exist.

(f) The definition of "Subordinated Debt" is amended by (i) deleting clauses (b) and (c) thereof, (ii) redesignating clauses (d) and (e) thereof as clauses (c) and (d), respectively, (iii) adding the following new clause (b) immediately after the end of clause (a): "(b) Debt evidenced by the Company's 4-1/2% Convertible Subordinated Debentures due 2003, in the original principal amount of \$345,000,000;", and (iv) in the provision beginning "provided further, however," of such definition, deleting (A) the word "respective" and (B) the references to "clauses (b), (c) and (d)" and "clauses (c) and (d)" and substituting "clauses (b) and (c)" and "clause (c)", respectively, in place thereof.

(g) The definition of "Tangible Capital Funds" is amended by deleting the reference therein to "July 31, 1998" and substituting "the Scheduled Expiration Date" in place thereof.

1.3 Section 1.3 is hereby amended by adding the following to the end of such Section:

"Except as provided in the definition of Eurodollar Rate Interest Period, if any payment, report, financial statement, notice or other obligation is due hereunder on a day which is not a Business Day, then the due date thereof shall be extended to the next Business Day."

1.4 Section 3.4(a) is hereby restated in its entirety as follows:

(a) The Bid-Option. In addition to Syndicated Borrowings that are made pursuant to Section 3.1, the Company may, as set forth in this Section, from time to time after the Closing Date to but excluding the Termination Date request the Banks to offer to make Bid-Option Loans to the Company. Each Bank may, but shall have no obligation to, make such offers; furthermore, each Bank may limit the aggregate amount of Bid-Option Loans when quoting rates for more than one Bid-Option Interest Period in any Bid-Option Quote, provided that

such limitation shall not be less than the minimum amounts required hereunder for Bid-Option Loans and the Company may choose among the Bid-Option Loans if such limitation is imposed. The Company may, but shall have no obligation to, accept any such offers, in the manner set forth in this Section; provided that the Dollar Equivalent of the aggregate outstanding principal amount of Bid-Option Loans shall not at any time exceed the lesser of (i) the excess of (A) the aggregate amount of the Commitments over (B) the sum of (x) the aggregate outstanding principal amount of Syndicated Loans plus (y) the Letter of Credit Obligations Amount, or (ii) fifty percent (50%) of the aggregate amount of the Commitments (as the same may be reduced in accordance with the terms of this Agreement during any applicable Bid-Option Interest Period); and provided, further, that the Dollar Equivalent of the aggregate outstanding principal amount of Foreign Currency Bid-Option Loans shall not exceed \$50,000,000.

1.5 Section 3.7(b) is hereby amended by adding the following to the end of the first sentence thereof: "; provided, notwithstanding the foregoing, such facility fee shall be at a rate equal to 0.15% per annum for each day during which Level II Status is in effect and 0.10% per annum for each day during which Level I Status is in effect."

1.6 Section 3.7 is further amended by adding the following subsection (e):

(e) Extension Fee. If the facility is extended as provided in Section 3.10, the Company will pay to the Agent, for the pro rata benefit of the Banks that are parties to the Agreement following such extension, an extension fee equal to 5 basis points of the aggregate amount of the Commitments being extended, payable on or before such extension is effective, provided that no such fee shall be charged if at the time of extension of the Commitments Level I Status is in effect.

1.7 Section 3.8 (b) is hereby restated in its entirety as follows:

(b) [intentionally omitted].

1.8 Section 3.10 is hereby amended by deleting the first two sentences, and in their place substituting the following:

The Company may request that the Banks extend the Scheduled Expiration Date from July 31, 1998 to June 29, 1999. No such request shall be effective unless it is made in writing by the Company between the period from and including August 15, 1995 to and including October 15, 1995.

1.9 Section 7.2(a) is hereby amended by adding the following to the end thereof: " The certificate will be accompanied by a calculation of the ratio of (i) Senior Debt as of the end of such fiscal quarter to (ii) EBITDA Minus Capital Expenditures for the period of such fiscal quarter and the immediately preceding three fiscal quarters (calculated on a pro forma basis as appropriate)."

1.10 Section 7.5 is hereby restated in its entirety as follows:

Total Leverage Ratio. The Company will not permit or suffer the Total Leverage Ratio to be greater than (a) 1.75 to 1.0 as of the last day of any fiscal quarter of the Company occurring during the period from January 1, 1994 through December 30, 1994, (b) 1.40 to 1.0 as of December 31, 1994, (c) 1.65 to 1.0 as of the last day of any fiscal quarter of the Company occurring during the period from January 1, 1995 through December 30, 1995, (d) 1.40 to 1.0 as of December 31, 1995, (e) 1.65 to 1.0 as of the last day of any fiscal quarter of the Company occurring during the period from January 1, 1996 through December 30, 1996, (f) 1.25 to 1.0 as of December 31, 1996, (g) 1.50 to 1.0 as of the last day of any fiscal quarter of the Company occurring during the period from January 1, 1997 through December 30, 1997, (h) 1.0 to 1.0 as of December 31, 1997, (i) 1.25 to 1.0 as of the last day of any fiscal quarter of the Company occurring during the period from January 1, 1998 through December 30, 1998, (j) 1.0 to 1.0 as of December 31, 1998, and (k) 1.25 to 1.0 as of the last day of any fiscal quarter of the Company thereafter.

1.11 Section 7.6 is hereby restated in its entirety as follows:

7.6 [Intentionally omitted].

1.12 Section 7.7 is hereby restated in its entirety as follows:

Tangible Capital Funds. The Company will not permit or suffer Tangible Capital Funds to at any time be less than the sum of (a) \$500,000,000 plus (b) 66-2/3% of Net Income Minus Preferred Dividends for the period from January 1, 1995 through the then latest fiscal year end of the Company; provided that for purposes of this Section 7.7, Net Income shall exclude the pre-tax amount attributable to recognition of the Deferred Trimas Gain or any portion thereof as income.

1.13 Section 9.1(i) is hereby amended by deleting the word "or" appearing at the end thereof.

1.14 Section 9.1(j) is hereby deleted.

1.15 Schedule 1 and Exhibit G to the Agreement are hereby replaced with Schedule 1 and Exhibit G, respectively, hereto.

ARTICLE II. REPRESENTATIONS. The Company represents and warrants that:

2.1 The execution, delivery and performance by the Company of this Amendment have been duly authorized by all necessary corporate action and do not and will not violate the provisions of any applicable law or regulation or of the certificate of incorporation or bylaws of the Company or any Subsidiary or any order of any court, regulatory body or arbitral tribunal and do not and will not result in the breach of, or constitute a default or require any consent under, or create any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to, any indenture or other agreement or instrument to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or its property may be bound or affected. The execution, delivery and performance of this Amendment do not require, for the validity thereof, nor does the enforceability of this Amendment require, any filing with, or consent, authorization or approval of, any state or federal agency or regulatory authority, other than filings, consents or approvals which have been made or obtained.

2.2 This Amendment constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

2.3 After giving effect to the amendments herein contained, the representations and warranties contained in Article VI of the Agreement are true on and as of the date hereof with the same force and effect as if made on and as of the date hereof.

2.4 As of the date hereof, there is no Default.

ARTICLE III. CONDITIONS OF EFFECTIVENESS. This Amendment shall not become effective until the following shall have been delivered to the Agent:

3.1 This Amendment duly executed on behalf of the Company and each of the Banks.

3.2 A copy of the resolutions adopted by the Board of Directors of the Company, certified by an officer of the Company as being true and correct and

in full force and effect without amendment as of the date hereof, authorizing the Company to enter into this Amendment.

3.3 An opinion of counsel for the Company in the form of Schedule 3.3 hereto.

ARTICLE IV. MISCELLANEOUS.

4.1 References in the Agreement or in any note, certificate, instrument

or other document to the Agreement shall be deemed to be references to the Agreement as amended hereby and as further amended from time to time.

4.2 The Company agrees to pay and to save the Agent harmless for the payment of all costs and expenses arising in connection with this Amendment, including the reasonable fees of counsel to the Agent in connection with preparing this Amendment and the related documents.

4.3 The Company agrees that the Agreement and other documents and agreements executed by the Company in connection with the Agreement in favor of the Agent, the Co-Agents and/or the Banks are ratified and confirmed and shall remain in full force and effect, except as expressly amended hereby.

4.4 This Amendment may be signed upon any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument, and telecopied signatures shall be effective.

4.5 This Amendment is a contract made under, and shall be governed by and construed in accordance with, the law of the State of Michigan applicable to contracts made and to be performed entirely within such State and without giving effect to choice of law principles of such State.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered as of June 29, 1994, which shall be the effective date of this Amendment.

MASCOTECH, INC.

*By: /s/ Timothy Wadhams
Timothy Wadhams
Its Vice President-
Controller and Treasurer*

NBD BANK, N.A.

*By: /s/ Richard H. Huttenlocher
Richard H. Huttenlocher
Its: Vice President*

COMERICA BANK

*By: /s/ Charles T. Weddeel
Its: Assistant Vice President*

THE BANK OF NEW YORK

*By: /s/ Douglas A. Ober
Its: Vice President*

THE FIRST NATIONAL BANK OF CHICAGO

*By: /s/ The First National Bank of Chicago
Its:*

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

*By: /s/ John M. Mikolay
John M. Mikolay
Its: Vice President*

NATIONSBANK OF NORTH CAROLINA, N.A.

*By: /s/ Nationsbank of North Carolina, N.A.
Its:*

CONTINENTAL BANK N.A.

*By: /s/ Continental Bank N.A.
Its:*

*PNC BANK, NATIONAL ASSOCIATION
(f/k/a PITTSBURGH NATIONAL BANK)*

*By: /s/ PNC Bank, National Association
Its:*

**BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION**

*By: /s/ Bank of America National Trust and
Savings Association
Its:*

MICHIGAN NATIONAL BANK

*By: /s/ Joseph M. Redoutey
Joseph M. Redoutey
Its: Second Vice President*

ROYAL BANK OF CANADA

*By: /s/ Holly Spencer Kaczmarczyk
Holly Spencer Kaczmarczyk
Its: Manager*

NATIONAL CITY BANK

*By: /s/ Margaret S. Howe
Margaret S. Howe
Its: Vice President*

FIRST BANK NATIONAL ASSOCIATION

*By: /s/ First Bank National Association
Its:*

THE FUJI BANK, LTD.

*By: /s/ Hidekagu Seo
Hidekagu Seo
Its: Joint General Manager*

CITIBANK, N.A.

*By: /s/ Barbara A. Cohen
Barbara A. Cohen
Its: Vice President*

WACHOVIA BANK OF GEORGIA, N.A.

*By: /s/Wachovia Bank of Georgia, N.A.
Its:*

CANADIAN IMPERIAL BANK OF COMMERCE

*By: /s/ Canadian Imperial Bank of Commerce
Its:*

CORESTATES PHILADELPHIA NATIONAL BANK

*By: /s/ Corestates Philadelphia National Bank
Its:*

SHAWMUT BANK CONNECTICUT, N.A.

*By: /s/ Manfred O. Eigenbrod
Manfred O. Eigenbrod
Its: Managing Director*

FIRST NATIONAL BANK OF BOSTON

*By: /s/ First National Bank of Boston
Its:*

THE SANWA BANK, LIMITED, CHICAGO BRANCH

*By: /s/ Richard H. Ault
Its: Vice President*

SCHEDULE 1

| APPLICATION MARGIN CHART | Interest Coverage Ratio less than 1.50:1.00 | Interest Coverage Ratio equal to or greater than 1.50:1.00 and less than 2.25:1.00 | Interest Coverage Ratio equal to or greater than 2.25:1.00 and less than 3.00:1.00 | Interest Coverage Ratio equal to or greater than 3.00:1.00 and less than 4.25:1.00 | Interest Coverage Ratio equal to or greater than 4.25:1.00 |
|--|---|--|--|--|---|
| Senior Leverage Ratio | | | | | |
| (a) as of any December 31, greater than 1.10:1.00, or | 1.375% | 1.250% | 1.125% | 1.000% | .875% |
| (b) as of any other Determination Date, greater than 1.15:1.00 | | | | | |
| ----- | | | | | |
| Senior Leverage Ratio | | | | | |
| (a) as of any December 31, equal to or less than 1.10:1.00 and greater than 0.85:1.00, or | 1.250% | 1.125% | 1.000% | 0.875% | .750% |
| (b) as of any other Determination Date, equal to or less than 1.15:1.00 and greater than 0.90:1.00 | | | | | |
| ----- | | | | | |
| Senior Leverage Ratio | | | | | |
| (a) as of any December 31, equal to or less than 0.85:1.00 and greater than 0.60:1.00, or | 1.125% | 1.000% | 0.875% | 0.750% | 0.625% |
| (b) as of any other Determination Date, equal to or less than 0.90:1.00 and greater than 0.65:1.00 | | | | | |
| ----- | | | | | |
| Senior Leverage Ratio | | | | | |
| (a) as of any December 31, equal to or less than 0.60:1.00 and greater than 0.50:1.00, or | 1.000% | 0.875% | 0.750% | 0.625% | 0.500% |
| (b) as of any other Determination Date, equal to or less than 0.65:1.00 and greater than 0.55:1.00 | | | | | |
| ----- | | | | | |
| Senior Leverage Ratio | | | | | |
| (a) as of any December 31, equal to or less than 0.50:1.00, or | 0.875% | 0.750% | 0.625% | 0.500% | 0.45% |
| (b) as of any other Determination Date, equal to or less than 0.55:1.00 | | | | | |

EXHIBIT G

BID-OPTION QUOTE

[Date]

NBD Bank, N.A., as Agent
611 Woodward Avenue
Detroit, Michigan 48226

Attention: Michigan Banking Division

Reference is made to the Credit Agreement, dated as of September 2, 1993, as amended, supplemented or otherwise modified, by and among MASCOTECH, INC., a Delaware corporation, the Banks and Co-Agents party thereto, and NBD Bank, N.A., as Agent. Capitalized terms used but not defined herein shall have the respective meanings ascribed thereto in such Agreement.

In response to your Invitation for Bid-Option Quotes dated _____, 19____, _____ (the "Bank"), hereby makes the following offer[s] to make [a] Bid-Option Loan[s]:

1. Quoting Bank: _____

Contact Person: _____

2. Date of proposed Borrowing: _____, 19__ <F1>

3. Quotes:

| | | | | | |
|------------------------|-----------|--------|------|---------------------|-------------|
| Type of Bid-Option | | | | | |
| Loans: Absolute Rate | | | | Bid-Option Absolute | |
| Dollar, Eurodollar | | | | Rate or Bid-Option | |
| Rate Dollar or Foreign | | | | Eurodollar Rate | Interest |
| Currency (also specify | Principal | | | Margin <F4> | Period <F5> |
| the foreign currency | <F2> | Amount | <F3> | | |

- (a) _____
- (b) _____
- (c) _____

4. The aggregate amount of Bid-Option Loans which may be accepted by the Company pursuant to this Bid-Option Quote shall not exceed \$_____. <F6>

The Bank acknowledges and agrees that this Bid-Option Quote (a) is irrevocable and (b) subject to the terms and conditions of the Credit Agreement, obligates it to make a Bid-Option Loan for which any quote is accepted, in whole or in part.

[Name of Bank]

By: _____

Its: _____

[FN]

<F1> As specified in the related Invitation for Bid-Option Quotes.

<F2> As specified in the related Invitation for Bid-Option Quotes.

<F3> The Dollar Equivalent of the principal amount (a) must be (i) in the case of Dollar Bid-Option Loans, \$5,000,000 or a larger multiple thereof, or
(2) in the case of Foreign Currency Bid-Option Loans, not less than \$1,000,000, and (b) may not exceed the Dollar Equivalent of the aggregate amount of the related Bid-Option Borrowing specified in the related Invitation for Bid-Option Quotes.

<F4> Specify rate of interest per annum (rounded up to the nearest 1/10,000th of 1%) or applicable margin, which may be positive or negative, expressed as a percentage (rounded up to the nearest 1/10,000th of 1%), as the case may be.

<F5> As specified in the related Invitation for Bid-Option Quotes.

<F6> Must be at least equal to the minimum amount specified in note 3 above.

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT, dated as of December 21, 1994 (this "Amendment") is by and among MASCOTECH, INC., a Delaware corporation, the Banks, NBD BANK, N.A., a national banking association, as Agent for the Banks, and COMERICA BANK, a Michigan banking association, THE BANK OF NEW YORK, a New York banking corporation, THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, MORGAN GUARANTY TRUST COMPANY OF NEW YORK, a New York banking association, and NATIONSBANK OF NORTH CAROLINA, N.A., a national banking association, as Co-Agents.

RECITALS

A. The Company, the Banks, the Agent and the Co-Agents are parties to a Credit Agreement dated as of September 2, 1993, as amended by a First Amendment to Credit Agreement dated as of June 29, 1994. Capitalized terms used but not defined in this Amendment shall have the respective meanings ascribed thereto in such Agreement.

B. The Company, the Banks, the Agent and the Co-Agents are willing to amend the Agreement as set forth herein.

TERMS

In consideration of the premises and of the mutual agreements herein contained, the parties hereby agree as follows:

ARTICLE I. AMENDMENTS. Upon fulfillment of the conditions set forth in Article III hereof, the Agreement shall be amended as follows:

The definition of "EBIT" contained in Section 1.1 is restated in its entirety to read as follows:

"EBIT" means, for any period, Net Income, exclusive of any Non-Cash Special Items, for such period plus, to the extent deducted in determining such Net Income: (a) Interest Charges for such period, (b) income and other taxes and (c) for all purposes other than calculating the Interest Coverage Ratio in determining the Applicable Margin, the portion of the special charges not included in Non-Cash Special Items, recorded through December 31, 1995, relating to the

sale and/or restructuring of certain of the business units of the Company and its Subsidiaries, the general components of such sale and/or restructuring to be announced no later than February 28, 1995, provided that for purposes of this definition such portion not included in Non-Cash Special Items shall not exceed \$30,000,000.

1.2 Section 7.5 is restated in its entirety as follows:

Total Leverage Ratio. The Company will not permit or suffer the Total Leverage Ratio to be greater than

- (a) 1.75 to 1.0 as of the last day of any fiscal quarter of the Company occurring during the period from January 1, 1994 through December 30, 1994, (b) 1.75 to 1.0 as of the last day of any fiscal quarter of the Company during the period from December 31, 1994 through March 31, 1995, (c) 1.65 to 1.0 as of the last day of any fiscal quarter of the Company occurring during the period from April 1, 1995 through December 30, 1995, (d) 1.40 to 1.0 as of December 31, 1995, (e) 1.65 to 1.0 as of the last day of any fiscal quarter of the Company occurring during the period from January 1, 1996 through December 30, 1996, (f) 1.25 to 1.0 as of December 31, 1996, (g) 1.50 to 1.0 as of the last day of any fiscal quarter of the Company occurring during the period from January 1, 1997 through December 30, 1997, (h) 1.0 to 1.0 as of December 31, 1997, (i) 1.25 to 1.0 as of the last day of any fiscal quarter of the Company occurring during the period from January 1, 1998 through December 30, 1998,
- (j) 1.0 to 1.0 as of December 31, 1998, and (k) 1.25 to 1.0 as of the last day of any fiscal quarter of the Company thereafter.

1.3 Clause (a) of Section 7.8 is restated in its entirety as follows:

- (a) The Company will not permit or suffer the Senior Debt Coverage Ratio to be greater than (i) 5.50 to 1.00 at any time during the period from the Closing Date through September 29, 1995, and (ii) 5.00 to 1.00 at any time thereafter.

1.4 Clause (c) of Section 7.8 is restated in its entirety as follows:

- (c) As used in this Section 7.8, the term "Maximum Allowed Senior Debt Coverage Ratio" means (i) 4.25 to 1.00 on the Relevant Day immediately following the last day of any fiscal quarter of the Company ending during the period from the Closing Date through December 30, 1993, (ii) 4.00 to 1.00 on the Relevant Day immediately following December 31, 1993, (iii) 4.25 to 1.00 on the Relevant Day immediately following the last day of any fiscal quarter of the

Company ending during the period from January 1, 1994 through December 30, 1994, (iv) 3.50 to 1.00 on the Relevant Day immediately following December 31, 1994, (v) 5.50 to 1.00 on the Relevant Day immediately following the last day of any fiscal quarter of the Company ending during the period from January 1, 1995 through September 29, 1995, (vi) 3.75 to 1.00 on the Relevant Day immediately following September 30, 1995, (vii) 3.50 to 1.00 on the Relevant Day immediately following December 31, 1995, (viii) 3.75 to 1.00 on the Relevant Day immediately following the last day of any fiscal quarter of the Company ending during the period from January 1, 1996 through December 30, 1996, (ix) 3.25 to 1.00 on the Relevant Day immediately following each of December 31, 1996 and December 31, 1997, and (ix) 3.50 to 1.00 on the Relevant Day immediately following the last day of any fiscal quarter of the Company ending after January 1, 1997, other than the fiscal quarter ending December 31, 1997. For purposes of this Section 7.8, all Senior Debt which is repaid with cash received by the Company from Masco Corporation for the purchase of preferred stock or subordinated debt securities pursuant to the Securities Purchase Agreement within forty-five days after the last day of any fiscal quarter of the Company shall be deemed repaid as of the last day of such fiscal quarter, and during such forty-five day period no Default shall be deemed to have occurred due to noncompliance with this Section 7.8.

ARTICLE II. REPRESENTATIONS. The Company represents and warrants that:

2.1 The execution, delivery and performance by the Company of this Amendment have been duly authorized by all necessary corporate action and do not and will not violate the provisions of any applicable law or regulation or of the certificate of incorporation or bylaws of the Company or any Subsidiary or any order of any court, regulatory body or arbitral tribunal and do not and will not result in the breach of, or constitute a default or require any consent under, or create any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to, any indenture or other agreement or instrument to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or its property may be bound or affected. The execution, delivery and performance of this Amendment do not require, for the validity thereof, nor does the enforceability of this Amendment require, any filing with, or consent, authorization or approval of, any state or federal agency or regulatory authority, other than filings, consents or approvals which have been made or obtained.

2.2 This Amendment constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

2.3 After giving effect to the amendments herein contained, the representations and warranties contained in Article VI of the Agreement are true on and as of the date hereof with the same force and effect as if made on and as of the date hereof.

2.4 As of the date hereof, there is no Default.

ARTICLE III. CONDITIONS OF EFFECTIVENESS. This Amendment shall not become effective until the following shall have been delivered to the Agent:

3.1 This Amendment duly executed on behalf of the Company and the Required Banks.

3.2 A copy of the resolutions adopted by the Board of Directors of the Company, certified by an officer of the Company as being true and correct and in full force and effect without amendment as of the date hereof, authorizing the Company to enter into this Amendment.

3.3 An opinion of counsel for the Company in the form of Schedule 3.3 hereto.

ARTICLE IV. MISCELLANEOUS.

4.1 The Company shall pay to the Agent, for the benefit of each Consenting Bank, on or within two Business Days after the date of this Amendment an amendment fee in the amount of five basis points of the Commitment of such Consenting Bank. As used herein, a "Consenting Bank" shall be a Bank which both (a) commits in writing to the Agent on or before December 19, 1994 to execute this Amendment and (b) executes this Amendment.

4.2 For purposes of the representation contained in the last sentence of Section 6.6, the Banks acknowledge that, after giving effect to the special charges recorded by the Company and its Subsidiaries through December 31, 1995 relating to the sale and/or restructuring of certain of the business units of the Company and its Subsidiaries, the general components of such sale and/or restructuring to be announced no later than February 28, 1995, there has been no material adverse change in the consolidated operations or condition, financial or otherwise, of the Company and its Consolidated Subsidiaries considered as a whole since December 31, 1992, to the extent of \$375,000,000 aggregate after-tax amount of such charges; provided, however, that the foregoing does not constitute an acknowledgement as to the effect of any special charge or event other than the special charge referred to above for purposes of the representation contained in the last sentence of Section 6.6.

4.3 References in the Agreement or in any note, certificate, instrument or other document to the Agreement shall be deemed to be references to the Agreement as amended from time to time.

4.4 The Company agrees to pay and to save the Agent harmless for the payment of all costs and expenses arising in connection with this Amendment, including the reasonable fees of counsel to the Agent in connection with preparing this Amendment and the related documents.

4.5 The Company agrees that the Agreement and other documents and agreements executed by the Company in connection with the Agreement in favor of the Agent, the Co-Agents and/or the Banks are ratified and confirmed and shall remain in full force and effect, except as expressly amended hereby.

4.6 This Amendment may be signed upon any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument, and telecopied signatures shall be effective.

4.7 This Amendment is a contract made under, and shall be governed by and construed in accordance with, the law of the State of Michigan applicable to contracts made and to be performed entirely within such State and without giving effect to choice of law principles of such State.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered as of the day and year first above written.

NBD BANK, N.A.

MASCOTECH, INC.

*By: /s/ Richard H. Huttenlocher
Richard H. Huttenlocher
Its: Vice President*

*By: /s/ Timothy Wadhams
Timothy Wadhams
Its Vice President-
Controller and Treasurer*

THE BANK OF NEW YORK

COMERICA BANK

*By: /s/ Douglas A. Ober
Its: Vice President*

*By: /s/ James R. Grossett
Its: Vice President*

*THE FIRST NATIONAL BANK
OF CHICAGO*

*MORGAN GUARANTY TRUST
COMPANY OF NEW YORK*

*By: /s/ The First National Bank
of Chicago
Its: _____*

*By: /s/ Timothy S. Broadbent
Its: Vice President*

NATIONS BANK OF NORTH
CAROLINA, N.A.

By: /s/ William A. Bowen, Jr.
Its: Vice President

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Jack Broeren
Its: Assistant Vice President

MICHIGAN NATIONAL BANK

By: /s/ Joseph M. Redoutey
Its: Second Vice President

NATIONAL CITY BANK

By: /s/ National City Bank
Its: _____

FIRST BANK NATIONAL
ASSOCIATION

By: /s/ First Bank National
Association
Its: _____

BANK OF AMERICA ILLINOIS

By: /s/ Bank of America Illinois
Its:

BANK OF AMERICA NATIONAL
TRUST AND SAVINGS ASSOCIATION

By: /s/ Bank of America National
Trust and Savings Association
Its: _____

ROYAL BANK OF CANADA

By: /s/ Holly Spencer Kaczmarczyk
Its: Manager

THE FUJI BANK, LTD.

By: /s/ Peter L. Chinnici
Its: Joint General Manager

CITIBANK, N.A.

By: /s/ Barbara A. Cohen
Its: Vice President

CIBC INC.

WACHOVIA BANK OF GEORGIA, N.A.

By: /s/ Kent Davis

By: /s/ Wachovia Bank of Georgia, N.A.

Its: Vice President

Its: _____

CORESTATES PHILADELPHIA
NATIONAL BANK

SHAWMUT BANK
CONNECTICUT, N.A.

By: /s/ Corestates Philadelphia
Its: _____

By: /s/ Manfred O. Eigenbrod
Its: Managing Director

FIRST NATIONAL BANK
OF BOSTON

THE SANWA BANK, LIMITED,
CHICAGO BRANCH

By: /s/ First National Bank
of Boston

By: /s/ Richard H. Ault

Its: _____

Its: Vice President

MASCO CORPORATION

1984 RESTRICTED STOCK (INDUSTRIES) INCENTIVE PLAN

(Restated September 14, 1993)

1. Purpose of the Plan

The purpose of the 1984 Restricted Stock (Industries) Incentive Plan (the "Plan") is to aid Masco Corporation (the "Company") and its subsidiaries and affiliated companies in securing and retaining key employees and consultants of outstanding ability and to motivate such individuals to exert their best efforts on behalf of the Company and its subsidiaries and affiliated companies. In addition, the Company expects that it will benefit from the added interest which such individuals will have in its welfare as a result of their ownership or increased ownership in common stock of an affiliated Company, MascoTech, Inc., a Delaware corporation (formerly Masco Industries, Inc. and referred to herein as "Industries"). For purposes of this Plan a "subsidiary" is any corporation in which the Company owns, directly or indirectly, stock possessing more than fifty percent of the total combined voting power of all classes of stock. For purposes of Paragraph 4 of the Plan, an "affiliated company" is any other corporation (and its subsidiaries) in which the Company or its subsidiaries own stock possessing at least twenty percent of the total combined voting power of all classes of stock, and for all other purposes of the Plan, an "affiliated company" is any other corporation, at least twenty percent of the total combined voting power of all classes of stock of which is owned by the Company or by one or more other corporations in a chain of corporations, at least twenty percent of the stock of each of which is held by the Company or a subsidiary or another corporation within such chain.

2. Stock Subject to the Plan

The total number of shares of stock that may be awarded under the Plan is 12,000,000 shares of Common Stock of Industries, \$1.00 par value. Such stock may be any shares of Industries Common Stock owned by the Company. Shares of stock awarded under the Plan which are later reacquired by the Company as a result of forfeiture pursuant to the Plan shall again become available for awards under the Plan.

3. Administration

The Board of Directors of the Company shall appoint a committee (the "Committee") consisting of three or more members of the Board of Directors who shall administer the Plan. No director

shall become or remain a member of the Committee unless at the time of his exercise of any discretionary function as a Committee member such director is not eligible and has not at any time within one year prior to the exercise of such discretion been eligible for selection as a person to whom stock may be allocated or to whom stock options or stock appreciation rights may be granted pursuant to the Plan or any other plan of the Company or any of its affiliates entitling the participants therein to acquire stock, stock options or stock appreciation rights of the Company or any of its affiliates. The Committee shall have the authority, consistent with the Plan, to determine the terms and conditions of each award, to interpret the Plan and the agreements under the Plan, to adopt, amend and rescind rules and regulations for the administration of the Plan and the awards, and generally to conduct and administer the Plan and to make all determinations in connection therewith which may be necessary or advisable, and all such actions of the Committee shall be binding upon all participants.

4. Eligibility

Key employees of and consultants to the Company and its subsidiaries and affiliated companies, including officers of the Company (who may also be directors, but excluding members of the Committee, any person who serves only as a director of the Company and any consultant to the Company or any of its subsidiaries or affiliated companies who is also a director of the Company), as may be selected from time to time by the Committee in its discretion, are eligible to receive awards under the Plan. The Committee shall determine in its sole discretion the number of shares to be awarded to each such participant.

5. Terms and Conditions of Awards

All shares of Industries' Common Stock awarded to participants under this Plan shall be subject to the following terms and conditions, and to such other terms and conditions not inconsistent with the Plan as shall be contained in each Award Agreement ("Agreement") referred to in Paragraph 5(f):

(a) At the time of each award there shall be established for the shares of each participant a "Restricted Period" of transfer which shall be not less than one year. Such Restricted Period may differ among participants and may have different expiration dates with respect to portions of shares covered by the same award. The Committee may also determine that the expiration of any Restricted Period shall be subject to such additional terms and conditions as it decides in its sole discretion and as set forth in the participant's Agreement.

(b) Shares of stock awarded to participants may not be sold, encumbered or otherwise transferred, except as hereinafter provided, during the Restricted Period pertaining to such shares. Except for such restrictions on transfer, the participant shall have all the rights of a stockholder including but not limited to the right to receive all dividends paid on such shares (subject to the provisions of Paragraph 6) and the right to vote such shares.

(c) If a participant ceases to be employed or retained by the Company or any of its subsidiaries or affiliated companies for any reason (including termination by reason of the fact that any corporation is no longer a subsidiary or affiliated company), other than death, permanent and total disability, or, in the case of an employee, retirement on or after normal retirement date, all shares of stock theretofore awarded to the participant which are still subject to the restrictions imposed by Paragraph 5(b) shall upon such termination be forfeited and transferred back to the Company, provided, however, that in the event such employment or consulting relationship is terminated by action of the Company or any of its subsidiaries or affiliated companies without cause or by agreement of the Company or any of its subsidiaries or affiliated companies and the participant, the Committee may, but need not, determine that some or all of such shares shall not be forfeited but instead shall be subject to such restrictions as the Committee may establish or that some or all of such shares shall be free of restrictions. For purposes of this Paragraph 5(c), a participant's employment or consulting arrangement shall not be considered terminated (i) in the case of transfers of employment or the consulting arrangement among the Company, its subsidiaries and affiliated companies, (ii) by virtue of a change of status from employee to consultant or from consultant to employee, or (iii) in the case of interruption in service, not exceeding one year in duration unless otherwise approved by the Committee, for approved sick leave or other bona fide leave of absence.

(d) If a participant ceases to be employed or retained by the Company or any of its subsidiaries or affiliated companies by reason of death or permanent and total disability or if any employee ceases to be employed by the Company or any of its subsidiaries or affiliated companies by reason of retirement on or after normal retirement date, the restrictions imposed by Paragraph 5(b) shall lapse with respect to the shares then subject to restrictions, except to the extent provided to the contrary in the Agreement.

(e) Each certificate issued in respect of shares awarded under the Plan shall be registered in the name of the participant and deposited by the participant with the Company, together with a stock power endorsed in blank, and shall bear the following legend:

"The sale, encumbrance, or other transfer of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including a contingent transfer obligation) contained in the Masco Corporation's 1984 Restricted Stock (Industries) Incentive Plan and an Award Agreement entered into between the registered owner and Masco Corporation. Copies of such Plan and Award Agreement are on file in the office of the Secretary of Masco Corporation, Taylor, Michigan."

(f) The participant shall enter into an Agreement with the Company in a form specified by the Committee agreeing to the terms and conditions of the award, the expiration of the Restricted Period as to the shares covered by the award, and such other matters, including compliance with applicable federal and state securities laws and methods of withholding or providing for the payment of required taxes, as the Committee shall in its sole discretion determine. The Committee may at any time amend the terms of any Agreement consistent with the terms of the Plan, except that without the participant's written consent no such amendment shall adversely affect the rights of the participant who is a party to such Agreement.

(g) At the expiration of the Restricted Period as to shares covered by any award, the Company shall redeliver the stock certificates deposited with it pursuant to Paragraph 5(e) and as to which the Restricted Period has expired, as follows:

- (1) if an assignment to a trust has been made in accordance with Paragraph 5(i), to such trust; or
- (2) if the Restricted Period has expired by reason of death and a beneficiary has been designated in form approved by the Company, to the beneficiary so designated; or
- (3) in all other cases, to the participant or the legal representative of the participant's estate.

Upon written request, the Company will instruct its stock transfer agent that such certificates may be reissued without legend.

(h) Notwithstanding any of the provisions of this Plan or instruments evidencing awards heretofore or hereafter granted hereunder, in the case of a Change in Control of the Company, each award granted at least one year prior thereto shall immediately become fully vested and non-forfeitable and shall thereupon be distributed to participants as soon as practicable, free of all restrictions. A Change in Control shall occur if:

(1) any "person" or "group of persons" as such terms are used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") other than pursuant to a transaction or agreement previously approved by the Board directly or indirectly purchases or otherwise becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) or has the right to acquire such beneficial ownership (whether or not such right is exercisable immediately, with the passage of time, or subject to any condition), of voting securities representing 25% or more of the combined voting power of all outstanding voting securities of the Company; or

(2) during any period of twenty four consecutive calendar months, the individuals who at the beginning of such period constitute the Company's Board of Directors, and any new directors whose election by such Board or nomination for election by stockholders was approved by a vote of at least two-thirds of the members of such Board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof.

(i) Notwithstanding any other provision of this Plan, a participant may assign all rights under any award to a revocable grantor trust established by the participant for the sole benefit of the participant during the life of the participant, and under the terms of which the participant is and remains the sole trustee until death or physical or mental incapacity. Such assignment shall be effected by a written instrument in form and content satisfactory to the Committee and the participant shall deliver to the Committee a true copy of the agreement or other document evidencing such trust. If in the judgment of the Committee the trust to which a participant may attempt to assign rights under an award does not meet the criteria of a trust to which an assignment is permitted by the terms of this paragraph, or if after assignment, because of amendment, by force of law or any other reason such trust no longer meets such criteria, such attempted assignment shall be void and may be disregarded by the Committee and the Company and all rights to any awards shall revert to and remain solely

in the participant. Notwithstanding a qualified assignment, the participant, and not the trust to which rights under an award may be assigned, for the purpose of determining compensation arising by reason of the award shall continue to be considered an employee or consultant, as the case may be, of the Company, a subsidiary or affiliated company, but such trust and the participant shall be bound by all of the terms and conditions of the Award Agreement and this Plan.

The Committee, the Company and its officers, agents and employees may rely upon any beneficiary designation, assignment or other instrument of transfer, copies of trust agreements and any other documents delivered to them by or on behalf of the participant which they believe genuine and any action taken by them in reliance thereon shall be conclusive and binding upon the participant, his personal representatives and all persons asserting a claim based on an award granted pursuant to this Plan. The delivery by a participant of a beneficiary designation, or an assignment of rights under an award as permitted by this Paragraph 5(i), shall constitute the participant's irrevocable undertaking to hold the Committee, the Company and its officers, agents and employees harmless against claims, including any cost or expense incurred in defending against claims, of any person (including the participant) which may be asserted or alleged to be based upon an award subject to a beneficiary designation or an assignment. In addition, the Company may decline to deliver shares to a beneficiary until it receives indemnity against claims of third parties satisfactory to the Company. Issuance of shares as to which restrictions have lapsed in the name of, and delivery to, the trust to which rights may be assigned shall be conclusively considered issuance and delivery to the participant.

(j) The Committee, in its discretion and in accordance with the procedures established by the Committee, may permit the participant to satisfy, in whole or in part, the applicable income tax withholding obligations when the restrictions imposed by Paragraph 5(b) lapse: (1) in the case of participants who are employees of or consultants to Industries or any of its subsidiaries, by having withheld from the shares as to which the Restricted Period has expired or by delivering from shares of Common Stock of Industries owned by the participant such number of shares having a fair market value equal to the amount needed to satisfy such obligations; or (2) in the case of all other participants, by having withheld from the shares as to which the Restricted Period has expired or by delivering from shares of Common Stock of Industries or common stock of the Company owned by the participant such number of shares having a fair market value equal to the amount needed to satisfy such obligations.

6. Changes in Capitalization

In the event there is a change in, reclassification, subdivision or combination of, stock dividend on, or exchange of stock by Industries for its outstanding Common Stock, the maximum aggregate number and class of shares as to which awards may be granted under the Plan may be appropriately adjusted by the Committee whose determination thereof shall be conclusive. Unless the Committee shall determine otherwise, any shares of stock or other securities received by a participant with respect to shares still subject to the restrictions imposed by Paragraph 5(b) will be subject to the same restrictions and shall be deposited with the Company.

If Industries shall be consolidated or merged with another corporation, the stock, securities or other property which a participant is entitled to receive by reason of his ownership of the shares of stock subject to the restrictions imposed pursuant to Paragraph 5(b) shall be subject to the same or equivalent restrictions unless the Committee shall determine otherwise.

7. Amendment of the Plan

The Board of Directors may from time to time amend or discontinue the Plan, except that without the approval of Stockholders of the Company no amendment shall increase the total number of shares which may be awarded under the Plan, extend the date for awards of shares under the Plan beyond December 31, 1999 or change the standard of eligibility to participate in the Plan. The total number of shares which may be awarded under the Plan may, however, be adjusted without stockholder approval pursuant to the adjustment provisions described in Paragraph 6 hereof.

8. Effective Date and Termination of Plan

The Plan shall become effective when approved by the stockholders of the Company and no shares may be awarded under the Plan after December 31, 1999.

MASCO CORPORATION

1984 STOCK OPTION PLAN

(Restated September 14, 1993)

Article I. Purpose

The purpose of the 1984 Stock Option Plan (the "Plan") is to secure for Masco Corporation (the "Company") and its stockholders the benefits inherent in stock ownership by selected key employees of and consultants to the Company and its subsidiaries and affiliated companies who in the judgment of the committee responsible for the administration of the Plan are largely responsible for the Company's growth and success. The Plan is designed to accomplish this purpose by offering such employees and consultants an opportunity to purchase shares of the Common Stock of the Company. For purposes of the Plan a "subsidiary" is any corporation in which the Company owns, directly or indirectly, stock possessing more than fifty percent of the total combined voting power of all classes of stock. For purposes of Articles III and VII of the Plan, an "affiliated company" is any other corporation (and its subsidiaries) in which the Company or its subsidiaries own stock possessing at least twenty percent of the total combined voting power of all classes of stock, and for all other purposes of the Plan, an "affiliated company" is any other corporation, at least twenty percent of the total combined voting power of all classes of stock of which is owned by the Company or by one or more other corporations in a chain of corporations, at least twenty percent of the stock of each of which is held by the Company or a subsidiary or another corporation within such chain.

Article II. Administration

The Plan shall be administered by a committee (the "Committee") of three or more of the Company's directors to be appointed by the Board of Directors. No director shall become or remain a member of the Committee unless at the time of exercise of any discretionary function as a Committee member such director is not eligible, and has not at any time within one year prior to the exercise of such discretion been eligible for selection as a person to whom stock may be allocated or to whom stock options or stock appreciation rights may be granted pursuant to the Plan or any other plan of the Company or any of its affiliates entitling the participants therein to acquire stock, stock options or stock appreciation rights of the Company or any of its affiliates. The Committee shall have authority, consistent with the Plan:

- (a) to determine which key employees of and consultants to the Company, its subsidiaries and affiliated companies shall be granted options;
- (b) to determine the time or times when options shall be granted and the number of shares of Common Stock to be subject to each option;
- (c) to determine the option price of the stock subject to each option and the method of payment of such price;
- (d) to determine the time or times when each option becomes exercisable, limitations on exercise, and the duration of the exercise period;
- (e) to prescribe the form or forms of the instruments evidencing any options granted under the Plan and of any other instruments required under the Plan, and to change such forms from time to time;
- (f) to designate options granted to key employees of the Company or its "subsidiaries" under the Plan as "incentive stock options" ("ISOs"), as such terms are defined under the Internal Revenue Code;
- (g) to adopt, amend and rescind rules and regulations for the administration of the Plan and the options and for its own acts and proceedings; and
- (h) to decide all questions and settle all controversies and disputes which may arise in connection with the Plan.

All decisions, determinations and interpretations of the Committee shall be binding on all parties concerned.

Article III. Participants

Key employees of and consultants to the Company, its subsidiaries or affiliated companies, including officers of the Company (who may also be directors, but excluding members of the Committee, any person who serves only as a director of the Company and any consultant to the Company or any of its subsidiaries or affiliated companies who is also a director of the Company), as may be selected from time to time by the Committee in its discretion, are eligible to receive options under the Plan. The grant of an option to an employee or consultant shall not entitle such individual to other grants or options, nor shall such grant disqualify such individual from further participation.

Article IV. Limitations

No options shall be granted under the Plan after December 31, 1999, but options theretofore granted may extend beyond that date. The number of shares of Common Stock of the Company which may be issued under the Plan shall not exceed 4,000,000 in the aggregate, subject to adjustment as provided in Article

IX. To the extent that any option granted under the Plan shall expire or terminate unexercised or for any reason become unexercisable as to any stock subject thereto, such stock shall thereafter be available for further grants under the Plan, within the limit specified above. If an option granted under the Plan shall be accepted for surrender pursuant to Article VIII, any stock covered by options so accepted shall not thereafter be available for the granting of other options under the Plan.

Notwithstanding any provision to the contrary in the Plan, no option may be designated an ISO unless all of the following conditions are satisfied with respect to such option:

(a) Such option must be granted on or prior to April 24, 1994, and such option by its terms is not exercisable after the expiration of ten years from the date such option is granted;

(b) Either (i) the employee to whom such option is granted does not, determined at the time such option is granted, own capital stock representing more than ten percent of the voting power of all classes of stock of the Company, its parent or any of its subsidiaries, or (ii) the option price is at least 110 percent of the fair market value, determined at the time such option is granted, of the stock subject to such option and such option by its terms is not exercisable more than five years from the date it is granted;

(c) Such option by its terms is not exercisable while there is outstanding an ISO which was granted to the same employee at an earlier time. For purposes of this clause (c), an ISO which has not been exercised in full shall be deemed to be outstanding, notwithstanding any cancellation or termination thereof, until the expiration of the period during which it could have been exercised under its original terms; and

(d) The aggregate fair market value of the Common Stock subject to such option plus the aggregate fair market value of Common Stock subject to ISOs previously or concurrently granted to the same employee in the same calendar year (all determined at the respective dates of grant of such options) must not exceed \$100,000 (the "Basic Amount") plus the sum of the "Carry-Over Amounts" for each of the three calendar years immediately preceding the year in which such option is

granted. The "Carry-Over Amount", as used in this clause (d) for any calendar year, shall mean (i) fifty percent of the amount by which \$100,000 exceeds the fair market value, determined at the time of grant, of Common Stock subject to ISOs which were granted during such calendar year to the employee for whom the Carry-Over Amount is being determined, or (ii) \$50,000 in the case such employee has not in such calendar year been granted any ISO. No amount shall be included in a Carry-Over Amount for any year to the extent such amount was theretofore necessarily included as a Carry-Over Amount to permit the qualification of an ISO under this clause (d), and Carry-Over Amounts shall only be utilized to permit the qualification of an ISO under this clause (d) in the order in which they first arose and then only if the Basic Amount has not theretofore been utilized to permit such qualification.

Article V. Stock to be Issued

The stock as to which options may be granted is the Company's Common Stock, \$1 par value. Such stock may be authorized but unissued shares or shares of Common Stock reacquired by the Company, including but not limited to shares purchased on the open market. The Board of Directors and the officers of the Company shall take any appropriate action required for such issuance.

Article VI. Terms and Conditions of Options

All options granted under the Plan shall be subject to the following terms and conditions (except as otherwise provided in Article VII) and to such other terms and conditions as the Committee shall deem appropriate.

(a) Option Price. Each option granted hereunder shall have such per share option price as the Committee may determine, but not less than the fair market value of Common Stock of the Company on the date the option is granted.

(b) Term of Options. The term of an option shall not exceed eleven years from the date of grant. The date of grant shall be the date on which the option is awarded by the Committee.

(c) Exercise of Options.

(i) Each option shall be made exercisable at such time or times, whether or not in installments, as the Committee shall prescribe at the time the option is granted.

(ii) A person electing to exercise an option shall give written notice to the Company, as may be specified by the Committee, of exercise of the option and of the number of

shares of stock elected for exercise, such notice to be accompanied by such instruments or documents as may be required by the Committee, and such person shall at the time of such exercise tender the purchase price of the stock elected for exercise unless otherwise directed by the Committee.

(iii) Notwithstanding any of the provisions of this Plan or instruments evidencing options heretofore or hereafter granted hereunder, in the case of a Change in Control of the Company, each Option then outstanding shall immediately become exercisable in full. A Change in Control shall occur if:

(1) any "person" or "group of persons" as such terms are used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") other than pursuant to a transaction or agreement previously approved by the Board directly or indirectly purchases or otherwise becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) or has the right to acquire such beneficial ownership (whether or not such right is exercisable immediately, with the passage of time, or subject to any condition), of voting securities representing 25% or more of the combined voting power of all outstanding voting securities of the Company; or

(2) during any period of twenty four consecutive calendar months, the individuals who at the beginning of such period constitute the Company's Board of Directors, and any new directors whose election by such Board or nomination for election by stockholders was approved by a vote of at least two-thirds of the members of such Board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof.

(d) Payment for Issuance of Stock. Upon and at the time of exercise of any option granted pursuant to the Plan, payment in full shall be made for all such stock then being purchased either in cash or, at the discretion of the Committee, in whole or in part in Common Stock of the Company valued at its then fair market value. Notwithstanding the foregoing, the Committee may in its discretion permit the issuance of stock upon such other plan of payment as it deems reasonable, provided that the then unpaid portion of the purchase price shall be evidenced by a promissory note at such rate of interest and upon such other terms and conditions as the Committee shall deem appropriate. In all cases where stock is issued for less than present full payment of the purchase price, there shall be placed upon the certificate or certificates representing such stock a legend setting forth the

amount paid at issuance, and the amount remaining unpaid thereon, and stating that the stock is subject to call for the remainder and may not be transferred by the holder until the balance due thereon shall be fully paid.

The Committee, in its discretion and in accordance with the procedures established by the Committee, may permit a participant to satisfy, in whole or in part, the applicable income tax withholding obligations in connection with the exercise of a non-qualified stock option under the Plan: (1) in the case of participants who are employees of or consultants to MascoTech, Inc. or any of its subsidiaries, by delivering from shares of common stock of MascoTech, Inc. owned by the participant such number of shares having a fair market value equal to the amount needed to satisfy such obligations; or (2) in the case of all other participants, by having withheld from the shares to be issued upon the exercise of the option or by delivering from shares of Common Stock of the Company owned by the participant such number of shares having a fair market value equal to the amount needed to satisfy such obligations.

(e) Conditions to Issuance. The Company shall not be obligated to issue any stock unless and until:

(i) in the event the Company's outstanding Common Stock is at the time listed upon any stock exchange, the shares of stock to be issued have been listed, or authorized to be added to the list upon official notice of issuance, upon such exchange, and

(ii) in the opinion of the Company's counsel there has been compliance with applicable law in connection with the issuance and delivery of stock and such issuance shall have been approved by the Company's counsel.

Without limiting the generality of the foregoing, the Company may require from the participant such investment representation or such agreement, if any, as counsel for the Company may consider necessary in order to comply with the Securities Act of 1933 as then in effect, and may require that the participant agree that any sale of the stock will be made only in such manner as shall be in accordance with law and that the participant will notify the Company of any intent to make any disposition of the stock whether by sale, gift or otherwise. The participant shall take any action reasonably requested by the Company in such connection. A participant shall have the rights of a stockholder only as and when shares of stock have been actually issued to the participant pursuant to the Plan.

(f) Nontransferability of Options. No option may be transferred by the participant other than by designation of beneficiary as provided in subsection

(j) of this Article, or by

will or by the laws of descent and distribution, and during the participant's lifetime the option may be exercised only by the participant.

(g) Consideration for Option. Each person receiving an option must agree to remain as an employee or consultant upon the terms of employment or the consulting arrangement then existing (unless different terms are mutually agreed upon) for at least one year from the date of the granting of the option, subject to the right of the Company, its subsidiary or affiliated company to terminate the participant's employment or consulting arrangement at any time.

(h) Termination of Employment. If the employment of or consulting arrangement with a participant terminates for any reason (including termination by reason of the fact that any corporation is no longer a subsidiary or affiliated company) other than the participant's death or permanent and total disability or, in the case of an employee, retirement on or after normal retirement date, unless discharged for misconduct which in the opinion of the Committee casts such discredit on the participant as to justify termination of the option, the participant may thereafter exercise the option as provided below. If such termination is voluntary on the part of the participant, the option may be exercised only within ten days after the day of termination unless a longer period is permitted by the Committee in its discretion. If such termination is involuntary on the part of the participant, the option may be exercised within three months after the day of termination. Except as expressly provided in the Plan, in no event may a participant whose employment or consulting arrangement has been terminated voluntarily or involuntarily exercise an option at a time when the option would not have been exercisable had the employment or consulting arrangement continued. Notwithstanding the foregoing, the Committee may by the express terms of the grant of the option extend the aforesaid periods of time within which the participant may exercise an option after the termination of employment or the consulting arrangement. For purposes of this Article VI(h), a participant's employment or consulting arrangement shall not be considered terminated (i) in the case of approved sick leave or other bona fide leave of absence (not to exceed one year unless otherwise approved by the Committee), (ii) in the case of a transfer of employment or the consulting arrangement among the Company, its subsidiaries and affiliated companies, or (iii) by virtue of a change of status from employee to consultant or from consultant to employee. Unless otherwise expressly provided in the Plan or the grant of an option, an option may be exercised only to the extent exercisable on the date of termination of employment or of the consulting arrangement by reason of death, permanent and total disability, retirement or otherwise.

(i) Retirement; Disability. If prior to the expiration date of an option the employee shall retire on or after normal retirement date or if the employment or consulting relationship is

terminated by reason of permanent and total disability, such option may be exercised to the extent exercisable on the date of retirement or such termination, provided such option shall be exercised within three months of the date of retirement or such termination. Notwithstanding the foregoing, in its discretion the Committee may permit the exercise of an option held by a retired or disabled option holder upon other terms and conditions as it deems advisable under the circumstances, and if the period within which an option may be exercised has been extended the Committee may terminate all unexercised options if it shall determine that the participant has engaged in any activity detrimental to the Company's interests.

(j) Death. If a participant dies at a time when entitled to exercise an option, then at any time or times within one year after death (or such further period as the Committee may allow) such option may be exercised as to all or any of the shares which the participant was entitled to purchase immediately prior to death (unless the Committee shall have provided in the instrument evidencing such option that all shares covered by the option are subject to purchase upon death), by the person or persons designated in writing by the participant in such form of beneficiary designation as may be approved by the Company, or failing designation by the participant's personal representative, executor or administrator or the person or persons to whom the option is transferred by will or the applicable laws of descent and distribution. The Company may decline to deliver shares to a designated beneficiary until it receives indemnity against claims of third parties satisfactory to the Company. Except as so exercised such option shall expire at the end of such period.

Article VII. Replacement Options

The Committee may grant options under the Plan on terms differing from those provided for in Article VI where such options are granted in substitution for options held by employees of or consultants to other entities who concurrently become employees of or consultants to the Company or a subsidiary or an affiliated company as the result of a merger, consolidation or other reorganization of such other entity with the Company or a subsidiary or an affiliated company, or the acquisition by the Company or a subsidiary or an affiliated company of the business, property or stock of such other entity. The Committee may direct that the substitute options be granted on such terms and conditions as the Committee considers appropriate in the circumstances.

Article VIII. Surrender of Options

The Committee may, in its discretion and upon such terms and conditions as it deems appropriate, accept the surrender by a participant of a presently exercisable right to purchase stock granted under an option and authorize payment by the Company in consideration therefor of an amount equal to the difference obtained by subtracting the option price of the stock from its fair market value on the date of such surrender, such payment to be in cash or shares of the Common Stock of the Company valued at fair market value on the date of such surrender, or partly in such stock and partly in cash, provided that the Committee determines such settlement is consistent with the purpose of the Plan.

Article IX. Changes in Stock

The Board of Directors is authorized to make such adjustments, if any, as it shall deem appropriate in the number and kind of shares which may be granted under the Plan, the number and kind of shares which are subject to options then outstanding and the purchase price of shares subject to such outstanding options, in the event of any change in capital or shares of capital stock, any special distribution to stockholders or any extraordinary transaction (including a merger, consolidation or dissolution) to which the Company is a party. The determination of the Board of Directors as to such matters shall be binding on all persons.

Article X. Employment Rights

The adoption of the Plan does not confer upon any employee of or consultant to the Company or a subsidiary or an affiliated company any right to continue the employment or consulting relationship with the Company or a subsidiary or an affiliated company, as the case may be, nor does it in any way impair the right of the Company or a subsidiary or an affiliated company to terminate the employment of any of its employees or the consulting arrangement with any of its consultants at any time.

Article XI. Amendments

The Committee may at any time discontinue granting options under the Plan. The Board of Directors may at any time or times amend the Plan or amend any outstanding option or options for the purpose of satisfying the requirements of any changes in applicable laws or regulations or for any other purpose which may at the time be permitted by law, provided that except to the extent permitted under Article IX, without the approval of the stockholders of the Company no such amendment shall increase the maximum number of shares of stock available under the Plan, or alter the class of

persons eligible to receive options under the Plan, or without the consent of the participant void or diminish options previously granted, nor increase or accelerate the conditions and actions required for the exercise of the same, except that nothing herein shall limit the Company's right to call stock, issued for deferred payment which is evidenced by a promissory note, where the participant is in default of the obligations of such note.

MASCO CORPORATION

RESTRICTED STOCK INCENTIVE PLAN

(Restated September 14, 1993)

1. Purpose of the Plan

The purpose of the Plan is to aid Masco Corporation (the "Company") and its subsidiaries and affiliated companies in securing and retaining key employees and consultants of outstanding ability and to motivate such individuals to exert their best efforts on behalf of the Company and its subsidiaries and affiliated companies. In addition, the Company expects that it will benefit from the added interest which such individuals will have in its welfare as a result of their ownership or increased ownership of the Company's Common Stock. For purposes of the Plan a "subsidiary" is any corporation in which the Company owns, directly or indirectly, stock possessing more than fifty percent of the total combined voting power of all classes of stock. For purposes of Paragraph 4 of the Plan, an "affiliated company" is any other corporation (and its subsidiaries) in which the Company or its subsidiaries own stock possessing at least twenty percent of the total combined voting power of all classes of stock, and for all other purposes of the Plan, an "affiliated company" is any other corporation, at least twenty percent of the total combined voting power of all classes of stock of which is owned by the Company or by one or more other corporations in a chain of corporations, at least twenty percent of the stock of each of which is held by the Company or a subsidiary or another corporation within such chain.

2. Stock Subject to the Plan

The total number of shares of stock that may be awarded under the Plan is 4,000,000 shares of the Company's Common Stock, \$1.00 par value. Such stock may be authorized but unissued shares or shares of Common Stock reacquired by the Company, including but not limited to shares purchased on the open market. Shares of stock awarded under the Plan which are later reacquired by the Company as a result of forfeiture pursuant to the Plan shall again become available for awards under the Plan.

3. Administration

The Board of Directors of the Company shall appoint a committee (the "Committee") consisting of three or more members of the Board of Directors who shall administer the Plan. Members of the Committee shall not be eligible while a member to participate in the Plan and shall not have at any time within one year prior to appointment been eligible for selection as a person to whom stock

may have been allocated or to whom stock options of the Company may have been granted pursuant to the Plan or any other plan of the Company. The Committee shall have the authority, consistent with the Plan, to determine the terms and conditions of each award, to interpret the Plan and the agreements under the Plan, to adopt, amend and rescind rules and regulations for the administration of the Plan and the awards, and generally to conduct and administer the Plan and to make all determinations in connection therewith which may be necessary or advisable, and all such actions of the Committee shall be binding upon all participants.

4. Eligibility

Key employees of and consultants to the Company and its subsidiaries and affiliated companies, including officers of the Company (who may also be directors, but excluding members of the Committee, any person who serves only as a director of the Company and any consultant to the Company or any of its subsidiaries or affiliated companies who is also a director of the Company), as may be selected from time to time by the Committee in its discretion, are eligible to receive awards under the Plan. The Committee shall determine in its sole discretion the number of shares to be awarded to each such participant.

5. Terms and Conditions of Awards

All shares of Common Stock awarded to participants under this Plan shall be subject to the following terms and conditions, and to such other terms and conditions not inconsistent with the Plan as shall be contained in each Award Agreement ("Agreement") referred to in Paragraph 5 (f):

(a) At the time of each award there shall be established for the shares of each participant a "Restricted Period" which shall be not less than one year. Such Restricted Period may differ between and among participants and may have different expiration dates with respect to portions of shares covered by the same award. The Committee may also determine that the expiration of any Restricted Period shall be subject to such additional terms and conditions as it decides in its sole discretion and as set forth in the participant's Agreement.

(b) Shares of stock awarded to participants may not be sold, encumbered or otherwise transferred, except as hereinafter provided, during the Restricted Period pertaining to such shares. Except for such restrictions on transfer, the participant shall have all the rights of a stockholder including but not limited to the right to receive all dividends paid on such shares (subject to the provisions of Paragraph 6) and the right to vote such shares.

(c) If a participant ceases to be employed or retained by the Company or any of its subsidiaries or affiliated companies for any reason (including termination by reason of the fact that any corporation is no longer a subsidiary or affiliated company), other than death, permanent and total disability, or, in the case of an employee, retirement on or after normal retirement date, all shares of stock theretofore awarded to the participant which are still subject to the restrictions imposed by Paragraph 5(b) shall upon such termination of employment or the consulting relationship be forfeited and transferred back to the Company, provided, however, that in the event such employment or consulting relationship is terminated by action of the Company or any of its subsidiaries or affiliated companies without cause or by agreement of the Company or any of its subsidiaries or affiliated companies and the participant, the Committee may, but need not, determine that some or all of the shares shall be free of restrictions. For purposes of this Paragraph 5(c), a participant's employment or consulting arrangement shall not be considered terminated (i) in the case of transfers of employment or the consulting arrangement among the Company, its subsidiaries and affiliated companies,

(ii) by virtue of a change of status from employee to consultant or from consultant to employee, or (iii) in the case of interruption in service, not exceeding one year in duration unless otherwise approved by the Committee, for approved sick leave or other bona fide leave of absence.

(d) If a participant ceases to be employed or retained by the Company or any of its subsidiaries or affiliated companies by reason of death or permanent and total disability or if an employee ceases to be employed by the Company or any of its subsidiaries or affiliated companies by reason of retirement on or after normal retirement date, the restrictions imposed by Paragraph 5(b) shall lapse with respect to the shares then subject to restrictions, except to the extent provided to the contrary in the Agreement.

(e) Each certificate issued in respect of shares awarded under the Plan shall be registered in the name of the participant and deposited by the participant with the Company, together with a stock power endorsed in blank, and shall bear the following legend:

"The sale, encumbrance, or other transfer of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including a contingent transfer obligation) contained in the Masco Corporation Restricted Stock Incentive Plan and an agreement entered into between the registered owner and Masco Corporation. Copies of such Plan and Agreement are on file in the office of the Secretary of Masco Corporation, Taylor, Michigan."

(f) The participant shall enter into an Agreement with the Company in a form specified by the Committee agreeing to the terms and conditions of the award, the expiration of the Restricted Period as to the shares covered by the award, and such other matters, including compliance with applicable federal and state securities laws and methods of withholding or providing for the payment of required taxes, as the Committee shall in its sole discretion determine. The Committee may at any time amend the terms of any Agreement consistent with the terms of the Plan, except that without the participant's written consent no such amendment shall adversely affect the rights of the participant who is a party to such Agreement.

(g) At the expiration of the Restricted Period as to shares covered by any award, the Company shall redeliver the stock certificates deposited with it pursuant to Paragraph 5(e) and as to which the Restricted Period has expired, as follows:

(1) if an assignment to a trust has been made in accordance with Paragraph 5(i), to such trust; or

(2) if the Restricted Period has expired by reason of death and a beneficiary has been designated in form approved by the Company, to the beneficiary so designated; or

(3) in all other cases, to the participant or the legal representative of the participant's estate.

Upon written request, the Company will instruct its stock transfer agent that such certificates may be reissued without legend.

(h) Notwithstanding any of the provisions of this Plan or instruments evidencing awards heretofore or hereafter granted hereunder, in the case of a Change in Control of the Company, each award granted at least one year prior thereto shall immediately become fully vested and non-forfeitable and shall thereupon be distributed to participants as soon as practicable, free of all restrictions. A Change in Control shall occur if:

(1) any "person" or "group of persons" as such terms are used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") other than pursuant to a transaction or agreement previously approved by the Board directly or indirectly purchases or otherwise becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) or has the right to acquire such beneficial ownership (whether or not such right is exercisable immediately, with the passage of

time, or subject to any condition), of voting securities representing 25% or more of the combined voting power of all outstanding voting securities of the Company; or

(2) during any period of twenty four consecutive calendar months, the individuals who at the beginning of such period constitute the Company's Board of Directors, and any new directors whose election by such Board or nomination for election by stockholders was approved by a vote of at least two-thirds of the members of such Board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof.

(i) Notwithstanding any other provision of this Plan, a participant may assign all rights under any award to a revocable grantor trust established by the participant for the sole benefit of the participant during the life of the participant, and under the terms of which the participant is and remains the sole trustee until death or physical or mental incapacity. Such assignment shall be effected by a written instrument in form and content satisfactory to the Committee and the participant shall deliver to the Committee a true copy of the agreement or other document evidencing such trust. If in the judgment of the Committee the trust to which a participant may attempt to assign rights under an award does not meet the criteria of a trust to which an assignment is permitted by the terms of this paragraph, or if after assignment, because of amendment, by force of law or any other reason such trust no longer meets such criteria, such attempted assignment shall be void and may be disregarded by the Committee and the Company and all rights to any awards shall revert to and remain solely in the participant. Notwithstanding a qualified assignment, the participant, and not the trust to which rights under an award may be assigned, for the purpose of determining compensation arising by reason of the award shall continue to be considered an employee or consultant, as the case may be, of the Company, a subsidiary or affiliated company, but such trust and the participant shall be bound by all of the terms and conditions of the Award Agreement and this Plan.

The Committee, the Company and its officers, agents and employees may rely upon any beneficiary designation, assignment or other instrument of transfer, copies of trust agreements and any other documents delivered to them by or on behalf of the participant which they believe genuine and any action taken by them in reliance thereon shall be conclusive and binding upon the participant, his personal representatives and all persons asserting a claim based on an award granted pursuant to this Plan. The delivery by a participant of a

beneficiary designation, or an assignment of rights under an award as permitted by this Paragraph 5(i), shall constitute the participant's irrevocable undertaking to hold the Committee, the Company and its officers, agents and employees harmless against claims, including any cost or expense incurred in defending against claims, of any person (including the participant) which may be asserted or alleged to be based upon an award subject to a beneficiary designation or an assignment. In addition, the Company may decline to deliver shares to a beneficiary until it receives indemnity against claims of third parties satisfactory to the Company. Issuance of shares as to which restrictions have lapsed in the name of, and delivery to, the trust to which rights may be assigned shall be conclusively considered issuance and delivery to the participant.

(j) The Committee, in its discretion and in accordance with the procedures established by the Committee, may permit the participant to satisfy, in whole or in part, the applicable income tax withholding obligations when the restrictions imposed by Paragraph 5(b) lapse: (1) in the case of participants who are employees of or consultants to MascoTech, Inc. or any of its subsidiaries, by delivering from shares of common stock of MascoTech, Inc. owned by the participant such number of shares having a fair market value equal to the amount needed to satisfy such obligations; or (2) in the case of all other participants, by having withheld from the shares as to which the Restricted Period has expired or by delivering from shares of Common Stock of the Company owned by the participant such number of shares having a fair market value equal to the amount needed to satisfy such obligations.

6. Changes in Capitalization

In the event there is a change in, reclassification, subdivision or combination of, stock dividend on, or exchange of stock by the Company for the outstanding Common Stock of the Company, the maximum aggregate number and class of shares as to which awards may be granted under the Plan shall be appropriately adjusted by the Committee whose determination thereof shall be conclusive. Unless the Committee shall otherwise determine, any shares of stock or other securities received by a participant with respect to shares still subject to the restrictions imposed by Paragraph 5(b) will be subject to the same restrictions and shall be deposited with the Company.

If the Company shall be consolidated or merged with another corporation, the stock, securities or other property which a participant is entitled to receive by reason of his ownership of the shares of stock subject to the restrictions imposed pursuant to Paragraph 5(b) shall be subject to the same or equivalent restrictions unless the Committee shall determine otherwise at that time.

7. Amendment of the Plan

The Board of Directors may from time to time amend or discontinue the Plan, except that without the approval of Stockholders no amendment shall increase the total number of shares which may be awarded under the Plan, extend the date for awards of shares under the Plan beyond December 31, 1991 or change the standards of eligibility of employees eligible to participate in the Plan. The total number of shares awardable under the Plan may, however, without stockholder approval, be adjusted pursuant to the adjustment provisions described in Paragraph 6 hereof.

8. Effective Date and Termination of Plan

The Plan shall become effective when approved by the stockholders of the Company and no shares may be awarded under the Plan after December 31, 1991.

February 28, 1995

Dear :

As you know, our company's Board of Directors has adopted a Plan whereby supplemental retirement and other benefits, in addition to those provided under the Company's pension and other benefit plans, will be made available to those Company and subsidiary executives as may be designated from time to time by the company's Chief Executive Officer. You have been previously designated as a participant in the Plan by a letter agreement signed by you and dated February 12, 1992. This agreement amends and replaces in its entirety your previously signed letter agreement and describes in full your benefits pursuant to the Plan and all of the Company's obligations to you and yours to the Company under the Plan. These benefits as described below are contractual obligations of the Company.

For the purposes of this Agreement, words and terms are defined as follows:

- a. "Retirement" shall mean your termination of employment with the Company, on or after you attain age 65. Your acting as a consultant shall not be considered employment.
- b. "Average Compensation" shall mean the aggregate of your highest three years' total annual cash compensation paid to you by the Company, consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid, divided by three.
- c. If you become Disabled, "Total Compensation" shall mean your annual base salary rate in the year in which you become Disabled plus the regular year-end cash bonus paid to you for the year immediately prior thereto.
- d. "Surviving Spouse" shall be the person to whom you shall be legally married (under the law of the jurisdiction of your permanent residence) at the date of (i) your Retirement or death after attaining age 65 (if death

terminated employment with the Company) for the purposes of paragraphs 1, 2 and 3, (ii) your death for the purposes of paragraph 5, and (iii) your Disability for the purposes of paragraphs 6 and 7. For the purposes of paragraphs 10a, 10e, 10f, 10g and 10h, "Surviving Spouse" shall be any spouse entitled to survivor's benefits.

e. "Disability" and "Disabled" shall mean your being unable to perform your duties as a Company executive by reason of your physical or mental condition, prior to your attaining age 65, provided that you have been employed by the Company for two consecutive Years or more.

f. "Company" shall mean Masco Corporation or any corporation in which Masco Corporation or a subsidiary owns stock possessing at least 20% of the total combined voting power of all classes of stock.

g. "Year" shall mean twelve full consecutive months, and "year" shall mean a calendar year.

h. "Plan Limitation" for any year shall mean (x) for 1989, \$300,000 multiplied by the Cost of Living Factor for 1988, and (y) for any year subsequent to 1989, the Plan Limitation for the immediately preceding year multiplied by the Cost of Living Factor for such preceding year.

i. "Cost of Living Factor" for any year shall mean, except as otherwise provided generally with respect to the Plan by the Company's Board of Directors, the quotient (in no event to exceed 1.03 or to be less than .97) obtained by dividing the monthly Consumer Price Index Number (as compiled in the Consumer Price Index for Urban Consumers by the Bureau of Labor Statistics) for the month of December in such year by the monthly Consumer Price Index Number for the immediately preceding month of December.

j. A "Change in Control" shall be deemed to have occurred if, during any period of twenty-four consecutive calendar months, the individuals who at the beginning of such period constitute the Company's Board of Directors, and any new directors whose election by such Board or nomination for election by stockholders was approved by a vote of at least two-thirds of the members of such Board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof.

1. In accordance with the Plan, upon your Retirement the Company will pay you annually during your lifetime 60% of your Average Compensation, less: (i) a sum equal to the annual benefit which would be payable to you upon your Retirement if benefits payable to you under the Company funded qualified pension plans and the defined benefit (pension) plan restoration provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you retire, to a joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon Retirement if your vested accounts in the Company's Future Service Profit Sharing Trust and the defined contribution (profit sharing) restoration provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity and (iii) any retirement benefits payable to you by reason of employment by your prior employers (excluding, however, from such deduction any portion thereof, and earnings thereon, determined by the committee referred to in paragraph 10 to have been contributed by you rather than your prior employers). In all cases the amount offset pursuant to these subsections (i) and (ii) shall be determined prior to the effect of any payments from the plans and trust referred to therein which are authorized pursuant to a Qualified Domestic Relations Order under ERISA.
2. Upon your death after Retirement or while employed by the Company after attaining age 65, your Surviving Spouse shall receive for life 75% of the annual benefit pursuant to paragraph 1 of this Agreement which was payable to you prior to your death (or, if death terminated employment after attaining age 65, which would have been payable to you had your Retirement occurred immediately prior to your death).
3. Upon your Retirement the Company will provide or purchase for you and your spouse's benefit, or at its option reimburse you or your Surviving Spouse for premiums paid, during your joint and several lives, such supplemental medical insurance as the Company may deem advisable from time to time.
4. Under no circumstances (i) will any retirement benefits be paid to you or your Surviving Spouse pursuant to this Agreement unless you were employed by the Company or Disabled on your Retirement, or were employed by the Company at the time of your death after attaining age 65, and (ii) will you or your Surviving Spouse be entitled to receive retirement benefits under this Agreement if your Retirement commences prior to your attaining age 65.

5. If while employed by the Company you die prior to your attaining age 65 leaving a Surviving Spouse, and provided you shall have been employed by the Company for two consecutive Years or more, your Surviving Spouse shall receive annually for life 45% of your Average Compensation, less: (i) a sum equal to the annual benefit which would be payable to your Surviving Spouse under Company funded qualified pension plans and the defined benefit (pension) plan restoration provisions of the Company's Retirement Benefits Restoration Plan and any similar plan if such benefit were converted to a life annuity, and (ii) a sum equal to the annual payments which would be received by your Surviving Spouse as if your spouse were designated as the beneficiary of your vested accounts in the Company's Future Service Profit Sharing Trust and the defined contribution (profit sharing) restoration provisions of the Company's Retirement Benefits Restoration Plan and any similar plan and such accounts were converted to a life annuity. In all cases the amount offset pursuant to these subsections (i) and (ii) shall be determined prior to the effect of any payments from the plans and trust referred to therein which are authorized pursuant to a Qualified Domestic Relations Order under ERISA. No death benefits are payable except to your Surviving Spouse.

6. If you shall have been employed by the Company for two Years or more and while employed by the Company you become Disabled prior to your attaining age 65, until the earlier of your death, termination of Disability or attaining age 65 the Company will pay you an annual benefit equal to 60% of your Total Compensation less any benefits payable to you pursuant to long-term disability insurance or other plans the cost of which is paid by the Company. If your Disability continues until you attain age 65, you shall be considered retired and you shall receive retirement benefits pursuant to paragraph 1 above, based upon your Average Compensation as of the date it is determined you became Disabled.

7. If you die leaving a Surviving Spouse while receiving Disability benefits pursuant to paragraph 6 of this Agreement, notwithstanding paragraph 4 you will be deemed to have retired on your death and your Surviving Spouse shall receive for life 75% of the annual benefit which would have been payable to you if you had retired on the date of your death and your benefit determined pursuant to paragraph 1, based upon your Average Compensation as of your becoming Disabled.

8. Notwithstanding any of the provisions of this Agreement, the maximum retirement, disability and death benefits payable to you and your spouse pursuant to this Agreement for any year shall in no event exceed the higher of (A) \$500,000 less those sums to be deducted from benefits pursuant to clauses (i),

(ii) and (iii) of paragraph 1, clauses (i) and (ii) of paragraph 5, or under paragraph 6, whichever is applicable, or (B) the Plan Limitation for the year in which such benefits were first paid, less the aggregate annual benefit with respect to the Company's Retirement Benefits Restoration Plan (and any future non-qualified retirement plan) to be deducted (x) under clauses (i) and (ii) of paragraph 1, (y) under paragraph 5 should you die while employed prior to attaining age 65 or (z) under paragraph 6 should you become disabled prior to attaining age 65.

9. If you are eligible to receive benefits hereunder, unless otherwise specifically agreed by the Company in writing, you will not be able to receive benefits under any other Company sponsored non-qualified retirement plans other than the Company's Retirement Benefits Restoration Plan.

10. We also agree upon the following:

a. The Compensation Committee of the company's Board of Directors, or any other committee however titled which shall be vested with authority with respect to the compensation of the company's officers and executives, shall have the exclusive authority to make all determinations which may be necessary in connection with this Agreement including the date of and whether you are Disabled, the amount of annual benefits payable to you by reason of employment by other employers, the interpretation of this Agreement, and all other matters or disputes arising under this Agreement. The determinations and findings of the Compensation Committee or such other committee of the company's Board of Directors shall be conclusive and binding, without appeal, upon both of us.

b. You will not during your employment or Disability, and after Retirement or the termination of your employment, for any reason disclose or make use of for your own or another person's benefit under any circumstances any of the Company's Proprietary Information. Proprietary Information shall include trade secrets, secret processes, information concerning products, developments, manufacturing techniques, new product or marketing plans, inventions, research and development information or results, sales, pricing and financial data, information relating to the management, operations or planning of the Company and any other information treated as confidential or proprietary.

c. If your employment by the Company shall terminate for any reason whatsoever prior to your Retirement other than by reason of your death or Disability, for a period of two years after the termination of your employment, and if

your employment shall be terminated by reason of Retirement or any Disability during such time as you shall receive retirement or disability benefits pursuant to this Agreement, you agree that you will not directly or indirectly engage in any business activities, whether as a consultant, advisor or otherwise, in which the Company is engaged in any geographic area in which the products or services of the Company have been sold, distributed or provided during the five year period prior to the date of termination of employment or Retirement.

In addition to the foregoing and provided no "Change in Control" has occurred, if while you are receiving retirement or other benefits pursuant to this Agreement, in the judgment of the committee you directly or indirectly engage in activity or act in a manner which can be considered adverse to the interest of the Company or any of its direct or indirect subsidiaries or affiliated companies, the committee may terminate your rights to any further benefits hereunder.

d. Except as may be provided to the contrary in a duly authorized written agreement between yourself and the Company you acknowledge that the Company has made no commitments to you of any kind with respect to the continuation of your employment, which we expressly agree is an employment at will, and you or the Company shall have the unrestricted right to terminate your employment with or without cause, at any time in your or its discretion.

e. At the Company's request, expressed through a Company officer, you agree to provide such information with respect to matters which may arise in connection with this Agreement as may be deemed necessary by the Company or the Compensation or other committee, including for example only and not in limitation, information concerning benefits payable to you from third parties, and you further agree to submit to such medical examinations by duly licensed physicians as may be requested by the Company or such committee from time to time. You also agree to direct third parties to provide such information, and your Surviving Spouse's cooperation in providing such information is a condition to the receipt of survivor's benefits under this Agreement.

f. To the extent permitted by law, no interest in this Agreement or benefits payable to you or to your Surviving Spouse shall be subject to anticipation, or to pledge, assignment, sale or transfer in any manner nor

shall

you or your Surviving Spouse have the power in any manner to charge or encumber such interest or benefits, nor shall such interest or benefits be liable or subject in any manner for the liabilities of you or your Surviving Spouse's debts, contracts, torts or other engagements of any kind.

g. No person other than you and your Surviving Spouse shall have any rights or property interest of any kind whatsoever pursuant to this Agreement, and neither you nor your Surviving Spouse shall have any rights hereunder other than those expressly provided in this Agreement. Upon the death of you and your Surviving Spouse no further benefits of whatsoever kind or nature shall accrue or be payable pursuant to this Agreement.

h. All benefits payable pursuant to this Agreement shall be paid in installments of one-twelfth of the annual benefit, or at such shorter intervals as may be deemed advisable by the Company in its discretion, upon receipt of your or your Surviving Spouse's written application, or by the applicant's personal representative in the event of disability.

i. All benefits under this Agreement shall be payable from the Company's general assets, which assets are subject to the claims of general creditors, and are not set aside for your or your Surviving Spouse's benefit.

j. This Agreement shall be governed by the laws of the State of Michigan.

11. We have agreed that the determinations of the committee described in paragraph 10a shall be conclusive as provided in such paragraph, but if for any reason a claim is asserted which subverts the provisions of paragraph 10a, we agree that, except for causes of action which may arise under paragraph 10b and the first paragraph of paragraph 10c, arbitration shall be the sole and exclusive remedy to resolve all disputes, claims or controversies which could be the subject of litigation (hereafter referred to as "dispute") involving or arising out of this Agreement. It is our mutual intention that the arbitration award will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction and enforcement may be had according to its terms.

The arbitrator shall be chosen in accordance with the commercial arbitration rules of the American Arbitration Association and the expenses of the arbitration shall be borne equally by the parties to the dispute. The place of the

arbitration shall be the principal offices of the American Arbitration Association in the metropolitan Detroit area.

The arbitrator's sole authority shall be to apply the clauses of this Agreement.

We agree that the provisions of this paragraph 11, and the decision of the arbitrator with respect to any dispute, with only the exception provided in this paragraph 11, shall be the sole and exclusive remedy for any alleged cause of action in any manner based upon or arising out of this Agreement. Subject to the foregoing exception, we acknowledge that since arbitration is the exclusive remedy, neither of us or any party claiming under this Agreement has the right to resort to any federal, state or local court or administrative agency concerning any matters dealt with by this Agreement and that the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute. The arbitration provisions contained in this paragraph shall survive the termination or expiration of this Agreement, and shall be binding on our respective successors, personal representatives and any other party asserting a claim based upon this Agreement.

We further agree that any demand for arbitration must be made within one year of the time any claim accrues which you or any person claiming hereunder may have against the Company; unless demand is made within such period it is forever barred.

We are pleased to be able to make this supplemental plan available to you. Please examine the terms of this Agreement carefully and at your earliest convenience indicate your assent to all of its terms and conditions by signing and dating where provided below and returning a signed copy to me.

Sincerely,

MASCO CORPORATION

*By /s/Richard A. Manoogian
Richard A. Manoogian
Chief Executive Officer*

DATE: _____

**MASCO CORPORATION RETIREMENT
BENEFIT RESTORATION PLAN**

SECTION 1 ADOPTION OF PLAN

1.1 Adoption. Masco Corporation (Masco) hereby adopts the Masco Corporation Retirement Benefit Restoration Plan (Plan), effective January 1, 1995 (Effective Date).

1.2 Purpose. The sole purpose of the Plan is to provide benefits to a select group of management or highly compensated employees that would be provided to such employees who terminate employment or retire after the Effective Date under certain retirement plans of Masco Corporation and its subsidiaries, which plans are set forth in Appendix "A" hereto and are qualified plans under Section 401(a) of the Internal Revenue Code of 1986, as amended (Code) (the "Qualified Plans"), but for the benefit limitations of the Code, in order to encourage the continued employment and diligent service of such employees with Masco following the Effective Date. Accordingly (by way of example and not limitation), in no event shall the provisions of the Plan be construed to benefit any employee whose termination of employment occurred prior to the Effective Date.

1.3 Construction. The Plan shall be construed in accordance with Michigan law, except where preempted by federal law. It is intended that the Plan shall be unfunded and maintained by Masco primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, so that the Plan is exempt from the requirements of Parts 2, 3 and 4 of the Employee Retirement Income Security Act of 1974, as amended (ERISA). All provisions of the Plan shall be interpreted in accordance with such intentions.

SECTION 2 COVERAGE

2.1 Covered Employees. The coverage of the Plan shall be limited to highly-compensated or management employees of Masco and of those subsidiaries of Masco the Qualified Plans of which are listed in Appendix "A", who (a) receive from Masco or the subsidiary of Masco which is the employer of such person compensation otherwise eligible for coverage under the terms of such Qualified Plan for any calendar year which compensation exceeds \$150,000 or such other adjusted limit as provided by Section 401(a)(17) of the Code, or (b) whose benefits or contributions under the Qualified Plans are reduced due to the application of Section 415 of the Code.

2.2 Commencement and Cessation of Coverage. An employee shall be covered under the Plan commencing on the later of (a) the Effective Date or (b) the earlier of the date that his plan-eligible compensation described in Section 2.1 first exceeds the annual limitation amount described in Section 2.1 or the date his benefits or contributions under the Qualified Plans are first reduced by the application of Code Section 415. An employee shall cease to be covered by the Plan on his date of termination of employment from Masco and its subsidiaries. If prior to such termination an employee ceases to qualify for coverage under the Plan due to some other event (by way of examples and not as limitation, a decrease in Plan-eligible compensation or the commencement of employment with a Masco subsidiary which has no Qualified Plan or has discontinued its Qualified Plan), his coverage under the Plan shall cease as of the time such disqualifying event occurs and only the benefits accrued hereunder up to such time shall be payable from this Plan.

SECTION 3 BENEFITS

3.1 Amount. Subject to Section 3.3 hereof, a covered employee shall be entitled to either or both, as applicable, the supplemental retirement benefits described below:

(a) An annual amount equal to the benefit which would have been payable to the employee under any defined benefit (pension) Qualified Plan in which he is a participant ("Qualified Pension Plan") but for any benefit limitations imposed by the Code on the computation of such benefit, reduced (but not below zero) by

(b) any benefits which the employee is eligible to receive, prior to the giving effect to any qualified domestic relations order, under any such Qualified Pension Plan,

each benefit being expressed for this purpose in the normal form of payment under said Qualified Pension Plan, plus

(c) A single lump sum payment equal to the sum of amounts which would have been contributed to the account of the employee as a company contribution with respect to periods after December 31, 1993 under any defined contribution (profit sharing) Qualified Plan in which he is a participant (but in no case including any amounts, however characterized, which the employee or the company may have contributed to any such plan pursuant to the provisions of Section 401(k) or 401(m) of the Code) ("Qualified Profit Sharing Plan") but for any benefit limitations imposed by the Code on the contribution amount, plus

(d) investment adjustments applied to the contribution amounts of Section 3.1(c) which adjustments shall be applied to such accounts

(i)

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utilizing the same provisions for calculating the effect of investment earnings (or losses) as prevail under the terms of any such Qualified Profit Sharing Plan and (ii) utilizing the amount of investment earnings (or loss) as is experienced in a given year in the Masco Master Profit Sharing Trust or other investment vehicle in which the assets of any such Qualified Profit Sharing Plan are invested (and in no case applying any adjustments for forfeitures of any kind) reduced (but not below zero) by

(e) the covered employee's account balance attributable to company profit sharing contributions made with respect to periods after December 31, 1993 which the employee is eligible to receive, prior to the giving effect to any qualified domestic relations order, under any such Qualified Profit Sharing Plan,

provided, however, that any lump sum payment made pursuant to this Plan shall have no adjustment the purpose of which is to make such payment equivalent after the effect of any taxes which may have to be paid by the employee because such lump sum payments from this Plan are taxable when received as ordinary income and may not be eligible for rollover or other tax-advantaged treatment under the Code.

3.2 Timing and Form of Payments. (a) Retirement benefit payments hereunder which are supplemental to a Qualified Pension Plan shall be made at the same time as benefit payments are made from the Qualified Pension Plan and shall be payable (i) for an employee who is unmarried at the time payments commence, in the form of a single life annuity, or (ii) for any employee who is married when payments commence, in the form of a 50% joint and survivor annuity with the employee's spouse, unless, in either case, the employee validly elects another form of payment for benefits under the Qualified Pension Plan, in which case the supplemental retirement benefit hereunder shall be paid in the same form as benefits are paid under the Qualified Pension Plan, computed using the same formulas and actuarial factors as set forth for the determination of optional forms

of benefits under such plan; for purposes of this Section 3.2(a), an employee's marital status and spouse shall be determined in accordance with the Qualified Pension Plan.

(b) Retirement benefit payments hereunder which are supplemental to a Qualified Profit Sharing Plan shall be payable in a lump sum and shall be made at the time and to the same person as the lump sum payment is made from the Qualified Profit Sharing Plan.

3.3 Forfeitability. Payment of benefits under the Plan shall be conditioned upon receipt of benefit payments from the respective Qualified Plans and shall be vested in the same manner and to the same extent as benefits under such Qualified Plans.

3.4 No Payment During Employment. Notwithstanding the foregoing, no periodic payments computed under paragraphs (a) and (b) of Section 3.1 of this Plan shall be made during such time as any person both receives payments from any Qualified Plan and is employed by Masco or any affiliated company, and no lump sum payment computed under paragraphs (c), (d) and (e) of Section 3.1 of this Plan shall be made until after the covered employee's termination of employment.

SECTION 4 COST OF BENEFITS

4.1 Current Expense. The entire cost of providing benefits under the Plan, including the costs of the Plan Administrator, shall be paid by Masco out of its current operating budget, and Masco's obligations under the Plan shall be an unfunded and unsecured promise to pay. Masco shall not be obligated under any circumstances to separately fund its obligations under the Plan.

4.2 Option to Fund Informally. Notwithstanding Section 4.1, Masco may, at its sole option, or by agreement, informally fund its obligations under the Plan in whole or in part, provided, however, in no event shall such informal funding be construed to create any trust fund, escrow account or other security for an employee with respect to the payment of benefits under the Plan, other than as permitted under Internal Revenue Service and Department of Labor rules and regulations for unfunded supplemental retirement plans. Furthermore, if Masco decides to informally fund the Plan, in whole or in part, by procuring, as owner, life insurance for its own benefit on the lives of employees, the form of such insurance and the amounts thereof shall be the sole decision of Masco, and in no event shall an employee have any incidents of ownership in any such policies of insurance.

4.3 Physical Examinations. If a physical examination is required for Masco to obtain insurance for covered employees under Section 4.2, each employee agrees to undergo such physical examinations as may be required by the insurance carrier. Such physical examinations shall be conducted by a physician approved by Masco, at the expense of Masco.

4.4 No Employee Contributions or Loans. No loans or hardship distributions or contributions by employees are permitted or required under the Plan.

SECTION 5 ADMINISTRATION

5.1 Plan Administrator and Named Fiduciary. The Plan Administrator and Named Fiduciary of the Plan for purposes of ERISA shall be Masco Corporation whose business address is 21001 Van Born Road, Taylor, MI 48180, and whose telephone number is (313) 274-7400. Masco shall have the right to change the Plan Administrator and Named Fiduciary of the Plan at any time, and to change the address and telephone number of the same. Masco shall give each covered employee written notice of any such change in the Plan Administrator and Named Fiduciary, or in the address or telephone number of the same.

5.2 Claims Procedure. The Plan Administrator has the power to interpret all provisions of the Plan and make final determinations concerning the meaning of the Plan and the right of any person to benefits under the Plan.

Each covered employee, or other person claiming through the employee, must file a written claim for benefits with the Plan Administrator as a prerequisite to the payment of benefits under the Plan. Any denial by the Plan Administrator of a claim for benefits under the Plan by an employee or other person (collectively referred to as "claimant") shall be stated in writing by the Plan Administrator and delivered or mailed to the claimant within 90 days after receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension of time is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period. In no event shall such extension exceed a period of 90 days from the end of the initial period.

Any notice of denial shall set forth the specific reasons for the denial, specific reference to pertinent provisions of the Plan upon which the denial is based, a

description of any additional material or information necessary for the claimant to perfect his claim, with an explanation of why such material or information is necessary, and any explanation of claim review procedures under the Plan, written to the best of the Plan Administrator's ability in a manner that may be understood without legal or actuarial counsel.

A claimant whose claim for benefits has been wholly or partially denied by the Plan Administrator may request, within 90 days following the date of such denial, in a writing addressed to the Plan Administrator, a review of such denial. The claimant shall be entitled to submit such issues or comments in writing or otherwise, as he shall consider relevant to a determination of his claim, and may include a request for a hearing in person before the Plan Administrator. Prior to submitting his request, the claimant shall be entitled to review such documents as the Plan Administrator shall agree are pertinent to his claim. The claimant may, at all stages of review, be represented by counsel, legal or otherwise, of his choice, provided that the fees and expenses of such counsel shall be borne by the claimant.

All requests for review shall be promptly resolved. The Plan Administrator's decision with respect to any such review shall be set forth in writing and shall be mailed to the claimant not later than 60 days following receipt by the Plan Administrator of the claimant's request unless special circumstances, such as the need to hold a hearing, require an extension of time for processing, in which case the Plan Administrator's decision shall be so mailed not later than 120 days after receipt of such request.

5.3 Arbitration. Exhaustion of the claim and claim review procedures of Section 5.2 is prerequisite to any further consideration of a claim. In the event that any claim remains fully or partially unresolved after exhaustion of the claim and claim review procedures of Section 5.2, any remaining dispute shall, within 30 days of the date of the Plan Administrator's final decision on review, be submitted to arbitration, which shall be the sole and exclusive remedy. The arbitration decision shall be final and binding on

the Plan, Masco, the claimant, and any other party involved. All claims shall be arbitrated in Taylor, Michigan. The arbitrator shall be chosen in accordance with the Voluntary Labor Arbitration Rules of the American Arbitration Association then in effect, and the expense of the arbitration shall be shared equally by Masco and the claimant. Any claim shall be deemed waived unless presented within the time limits specified in Section 5.2 and this Section 5.3. The arbitrator shall not have jurisdiction or authority to change, add to or subtract from any of the provisions of the Plan. The arbitrator's sole authority shall be to interpret or apply the provisions of the Plan. Because arbitration is the exclusive remedy with respect to any claim hereunder, neither Masco, the claimant nor any other party has the right to resort to any federal, state or local court or administrative agency concerning any claim, and the decision of the arbitrator shall be a complete defense to any suit, action or proceeding instituted in any federal, state or local court or before any administrative agency with respect to any dispute which is arbitrable as herein set forth. The arbitration provisions hereof shall, with respect to any claim, survive the termination of the Plan.

SECTION 6 LIMITATION OF COVERED EMPLOYEE'S RIGHTS

6.1 No Contract of Employment. The Plan shall not be deemed to create a contract of employment between Masco or any Masco subsidiary and any covered employee and shall create no right in any covered employee to continue in the employ of Masco or any of its subsidiaries for any specific period of time, or to create any other rights in any covered employee or obligations on the part of Masco, except as are set forth explicitly herein or in a written employment contract. In consideration of his coverage hereunder each covered employee shall be deemed to have agreed that Masco has the right to terminate him at any time, with or without cause, and nothing in the Plan shall restrict the right of any covered employee to terminate his employment.

6.2 Unsecured Creditor. The rights of any employee or any person claiming through the employee under the Plan shall be solely those of an unsecured general creditor of Masco. Any employee, or any person claiming through the employee, shall only have the right to receive from Masco those payments as specified herein. Each covered employee agrees that he or any person claiming through him shall have no rights or interests in any asset of Masco, including any insurance policies or contracts which Masco may possess to informally fund the Plan.

6.3 No Trust. No asset used or acquired by Masco in connection with the liabilities it has assumed under the Plan shall be deemed to be held under any trust for the benefit of any employee, nor shall any such asset be considered security for the performance of the obligations of Masco, but shall be, and remain, a general unpledged and unrestricted asset of Masco, except as may be provided by separate agreement and as permitted under Internal Revenue Service and Department of Labor rules and regulations for unfunded supplemental retirement plans.

SECTION 7 AMENDMENT OR TERMINATION

7.1 Right to Amend or Terminate Plan. Masco reserves the right to amend the Plan in any manner deemed appropriate by Masco's Board of Directors, and Masco reserves the right to terminate the Plan for any reason and at any time in whole or part by action of the Board of Directors.

7.2 Limitations. Notwithstanding Section 7.1, no such amendment or termination shall reduce or otherwise affect the benefits payable to or on behalf of any covered employee that have accrued prior to such amendment or termination without the written consent of the employee (or beneficiary, if applicable). In addition, the complete or partial termination of this Plan, should it occur or be deemed by facts and circumstances to have occurred, shall have the same effect on the vesting of benefits accrued to date under this Plan as in the case of a complete or partial termination of a Qualified Plan.

7.3 Payment of Benefits Upon Termination. Upon termination or partial termination of the Plan Masco may elect the method by which benefits accrued through the date of such termination or partial termination shall be provided. Such election may include the payment of the present value of all such accrued benefits directly to covered employees (or beneficiaries, if applicable) or any other method of payment or funding which Masco may, in its sole discretion, determine.

SECTION 8 MISCELLANEOUS PROVISIONS

8.1 Independence of Benefits. Except as otherwise provided herein or pursuant to the terms of any separate agreement with an employee, the benefits payable under the Plan shall be independent of, and in addition to, any other benefits or compensation, whether by salary, or bonus or otherwise, payable under any employment agreements that now exist or may hereafter exist from time to time between Masco and any employee. The Plan does not involve a reduction in salary or foregoing of an increase in future salary by any employee, nor does the Plan in any way affect or reduce the existing and future compensation and other benefits of any employee.

8.2 Nonalienation of Benefits. Except insofar as this provision may be contrary to applicable law (such as an order of divorce or separation), no sale, transfer, alienation, assignment, pledge, collateralization, or attachment of any benefits under the Plan shall be valid or recognized by Masco.

8.3 Payments for the Benefit of Employee. In the event that Masco shall find that any person to whom a benefit is payable under the Plan is unable to care for his affairs because of illness or accident, is otherwise mentally or physically incompetent, or is unable to give a valid receipt, Masco may cause the payments becoming due to such person to be paid to another individual for such person's benefit, without responsibility on the part of Masco to follow application of such payment. Any such payment shall be a payment on account of such person and shall operate as a complete discharge of Masco from all liability under the Plan.

8.4 Use of Words. Wherever any words are used in the Plan in the masculine gender, they shall be construed as

though they also were used in the feminine gender in all cases where they would so apply, and wherever any words are used in the Plan in the singular forms they shall be construed as though they also were used in the plural form in all cases where they would so apply, and vice versa.

8.5 Headings. Headings of Sections herein are inserted for convenience of reference. They constitute no part of the Plan and are not to be considered in the construction of the Plan.

8.6 Savings Clause. If any provisions of the Plan shall be for any reason invalid or unenforceable, the remaining provisions nevertheless shall be carried into effect.

SECTION 9 DEFINITIONS

Terms capitalized in the text of this Plan shall have the meanings referred to below, unless the context requires otherwise. Terms not defined herein shall be construed in reference to the same or similar terms as used in the applicable Qualified Plan.

9.1 Code. See Section 1.2.

9.2 Effective Date. See Section 1.1.

9.3 ERISA. See Section 1.3.

9.4 Plan. See Section 1.1.

9.5 Masco. See Section 1.1.

SECTION 10 EXECUTION

IN WITNESS WHEREOF, Masco Corporation has caused the Plan to be executed on , 1995.

Masco Corporation

By:

Its _____

APPENDIX A

**RETIREMENT PLANS LIST
MASCO CORPORATION**

DEFINED BENEFIT PLANS

Berkline Associates Pension Plan

Masco Corporation Home Furnishings
and Building Products Pension Plan

Masco Corporation Salaried
Employees' Pension Plan

DEFINED CONTRIBUTION PLANS

Masco Building Products Corporation
Salaried Retirement Plan

Masco Corporation Future Service
Profit Sharing Plan

Masco Corporation Master Defined
Contribution Plan

Exhibit 11

MASCO CORPORATION AND CONSOLIDATED SUBSIDIARIES

Computation of Primary and Fully Diluted Per Share Earnings

(Including Effect of Full Dilution)

| | 1994 | 1993 | 1992 |
|---|------------------------------------|-----------|-----------|
| | (In thousands except as indicated) | | |
| Shares for computation of primary and fully diluted earnings per share: | | | |
| Average number of shares outstanding.... | 158,800 | 152,700 | 151,700 |
| Common stock equivalents: | | | |
| Convertible debentures..... | 4,200 | 4,210 | 4,210 |
| Stock options..... | 800 | 1,520 | 1,210 |
| Total shares..... | 163,800 | 158,430 | 157,120 |
| Net income..... | \$193,700 | \$221,100 | \$183,100 |
| Addback of debenture interest, net..... | 5,880 | 5,880 | 5,970 |
| Net income, as adjusted..... | \$199,580 | \$226,980 | \$189,070 |
| Primary and fully diluted earnings per share (in dollar amounts)..... | \$1.22 | \$1.45 | \$1.21 |

The above dilutive influences are less than 3%.

Exhibit 12

MASCO CORPORATION AND CONSOLIDATED SUBSIDIARIES

Computation of Ratio of Earnings to Fixed Charges
(Thousands of Dollars)

| | Year Ended December 31 | | | | |
|---|------------------------|-----------|-----------|-----------|-----------|
| | 1994 | 1993 | 1992 | 1991 | 1990 |
| Earnings Before Income Taxes And Fixed Charges: | | | | | |
| Income before income taxes | \$322,600 | \$362,600 | \$304,800 | \$ 97,600 | \$235,900 |
| Deduct/add equity in undistributed (earnings) loss of fifty-percent- or-less-owned companies | 101,310 | (18,740) | (17,290) | 12,640 | 8,760 |
| Add dividends received from fifty-percent-or-less- owned companies | 6,720 | 4,940 | 4,100 | 25,450 | 1,780 |
| Add interest on indebtedness, net | 103,800 | 104,080 | 100,490 | 124,950 | 125,770 |
| Add amortization of debt expense | 2,220 | 2,650 | 2,710 | 1,630 | 1,420 |
| Add one-third of rentals | 11,180 | 10,970 | 10,800 | 12,530 | 9,610 |
| Earnings before income taxes and fixed charges | \$547,830 | \$466,500 | \$405,610 | \$274,800 | \$383,240 |
| Fixed charges: | | | | | |
| Interest on indebtedness | \$107,510 | \$105,420 | \$113,670 | \$128,450 | \$125,770 |
| Amortization of debt expense | 2,220 | 2,650 | 2,710 | 1,630 | 1,420 |
| One-third of rentals | 11,180 | 10,970 | 10,800 | 12,530 | 9,610 |
| | \$120,910 | \$119,040 | \$127,180 | \$142,610 | \$136,800 |
| Ratio of earnings to fixed charges | 4.5 | 3.9 | 3.2 | 1.9 | 2.8 |

Exhibit 21
MASCO CORPORATION
(a Delaware Corporation)

Subsidiaries

| Name | Jurisdiction of Incorporation or Organization |
|---|---|
| Alsons Corporation | Michigan |
| American Metal Products Company | Delaware |
| Ameri-Tec Products Company, Inc. | Delaware |
| A.M.P. Industrial Mexicana S.A. de C.V. | Mexico |
| American Shower & Bath Corporation | Michigan |
| Ametex Fabrics, Inc. | Delaware |
| Aqua Glass Corporation | Tennessee |
| Aqua Glass West, Inc. | Delaware |
| Tombigbee Transport Corporation | Tennessee |
| Auto-Graph Computer Designing Systems, Inc. | Kentucky |
| Baldwin Hardware Corporation | Pennsylvania |
| Baldwin Hardware Service Corp. | Delaware |
| The Berklene Corporation | Delaware |
| Berklene Inc. | Quebec |
| Brass-Craft Manufacturing Company | Michigan |
| Tempered Products, Inc. | Taiwan |
| Plumbers Quality Tool Mfg. Co., Inc. | Michigan |
| Brass-Craft Holding Company | Michigan |
| Brass-Craft Canada, Ltd. | Canada |
| Brass-Craft Western Company | Texas |
| Thomas Mfg. Company Inc. of Thomasville | North Carolina |
| Brush Creek Ranch II, Inc. | Missouri |
| Marge Carson, Inc. | California |
| Cal-Style Furniture Mfg. Co. | California |
| Computer Design, Inc. | Michigan |
| Composite Products Inc. | Delaware |

Directly owned subsidiaries appear at the left hand margin, first tier and second tier subsidiaries are indicated by single and double indentation, respectively, and are listed under the names of their respective parent companies. Unless otherwise indicated, all subsidiaries are wholly-owned. Certain of these companies may also use tradenames or other assumed names in the conduct of their business.

| Name | Jurisdiction of Incorporation or Organization |
|--|---|
| Drexel Heritage Furnishings Inc. | New York |
| D-H Retail Space, Inc. | Delaware |
| Drexel Heritage Advertising, Inc. | Delaware |
| Drexel Heritage Home Inspiration, Inc. | Delaware |
| Frederick Edward, Inc. | North Carolina |
| Epic Fine Arts Company | Delaware |
| Anderson & Co. Fine Arts Inc. | Michigan |
| Morning Star Gallery, Ltd. | New Mexico |
| Fieldstone Cabinetry, Inc. | Iowa |
| Fieldstone Transportation Company | Iowa |
| Flint & Walling Industries, Inc. | Delaware |
| Gamco Products Company | Delaware |
| Gibraltar Lock Co. Ltd. | Canada |
| Henredon Furniture Industries, Inc. | North Carolina |
| Henredon Transportation Co. | North Carolina |
| Interior Fabric Design, Inc. | New York |
| Intro Europe, Inc. | North Carolina |
| Intro Europe, B.V. | Netherlands |
| J.H. Industries, Inc. | California |
| Fillpro Products, Inc. | California |
| Kenco Communications, Inc. | Delaware |
| KraftMaid Cabinetry, Inc. | Ohio |
| KraftMaid Trucking, Inc. | Ohio |
| La Barge Mirrors, Inc. | Michigan |
| Landex, Inc. | Michigan |
| Landex of Wisconsin, Inc. | Wisconsin |
| Lexington Furniture Industries, Inc. | North Carolina |
| Hickorycraft Transportation Inc. | Delaware |
| Lineage Home Furnishings, Inc. | Delaware |
| Lineage Services Incorporated | Delaware |
| Maitland-Smith U.S., Inc. | North Carolina |
| Maitland-Smith Asia Holdings Limited | Vanuatu |
| Cebu Agency Limited | Hong Kong |
| Design Agency Limited | Hong Kong |
| Maitland-Smith Fine Furnishings Ltd. | Hong Kong |

| Name | Jurisdiction of Incorporation or Organization |
|---|---|
| Maitland-Smith Pacific, Inc. | Vanuatu |
| Maitland-Smith Philippines | Philippines |
| Mandaue Holdings Incorporated - 40% | Philippines |
| Maitland-Smith International Ltd. | Vanuatu |
| P.T. Maitland Smith Indonesia | Indonesia |
| Marbro Lamp Company | California |
| The Marvel Group, Inc. | Delaware |
| Masco Capital Corporation | Delaware |
| Masco Holdings Limited | Delaware |
| Masco Building Products Corp. | Delaware |
| Bowers Manufacturing Corporation | California |
| Computerized Security Systems, Inc. | Michigan |
| Computerized Security Systems of Canada, Inc | Canada |
| Computerized Security Systems (Asia) Ltd. - 50% | Asia |
| Safekeeper Systems, Inc. | Michigan |
| Computerized Security Systems (Asia) Limited-50% | Asia |
| Industrias Weiser, S.A. de C.V. | Mexico |
| Productos Para La Construccion De Mexicali, S.A. de C.V. | Mexico |
| Thermador Corporation | California |
| Weiser Lock Corporation | California |
| Winfield Locks, Inc. | California |
| Masco Corporation of Indiana | Indiana |
| Damixa A/S | Denmark |
| Damixa AB | Sweden |
| N.V. Damixa S.A. | Belgium |
| Mix-A-Mix A/S | Denmark |
| DAMIYA Armaturen GmbH | Germany |
| Delta Faucet of Oklahoma, Inc. | Delaware |
| Hydrotech, Inc. | Michigan |
| Studio Technico Sviluppo E. Recherche Srl | Italy |
| Masco Canada Limited | Ontario |
| 3072002 Ontario Limited | Ontario |
| Masco Corporation Limited | United Kingdom |
| Ametex U.K. Limited | United Kingdom |

| Name | Jurisdiction of Incorporation or Organization |
|--|---|
| Ametex Sarl | France |
| Green & Kirk Ltd. | United Kingdom |
| Herbert Green (Silsden) Ltd. | United Kingdom |
| Berglen Furniture Limited | United Kingdom |
| Berglen Group Limited | United Kingdom |
| Berglen Products Limited | United Kingdom |
| Berglen Distributors Limited | United Kingdom |
| Berglen Associates Limited | United Kingdom |
| CDI Technologies Ltd. | United Kingdom |
| Cebu Limited | United Kingdom |
| Destiny Limited | Isle of Man |
| Hanhill (Great Britain) Limited | England |
| Ramm Son & Crocker Limited | England |
| Damixa Ltd. | United Kingdom |
| Kiloheat Limited | United Kingdom |
| NewTeam Management Services Limited | Jersey |
| NewTeam Electronics Ltd. | United Kingdom |
| NewTeam Export (Jersey) Limited | Jersey |
| NewTeam France SARL | France |
| NewTeam Ltd. | United Kingdom |
| NewTeam Plastics Ltd. | United Kingdom |
| Chromeco Ltd. | United Kingdom |
| Harplace Ltd. | United Kingdom |
| Showerforce Ltd. | United Kingdom |
| Maitland-Smith Limited | United Kingdom |
| Weiser (U.K.) Ltd. | United Kingdom |
| Masco GmbH - 98% | Germany |
| Alfred Reinecke GmbH & Co. KG | Germany |
| Alma Kuchen Aloys Meyer GmbH | Germany |
| Gebhardt Aktiebolag 90% | Sweden |
| Gebhardt Sarl | France |
| Gebhardt Ventilatoren Gesellschaft mbh | Austria |
| Gebhardt Ventilatoren GmbH & Co. | Germany |
| Gebhardt Ventiladores Srl | Spain |
| Hans Grohe GmbH & Co. KG - 27% | Germany |

| Name | Jurisdiction of Incorporation or Organization |
|---|---|
| HTH Haustechnische Handelsgesellschaft mbh | Germany |
| Hueppe Gesellschaft mbh | Austria |
| Hueppe GmbH & Co. | Germany |
| Hueppe Sarl | France |
| Intermart Insaat Malzemeleri Sanayi ve Ticaret AS | Turkey |
| Jung-Pumpen GmbH | Germany |
| Jung-Pumpen Handelsgesellschaft mbh | Austria |
| Teknomar Insaat Malzemeleri Sanayi ve Ticaret AS | Turkey |
| Masco Europe, Inc. | Delaware |
| N.V. Weiser Europe, S.A. | Belgium |
| Rubinetterie Mariani S.A. | Italy |
| Weiser, Inc. | British Columbia |
| Masco Home Furnishings, Inc. | North Carolina |
| Masco International Sales, Inc. | Barbados |
| Masco International Services, Inc. | Delaware |
| Masco Services, Inc. | Delaware |
| Mascomex S.A. de C.V. | Mexico |
| Melard Manufacturing Corp. | Delaware |
| Merillat Industries, Inc. | Michigan |
| Merillat Corporation | Delaware |
| Merillat Transportation Company | Delaware |
| Morgantown Plastics Company | Delaware |
| Outlet Corp. | Delaware |
| Peerless Faucet Sales Corporation | Delaware |
| Ramm, Son & Crocker, Inc. | New York |
| Robert Allen Fabrics, Inc. | Delaware |
| Robert Allen Fabrics of N.Y., Inc. | Delaware |
| Robert Allen Fabrics (Canada) Ltd. | Canada |
| Sherle Wagner Accessories, Inc. | New York |
| Sherle Wagner International, Inc. | New York |
| StarMark, Inc. | South Dakota |
| SMI Franchising Corp. | Delaware |
| Starmark of Virginia, Inc. | Virginia |
| Sunbury Textile Mills, Inc. | Delaware |
| Universal Furniture Limited | Delaware |

| Name | Jurisdiction of Incorporation or Organization |
|--|---|
| American Furniture Limited | Hong Kong |
| Del Mar Furniture Industries (Singapore) Pte. Ltd. | Singapore |
| H.K.T. (Malaysia) Sdn. Bhd. | Malaysia |
| Hong Kong Teakwood Works Limited | Hong Kong |
| Hong Kong Teakwood Works (Singapore) Pte. Ltd. | Singapore |
| Hong Kong Teakwood Works (Taiwan) Limited | Taiwan |
| Log and Timber Products (Singapore) Pte. Ltd. | Singapore |
| Rigel Enterprises Limited (Singapore) Pte. Ltd. | Singapore |
| Shin Shin Wood Products Co. Ltd. - 51% | Taiwan |
| Sterling Home Furnishings (Singapore) Pte. Ltd. | Singapore |
| Sterling Home Furnishings (Taiwan) Ltd. | Taiwan |
| Swaps Investment Limited | Hong Kong |
| Syarikat Malaysia Wood Industries Sdn. Bhd. | Malaysia |
| Teakwood Property Development Ltd. | Hong Kong |
| Teakwood (U.K.) Ltd. | United Kingdom |
| Universal Furniture Industries (U.K.) Ltd. | United Kingdom |
| Universal Furniture Industries, Inc. | Delaware |
| Blue Mountain Trucking Corporation | Mississippi |
| Custom Truck Tires, Inc. | Mississippi |
| Universal Furniture Industries (Deutschland) GmbH | Germany |
| Universal Furniture Industries (Scandinavia) AB | Sweden |
| Universal Furniture (Japan) Ltd. | Japan |
| Universal Furniture (Taiwan) Co. Ltd. | Taiwan |
| Universal Furniture (Thailand) Ltd. | Thailand |
| Universal Woodfloor (Europe) AB | Sweden |
| World Wide Furniture Sales, Inc. | British Virgin Il |
| Xin Jia Po Huan Mei Furniture Ltd. | Hong Kong |
| Chang Chun Universal Flooring Company Ltd 50% | China |
| Chang Chun Wood Products Company Limited 50% | China |
| Universal Furniture (Tianjin) Co. Ltd. 80% | China |
| Universal Veneer (Tianjin) Co. Ltd. 51% | China |
| Universal Flooring (Tianjin) Co. Ltd. 80% | China |
| Universal Furniture (Guangzhou) Co. Ltd. - 85% | China |
| Vapor Technologies, Inc. | Delaware |
| Watkins Manufacturing Corporation | California |

| Name | Jurisdiction of Incorporation or Organization |
|-----------------------------|---|
| W/C Technology Corporation | Delaware |
| Zenith Products Corporation | Delaware |

Exhibit 23.a

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the prospectuses included in the registration statements of Masco Corporation on Form S-3 (Registration Nos. 33-56043, 33-53330, 33-2374, 33-52485, 33-53959 and 33-53985) and Form S-8 (Registration Nos. 2-95969, 33-28142 and 33-42229) of our report dated February 17, 1995, on our audits of the consolidated financial statements and financial statement schedule of Masco Corporation and subsidiaries as of December 31, 1994 and 1993 and for each of the three years in the period ended December 31, 1994, which report is included in this Annual Report on Form 10-K. We also consent to the reference to our Firm under the caption "Experts" in such prospectuses.

/s/COOPERS & LYBRAND L.L.P.

*Detroit, Michigan
March 28, 1995*

Exhibit 23.b

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the prospectuses included in the registration statements of Masco Corporation on Form S-3 (Registration Nos. 33-56043, 33-53330, 33-2374, 33-52485, 33-53959 and 33-53985) and Form S-8 (Registration Nos. 2-95969, 33-28142 and 33-42229) of our report dated February 17, 1995, on our audits of the consolidated financial statements and financial statement schedule of MascoTech, Inc. and subsidiaries as of December 31, 1994 and 1993 and for each of the three years in the period ended December 31, 1994, which report is included in this Annual Report on Form 10-K. We also consent to the reference to our Firm under the caption "Experts" in such prospectuses.

/s/COOPERS & LYBRAND L.L.P.

*Detroit, Michigan
March 28, 1995*

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MASCO CORPORATION'S DECEMBER 31, 1994 FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1000

| PERIOD TYPE | YEAR |
|----------------------------|-------------|
| FISCAL YEAR END | DEC 31 1994 |
| PERIOD END | DEC 31 1994 |
| CASH | 61,160 |
| SECURITIES | 9,910 |
| RECEIVABLES | 765,270 |
| ALLOWANCES | 20,100 |
| INVENTORY | 948,830 |
| CURRENT ASSETS | 1,891,440 |
| PP&E | 1,917,890 |
| DEPRECIATION | 686,080 |
| TOTAL ASSETS | 4,390,040 |
| CURRENT LIABILITIES | 601,290 |
| BONDS | 1,592,610 |
| COMMON | 156,990 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| OTHER SE | 1,955,690 |
| TOTAL LIABILITY AND EQUITY | 4,390,040 |
| SALES | 4,468,000 |
| TOTAL REVENUES | 4,468,000 |
| CGS | 3,001,770 |
| TOTAL COSTS | 3,001,770 |
| OTHER EXPENSES | 0 |
| LOSS PROVISION | 0 |
| INTEREST EXPENSE | 104,720 |
| INCOME PRETAX | 322,600 |
| INCOME TAX | 128,900 |
| INCOME CONTINUING | 322,600 |
| DISCONTINUED | 0 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | 193,700 |
| EPS PRIMARY | 1.22 |
| EPS DILUTED | 1.22 |

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