

# 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, 1998 COMMISSION FILE NUMBER 1-5794

## MASCO CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(State of Incorporation)

38-1794485  
(I.R.S. Employer Identification No.)

21001 VAN BORN ROAD, TAYLOR, MICHIGAN  
(Address of Principal Executive Offices)

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 Inc.	New York Stock Exchange,
Series A Participating Cumulative Preferred Stock Purchase Rights Inc.	New York Stock Exchange,

### 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  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.

The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant on March 15, 1999 (based on the closing sale price of \$25 15/16 of the Registrant's Common Stock, as reported on the New York Stock Exchange Composite Tape on such date) was approximately \$8,540,219,000.

Number of shares outstanding of the Registrant's Common Stock at March 15, 1999:

339,232,000 shares of Common Stock, par value \$1.00 per share

Portions of the Registrant's definitive Proxy Statement to be filed for its 1999 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.



**TABLE OF CONTENTS**

ITEM  
PAGE  
----  
----

PART I		
1.	Business.....	2
2.	Properties.....	6
3.	Legal Proceedings.....	8
4.	Submission of Matters to a Vote of Security Holders.....	8
	Supplementary Item. Executive Officers of Registrant.....	8
PART II		
5.	Market for Registrant's Common Equity and Related Stockholder Matters.....	9
6.	Selected Financial Data.....	9
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	10
8.	Financial Statements and Supplementary Data.....	20
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	44
PART III		
10.	Directors and Executive Officers of the Registrant.....	44
11.	Executive Compensation.....	44
12.	Security Ownership of Certain Beneficial Owners and Management.....	44
13.	Certain Relationships and Related Transactions.....	44
PART IV		
14.	Exhibits, Financial Statement Schedules, and Reports on Form 8-K.....	45
	Signatures.....	49
FINANCIAL STATEMENT SCHEDULES		
	Masco Corporation Financial Statement Schedule.....	F-1
	MascoTech, Inc. and Subsidiaries Consolidated Financial Statements and Financial Statement Schedule.....	F-3

**PART I**

**ITEM 1. BUSINESS.**

Masco Corporation is engaged principally in the manufacture, sale and installation of home improvement and building products. Masco believes that it is the largest domestic manufacturer of faucets, kitchen and bath cabinets and plumbing supplies and that it is a leading domestic producer of a number of other home improvement and building products. Except as the context otherwise indicates, the terms "Masco" and the "Company" refer to Masco Corporation and its consolidated subsidiaries.

The Company is among the country's largest manufacturers of brand name consumer products designed for the home improvement and home building industries. In addition to faucets, kitchen and bath cabinets and plumbing supplies, the Company manufactures and sells bath and shower enclosure units, spas and hot tubs, other shower, bath and plumbing specialties and accessories, door locks and other builders' hardware, radiators and heat convectors, air treatment products, venting and ventilating equipment and water pumps. These products are sold through mass merchandisers, home centers, hardware stores, distributors, wholesalers and other outlets, and recently, through internet retailers, to consumers and contractors. The Company also supplies and installs insulation and other building products directly to builders and consumers. The Company's operations are categorized into three segments: Kitchen and Bath Products, Environmental Products and Services and Builders' Hardware and Other Specialty Products.

**SEGMENTS**

The following table sets forth for the three years ended December 31, 1998, the contribution of the Company's segments to net sales and operating profit, in thousands:

	NET SALES		
	1998	1997	1996
Kitchen and Bath Products.....	\$3,294,000	\$2,940,000	
\$2,519,000			
Environmental Products and Services.....	485,000	348,000	
295,000			
Builders' Hardware and Other Specialty Products.....	566,000	472,000	
423,000			
Total.....	\$4,345,000	\$3,760,000	
\$3,237,000			
=====	=====	=====	
	OPERATING PROFIT(1)		
	1998	1997	1996
Kitchen and Bath Products.....	\$ 613,000	\$ 539,000	\$
462,000			
Environmental Products and Services.....	69,000	50,000	
41,000			
Builders' Hardware and Other Specialty Products.....	84,000	80,000	
63,000			
Total.....	\$ 766,000	\$ 669,000	\$
566,000			
=====	=====	=====	

(1) Amounts are before general corporate expense.

Additional financial information concerning the Company's operations by segments as of and for the three years ended December 31, 1998 is set forth in the Note to the Company's Consolidated Financial Statements captioned "Segment Information," included in Item 8 of this Report.

2  
4

## KITCHEN AND BATH PRODUCTS

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 through manufacturers' representatives to major retail accounts and to distributors who sell the faucets to plumbers, building contractors, remodelers, smaller retailers and others. PEERLESS faucets, designed for the "do-it-yourself" market (DIY), 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 ALSONS(R) hand showers and shower heads and MIXET(R) valves and accessories are distributed through manufacturers' representatives to the wholesale market and to retailers.

Sales of faucets worldwide approximated \$884 million in 1998, \$815 million in 1997 and \$757 million in 1996. The percentage of operating profit on faucets is somewhat higher than that on other products offered by the Company. The Company believes that the simplicity, quality and reliability of its faucet mechanisms, manufacturing efficiencies and capabilities, its marketing and merchandising activities, and the development of a broad line of products have accounted for the continued strength of its faucet sales. Management believes that Masco's faucet operations hold a leadership position in the United States market, with Moen, Price Pfister, Kohler and American Standard as major brand competitors. Competition from import products is also a factor in the Company's markets.

The Company manufactures economy, 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) QUALITY CABINETS,(R) STARMARK(R) and FIELDSTONE,(R) with sales to distributors, home centers and dealers and direct to builders for both the home improvement and new construction markets. In addition to its domestic manufacturing, the Company manufactures cabinetry in Germany, England and Spain with sales to European consumers, wholesalers and builders through distribution channels that parallel domestic distribution. Sales of kitchen and bath cabinets were approximately \$1,334 million in 1998, \$1,083 million in 1997 and \$832 million in 1996. Management believes that the Company is the largest manufacturer of kitchen and bath cabinetry in the United States. Significant competitors are Aristokraft, Shrock, American Woodmark and Omega.

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 for the wholesale trade under the BRASSCRAFT(R) trademark and for the "do-it-yourself" market under the PLUMB SHOP,(R) HOME PLUMBER(R) and MELARD(TM) trademarks and are also sold under private label.

Other Kitchen and Bath Products sold by the Company include AQUA GLASS(R) acrylic and gelcoat bath and shower units and whirlpools, which are sold primarily to wholesale plumbing distributors for use in the home improvement and new home construction markets. Other bath and shower enclosure units, shower trays and laundry tubs are sold under the brand names AMERICAN SHOWER & BATH(TM) and TRAYCO(TM) to the home improvement market through hardware stores and home centers. HUPPE(R) luxury bath and shower enclosures are manufactured and sold by the Company through wholesale channels primarily in Germany. HERITAGE(TM) ceramic and acrylic bath fixtures are sold in the United Kingdom directly to selected retailers. The Company manufactures bath and shower accessories, vanity mirrors and bath storage products and sells these products under the brand name ZENITH PRODUCTS(R) and other trademarks to home centers, hardware stores and mass merchandisers for the "do-it-yourself" market. The Company's spas and hot tubs are sold under the brand name HOT SPRING SPA(R) and other trademarks directly to retailers for sale to residential customers.

Direct sales to home center retailers in all of the Company's product lines have been increasing in recent years, and in 1998 sales to The Home Depot were \$499 million, approximately 11.5 percent of the Company's 1998 sales volume. Builders, distributors, wholesalers and other retailers represent other channels of distribution for the Company's products.

3

5

## **ENVIRONMENTAL PRODUCTS AND SERVICES**

The Company manufactures heating, ventilating and air conditioning accessories under the trademark AMP,(TM) including grilles, registers, diffusers and Type B Gas Vents, which are sold through wholesale distribution and home centers. GEBHARDT(TM) commercial ventilating products are manufactured and distributed by the Company in Europe. The Company manufactures residential hydronic radiators and heat convectors under the brand names VASCO(R) and BRUGMAN(TM) and distributes to the European market from operations in Belgium and Holland. Through local offices of Gale Industries, Inc. in various parts of the United States, the Company also supplies and installs insulation and other building products primarily for the residential home building industry.

## **BUILDERS' HARDWARE AND OTHER SPECIALTY PRODUCTS**

Builders' Hardware and Other Specialty Products include premium BALDWIN(R) quality brass trim and mortise lock sets, knobs and trim and other builders' hardware, which are manufactured and sold for the home improvement and new home construction markets. JUNG(TM) water pumps are manufactured and distributed by the Company in Europe. WEISER(R) lock sets and related hardware are sold through contractor supply outlets, hardware distributors and home centers. SAFLOK(TM) electronic lock sets and WINFIELD(TM) mechanical lock sets are sold primarily to the hospitality market. The Company also manufactures electronic lock sets for use by the banking industry on safes, ATMs, vaults and related cabinetry and hardware. Key domestic competitors to Baldwin and Weiser in the lock set business are Kwikset and Schlage. Imported products are also becoming a significant factor in this market.

The Company has recently begun to utilize on many of its decorative brass faucets and other products a durable coating that offers anti-tarnish protection, under the trademarks BRILLIANCE(R) and THE LIFETIME FINISH FROM BALDWIN.(R) This innovative finish is currently available on certain of the Company's kitchen and bath products and door hardware.

## **COMPETITIVE FACTORS**

The major domestic and foreign markets for the Company's products are highly competitive. Competition in all of the Company's product lines is based primarily on performance, quality, style, delivery, customer 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.

## **GENERAL INFORMATION**

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 -- Cash Flows from Operating Activities," included in Item 7 of this Report. The Company does not consider backlog orders to be material and no material portion of its business is 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, although from time to time various operations may encounter shortages or unusual price increases.

## **INTERNATIONAL OPERATIONS**

Through its subsidiaries, the Company also has home improvement and building products manufacturing plants in Austria, Belgium, Canada, Denmark, England, France, Germany, Holland,

4

6

Italy, Mexico, Poland, Spain, Taiwan and Turkey. Home improvement and building products manufactured by the Company outside of the United States include faucets and accessory products, bath and shower enclosures, bath accessories, kitchen and bath cabinets, decorative accessories, door lock sets and related hardware, floor registers, humidifiers, ventilating equipment, submersible water pumps and special insulation materials. The Company's international operations were expanded in 1998 through the acquisition of four manufacturers. Vasco Corporation, based in Belgium, and The Brugman Group, headquartered in Holland, are both leading European manufacturers of residential hydronic radiators and heat convectors. Mirolin Industries Corporation is a leading Canadian manufacturer of tubs, shower enclosures and whirlpools and Heritage Bathrooms, PLC is a manufacturer and distributor of residential bath products including bathtubs, toilets, bidets, sinks, faucets and showers and a full range of bath accessories, based in England.

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 export sales and foreign and domestic operations, including the net sales, operating profit and assets which are attributable to the Company's operations in North America and in other geographic areas, as of and for the three years ended December 31, 1998, is set forth in Item 8 of this Report in the Note to the Company's Consolidated Financial Statements captioned "Segment Information."

## **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 tradenames. As a manufacturer of brand name consumer products, the Company views its trademarks and other proprietary rights as important, but does not believe that there is any reasonable likelihood of a loss of such rights that would have a material adverse effect on the Company's present business as a whole.

## **EMPLOYEES**

At December 31, 1998, the Company employed approximately 31,700 people. Satisfactory relations have generally prevailed between the Company and its employees.

## **EQUITY INVESTMENTS**

The Company has equity investments in certain affiliated companies. One of these companies, MascoTech, Inc., was formed in July, 1984 when the Company distributed to its stockholders shares of MascoTech common stock as a special dividend. The Company's ownership in MascoTech is currently approximately 17 percent. MascoTech is a diversified industrial manufacturing company utilizing advanced metalworking capabilities to supply metal formed components used in vehicle engine and drivetrain applications, specialty fasteners, towing systems, packaging and sealing products and other industrial products. MascoTech's net sales for 1998 were approximately \$1.6 billion.

Further information about the Company's equity investments is set forth in the Note to the Company's Consolidated Financial Statements captioned "Equity Investments in Affiliates" included in Item 8 of this Report.



## ITEM 2. PROPERTIES.

The following list sets forth the location of the Company's principal manufacturing facilities and identifies the segments utilizing such facilities.

Arizona.....	Tucson (3)
California.....	Carlsbad (1), Corona (1), Costa Mesa (3), Los Angeles (1), Pico Rivera (1), Rancho Dominguez (1), Torrance (3) and Vista (1)
Colorado.....	Longmont (1)
Delaware.....	New Castle (1)
Illinois.....	Chicago (3)
Indiana.....	Cumberland (1), Greensburg (1) and Kendallville (3)
Iowa.....	Northwood (1)
Kentucky.....	Henderson (1), Morgantown (1) and Mt. Sterling (1)
Michigan.....	Adrian (1), Hillsdale (1), Lapeer (1) and Troy (3)
Minnesota.....	Lakeville (1)
Mississippi.....	Olive Branch (2)
Nevada.....	Las Vegas (1)
New Jersey.....	Moorestown (1), Passaic (1) and West Berlin (3)
North Carolina.....	Thomasville (1)
Ohio.....	Jackson (1), Loudonville (1), Middlefield (1) and Orwell (1)
Oklahoma.....	Chickasha (1) and Durant (1)
Oregon.....	Klamath Falls (1)
Pennsylvania.....	Reading (1 and 3)
South Dakota.....	Rapid City (1) and Sioux Falls (1)
Tennessee.....	Adamsville (1), Jackson (1) and McEwen (1)
Texas.....	Cedar Hill (1), Duncanville (1) and Lancaster (1)
Virginia.....	Atkins (1), Culpeper (1), Lynchburg (1) and Mt. Jackson (1)
Austria.....	Furstenfeld (3)
Belgium.....	Brussels (3), Dilsen (2) and St. Niklaas (3)
Canada.....	Cambridge (1), London (1) and St. Thomas (1), Ontario
Denmark.....	Herlev (3) and Odense (1)
England.....	Brighouse (1), Brownhills (1), Corby (1), Warminster (1) and Wetherby (1)
France.....	Sevres (1)
Germany.....	Ahaus (1), Bad Zwischenahn (1), Bielefeld (3), Duisburg (3), Dortmund (3), Foehren (3), Iserlohn (1), Kulmbach (3), Netzschkau (2), Neuwied (1), Rheine (2), Steinhagen (3), Stuttgart (2) and Waldenburg (2)
Holland.....	Tubbergen (2)
Italy.....	Lacchiarella (1) and Zingonia (1)
Mexico.....	Mexicali (2)
Poland.....	Krakow (2) and Kobierzyce (2)
Spain.....	Alcaudete (1), Barcelona (1) and Vic (1)
Taiwan.....	Tai Chung (1)
Turkey.....	Czerkezkoj (1)

Segments identified in the preceding table are: (1) Kitchen and Bath Products, (2) Environmental Products and Services and (3) Builders' Hardware and Other Specialty Products. Multiple footnotes within the same parentheses indicate that significant activities relating to more than one segment are conducted at that location.

The three principal faucet manufacturing plants are located in Greensburg, Indiana, Chickasha, Oklahoma and Jackson, Tennessee. The faucet manufacturing plants and the majority of the Company's other manufacturing facilities range in size from approximately 10,000 square feet to 900,000 square feet. The Company owns most of its manufacturing facilities and none of the Company-owned properties is subject to significant encumbrances. In addition to its manufacturing facilities, the Company operates approximately 90 facilities (the majority of which are leased) from which the Company supplies and installs insulation and other building products. 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 sets forth the location of MascoTech's principal manufacturing facilities.

California.....	Commerce
Florida.....	Deerfield Beach and Ocala
Illinois.....	Wheeling and Wood Dale
Indiana.....	Auburn, Elkhart, Frankfort, Fort Wayne, Goshen and North Vernon
Kentucky.....	Nicholasville
Louisiana.....	Baton Rouge
Massachusetts.....	Plymouth
Michigan.....	Burton, Canton, China Township, Detroit, Farmington Hills, Fraser, Green Oak Township, Hamburg, Holland, Livonia, Royal Oak, Troy, Warren and Ypsilanti
New Jersey.....	Edison and Netcong
Ohio.....	Bucyrus, Canal Fulton, Lakewood, Lima, Minerva,
Oklahoma.....	Newburgh Heights and Port Clinton
Pennsylvania.....	Tulsa
Texas.....	Ridgway
Wisconsin.....	Houston and Longview
Australia.....	Mosinee
Queensland	Hampton Park, Victoria and Wakerley,
Canada.....	Fort Erie and Oakville, Ontario
Czech Republic.....	Oslavany
England.....	Leicester and Wolverhampton
Germany.....	Neunkirchen, Nurnberg and Zell am Harmersbach
Italy.....	Poggio Rusco and Valmadrera
Mexico.....	Mexico City
Spain.....	Almusaffes

MascoTech's principal manufacturing facilities range in size from approximately 10,000 square feet to 310,000 square feet, substantially all of which are owned by MascoTech and are not subject to significant encumbrances. The MascoTech 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.**

The Company is subject to 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 -----
Richard A. Manoogian.....	Chairman of the Board and Chief Executive Officer	62	1962
Raymond F. Kennedy.....	President and Chief Operating Officer	56	1989
Dr. Lillian Bauder.....	Vice President -- Corporate Affairs	59	1996
David A. Doran.....	Vice President -- Taxes	57	1984
Daniel R. Foley.....	Vice President -- Human Resources	57	1996
Eugene A. Gargaro, Jr. ....	Vice President and Secretary	56	1993
John R. Leekley.....	Senior Vice President and General Counsel	55	1979
Richard G. Mosteller.....	Senior Vice President -- Finance	66	1962
Robert B. Rosowski.....	Vice President -- Controller and Treasurer	58	1973

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. Foley and Dr. Bauder. Mr. Foley was employed by MascoTech, Inc. as its Vice President -- Human Resources from 1994 to 1996 and was President of Executive Business Partners, Inc., a training and consulting firm, from 1993 to 1994. From 1984 to 1996, Dr. Bauder served as President and Chief Executive Officer of Cranbrook Educational Community.

## 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 (1)		DIVIDENDS DECLARED (1)
	HIGH -----	LOW -----	
1998			
Fourth.....	\$30 7/8	\$20 3/4	\$.11
Third.....	33	22 11/16	.22 (2)
Second.....	30 15/32	26 15/16	-- (2)
First.....	29 29/32	24 9/16	.10 1/2
			----
Total.....			\$.43 1/2
			=====
1997			
Fourth.....	\$26 29/32	\$20 23/32	\$.10 1/2
Third.....	24 1/8	20 9/32	.10 1/2
Second.....	21 11/16	17 1/2	.10
First.....	18 13/16	16 7/8	.10
			----
Total.....			\$.41
			=====

(1) After giving effect to the Company's 100% stock distribution in July 1998.

(2) The cash dividend ordinarily declared in the second quarter of the fiscal year was declared early in the third quarter of 1998.

On March 15, 1999, there were 6,258 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 the payment of 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 for the Company's continuing operations, for the years and dates indicated:

	1998	(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	
		1997	1996
Net sales.....	\$4,345,000	\$3,760,000	\$3,237,000
Income from continuing operations(1).....	\$ 476,000	\$ 382,400	\$ 295,200
Per share of common stock:(2)			
Income from continuing operations:(1)			
Basic.....	\$1.44	\$1.20	\$.94
Diluted.....	\$1.39	\$1.15	\$.91
Dividends declared.....	\$ .43 1/2	\$ .41	\$.39
Dividends paid.....	\$ .43	\$ .40 1/2	\$.38 1/2
At December 31:			
Total assets.....	\$5,167,350	\$4,333,760	\$3,701,650
Long-term debt.....	\$1,391,420	\$1,321,470	\$1,236,320
Shareholders' equity.....	\$2,728,580	\$2,229,020	\$1,839,810

	(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	
	1995	1994
Net sales.....	\$2,927,000	\$2,583,000
Income from continuing operations(1).....	\$ 200,050	\$ 172,710
Per share of common stock:(2)		
Income from continuing operations:(1)		
Basic.....	\$.64	\$.55
Diluted.....	\$.62	\$.54
Dividends declared.....	\$.37	\$.35
Dividends paid.....	\$.36 1/2	\$.34 1/2
At December 31:		
Total assets.....	\$3,778,630	\$4,177,100
Long-term debt.....	\$1,577,100	\$1,587,160
Shareholders' equity.....	\$1,655,430	\$2,118,330

(1) The year 1994 includes a \$79 million after-tax (\$.25 per diluted share) non-cash equity investment charge.

(2) After giving effect to 100 percent stock distribution in July 1998.

9

11

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

The financial and business analysis below provides information which the Company believes is relevant to an assessment and understanding of the Company's consolidated financial position and results of operations. This financial and business analysis should be read in conjunction with the consolidated financial statements and related notes.

The following discussion and other sections of this Report on Form 10-K contain statements reflecting the Company's views about its future performance and constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. These views involve risks and uncertainties that are difficult to predict and may cause the Company's actual results to differ materially from the results discussed in such forward-looking statements. Readers should consider that various factors including changes in general economic conditions, the timely resolution of the year 2000 issue and other factors discussed in the "Overview" and "Outlook for the Company" sections below may affect the Company's ability to attain the projected performance. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

### OVERVIEW

The Company is engaged principally in the manufacture, sale and installation of home improvement and building products. These products are sold to the home improvement and home construction markets through mass merchandisers, home centers, hardware stores, distributors, wholesalers and other outlets for consumers and contractors.

Factors which affect the Company's results of operations include the levels of home improvement and residential construction activity principally in the U.S. and Europe (including repair and remodeling and new construction), cost management, fluctuations in European currencies (primarily the German deutsche mark and British pound), the increasing importance of home centers as distributors of home improvement and building products and the Company's ability to maintain its leadership positions in its markets with increasing global competition. Historically, the Company has been able to largely offset cyclical declines in housing markets through new product introductions and acquisitions as well as market share gains.

Net sales and operating profit for 1998, aided by acquisitions, both increased 16 percent to \$4,345 million and \$681 million, respectively. Net income and diluted earnings per share for 1998 were \$476 million and \$1.39, representing increases of 24 percent and 21 percent, respectively, over 1997.

### 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 and expenses 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 impacted by these expenses.

During 1998, the Company acquired Vasco Corporation and The Brugman Group, both of which are European manufacturers of residential hydronic radiators and heat convectors, and Heritage Bathrooms PLC, a European manufacturer and distributor of residential bath products.

The results of operations for these acquisitions are included in the consolidated financial statements from the dates of acquisition. Had these companies been acquired effective January 1, 1997, pro forma unaudited consolidated net sales and net income would have approximated \$4,422 million and \$481 million for 1998 and \$3,911 million and \$394 million for 1997, respectively, and pro forma unaudited consolidated diluted earnings per share would have approximated \$1.40 and \$1.18 for 1998 and 1997, respectively.

10

12

The Company also acquired several other smaller home improvement and building products companies in 1998.

The combined purchase price for 1998 acquisitions, net of cash acquired, aggregated approximately \$323 million. The acquisitions were accounted for as purchase transactions.

In July 1998, the Company completed the sale of its Thermador subsidiary. Thermador is a U.S. manufacturer of kitchen appliances with annual net sales of approximately \$140 million.

## **DISCONTINUED OPERATIONS**

In late November 1995, the Company's Board of Directors approved a formal plan to dispose of the Company's home furnishings products segment. During August 1996, the Company completed the sale of its home furnishings products segment to Furnishings International Inc. Total proceeds to the Company from the sale were \$1,050 million with approximately \$708 million of the purchase price in cash. The balance consisted of \$285 million of 12 percent pay-in-kind junior debt securities, and equity securities totalling \$57 million, consisting of 13 percent cumulative preferred stock, with a stated value of \$55 million, 15 percent of the common stock of Furnishings International and convertible preferred stock.

The junior debt securities mature in 2008 and are stated at face value; the Company is recording the 12 percent pay-in-kind interest income from these securities. The Company records dividend income from the 13 percent cumulative preferred stock when such dividends are declared. The convertible preferred stock represents transferable rights for up to a 25 percent common ownership, although the Company is restricted from maintaining an ownership in excess of 20 percent of Furnishings International's common equity. As such, the Company will not acquire additional common equity, except for purposes of resale.

## **PROFIT MARGINS**

Operating profit margin, before general corporate expense, decreased to 17.6 percent in 1998 following an increase to 17.8 percent in 1997 from 17.5 percent in 1996 (general corporate expense includes those expenses not specifically attributable to the Company's business segments). The decrease in 1998 over 1997 is principally due to the influence of product mix and increased goodwill amortization from recent acquisitions, offset in part by a reduction in selling, general and administrative expenses as a percentage of sales. The Company's operating profit margin from faucet sales is somewhat higher than that from other products offered by the Company due to the simplicity, quality and reliability of its faucet mechanisms, manufacturing efficiencies and capabilities, extensive marketing and merchandising activities and breadth of product offerings.

General corporate expense in 1998 was \$86 million, as compared with \$82 million in 1997 and \$85 million in 1996. General corporate expense as a percentage of sales decreased to 2.0 percent in 1998 from 2.2 percent in 1997 and 2.6 percent in 1996. Operating profit margin, after general corporate expense, was 15.6 percent, 15.6 percent and 14.8 percent in 1998, 1997 and 1996, respectively.

Net income as a percentage of sales increased to 11.0 percent in 1998 from 10.2 percent and 9.1 percent in 1997 and 1996, respectively. After-tax profit return on shareholders' equity as measured by net income increased to 21.4 percent in 1998 from 20.8 percent and 17.8 percent in 1997 and 1996, respectively.

## **FINANCIAL CONDITION**

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, and by the issuance of common stock for certain acquisitions.

11

13

Bank credit lines are maintained to ensure availability of short-term funds. At December 31, 1998, the Company had available \$750 million under its bank revolving-credit facility. Any outstanding balances under this facility are due and payable in November 2001. Certain debt agreements contain limitations on additional borrowings and requirements for maintaining a certain level of net worth. At December 31, 1998, the Company was in compliance with these limitations and requirements, and the Company's net worth exceeded the most restrictive of such provisions by approximately \$715 million.

In July 1998, the Company effected a two-for-one stock split in the form of a 100 percent stock distribution to shareholders, which resulted in the issuance of approximately 170 million shares of common stock and reduced paid-in-capital by approximately \$170 million. Following the issuance of the common shares for the stock split, the Company declared an increased quarterly cash dividend of \$.11 per common share on its post-split shares, which marks the 40th consecutive year in which dividends have been increased.

The Company called for redemption its \$178 million of 5.25% convertible subordinated debentures due 2012 in February 1998. Substantially all holders exercised their right to convert these debentures into Company common stock (at the pre-stock split conversion price of \$42.28 per share), resulting in the issuance of approximately 4.2 million shares of Company common stock in February 1998 (8.4 million shares after giving effect to the stock split).

Maintaining high levels of liquidity and cash flow are among the Company's financial strategies. The Company's long-term debt as a percent of total capitalization ratio improved to approximately 33 percent at December 31, 1998 from approximately 36 percent at December 31, 1997. The conversion of the Company's \$178 million convertible subordinated debentures contributed to this improvement. The Company's total debt as a percent of total capitalization ratio was 37 percent and 38 percent at December 31, 1998 and 1997, respectively. The Company's working capital ratio was 2.2 to 1 at December 31, 1998 compared with 2.6 to 1 at December 31, 1997; excluding \$200 million of 6.625% notes due September 15, 1999, the Company's working capital ratio was 2.6 to 1 at December 31, 1998.

## CASH FLOWS

Significant sources and uses of cash in the past three years are summarized as follows, in thousands:

CASH SOURCES (USES)	1998	1997	1996
-----	-----	-----	-----
Net cash from operating activities.....	\$419,090	\$405,030	\$340,140
Cash proceeds from sale of:			
Subsidiary and TriMas investment.....	137,640	--	--
Discontinued operations.....	--	--	707,630
MascoTech investments, net.....	--	45,580	115,000
Acquisition of companies, net of cash acquired.....	(322,880)	(186,920)	
(173,110)			
Capital expenditures.....	(188,960)	(167,400)	
(138,540)			
Purchase of Company common stock for:			
Treasury.....	(43,330)	--	--
Long-term incentive award plan.....	(46,800)	(29,110)	
(14,030)			
Increase (decrease) in debt, net.....	327,680	7,890	
(368,160)			
Cash dividends paid.....	(145,290)	(131,680)	
(123,530)			
Other, net.....	(36,740)	24,210	67,860
	-----	-----	-----
Cash increase (decrease).....	\$100,410	\$(32,400)	\$413,260
	=====	=====	=====

## CASH FLOWS FROM OPERATING ACTIVITIES

Cash from operating activities was \$419.1 million in 1998 as compared with \$405.0 million in 1997 and \$340.1 million in 1996. During 1998, the Company's accounts receivable and inventories increased



by \$141.1 million and \$44.0 million, respectively, primarily as a result of acquisitions and higher actual and anticipated sales volume. 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.

### **CASH FLOWS FROM (FOR) INVESTING ACTIVITIES**

Cash used for investing activities was \$410.9 million in 1998 compared with cash used for investing activities of \$284.5 million in 1997 and cash from investing activities of \$578.8 million in 1996.

Cash flows from investing activities for 1998 included \$137.6 million of aggregate proceeds from the sale of the Company's Thermador subsidiary and the sale of its common stock investment in TriMas Corporation to MascoTech in the public tender offer. The Company recorded gains aggregating \$59.3 million as a result of these transactions.

Cash flows for investing activities included \$322.9 million for the 1998 acquisitions of Vasco Corporation, The Brugman Group, Heritage Bathrooms PLC and several other smaller home improvement and building products companies.

Capital expenditures totalled \$189.0 million in 1998 compared with \$167.4 million in 1997 and \$138.5 million in 1996. 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 also 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. The Company expects capital expenditures for 1999, excluding those of potential 1999 acquisitions, to exceed \$200 million. Depreciation and amortization expense for 1998 totalled \$136.3 million, compared with \$116.1 million for 1997 and \$99.7 million for 1996; for 1999, depreciation and amortization expense, excluding 1999 acquisitions, is expected to approximate \$160 million.

Cash flows from investing activities for 1996 included an aggregate \$822.6 million of cash proceeds from the sales of discontinued operations and certain MascoTech, Inc. investments.

During the fourth quarter of 1996, the Company completed the sale to MascoTech of 17 million shares of MascoTech common stock and warrants to purchase 10 million shares of MascoTech common stock. Under the sale agreement, the Company received approximately \$266 million, with \$115 million cash paid at closing. The \$151 million balance of the consideration was paid by MascoTech to the Company on September 30, 1997; as provided for in the sale agreement, MascoTech at that date delivered to the Company 9.9 million shares (approximately 42 percent) of the outstanding common stock of Emco Limited and \$45.6 million in cash. MascoTech recognized a \$29.3 million after-tax gain from the delivery to the Company of the Emco Limited common stock. The Company's recording of equity earnings from MascoTech for 1997 excludes the effect of such gain due to the related-party nature of the transaction. MascoTech holds an option, expiring in 2002, to require the Company to purchase up to \$200 million aggregate amount of subordinated debt securities of MascoTech.

Costs of environmental responsibilities and compliance with existing environmental laws and regulations have not had, nor in the opinion of the Company are they expected to have, a materially adverse effect on the Company's capital expenditures, financial position or results of operations.

### **CASH FLOWS FROM (FOR) FINANCING ACTIVITIES**

Cash from financing activities was \$92.3 million in 1998 as compared with cash used for financing activities of \$152.9 million in 1997 and \$505.7 million in 1996.

Cash from financing activities for 1998 included \$250 million from the issuance of 6.625% debentures due April 2018, \$100 million from the issuance of 5.75% notes due October 2008 and a net increase in other debt of \$86.3 million. After giving effect to the issuance of these debt securities, the

13

15

Company has on file with the Securities and Exchange Commission an unallocated shelf registration pursuant to which the Company is able to issue up to a combined \$409 million of debt and equity securities.

Cash used for financing activities for 1998 included \$108.6 million for the early retirement of certain of the Company's 9% notes and the payment of a premium associated with this early retirement, \$43.3 million for the acquisition of approximately 1.9 million shares of Company common stock in open-market transactions and \$46.8 million for the acquisition of Company common stock for the Company's long-term incentive award plan. At December 31, 1998, the Company had remaining authorization to repurchase up to an additional 12.5 million of its shares in open-market transactions or otherwise.

During 1996, the Company retired \$250 million of 9% notes due in 1996 through borrowings under its bank revolving-credit agreement and applied approximately \$550 million of the proceeds from the 1996 sale of the home furnishings products segment to reduce bank debt.

The Company believes that its present cash balance and cash flows from operations are sufficient 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 cash flows from operations and, to the extent necessary, future financial market activities, from proceeds from asset sales and from bank borrowings.

## **CONSOLIDATED RESULTS OF OPERATIONS**

### **Sales and Operations**

Net sales for 1998 were \$4,345 million, representing an increase of 16 percent over 1997. After adjusting for acquisitions and divestitures, net sales for 1998 increased 10 percent over 1997. Net sales for 1997 increased 16 percent to \$3,760 million from \$3,237 million in 1996; after adjusting for acquisitions, net sales increased 7 percent in 1997 over 1996.

Cost of sales as a percentage of sales for 1998 increased to 64.3 percent compared with 63.3 percent for 1997 and 1996. The increase in the cost of sales percentage for 1998 as compared with 1997 and 1996 was primarily attributable to product sales mix and acquisitions, which offset the benefits resulting from increased sales volume and new product introductions.

Excluding amortization of acquired goodwill (\$28.5 million, \$18.7 million, and \$12.1 million in 1998, 1997 and 1996, respectively), selling, general and administrative expenses as a percentage of sales were 19.4 percent in 1998 compared with 20.6 percent and 21.5 percent for 1997 and 1996, respectively. The downward trend in the selling, general and administrative expenses percentage results from the Company's continuation of cost-containment initiatives and the leveraging of fixed costs over a higher sales base.

### **Other Income (Expense), Net**

Included in other income (expense), net are equity earnings from MascoTech, Inc. of \$15.4 million for 1998 as compared with equity earnings from MascoTech of \$14.6 million and \$13.9 million for 1997 and 1996, respectively.

Included under other income (expense), net in other, net is interest income for 1998, 1997 and 1996 of \$41.5 million, \$36.8 million and \$14.0 million, respectively, from the 12% pay-in-kind junior debt securities of Furnishings International Inc. Such interest income began to accrue in August 1996 upon the sale of the Company's home furnishings businesses. Also included in other, net in 1997 and 1996 is interest income of \$7.5 million and \$1.7 million, respectively, from a \$151 million note receivable from MascoTech, which was paid on September 30, 1997.

Included under other income (expense), net in other, net in 1998 were pre-tax gains aggregating approximately \$59 million from sales of the Company's Thermador subsidiary (\$30 million) and the

14

16

Company's investment in TriMas Corporation (\$29 million). Also included in other, net for 1998 were \$7.0 million of dividend income from the Company's investment in Furnishings International's 13% cumulative preferred stock and an approximate \$12 million pre-tax charge related to the early retirement of long-term debt.

Included under other income (expense), net in other, net in 1997 were \$10.8 million of dividend income from the Company's investment in Furnishings International's 13% cumulative preferred stock, net gains aggregating approximately \$28 million related to the sales of certain non-operating assets and charges aggregating approximately \$30 million, principally for the adjustment of the Company's Payless Cashways investment to its estimated fair value.

During the second quarter of 1997, MascoTech effected conversion of all of its publicly held outstanding convertible preferred stock with the issuance of approximately 10 million shares of its common stock. This conversion reduced the Company's common equity ownership in MascoTech to 17 percent from 21 percent, and increased the Company's equity in MascoTech's net book value by approximately \$29.5 million. As a result, the Company recognized a pre-tax gain of \$29.5 million during the second quarter of 1997.

During 1996, the Company recognized a \$67.8 million net pre-tax gain (\$40.7 million after-tax) from the fourth quarter 1996 sale to MascoTech of 17 million shares of MascoTech common stock and warrants to purchase 10 million shares of MascoTech common stock. This gain was largely offset by \$36.3 million of fourth quarter 1996 charges primarily related to adjustments of miscellaneous assets to their estimated fair value.

### **Net Income and Earnings Per Share**

Net income for 1998 was \$476 million compared with \$382 million for 1997 and \$295 million for 1996. After adjusting for the two-for-one stock split in July 1998, diluted earnings per share for 1998 were \$1.39, compared with \$1.15 for 1997 and \$.91 for 1996. The Company's effective tax rate decreased to 37.0 percent in 1998 from 39.4 percent in 1997 and 41.3 percent in 1996 due principally to the increased utilization of foreign tax credits and the utilization of a portion of the Company's capital loss carryforward benefit. The Company estimates that its effective tax rate will approximate 37 percent for 1999.

### **OUTLOOK FOR THE COMPANY**

Assuming that the U.S. economy maintains its present rate of moderate growth and interest rates remain relatively stable, the Company expects further increases in both sales and earnings for 1999. The Company believes that its results will be favorably affected in the future with its efforts to: continue to invest in new manufacturing technologies and productivity improvement initiatives in order to contain costs and increase efficiency; maintain a lower level of selling, general and administrative expenses, as a percent of sales; introduce new products and marketing initiatives to increase market share and share of customer; and actively pursue acquisition candidates that complement or support the Company's core competencies.

15

17

## NET SALES BY PRODUCT GROUP AND GEOGRAPHIC AREA

The following table sets forth the Company's net sales by product group and geographic area, in millions.

	NET SALES			PERCENT CHANGE	
	1998	1997	1996	1998 VS. 1997	1997 VS. 1996
	-----	-----	-----	-----	-----
Kitchen and Bath Products:					
Faucets.....	\$ 884	\$ 815	\$ 757	8%	8%
Cabinets.....	1,334	1,083	832	23%	30%
Other.....	1,076	1,042	930	3%	12%
	-----	-----	-----		
Total Kitchen and Bath Products.....	3,294	2,940	2,519	12%	17%
Environmental Products and Services.....	485	348	295	39%	18%
Builders' Hardware and Other Specialty Products.....	566	472	423	20%	12%
	-----	-----	-----		
Total.....	\$4,345	\$3,760	\$3,237	16%	16%
	=====	=====	=====		
North America.....	\$3,506	\$3,072	\$2,680	14%	15%
Europe.....	839	688	557	22%	24%
	-----	-----	-----		
Total, as above.....	\$4,345	\$3,760	\$3,237	16%	16%
	=====	=====	=====		

## BUSINESS SEGMENT AND GEOGRAPHIC AREA RESULTS

The following tables set forth net sales and operating profit information by segment and geographic area.

	1998	1997
	-----	-----
Sales increases, year-to-year, excluding acquisitions and divestitures:		
Kitchen and Bath Products.....	9%	7%
Environmental Products and Services.....	17%	15%
Builders' Hardware and Other Specialty Products....	13%	0%
North America.....	11%	8%
Europe.....	0%	
(5%)		
Operating profit increases, year-to-year*:		
Kitchen and Bath Products.....	14%	17%
Environmental Products and Services.....	38%	22%
Builders' Hardware and Other Specialty Products....	5%	27%
North America.....	13%	19%
Europe.....	24%	14%

	1998 -----	1997 -----	1996
-----			
Operating profit margins*:			
Kitchen and Bath Products.....	18.6%	18.3%	
18.3%			
Environmental Products and Services.....	14.2%	14.4%	
13.9%			
Builders' Hardware and Other Specialty Products....	14.8%	16.9%	
14.9%			
North America.....	18.3%	18.6%	
17.9%			
Europe.....	14.7%	14.4%	
15.6%			

\*Before general corporate expense.

16

18

## **Business Segment Results**

After adjusting for acquisitions and divestitures, increases in net sales for the Company's Kitchen and Bath Products segment are largely due to higher unit sales volume of cabinets, faucets and other kitchen and bath products, and to a lesser extent, new product introductions and selling price increases. Operating results of this business segment for 1998 were favorably influenced by higher unit sales volume, offset in part by a moderation in gross profit margin due to the influence of product sales mix, acquisitions and stronger than anticipated demand for cabinets. For 1997 compared with 1996, higher unit sales volumes contributed to improved operating results of the Company's U.S. cabinet, other kitchen and bath and faucet businesses. These improved results were offset by the weaker results of the Company's European operations included in this segment and the modestly lower margins of companies acquired in 1997.

After adjusting for acquisitions and divestitures, increases in net sales for the Company's Environmental Products and Services segment for 1998 and 1997 principally include the influence of higher installation sales of fiberglass insulation. Operating results of the Company's Environmental Products and Services segment for 1998 were affected in part by higher fiberglass insulation costs, which offset the favorable influence of European acquisitions. Operating results for 1996 were lower due in part to plant reorganization charges.

After adjusting for acquisitions, net sales for the Company's Builders' Hardware and Other Specialty Products segment increased in 1998 due largely to increased hardware sales. Operating profit in 1998 was adversely influenced by lower results of certain of the Company's hardware businesses, which faced operational challenges and weakness in the domestic hospitality market, and lower results of European operations. Operating margin for this segment in 1997 benefitted from increased sales of certain higher margin builders' hardware products and improved results of certain of the Company's other specialty businesses.

Operating results of the Company's business segments for 1998, 1997 and 1996 benefitted from the leveraging of fixed selling, general and administrative expenses over higher sales.

## **Geographic Area Results**

Results of North American operations for 1998, 1997 and 1996 benefitted from acquisitions and increased sales volume of existing businesses, driven in part by favorable demographic and economic conditions principally in the United States, including complementary population trends, modest economic growth and relatively low unemployment and interest rates. These conditions have favorably influenced the housing market in the United States, including housing starts, existing home sales and repair and remodeling activities.

European results for 1998 were favorably influenced by acquisitions. Results of existing European operations have been adversely influenced in recent years, in part due to softness in the Company's European markets, competitive pricing pressures on certain products and the influence of a higher percentage of lower margin sales to total sales. In addition, a stronger U.S. dollar had a negative effect on the translation of European results in 1998 compared with 1997 as well as 1997 compared with 1996, lowering European net sales by approximately 2 percent and 12 percent, respectively.

## **RECENTLY ISSUED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS**

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," becomes effective for all fiscal quarters for all fiscal years beginning after June 15, 1999 (effective January 1, 2000 for the Company). SFAS No. 133 should not have a material effect on the Company's financial statements.

The American Institute of Certified Public Accountants' Statement of Position No. 98-5, "Reporting on the Costs of Start-Up Activities," is effective for fiscal years beginning after December 15, 1998 and will not have a material effect on the Company's financial statements.

17

19

## QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company considered the provisions of Financial Reporting Release No. 48, "Disclosure of Accounting Policies for Derivative Financial Instruments and Derivative Commodity Instruments, and Disclosure of Quantitative and Qualitative Information about Market Risk Inherent in Derivative Financial Instruments, Other Financial Instruments and Derivative Commodity Instruments." The Company had no holdings of derivative financial or commodity-based instruments at December 31, 1998. A review of the Company's other financial instruments and risk exposures at that date revealed that the Company had exposure to interest rate and foreign currency exchange rate risks. At December 31, 1998, the Company performed sensitivity analyses to assess the potential effect of these risks and concluded that near-term changes in interest rates and foreign currency exchange rates should not materially affect the Company's financial position, results of operations or cash flows.

### YEAR 2000

The year 2000 ("Y2K") issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's systems or equipment that have date-sensitive software using only two digits may recognize a date using "00" as the year 1900 rather than the year 2000. The resulting system failures or miscalculations may cause disruption of operations, including, among other things, a temporary inability to process transactions or send and receive electronic data with third parties or engage in similar normal business activities.

In 1997, the Company formed an internal review team to address the Y2K issue. This team, consisting of existing employees of the Company, has developed a Year 2000 compliance program (the "Y2K Program") which includes: assessing and monitoring the compliance of all applications, operating systems and hardware on mainframe, mid-range, personal computer and network platforms; addressing issues related to non-information technology embedded software and equipment; and addressing the compliance of key business partners. Executive management regularly monitors the status of the Company's Y2K Program.

The first component of the Y2K Program is to identify the computer systems and other equipment with embedded technology that are susceptible to failures or errors as a result of the Y2K issue. This effort is substantially complete.

The second component involves the actual remediation or replacement of non-compliant systems and equipment. For its information technology, the Company generally utilizes mid-range, non-mainframe based computing environments which are complemented by a series of local-area networks that are connected via a wide-area network. Substantially all operating systems related to the mid-range systems and networks have been updated to comply with Y2K requirements. In addition, upgraded or modified versions of the Company's financial, manufacturing, human resource, and other packaged software applications which are Y2K compliant are in the process of being tested and integrated into the Company's overall system. The Company presently expects that this integration will be substantially completed by June 1999.

The Company utilizes some microcomputers and software in its various manufacturing processes throughout the world. The Company is currently assessing potential Y2K issues in those processes. General findings to date indicate that problems usually relate to old personal computers or embedded microprocessors that must be replaced. Although there can be no assurance that the Company will identify and correct every Y2K issue found in the computer applications used in its manufacturing processes, the Company believes that it has in place a comprehensive program to identify and correct any such problems, and expects to have substantially completed the remediation of all of its manufacturing systems by June 1999.

The Company is also reviewing its building and utility systems (i.e., telephones, security, electrical) to determine any Y2K issues as part of its Y2K Program. Many of these systems are Y2K

18

20

compliant. While the Company is working with suppliers of these systems and has no reason to expect that they will not meet their Y2K compliance targets, there is no guarantee that they will do so.

The third component of the Y2K Program, which was initiated in late 1997, involves communication with significant suppliers and customers to determine the extent to which the Company is vulnerable to such parties' failure to remediate their own Y2K issues. The Company's efforts with respect to specific issues identified, including the development of contingency plans, will depend in part upon its assessment of the risk that such issues could have a material adverse impact on the Company. Senior management at the Company's operating subsidiaries have been charged with identifying third party Y2K risks which could materially disrupt the subsidiaries' business operations. The Company is assisting its subsidiaries in developing contingency plans where such risks have been identified. Contingency plans may include securing alternate sources of supply, increasing inventory levels, stockpiling raw and packaging materials and other appropriate measures. Once developed, contingency plans will be continually refined as additional information is updated. The Company has requested that such contingency plans be completed no later than June 30, 1999. The Company will continue to monitor and evaluate the progress of its subsidiaries on this critical matter.

The most reasonably likely worst case Y2K scenario for the Company is a failure on the part of a significant customer or supplier to remediate their own Y2K issues which results in a disruption of Company operations. However, because the Company's customer base is broad enough to minimize the impact of the failure of any single customer interface, and the contingency plans described above will mitigate supply problems, the Company currently does not believe that it has any material exposure to significant business interruption as a result of Y2K issues. The estimated total cost of the Y2K Program is between \$10 million and \$17 million, which includes planned upgrades. This cost, more than half of which has been incurred and expensed at December 31, 1998, is not expected to be material to the Company's results of operations or financial position. This cost and the timing in which the Company plans to complete the Y2K Program, are based on management's best estimates, at the present time. Accordingly, there can be no absolute assurance that the Company will timely identify and remediate all significant Y2K issues, that remedial efforts will not involve significant time and expense, or that such issues will not have an adverse effect on the Company's financial position, results of operations or cash flows.

19

21



**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

**REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors  
of Masco Corporation:

In our opinion, the consolidated financial statements listed in the index appearing under Item 14 (a)(1) present fairly, in all material respects, the financial position of Masco Corporation and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2)(i) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. 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 of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

**PRICEWATERHOUSECOOPERS LLP**

Detroit, Michigan  
February 17, 1999

20

22

MASCO CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31, 1998 AND 1997

ASSETS

	1998	1997
	-----	-----
Current Assets:		
Cash and cash investments.....	\$ 541,740,000	\$ 441,330,000
Receivables.....	700,130,000	559,050,000
Inventories.....	558,990,000	515,000,000
Prepaid expenses and other.....	61,760,000	111,340,000
	-----	-----
Total current assets.....	1,862,620,000	1,626,720,000
Equity investment in MascoTech, Inc. ....	59,830,000	52,780,000
Equity investments in other affiliates.....	165,020,000	175,300,000
Securities of Furnishings International Inc.....	434,640,000	393,140,000
Property and equipment.....	1,164,250,000	1,037,320,000
Acquired goodwill, net.....	1,036,290,000	729,190,000
Other assets.....	444,700,000	319,310,000
	-----	-----
Total assets.....	\$5,167,350,000	\$4,333,760,000
	=====	=====
	LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities:		
Notes payable.....	\$ 254,010,000	\$ 68,460,000
Accounts payable.....	171,250,000	166,310,000
Accrued liabilities.....	421,320,000	385,230,000
	-----	-----
Total current liabilities.....	846,580,000	620,000,000
Long-term debt.....	1,391,420,000	1,321,470,000
Deferred income taxes and other.....	200,770,000	163,270,000
	-----	-----
Total liabilities.....	2,438,770,000	2,104,740,000
	-----	-----
Shareholders' Equity:		
Common shares authorized: 900,000,000; issued:		
1998-339,330,000; 1997-165,570,000.....	339,330,000	165,570,000
Preferred shares authorized: 1,000,000.....	--	--
Paid-in capital.....	294,060,000	304,560,000
Retained earnings.....	2,111,760,000	1,784,370,000
Other comprehensive income (loss).....	(16,570,000)	(25,480,000)
	-----	-----
Total shareholders' equity.....	2,728,580,000	2,229,020,000
	-----	-----
Total liabilities and shareholders' equity.....	\$5,167,350,000	\$4,333,760,000
	=====	=====

See notes to consolidated financial statements.

21

23

**MASCO CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996**

	1998	1997	1996
	-----	-----	-----
Net sales.....	\$4,345,000,000	\$3,760,000,000	\$3,237,000,000
Cost of sales.....	2,793,990,000	2,378,250,000	2,048,070,000
	-----	-----	-----
Gross profit.....	1,551,010,000	1,381,750,000	1,188,930,000
Selling, general and administrative expenses...	842,000,000	775,930,000	696,290,000
Amortization of acquired goodwill.....	28,510,000	18,720,000	12,140,000
	-----	-----	-----
Operating profit.....	680,500,000	587,100,000	480,500,000
	-----	-----	-----
Other income (expense), net:			
Re: MascoTech, Inc.:			
Equity earnings.....	15,360,000	14,580,000	13,860,000
Gain from change in investment.....	--	29,500,000	--
Gain from sale of investments, net.....	--	--	67,800,000
Equity earnings, other affiliates.....	13,840,000	9,560,000	6,230,000
Other, net.....	130,560,000	70,010,000	8,990,000
Interest expense.....	(85,260,000)	(79,850,000)	(74,680,000)
	-----	-----	-----
	74,500,000	43,800,000	22,200,000
	-----	-----	-----
Income before income taxes.....	755,000,000	630,900,000	502,700,000
Income taxes.....	279,000,000	248,500,000	207,500,000
	-----	-----	-----
Net income.....	\$ 476,000,000	\$ 382,400,000	\$ 295,200,000
	=====	=====	=====
Earnings per share:			
Basic.....	\$1.44	\$1.20	\$.94
	=====	=====	=====
Diluted.....	\$1.39	\$1.15	\$.91
	=====	=====	=====

See notes to consolidated financial statements.

22

24

**MASCO CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996**

	1998	1997	1996
	-----	-----	-----
Cash Flows From (For):			
Operating Activities:			
Net income.....	\$ 476,000,000	\$ 382,400,000	\$ 295,200,000
Depreciation and amortization.....	136,320,000	116,050,000	99,680,000
Unremitted equity earnings of affiliates....	(24,070,000)	(19,470,000)	(12,310,000)
Interest accrual on pay-in-kind notes			
receivable.....	(41,500,000)	(36,800,000)	(13,970,000)
Deferred income taxes.....	45,900,000	34,880,000	28,850,000
Gain from:			
Sale of subsidiary and TriMas			
investment.....	(59,300,000)	--	--
Sale of MascoTech investments, net.....	--	--	(67,800,000)
Change in MascoTech investment.....	--	(29,500,000)	--
Increase in receivables.....	(100,820,000)	(41,560,000)	(7,510,000)
Increase in inventories.....	(39,300,000)	(38,770,000)	(1,890,000)
Increase in accounts payable and accrued			
liabilities, net.....	30,240,000	44,960,000	38,410,000
Other, net.....	(4,380,000)	(7,160,000)	(18,520,000)
Net cash from operating activities...	-----	-----	-----
	419,090,000	405,030,000	340,140,000
Investing Activities:			
Acquisition of companies, net of cash			
acquired.....	(322,880,000)	(186,920,000)	(173,110,000)
Capital expenditures.....	(188,960,000)	(167,400,000)	(138,540,000)
Cash proceeds from sale of:			
Subsidiary and TriMas investment.....	137,640,000	--	--
Discontinued operations.....	--	--	707,630,000
MascoTech investments, net.....	--	45,580,000	115,000,000
Other, net.....	(36,740,000)	24,210,000	67,860,000
Net cash from (for) investing			
activities.....	-----	-----	-----
	(410,940,000)	(284,530,000)	578,840,000
Financing Activities:			
Issuance of 6.625% debentures.....	250,000,000	--	--
Issuance of 5.75% notes.....	100,000,000	--	--
Increase in other debt.....	172,310,000	90,550,000	537,380,000
Retirement of 9% notes.....	(108,620,000)	--	(250,000,000)
Payment of other debt.....	(86,010,000)	(82,660,000)	(655,540,000)
Purchase of Company common stock for:			
Treasury.....	(43,330,000)	--	--
Long-term incentive award plan.....	(46,800,000)	(29,110,000)	(14,030,000)
Cash dividends paid.....	(145,290,000)	(131,680,000)	(123,530,000)
Net cash from (for) financing			
activities.....	-----	-----	-----
	92,260,000	(152,900,000)	(505,720,000)
Cash and Cash Investments:			
Increase (decrease) for the year.....	100,410,000	(32,400,000)	413,260,000
At January 1.....	441,330,000	473,730,000	60,470,000
At December 31.....	-----	-----	-----
	\$ 541,740,000	\$ 441,330,000	\$ 473,730,000
	=====	=====	=====

See notes to consolidated financial statements.

MASCO CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	TOTAL	COMMON SHARES (\$1 PAR VALUE)	PAID-IN CAPITAL	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME (LOSS)
Balance, January 1, 1996....	\$1,655,430,000	\$160,380,000	\$ 128,550,000	\$1,366,330,000	\$ 170,000
Comprehensive income:					
Net income.....	295,200,000	--	--	295,200,000	--
Cumulative translation adjustments.....	2,350,000	--	--	--	2,350,000
Total comprehensive income.....	297,550,000	--	--	--	--
Shares issued.....	11,950,000	490,000	11,460,000	--	--
Cash dividends declared....	(125,120,000)	--	--	(125,120,000)	--
Balance, December 31, 1996.....	1,839,810,000	160,870,000	140,010,000	1,536,410,000	2,520,000
Comprehensive income:					
Net income.....	382,400,000	--	--	382,400,000	--
Cumulative translation adjustments.....	(28,000,000)	--	--	--	(28,000,000)
Total comprehensive income.....	354,400,000	--	--	--	--
Shares issued.....	169,250,000	4,700,000	164,550,000	--	--
Cash dividends declared....	(134,440,000)	--	--	(134,440,000)	--
Balance, December 31, 1997.....	2,229,020,000	165,570,000	304,560,000	1,784,370,000	(25,480,000)
Comprehensive income:					
Net income.....	476,000,000	--	--	476,000,000	--
Cumulative translation adjustments.....	8,910,000	--	--	--	8,910,000
Total comprehensive income.....	484,910,000	--	--	--	--
Shares issued.....	206,590,000	5,670,000	200,920,000	--	--
100 percent stock distribution.....	--	169,980,000	(169,980,000)	--	--
Shares repurchased.....	(43,330,000)	(1,890,000)	(41,440,000)	--	--
Cash dividends declared....	(148,610,000)	--	--	(148,610,000)	--
Balance, December 31, 1998.....	\$2,728,580,000	\$339,330,000	\$ 294,060,000	\$2,111,760,000	\$(16,570,000)

See notes to consolidated financial statements.

24

26

# 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. Per share data and certain data regarding common shares outstanding for prior periods have been adjusted for the two-for-one stock split, effected in the form of a 100 percent stock distribution, in July 1998. Certain amounts for prior years have been reclassified to conform with the current year presentation.

**Use of Estimates in the Preparation of Financial Statements.** The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates and assumptions.

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

**Receivables.** The Company does significant business with a number of individual customers, including certain home centers. The Company monitors its exposure for credit losses and maintains adequate allowances for doubtful accounts; the Company does not believe that significant credit risks exist. At December 31, 1998 and 1997, accounts and notes receivable are presented net of allowances for doubtful accounts of \$21.5 million and \$19.8 million, respectively.

**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 the statement of 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 \$88.5 million, \$81.4 million and \$71.7 million in 1998, 1997 and 1996, respectively.

**Acquired goodwill, resulting from acquisitions of companies, is being amortized using the straight-line method over periods not exceeding 40 years; at December 31, 1998 and 1997 such accumulated amortization totalled \$108.0 million and \$82.8 million, respectively. At each balance sheet date, management evaluates the recoverability of acquired goodwill by comparing the carrying value of the asset to the associated current and projected annual sales, operating profit and undiscounted annual cash flows; management also considers business prospects, market trends and other economic factors in performing this evaluation. Based on this evaluation, there was no permanent impairment related to acquired goodwill at December 31, 1998 and 1997. 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 totalled \$47.8 million, \$34.6 million and \$28.0 million in 1998, 1997 and 1996, 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 reflects the risk of the underlying investments. The fair value of the Company's long-term debt instruments was based principally on quoted market

25

27

**MASCO CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

**ACCOUNTING POLICIES -- (CONCLUDED)**

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, 1998 was approximately \$650 million and \$1,416 million, as compared with the Company's aggregate carrying value of \$639 million and \$1,391 million, respectively, and at December 31, 1997 the aggregate market value was approximately \$509 million and \$1,386 million, as compared with the Company's aggregate carrying value of \$498 million and \$1,321 million, respectively.

**ACQUISITIONS**

During 1998, the Company acquired Vasco Corporation and The Brugman Group, both of which are European manufacturers of residential hydronic radiators and heat convectors, and Heritage Bathrooms PLC, a European manufacturer and distributor of residential bath products.

The results of operations for these acquisitions are included in the consolidated financial statements from the dates of acquisition. Had these companies been acquired effective January 1, 1997, pro forma unaudited consolidated net sales and net income would have approximated \$4,422 million and \$481 million for 1998 and \$3,911 million and \$394 million for 1997, respectively, and pro forma unaudited consolidated diluted earnings per share would have approximated \$1.40 and \$1.18 for 1998 and 1997, respectively.

The Company also acquired several other smaller home improvement and building products companies in 1998.

The combined purchase price for 1998 acquisitions, net of cash acquired, aggregated approximately \$323 million. The acquisitions were accounted for as purchase transactions.

**INVENTORIES**

THOUSANDS )	( IN	
-----	AT DECEMBER 31	
-----	1998	1997
-----	-----	-----
Raw material.....	\$236,330	
\$229,040		
Finished goods.....	183,910	
161,920		
Work in process.....	138,750	
124,040		
-----	-----	
\$515,000	\$558,990	
=====	=====	

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.

**EQUITY INVESTMENTS IN AFFILIATES**

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

-----	1998	1997	
1996			
----	----	----	
MascoTech, Inc. ....	17%	17%	21%
Emco Limited.....	42%	42%	--
Hans Grohe, a German partnership.....	27%	27%	27%
TriMas Corporation.....	--	4%	4%

26  
28



# MASCO CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

### EQUITY INVESTMENTS IN AFFILIATES -- (CONTINUED)

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 in affiliates at December 31, 1998 (which may differ from the amounts that could then have been realized upon disposition), based upon quoted market prices at that date, was \$199 million, as compared with the Company's related aggregate carrying value of \$172 million. The Company's carrying value in common stock of these equity affiliates exceeded its equity in the underlying net book value by approximately \$77 million at December 31, 1998. This excess is being amortized over a period not to exceed 40 years.

During the second quarter of 1997, MascoTech effected conversion of all of its publicly held outstanding convertible preferred stock with the issuance of approximately 10 million shares of its common stock. This conversion reduced the Company's common equity ownership in MascoTech to 17 percent from 21 percent.

During the fourth quarter of 1996, the Company completed the sale to MascoTech of 17 million shares of MascoTech common stock and warrants to purchase 10 million shares of MascoTech common stock. This transaction reduced the Company's common equity ownership in MascoTech from 45 percent to 21 percent. Under the sale agreement, the Company received approximately \$266 million, with \$115 million cash paid at closing. The Company earned interest income at 6.625% on the \$151 million balance of the consideration, which was paid by MascoTech to the Company on September 30, 1997; as provided for in the sale agreement, MascoTech at that date delivered to the Company 9.9 million shares (approximately 42 percent) of the outstanding common stock of Emco Limited and \$45.6 million in cash. MascoTech recognized a \$29.3 million after-tax gain from the delivery to the Company of the Emco Limited common stock. The Company's recording of equity earnings from MascoTech for 1997 excludes the effect of such gain due to the related-party nature of the transaction.

MascoTech holds an option expiring in 2002 to require the Company to purchase up to \$200 million aggregate amount of subordinated debt securities of MascoTech.

On January 22, 1998, MascoTech announced the completion of its acquisition of TriMas Corporation. The Company recorded a gain in the first quarter of 1998, as a result of selling its common stock investment in TriMas to MascoTech in the public tender offer.

27

29

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

EQUITY INVESTMENTS IN AFFILIATES -- (CONCLUDED)

Approximate combined condensed financial data of the above-listed affiliates at December 31, 1998 and 1997 and for the three years then ended, are summarized in U.S. dollars as follows, in thousands:

	1998	1997	1996
	-----	-----	-----
Net sales.....	\$2,732,560	\$2,745,570	\$2,136,740
	=====	=====	=====
Income from continuing operations before income taxes....	\$ 203,750	\$ 287,380	\$ 181,710
	=====	=====	=====
Net income attributable to common shareholders.....	\$ 142,870	\$ 172,690	\$ 109,500
	=====	=====	=====
The Company's net equity in above net income.....	\$ 29,200	\$ 24,140	\$ 20,090
	=====	=====	=====
Cash dividends received by the Company from affiliates...	\$ 5,130	\$ 4,670	\$ 7,780
	=====	=====	=====
At December 31:			
Current assets.....	\$ 832,350	\$ 973,900	
Current liabilities.....	(412,720)	(436,250)	
	-----	-----	
Working capital.....	419,630	537,650	
Property and equipment.....	839,080	776,470	
Other assets.....	968,400	504,810	
Long-term liabilities.....	(1,741,490)	(980,990)	
	-----	-----	
Shareholders' equity.....	\$ 485,620	\$ 837,940	
	=====	=====	

Equity in undistributed earnings of affiliates of \$57 million at December 31, 1998, \$43 million at December 31, 1997 and \$32 million at December 31, 1996 are included in consolidated retained earnings.

SECURITIES OF FURNISHINGS INTERNATIONAL INC.

During August 1996, the Company completed the sale of its home furnishings products segment to Furnishings International Inc. Total proceeds to the Company from the sale were \$1,050 million, including \$708 million in cash, \$285 million of junior debt securities and equity securities aggregating \$57 million. Securities of Furnishings International Inc. are summarized as follows:

	( IN THOUSANDS )	
	AT DECEMBER 31	
	1998	1997
	-----	-----
Junior debt securities (12% pay-in-kind).....	\$377,270	\$335,770
Preferred stock (13% cumulative).....		
Common stock (15% ownership).....	57,370	57,370
Convertible preferred stock.....		
	-----	-----
	\$434,640	\$393,140
	=====	=====

The junior debt securities mature in 2008 and are stated at face value. The convertible preferred stock represents transferable rights for up to a 25 percent common ownership, although the Company is restricted from maintaining an ownership in excess of 20 percent of Furnishings International's common equity. As such, the Company will not acquire additional common equity, except for purposes of resale.



MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

PROPERTY AND EQUIPMENT

THOUSANDS )	( IN	
	AT DECEMBER 31	
-----	1998	1997
	-----	
Land and improvements.....	\$ 74,440	\$
70,120		
Buildings.....	507,170	
465,920		
Machinery and equipment.....	1,230,100	
1,089,330		
	-----	
	1,811,710	
1,625,370		
Less, accumulated depreciation.....	647,460	
588,050		
	-----	
	\$1,164,250	
\$1,037,320		
	=====	
=====		

ACCRUED LIABILITIES

(IN THOUSANDS)  
AT DECEMBER 31

	1998	1997
Salaries, wages and related benefits.....	\$105,260	\$
96,160		
Advertising and sales promotion.....	78,250	
86,170		
Insurance.....	55,360	
48,930		
Income taxes.....	45,260	
3,240		
Dividends payable.....	37,330	
34,000		
Interest.....	27,060	
26,990		
Property, payroll and other taxes.....	25,840	
21,520		
Other.....	46,960	
68,220		
	-----	
	\$421,320	
\$385,230	=====	
=====		

**LONG-TERM DEBT**

(IN THOUSANDS)  
AT DECEMBER 31

-----	1998	1997
	-----	
Notes and Debentures:		
6.625%, due September 15, 1999.....	\$ 200,000	\$
200,000		
9%, due October 1, 2001.....	77,030	
175,000		
6.125%, due September 15, 2003.....	200,000	
200,000		
5.75%, due October 15, 2008.....	100,000	--
7.125%, due August 15, 2013.....	200,000	
200,000		
6.625%, due April 15, 2018.....	250,000	--
European bank debt.....	505,970	
329,300		
Convertible subordinated debentures, 5.25%, due		
2012.....	--	
177,920		
Other, principally acquisition-related.....	112,430	
107,710		
	-----	
	1,645,430	
1,389,930		
Less, current portion.....	254,010	
68,460		
	-----	
	\$1,391,420	
\$1,321,470		
	=====	
=====		

All of the notes and debentures above are nonredeemable.

# MASCO CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

### LONG-TERM DEBT -- (CONCLUDED)

European bank debt relates to borrowings of local currency for European acquisitions and expansion. At December 31, 1998, approximately \$239 million of European debt related to a term loan facility expiring in 2002. The balance of \$267 million represents borrowings under lines of credit primarily expiring in 2002. Interest is payable on European borrowings based upon various floating rates as selected by the Company (approximately 4 percent at December 31, 1998).

The Company called the 5.25% convertible subordinated debentures due 2012 for redemption in February 1998. Substantially all holders exercised their right to convert these debentures into Company common stock (at the pre-stock split conversion price of \$42.28 per share), resulting in the issuance of approximately 4.2 million shares of Company common stock in February 1998 (8.4 million shares after giving effect to the stock split).

Certain debt agreements contain limitations on additional borrowings and requirements for maintaining a certain level of net worth. At December 31, 1998, the Company was in compliance with these limitations and requirements, and the Company's net worth exceeded the most restrictive of such provisions by approximately \$715 million.

At December 31, 1998, the maturities of long-term debt during each of the next five years, assuming that the bank debt is refinanced, were approximately as follows: 1999-\$254.0 million; 2000-\$66.9 million; 2001-\$94.3 million; 2002-\$10.1 million; and 2003-\$206.1 million.

The Company has a \$750 million bank revolving-credit agreement, with any outstanding balance due and payable in November 2001. There was no outstanding balance at December 31, 1998. Interest is payable on borrowings under this agreement based upon various floating rate options as selected by the Company.

The Company has on file with the Securities and Exchange Commission an unallocated shelf registration pursuant to which the Company is able to issue up to a combined \$409 million of debt and equity securities.

Interest paid was approximately \$85 million, \$75 million and \$102 million in 1998, 1997 and 1996, respectively. Amounts paid in 1996 include interest pertaining to discontinued operations.

### SHAREHOLDERS' EQUITY

In July 1998, the Company effected a two-for-one stock split in the form of a 100 percent stock distribution to shareholders, which resulted in the issuance of approximately 170 million shares of common stock and reduced paid-in-capital by approximately \$170 million.

On the basis of amounts paid (declared) and after giving effect to the stock split, cash dividends per share were \$.43 (\$.43 1/2) in 1998, \$.40 1/2 (\$.41) in 1997 and \$.38 1/2 (\$.39) in 1996.

In December 1995, the Company's Board of Directors announced the approval of a Shareholder Rights Plan. The Rights were designed to enhance the Board's ability to protect the Company's shareholders against, among other things, unsolicited attempts to acquire control of the Company that do not offer an adequate price to all shareholders or are otherwise not in the best interests of the shareholders. The Rights were issued to shareholders of record in December 1995 and will expire in December 2005.

Financial statements of non-U.S. operations are translated into U.S. dollars using exchange rates in effect at year-end for assets and liabilities and using weighted average exchange rates in effect during the year for results of operations. Adjustments resulting from such translation are reflected as

30

32

# MASCO CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

### SHAREHOLDERS' EQUITY -- (CONCLUDED)

cumulative translation adjustments in shareholders' equity, included in other comprehensive income (loss).

During 1998, the Company acquired approximately 1.9 million of its common shares in open-market transactions at a cost aggregating \$43.3 million. At December 31, 1998, the Company had remaining authorization to repurchase up to 12.5 million shares of its common stock in open-market transactions or otherwise.

### STOCK OPTIONS AND AWARDS

The Company's 1991 Long Term Stock Incentive Plan (the "Plan") provides for the issuance of stock-based incentives in various forms. At December 31, 1998, outstanding stock-based incentives were primarily in the form of restricted long-term stock awards and stock options.

The Company granted long-term stock awards, net of cancellations, for 1,149,000, 1,581,000 and 1,080,000 shares of Company common stock during 1998, 1997 and 1996, respectively, to key employees of the Company and to non-employee Directors of the Company. These long-term stock awards do not cause net share dilution inasmuch as the Company reacquires an equal number of shares on the open market. The weighted average grant date fair value per share of long-term stock awards granted during 1998, 1997 and 1996 was \$26, \$21 and \$15, respectively. Early vesting of certain of these awards is contingent upon the market price of Company common stock equalling or exceeding certain price targets within specific time periods, including a \$50 price target by February 2003. Compensation expense for the annual vesting of long-term stock awards was \$17.0 million, \$14.0 million and \$14.9 million in 1998, 1997 and 1996, respectively. The unamortized costs of unvested stock awards, aggregating approximately \$127 million at December 31, 1998, are included in other assets and are being amortized over the typical 10-year vesting periods.

Fixed stock options are granted to key employees of the Company and to non-employee Directors of the Company and have a maximum term of 10 years. The exercise price of each fixed option, other than the option described below to the Company's Chief Executive Officer granted during 1996 at an exercise price in excess of the current market price at the grant date, equals the market price of Company common stock on the date of grant. These options generally become exercisable in installments beginning in the third year and extending through the eighth year after grant.

During 1997, the Company granted original stock options for 5,680,000 shares of Company common stock with an exercise price of \$19 1/2 per share (equal to the market price on the grant date). During 1998 and 1997, the Company also granted restoration stock options for 692,000 and 278,000 shares of Company common stock with grant date exercise prices ranging from \$25 to \$31 and \$17 1/2 to \$26, respectively (the market prices on the grant dates), and stock options for 64,000 and 56,000 shares of Company common stock to non-employee Directors of the Company with exercise prices of \$29 and \$19 1/2, respectively.

To demonstrate his commitment to increase the market value of Company common stock for the benefit of shareholders, in 1996 the Company's Chief Executive Officer requested that his annual salary and bonus be reduced indefinitely to \$1 per year effective January 1, 1996. The Compensation Committee of the Board of Directors, in acceding to this request, considered alternative compensation arrangements for the Chief Executive Officer and in April 1996 granted the Chief Executive Officer a 10-year option, with a \$20 1/2 exercise price when the market price was \$13 15/16 per share, to purchase two million shares of Company common stock. This option became exercisable in 1997 when the price of Company common stock exceeded \$20 1/2 per share.

31

33



MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

STOCK OPTIONS AND AWARDS -- (CONTINUED)

As a demonstration of their commitment to enhance shareholder value and alignment with shareholder interests, in 1996 other officers and certain other key employees of the Company voluntarily accepted an effective 15 percent salary reduction, with salaries frozen through 1998 at that level. This reduction in compensation was replaced with stock options and career stock awards. The stock options were granted with an exercise price of \$16 (equal to the market price on the grant date). Such options were granted for approximately 3,230,000 shares of Company common stock. In addition, in 1996 when the market price of Company common stock was \$16 per share, the executive officers were granted career stock awards; annual vestings of such awards commenced in 1997 as a result of the Company common stock price exceeding \$25 per share in late 1997.

A summary of the status of the Company's stock options granted for the three years ended December 31, 1998 is presented below.

	(SHARES IN THOUSANDS)		
	1998	1997	1996
-----	-----	-----	
Option shares outstanding, January 1.....	16,200	14,616	
10,912			
Weighted average exercise price.....	\$17	\$14	
\$12			
Option shares granted, including restoration			
options.....	756	6,014	
5,360			
Weighted average exercise price.....	\$28	\$20	
\$18			
Option shares exercised.....	2,486	4,276	
934			
Weighted average exercise price.....	\$13	\$13	
\$11			
Option shares cancelled.....	74	154	
722			
Weighted average exercise price.....	\$10	\$11	
\$11			
Option shares outstanding, December 31.....	14,396	16,200	
14,616			
Weighted average exercise price.....	\$18	\$17	
\$14			
Weighted average remaining option term (in			
years).....	6.6	7.2	
5.5			
Option shares exercisable, December 31.....	3,781	4,588	
5,614			
Weighted average exercise price.....	\$17	\$16	
\$12			

Of the 3,781,000 option shares exercisable at December 31, 1998, 946,000 were exercisable at per share prices ranging from \$10 to \$15, with a weighted average exercise price of \$10; 793,000 were exercisable at per share prices ranging from \$16 to \$20, with a weighted average exercise price of \$18; and 2,042,000 were exercisable at per share prices ranging from \$21 to \$30 with a weighted average exercise price of \$21.

At December 31, 1998, a combined total of 12,085,000 shares of Company common stock was available for the granting of stock options and long-term stock awards under the Plan.

During 1997, the Company adopted the "1997 Non-Employee Directors Stock Plan" (the "Directors Stock Plan"), which provides for the payment of compensation to non-employee Directors in part in Company common stock. Approximately 72,000 shares of Company common stock were granted in 1998 in the form of stock options and long-term stock awards under this plan. Such options and long-term stock awards are included in the information provided above. At December 31, 1998, a combined total of 825,000 shares of Company common stock was available for the granting of stock options and long-term stock awards under the Directors Stock Plan.

The Company has elected to continue to apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and, accordingly, the Company's stock options do not constitute compensation expense in the determination of net income in the statement of income. Had stock option compensation expense been determined pursuant to the methodology of

32

34

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

**STOCK OPTIONS AND AWARDS -- (CONCLUDED)**

Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," the pro forma effect would have been a reduction in the Company's diluted earnings per share of approximately \$.02, \$.02 and \$.01 in 1998, 1997 and 1996, respectively.

For SFAS No. 123 calculation purposes, the weighted average grant date fair values of options, including restoration options (which have a vesting period of approximately one year), granted in 1998, 1997 and 1996 were \$6.00, \$6.27 and \$5.60, respectively. The fair values of these options were estimated at the grant dates using a Black-Scholes option pricing model with the following assumptions for 1998, 1997 and 1996, respectively: risk free interest rate -- 4.9%, 6.7% and 6.7%; dividend yield -- 2.1%, 2.5% and 2.5%; volatility factor -- 28%, 27% and 25%; and expected option life -- 3 years, 7 years and 7 years.

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 1998, 1997 or 1996. At December 31, 1998, there were 4,695,000 of such shares available for granting future awards under this plan.

Common share and per share data in this note have been adjusted for the two-for-one stock split, effected in the form of a 100 percent stock distribution, in July 1998.

**EMPLOYEE RETIREMENT PLANS**

The Company sponsors defined-benefit pension plans and defined-contribution retirement plans for most of its employees. In addition, substantially all salaried employees participate in non-contributory profit-sharing plans, to which payments are determined annually by the Directors. Aggregate charges to income under the Company's pension and profit-sharing plans were \$32.8 million in 1998, \$23.9 million in 1997 and \$24.4 million in 1996.

Net periodic pension cost for the Company's qualified pension plans includes the following components, in thousands:

	1998	1997	1996
	-----	-----	-----
Service cost.....	\$ 8,530	\$ 7,090	\$ 6,220
Interest cost.....	11,260	10,170	9,450
Expected return on plan assets..... (9,590)	(11,870)	(11,140)	
Amortization of transition asset..... (620)	(620)	(620)	
Amortization of prior-service cost.....	320	330	300
Amortization of net loss.....	1,530	770	230
	-----	-----	-----
Net periodic pension cost.....	\$ 9,150	\$ 6,600	\$ 5,990
	=====	=====	=====

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

EMPLOYEE RETIREMENT PLANS -- (CONCLUDED)

The following table provides a reconciliation of changes in the projected benefit obligation, fair value of plan assets and funded status of the Company's qualified pension plans at December 31, in thousands:

	1998	1997
	-----	-----
Changes in projected benefit obligation:		
Benefit obligation at January 1.....	\$152,320	\$129,540
Service cost.....	8,140	6,680
Interest cost.....	11,260	10,170
Plan amendments.....	(1,720)	
(300)		
Actuarial loss.....	11,780	11,650
Benefit payments.....	(5,800)	
(5,420)		
	-----	-----
Projected Benefit obligation at December 31.....	\$175,980	\$152,320
	=====	=====
Changes in fair value of plan assets:		
Fair value of plan assets at January 1.....	\$106,520	\$102,040
Actual return on plan assets.....	6,110	6,760
Cash contributions.....	6,460	3,590
Benefit payments.....	(5,800)	
(5,420)		
Expenses/other.....	(430)	
(450)		
	-----	-----
Fair value of plan assets at December 31.....	\$112,860	\$106,520
	=====	=====
Funded status of qualified pension plans:		
Plan assets (less than) projected benefit obligation at December 31.....	\$(63,120)	
\$(45,800)		
Unamortized net asset at transition.....	(2,180)	
(2,800)		
Unamortized prior-service cost.....	4,150	3,110
Unamortized net loss.....	52,930	40,340
	-----	-----
Net liability recognized.....	\$ (8,220)	\$
(5,150)		
	=====	=====

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

	1998	1997	1996
	-----	-----	
-----			
Discount rate for obligations.....	6.75%	7.0%	
7.5%			
Expected return on plan assets.....	11.0 %	11.0%	
11.0%			
Rate of compensation increase.....	5.0 %	5.0%	
5.0%			

In addition to the Company's qualified pension plans, the Company has non-qualified unfunded supplemental pension plans covering certain employees, which provide for pension benefits in addition to those provided by the qualified pension plans. The actuarial present value of accumulated benefit obligations and projected benefit obligations related to these non-qualified pension plans totalled \$37.0 million and \$46.2 million, and \$30.8 million and \$39.1 million at December 31, 1998 and 1997, respectively. Net periodic pension cost for these plans was \$7.1 million, \$4.7 million and \$4.9 million in 1998, 1997 and 1996, respectively.

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, 1998, the aggregate present value of the unfunded accumulated postretirement benefit obligation approximated \$3 million.

34

36

# MASCO CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

### SEGMENT INFORMATION

The Company's operations in the segments detailed below consist of the manufacture, installation and sale of the following home improvement and building products:

**Kitchen and Bath Products** -- kitchen and bath cabinets; kitchen appliances; faucets; plumbing fittings; bathtubs and shower tub enclosures; whirlpools and spas; and bath accessories.

**Environmental Products and Services** -- grilles, registers, diffusers for heating/cooling systems; hydronic radiators and heat convectors; insulation; and venting and ventilation systems.

**Builders' Hardware and Other Specialty Products** -- builders' hardware, including mechanical and electronic lock sets; rolling shutters; and water pumps.

These products are sold to the home improvement and home construction markets through mass merchandisers, hardware stores, home centers, distributors, wholesalers and other outlets for consumers and contractors.

The Company's operations are principally located in North America and Europe. The Company's country of domicile is the United States.

Corporate assets consist primarily of real property, cash and cash investments 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. The fees charged to MascoTech approximated \$8 million in 1998, \$6 million in 1997 and \$7 million in 1996, and are included as a reduction of general corporate expense. The fees charged to MascoTech in 1998 include fees related to TriMas Corporation, which was acquired by MascoTech in January 1998. Fees charged for corporate services provided to TriMas Corporation for 1997 and 1996 were \$4 million and \$3 million, respectively.

The Company's segments are based on similarities in products and services and represent the aggregation of similar operating units for which financial information is regularly evaluated by the corporate operating executives in determining resource allocation and assessing performance and is periodically reviewed by the Board of Directors. Accounting policies for the segments are the same as those for the Company. The Company evaluates performance based on operating profit or loss and, other than general corporate expense, allocates specific corporate overhead to each segment.

35

37

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

SEGMENT INFORMATION -- (CONCLUDED)

The following table presents information about the Company by segment and geographic area:

	NET SALES(1) (2) (3)			OPERATING PROFIT			(IN THOUSANDS) ASSETS AT DECEMBER 31		
	1998	1997	1996	1998	1997	1996	1998	1997	1996
	-----	-----	-----	-----	-----	-----	-----	-----	-----
The Company's operations by segment were:									
Kitchen and Bath Products.....	\$3,294,000	\$2,940,000	\$2,519,000	\$613,000	\$539,000	\$462,000	\$2,220,000	\$2,023,000	\$1,646,000
Environmental Products and Services.....	485,000	348,000	295,000	69,000	50,000	41,000	668,000	293,000	260,000
Builders' Hardware and Other Specialty Products.....	566,000	472,000	423,000	84,000	80,000	63,000	508,000	541,000	372,000
Total.....	\$4,345,000	\$3,760,000	\$3,237,000	\$766,000	\$669,000	\$566,000	\$3,396,000	\$2,857,000	\$2,278,000
The Company's operations by geographic area were (4):									
North America...	\$3,506,000	\$3,072,000	\$2,680,000	\$643,000	\$570,000	\$479,000	\$2,221,000	\$2,146,000	\$1,667,000
Europe.....	839,000	688,000	557,000	123,000	99,000	87,000	1,175,000	711,000	611,000
Total, as above.....	\$4,345,000	\$3,760,000	\$3,237,000	766,000	669,000	566,000	3,396,000	2,857,000	2,278,000
General corporate expense, net.....				(86,000)	(82,000)	(85,000)			
Operating profit, after general corporate expense.....				680,000	587,000	481,000			
Other income (expense), net.....				75,000	44,000	22,000			
Income before income taxes (5).....				\$755,000	\$631,000	\$503,000			
Equity investments in and receivable from affiliates.....							225,000	228,000	220,000
Securities of Furnishings International Inc.....							435,000	393,000	356,000
Corporate assets.....							1,111,000	856,000	848,000
Total assets.....							\$5,167,000	\$4,334,000	\$3,702,000

	PROPERTY ADDITIONS(6)		
	1998	1997	1996
	-----	-----	-----
The Company's operations by segment were:			
Kitchen and Bath Products.....	\$119,000	\$149,000	\$116,000
Environmental Products and Services.....	77,000	27,000	21,000
Builders' Hardware and Other Specialty Products.....	22,000	34,000	21,000
Total.....	\$218,000	\$210,000	\$158,000

	DEPRECIATION AND AMORTIZATION		
	1998	1997	1996
	-----	-----	-----
The Company's operations by segment were:			
Kitchen and Bath Products.....	\$ 74,000	\$69,000	\$58,000
Environmental Products and Services.....	23,000	13,000	9,000
Builders' Hardware and Other Specialty Products.....	20,000	15,000	12,000
Total.....	\$117,000	\$97,000	\$79,000

(1) Included in net sales in 1998, 1997 and 1996 are export sales from the U.S. of \$66.8 million, \$58.8 million and \$46.2 million, respectively.

(2) Intra-company sales among segments and geographic areas represented less than one percent of consolidated net sales in 1998, 1997 and 1996.

(3) Includes net sales to one customer in 1998 and 1997 of \$499 million and \$392 million, respectively.

(4) Net sales from the Company's operations in the U.S. were \$3,348 million, \$2,907 million and \$2,524 million in 1998, 1997 and 1996, respectively. Long-lived assets of the Company's operations in the U.S. and Europe were \$1,179 million and \$813 million, \$1,116 million and \$467 million and \$806 million and \$409 million at December 31, 1998, 1997 and 1996, respectively.

(5) Income before income taxes and net income pertaining to non-U.S. operations were \$120 million and \$60 million, \$93 million and \$45 million, and \$82 million and \$40 million for 1998, 1997 and 1996, respectively.

(6) Property additions include assets of acquired companies.

36

38



MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

OTHER INCOME (EXPENSE), NET

	(IN THOUSANDS)		
	1998	1997	1996
	-----	-----	-----
Re: MascoTech, Inc.:			
Equity earnings.....	\$ 15,360	\$ 14,580	\$ 13,860
	-----	-----	-----
Gain from change in investment.....	--	29,500	--
	-----	-----	-----
Gain from sale of investments, net.....	--	--	67,800
	-----	-----	-----
Equity earnings, other affiliates.....	13,840	9,560	6,230
	-----	-----	-----
Other, net:			
Income from cash and cash investments.....	21,540	17,280	6,910
Other interest income.....	46,340	47,550	20,710
Other items.....	62,680	5,180	
(18,630)			
	-----	-----	-----
	130,560	70,010	8,990
	-----	-----	-----
Interest expense.....	(85,260)	(79,850)	
(74,680)			
	-----	-----	-----
	\$ 74,500	\$ 43,800	\$ 22,200
	=====	=====	=====

Other interest income for 1998, 1997 and 1996 includes \$41.5 million, \$36.8 million and \$14.0 million, respectively, from the 12% pay-in-kind junior debt securities of Furnishings International Inc. Such interest income began to accrue in August 1996 upon the sale of the Company's home furnishings businesses. Other interest income for 1997 and 1996 includes \$7.5 million and \$1.7 million, respectively, of interest income from a \$151 million note receivable from MascoTech, which was paid on September 30, 1997.

Other items in 1998 include pre-tax gains aggregating approximately \$59 million from sales of the Company's Thermador subsidiary (\$30 million) and the Company's investment in TriMas Corporation (\$29 million). Also included in other items for 1998 were \$7.0 million of dividend income from the Company's investment in Furnishings International's 13% cumulative preferred stock and an approximate \$12 million pre-tax charge related to the early retirement of long-term debt.

Other items in 1997 include \$10.8 million of dividend income from the Company's investment in Furnishings International's 13% cumulative preferred stock and net gains aggregating approximately \$28 million related to the sales of certain non-operating assets, as well as charges aggregating approximately \$30 million principally for the adjustment of the Company's Payless Cashways investment to its estimated fair value. Other items in 1996 include \$36.3 million of fourth quarter charges primarily related to adjustments of miscellaneous assets to their estimated fair value.

During the second quarter of 1997, MascoTech effected conversion of all of its publicly held outstanding convertible preferred stock with the issuance of approximately 10 million shares of its common stock. This conversion reduced the Company's common equity ownership in MascoTech to 17 percent from 21 percent, and increased the Company's equity in MascoTech's net book value by approximately \$29.5 million. As a result, the Company recognized a pre-tax gain of \$29.5 million during the second quarter of 1997.

Interest expense in 1996 is presented net of interest expense pertaining to discontinued operations of \$21.8 million.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

INCOME TAXES

THOUSANDS)	( IN		
	1998	1997	1996
	-----	-----	
-----			
Income before income taxes:			
U.S.....	\$ 635,320	\$ 537,760	
\$420,560			
Foreign.....	119,680	93,140	
82,140			
-----			
	\$ 755,000	\$ 630,900	
\$502,700			
=====			
Provision for income taxes:			
Currently payable:			
U.S. Federal.....	\$ 167,000	\$ 146,940	
\$119,250			
State and local.....	19,000	25,570	
18,280			
Foreign.....	47,100	41,110	
41,120			
Deferred:			
U.S. Federal.....	33,490	28,240	
27,880			
Foreign.....	12,410	6,640	
970			
-----			
	\$ 279,000	\$ 248,500	
\$207,500			
=====			
Deferred tax assets at December 31:			
Intangibles.....	\$ 18,160	\$ 24,110	
Inventories.....	12,210	11,380	
Accrued liabilities.....	46,720	54,650	
Capital loss carryforward.....	117,760	149,470	
Other, principally equity investments.....	44,600	34,940	
	-----	-----	
	239,450	274,550	
Valuation allowance.....	(156,700)	(174,960)	
	-----	-----	
	82,750	99,590	
	-----	-----	
Deferred tax liabilities at December 31:			
Property and equipment.....	166,880	149,220	
Other.....	25,230	13,830	
	-----	-----	
	192,110	163,050	
	-----	-----	
Net deferred tax liability at December 31.....	\$ 109,360	\$ 63,460	
	=====	=====	

At December 31, 1998 and 1997, net deferred tax liability consists of net short-term deferred tax assets of \$15.4 million and \$19.0 million,

respectively, and net long-term deferred tax liabilities of \$124.8 million and \$82.5 million, respectively.

A valuation allowance of approximately \$156.7 million and \$175.0 million was recorded at December 31, 1998 and 1997, respectively, primarily due to the Company's inability to quantify the major portion of its capital loss carryforward which may ultimately be realized. Such capital loss benefit resulted from a \$117.8 million and \$149.5 million after-tax capital loss carryforward at December 31, 1998 and 1997, respectively, on the disposition of the Company's home furnishings products segment and a \$38.9 million and \$25.5 million benefit of a capital nature on the Company's equity and other investments at December 31, 1998 and 1997, respectively.

38

40

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

**INCOME TAXES -- (CONCLUDED)**

The following is a reconciliation of the U.S. Federal statutory rate:

	1998	1997	
1996	----	----	
-----			
U.S. Federal statutory rate.....	35%	35%	
35%			
State and local taxes, net of federal tax benefit.....	2	2	2
Higher taxes on foreign earnings.....	2	3	3
Dividends-received deduction.....	--	(1)	--
Amortization in excess of tax.....	1	1	1
Change in valuation allowance.....	(2)	(2)	1
Other, net.....	(1)	1	
(1)			
	--	--	--
Effective tax rate.....	37%	39%	
41%			
	==	==	==

Income taxes paid were approximately \$160 million, \$178 million and \$201 million in 1998, 1997 and 1996, respectively. Amounts paid in 1996 include taxes on discontinued operations.

Earnings of non-U.S. subsidiaries generally become subject to U.S. tax upon the remittance of dividends and under certain other circumstances. Provision has not been made at December 31, 1998 for U.S. or additional foreign withholding taxes on approximately \$30.8 million of remaining undistributed net income of non-U.S. subsidiaries, as such income is intended to be permanently reinvested; it is not practical to estimate the amount of deferred tax liability on such income.

**EARNINGS PER SHARE**

The following are reconciliations of the numerators and denominators used in the computations of basic and diluted earnings per share (after giving effect to the 100 percent stock distribution in July 1998), in thousands:

	1998	1997	1996
	-----	-----	
-----			
Numerator:			
Basic (Net income).....	\$476,000	\$382,400	
\$295,200			
Add convertible debenture interest, net (1)...	700	5,880	
5,880			
-----			
Diluted (Net income).....	\$476,700	\$388,280	
\$301,080			
	=====	=====	
Denominator:			
Basic shares (based on weighted average).....	331,700	319,400	
315,000			
Add:			
Contingently issued shares.....	7,200	6,600	
6,200			
Stock option dilution.....	3,800	3,200	
1,800			
Convertible debentures (1).....	1,000	8,400	
8,400			
-----			
Diluted shares.....	343,700	337,600	
331,400			
	=====	=====	
=====			

(1) The Company called these debentures for redemption on February 12, 1998. Substantially all holders exercised their right to convert these debentures into Company common stock.

39

41

**MASCO CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

**COMBINED FINANCIAL STATEMENTS (UNAUDITED)**

For 1998, the following presents, as one entity with Masco Corporation as the parent company, the combined unaudited financial statements of the Company and MascoTech, Inc., and for 1997 and 1996, the combined unaudited financial statements of the Company, MascoTech and TriMas Corporation. Intercompany transactions have been eliminated. Amounts, except per share data, are in thousands. (MascoTech completed its acquisition of TriMas Corporation in early 1998.)

-----	1998	1997
-----	-----	
COMBINED BALANCE SHEETS		
Assets		
Current assets:		
Cash and cash investments.....	\$ 571,130	\$
587,820		
Marketable securities.....	--	
45,970		
Receivables.....	923,470	
768,030		
Prepaid expenses and other.....	70,110	
85,250		
Deferred income taxes.....	41,950	
80,520		
Inventories:		
Raw material.....	298,910	
286,120		
Finished goods.....	271,720	
237,340		
Work in process.....	186,710	
162,460		
	-----	
	757,340	
685,920		
	-----	
Total current assets.....	2,364,000	
2,253,510		
Equity investments in affiliates.....	258,580	
280,970		
Securities of Furnishings International Inc.....	434,640	
393,140		
Property and equipment.....	1,842,380	
1,654,840		
Acquired goodwill, net.....	1,816,950	
925,120		
Other assets.....	497,950	
421,170		
	-----	
Total assets.....	\$7,214,500	
\$5,928,750		
	=====	
=====		
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable.....	\$ 258,830	\$
72,340		
Accounts payable.....	281,260	
264,980		
Accrued liabilities.....	556,550	
535,300		
	-----	
Total current liabilities.....	1,096,640	
872,620		
Long-term debt.....	2,779,660	
1,959,440		
Deferred income taxes and other.....	399,130	
365,470		
Other interests in combined affiliates.....	210,490	
502,200		
	-----	
Total liabilities.....	4,485,920	
3,699,730		





MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

COMBINED FINANCIAL STATEMENTS (UNAUDITED) -- (CONTINUED)

	FOR THE YEARS ENDED DECEMBER 31		
	1998	1997	1996
COMBINED STATEMENTS OF INCOME			
Net sales.....	\$ 5,967,620	\$ 5,323,450	\$ 5,095,710
Cost of sales.....	(3,990,040)	(3,535,070)	(3,476,820)
Selling, general and administrative expenses.....	(1,074,690)	(990,850)	(933,250)
Gains (charge) on disposition of businesses, net.....	(15,580)	4,980	(31,520)
Operating profit.....	887,310	802,510	654,120
Other income (expense), net:			
Interest expense.....	(166,760)	(114,300)	(115,460)
Other, net.....	163,610	153,290	106,810
	(3,150)	38,990	(8,650)
Income before income taxes and other interests.....	884,160	841,500	645,470
Income taxes.....	(326,830)	(347,110)	(279,830)
Other interests in combined affiliates.....	(81,330)	(111,990)	(70,440)
Net income.....	\$ 476,000	\$ 382,400	\$ 295,200
Earnings per share:			
Basic.....	\$1.44	\$1.20	\$.94
Diluted.....	\$1.39	\$1.15	\$.91

41

43

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

COMBINED FINANCIAL STATEMENTS (UNAUDITED) -- (CONCLUDED)

	FOR THE YEARS ENDED DECEMBER 31		
	1998	1997	1996
<b>COMBINED STATEMENTS OF CASH FLOWS</b>			
<b>Cash Flows From (For) Operating Activities:</b>			
Net income.....	\$ 476,000	\$ 382,400	\$ 295,200
Depreciation and amortization.....	219,960	185,190	167,080
Interest accrual on pay-in-kind notes receivable....	(41,500)	(36,800)	(13,970)
Unremitted equity earnings of affiliates.....	(16,820)	(9,060)	(12,730)
Deferred income taxes.....	45,790	57,230	39,590
(Gains) charge on disposition of businesses, net....	(14,720)	(4,980)	31,520
Gain from change in investment.....	(7,000)	(4,980)	--
Other interests in net income of combined affiliates, net.....	81,330	111,990	70,440
(Increase) decrease in receivables.....	(107,520)	(40,250)	1,230
(Increase) decrease in inventories.....	(58,940)	(41,870)	14,870
Increase in accounts payable and accrued liabilities, net.....	24,180	46,200	93,700
Discontinued operations, net.....	--	--	(19,240)
Other, net.....	(2,090)	(16,360)	(26,080)
Net cash from operating activities.....	598,670	628,710	641,610
<b>Cash Flows From (For) Investing Activities:</b>			
Acquisition of other interests in TriMas Corporation.....	(869,680)	--	--
Acquisitions, net of cash acquired.....	(377,770)	(198,020)	(247,800)
Capital expenditures.....	(295,260)	(250,740)	(207,600)
Cash proceeds from sale of: Discontinued operations.....	--	--	707,630
Subsidiaries.....	108,020	76,560	223,720
Proceeds from redemption of debt by affiliates.....	80,500	--	--
Other, net.....	(31,680)	(37,810)	(20,170)
Net cash from (for) investing activities....	(1,385,870)	(410,010)	455,780
<b>Cash Flows From (For) Financing Activities:</b>			
Increase in debt.....	1,630,340	121,380	570,520
Payment of debt.....	(550,650)	(155,230)	(1,063,720)
Purchase of Company common stock for: Treasury.....	(106,880)	(14,970)	(14,040)
Long-term incentive award plan.....	(46,800)	(29,110)	(14,030)
Cash dividends paid.....	(155,500)	(151,970)	(146,340)
Net cash from (for) financing activities....	770,510	(229,900)	(667,610)
<b>Cash and Cash Investments:</b>			
Increase (decrease) for the year.....	(16,690)	(11,200)	429,780
At January 1.....	587,820	599,020	169,240
At December 31.....	\$ 571,130	\$ 587,820	\$ 599,020

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONCLUDED)

INTERIM FINANCIAL INFORMATION (UNAUDITED)

	(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)				
	AUDITED YEAR	QUARTERS ENDED			
		DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
1998:					
Net sales.....	\$4,345,000	\$1,099,000	\$1,122,000	\$1,085,000	\$1,039,000
Gross profit.....	\$1,551,010	\$ 372,710	\$ 404,900	\$ 393,600	\$ 379,800
Net income.....	\$ 476,000	\$ 122,500	\$ 125,900	\$ 117,000	\$ 110,600
Earnings per share:					
Basic.....	\$1.44	\$ .37	\$ .38	\$ .35	\$ .34
Diluted.....	\$1.39	\$ .36	\$ .37	\$ .34	\$ .32
1997:					
Net sales.....	\$3,760,000	\$ 990,000	\$1,003,000	\$ 913,000	\$ 854,000
Gross profit.....	\$1,381,750	\$ 363,450	\$ 369,000	\$ 334,800	\$ 314,500
Net income.....	\$ 382,400	\$ 105,500	\$ 101,800	\$ 91,600	\$ 83,500
Earnings per share:					
Basic.....	\$1.20	\$ .33	\$ .32	\$ .29	\$ .26
Diluted.....	\$1.15	\$ .31	\$ .30	\$ .28	\$ .26

43

45

**ITEM 9. CHANGES IN THE 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 1999 Annual Meeting of Stockholders, to be filed on or before April 30, 1999, 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 1999 Annual Meeting of Stockholders, to be filed on or before April 30, 1999, 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 1999 Annual Meeting of Stockholders, to be filed on or before April 30, 1999, 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 1999 Annual Meeting of Stockholders, to be filed on or before April 30, 1999, and such information is incorporated herein by reference.

44

46

**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, 1998 and 1997, and for the years ended December 31, 1998, 1997 and 1996, consist of the following:

Consolidated Balance Sheets Consolidated Statements of Income Consolidated Statements of Cash Flows Consolidated Statements of Shareholders' Equity 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, 1998, 1997 and 1996, consists of the following:  
II. Valuation and Qualifying Accounts
- (ii) (A) MascoTech, Inc. and Subsidiaries Consolidated Financial Statements appended hereto, at December 31, 1998 and 1997, and for the years ended December 31, 1998, 1997 and 1996, consist of the following:
  - Consolidated Balance Sheet
  - Consolidated Statement of Income
  - Consolidated Statement of Cash Flows
  - Consolidated Statement of Shareholders' Equity
  - Notes to Consolidated Financial Statements
- (B) MascoTech, Inc. and Subsidiaries Financial Statement Schedule appended hereto, for the years ended December 31, 1998, 1997 and 1996, consists of the following:  
II. Valuation and Qualifying Accounts

(3) Exhibits.

3.i Restated Certificate of Incorporation of Masco Corporation and amendments thereto.(7)

3.ii Bylaws of Masco Corporation, as amended.(filed herewith)

4.a.i Indenture dated as of December 1, 1982 between Masco Corporation and Morgan Guaranty Trust Company of New York, as Trustee,(5) and Directors' resolutions establishing

Masco Corporation's: (i) 9% Notes Due October 1, 2001(5), (ii) 6 5/8 Notes Due September 15, 1999(6), (iii) 6 1/8 Notes

Due September 15, 2003 (filed herewith), (iv) 7 1/8% Debentures Due August 15, 2013 (filed herewith), (v) 6.625% Debentures Due April 15, 2018 (filed herewith) and (vi) 5.75% Notes

Due 2008. (filed herewith)

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 \$750,000,000 Amended and Restated Credit Agreement dated as of November 14, 1996 among Masco Corporation, the banks party thereto and Morgan Guaranty Trust Company of New

York, as agent(5) and Amendment No. 1 dated April 30, 1997(6) and Amendment dated as of March 30, 1998.(7)

45

47



4.c Rights Agreement dated as of December 6, 1995, between  
Masco Corporation and The Bank of New York, as Rights Agent(3)  
and  
Amendment No. 1 to Rights Agreement dated as of September  
23, 1998.(8)

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,  
Trustee  
Agreement of Appointment and Acceptance of Successor  
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. (all filed herewith)

4.e \$1,300,000,000 Credit Agreement dated as of January 16,  
1998  
among MascoTech, Inc., MascoTech Acquisition, Inc., the  
banks party thereto from time to time, The First National  
Bank of Chicago, as Administrative Agent, Bank of America  
NT&SA and NationsBank, N.A., as Syndication Agents and  
Amendment No. 1 thereto dated as of February 10, 1998.(6)

4.f DM 350,000,000 Multicurrency Revolving Credit Facility  
dated  
September 14, 1998 among Masco GmbH, as Borrower, Masco  
Corporation, as Guarantor, Commerzbank Aktiengesellschaft,  
as Arranger, and Commerzbank International S.A., as Agent  
for the banks party thereto. (filed herewith)

4.g DM 400,000,000 Term Loan Facility dated July 9, 1997 among  
Masco GmbH, as Borrower, Masco Corporation, as Guarantor,  
Commerzbank Aktiengesellschaft, as Arranger, and  
Commerzbank  
International S.A., as Agent for the banks party thereto,  
and Amendment dated as of June 12, 1998 to Credit  
Agreement.  
(filed herewith)

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.).(3)

10.b Corporate Services Agreement dated as of January 1, 1987  
between Masco Corporation and Masco Industries, Inc. (now  
known as MascoTech, Inc.)(6), Amendment No. 1 dated as of  
October 31, 1996(4), and related letter agreement dated  
January 22, 1998.(6)

10.c Corporate Opportunities Agreement dated as of May 1, 1984  
between Masco Corporation and Masco Industries, Inc. (now  
known as MascoTech, Inc.)(3) and Amendment No. 1 dated as  
of  
October 31, 1996(4).

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 letter dated September 20,  
1985, Amendment to Stock Repurchase Agreement dated as of  
December 20, 1990, and amendment to Stock Repurchase  
Agreement included in Agreement dated as of November 23,  
1993. (filed herewith)





NOTE: Exhibits 10.e through 10.r 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 (Restated July 10, 1998). (filed herewith)

10.f Masco Corporation 1988 Restricted Stock Incentive Plan (Restated December 6, 1995).(3)

10.g Masco Corporation 1988 Stock Option Plan (Restated December 6, 1995).(3)

10.h Masco Corporation Supplemental Executive Retirement and Disability Plan.(2)

10.i Masco Corporation 1997 Annual Incentive Compensation Plan.(6)

10.j Masco Corporation 1997 Non-Employee Directors Stock Plan. (as amended July 10, 1998). (filed herewith)

10.k MascoTech, Inc. 1991 Long Term Stock Incentive Plan (Restated July 15, 1998). (filed herewith)

10.l MascoTech, Inc. 1984 Restricted Stock Incentive Plan (Restated December 6, 1995).(3)

10.m MascoTech, Inc. 1984 Stock Option Plan (Restated December 6, 1995).(3)

10.n MascoTech, Inc. 1997 Annual Incentive Compensation Plan.(6)

10.o MascoTech, Inc. 1997 Non-Employee Directors Stock Plan.(6)

10.p Description of the Masco Corporation Program for Estate, Financial Planning and Tax Assistance.(6)

10.q Amended and Restated Securities Purchase Agreement dated as of November 23, 1993 ("Securities Purchase Agreement") between MascoTech, Inc. and Masco Corporation, including form of Note, Agreement dated as of November 23, 1993 relating thereto, and Amendment No. 1 to the Securities Purchase Agreement dated as of October 31, 1996. (all filed herewith)

10.r Registration Agreement dated as of March 31, 1993, between Masco Corporation and Masco Industries, Inc. (now known as MascoTech, Inc.). (filed herewith)

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)(5) and Amendment thereto dated May 21, 1997.(6)

10.t 12% Senior Note Due 2008 by Furnishings International Inc. to Masco Corporation and Registration Rights Agreement dated as of August 5, 1996 between Furnishings International Inc. and Masco Corporation.(5)

10.u Stock Purchase Agreement dated as of October 15, 1996 between Masco Corporation and MascoTech, Inc.(4)

12 Computation of Ratio of Earnings to Fixed Charges. (filed herewith)

21 List of Subsidiaries. (filed herewith)

23.a Consent of PricewaterhouseCoopers LLP relating to Masco Corporation's Financial Statements and Financial Statement Schedule. (filed herewith)

23.b Consent of PricewaterhouseCoopers LLP relating to MascoTech, Inc.'s Financial Statements and Financial Statement Schedule. (filed herewith)

27  
ended

Financial Data Schedule as of and for the year  
December 31, 1998. (filed herewith)

- (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, 1994.
- (3) Incorporated by reference to the Exhibits filed with Masco Corporation's Annual Report on Form 10-K for the year ended December 31, 1995.
- (4) Incorporated by reference to the Exhibits filed with Masco Corporation's Current Report on Form 8-K dated November 13, 1996.
- (5) Incorporated by reference to the Exhibits filed with Masco Corporation's Annual Report on Form 10-K for the year ended December 31, 1996.
- (6) Incorporated by reference to the Exhibits filed with Masco Corporation's Annual Report on Form 10-K for the year ended December 31, 1997.
- (7) Incorporated by reference to the Exhibits filed with Masco Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.
- (8) Incorporated by reference to the Exhibits filed with Masco Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998.

THE COMPANY WILL FURNISH ITS STOCKHOLDERS A COPY OF ANY OF THE ABOVE EXHIBITS NOT INCLUDED HEREIN UPON THE WRITTEN REQUEST OF SUCH STOCKHOLDER AND THE PAYMENT TO THE COMPANY OF THE REASONABLE EXPENSES INCURRED BY THE COMPANY IN FURNISHING SUCH COPY OR COPIES.

(B) REPORTS ON FORM 8-K.

None.

48  
50

## 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 26, 1999

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:

Finance /s/ RICHARD G. MOSTELLER

Senior Vice President --

-----  
RICHARD G. MOSTELLER

PRINCIPAL ACCOUNTING OFFICER:

and /s/ ROBERT B. ROSOWSKI

Vice President -- Controller  
Treasurer

-----  
ROBERT B. ROSOWSKI

/s/ THOMAS G. DENOMME

Director

-----  
THOMAS G. DENOMME

/s/ JOSEPH L. HUDSON, JR.

Director

-----  
JOSEPH L. HUDSON, JR.

/s/ VERNE G. ISTOCK

Director

-----  
VERNE G. ISTOCK

/s/ RAYMOND F. KENNEDY

President and Chief Operating  
Officer and Director

-----  
RAYMOND F. KENNEDY

/s/ MARY ANN KREY

Director

-----  
MARY ANN KREY

/s/ WAYNE B. LYON

Director

-----  
WAYNE B. LYON

/s/ JOHN A. MORGAN

Director

-----  
JOHN A. MORGAN

/s/ ARMAN SIMONE

Director

-----  
ARMAN SIMONE

/s/ PETER W. STROH

Director

-----  
PETER W. STROH

March 26, 1999

49

51

**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, 1998, 1997 and 1996:

PAGE

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

F-1  
52

**MASCO CORPORATION**  
**SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS**  
**FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996**

COLUMN A ----- DESCRIPTION -----	COLUMN B ----- BALANCE AT BEGINNING OF PERIOD -----	COLUMN C ----- ADDITIONS ----- CHARGED TO COSTS AND EXPENSES ----- (A)		COLUMN D ----- DEDUCTIONS ----- (B)	COLUMN E ----- BALANCE AT END OF PERIOD -----
Allowance for doubtful accounts, deducted from accounts receivable in the balance sheet:					
1998.....	\$19,760,000 =====	\$4,130,000 =====	\$1,220,000 =====	\$(3,590,000) =====	\$21,520,000 =====
1997.....	\$17,950,000 =====	\$2,650,000 =====	\$2,500,000 =====	\$(3,340,000) =====	\$19,760,000 =====
1996.....	\$16,260,000 =====	\$5,060,000 =====	\$ 640,000 =====	\$(4,010,000) =====	\$17,950,000 =====

**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.

F-2

53

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors  
of MascoTech, Inc.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(2)(ii)(A) present fairly, in all material respects, the financial position of MascoTech, Inc. and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2)(ii)(B) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. 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 of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in the footnotes to the consolidated financial statements, effective January 1, 1996, the Company changed its method of accounting for the impairment of long-lived assets and for long-lived assets to be disposed of.

### **PRICEWATERHOUSECOOPERS, LLP**

Detroit, Michigan  
February 19, 1999

F-3  
54



MASCOTECH, INC.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1998 AND 1997

ASSETS

	1998	1997
	-----	-----
Current assets:		
Cash and cash investments.....	\$ 29,390,000	\$ 41,110,000
Marketable securities.....	--	45,970,000
Receivables.....	223,340,000	125,930,000
Inventories.....	198,350,000	73,860,000
Deferred and refundable income taxes.....	26,590,000	36,270,000
Prepaid expenses and other assets.....	23,710,000	13,310,000
	-----	-----
Total current assets.....	501,380,000	336,450,000
Equity and other investments in affiliates.....	93,560,000	263,300,000
Property and equipment, net.....	678,130,000	417,030,000
Excess of cost over net assets of acquired companies.....	764,220,000	65,610,000
Notes receivable and other assets.....	53,250,000	62,290,000
	-----	-----
Total assets.....	\$2,090,540,000	\$1,144,680,000
	=====	=====
	LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:		
Accounts payable.....	\$ 114,830,000	\$ 70,120,000
Accrued liabilities.....	135,230,000	114,650,000
	-----	-----
Total current liabilities.....	250,060,000	184,770,000
Convertible subordinated debentures.....	310,000,000	310,000,000
Other long-term debt.....	1,078,240,000	282,000,000
Deferred income taxes.....	88,140,000	114,650,000
Other long-term liabilities.....	110,220,000	42,600,000
	-----	-----
Total liabilities.....	1,836,660,000	934,020,000
	-----	-----
Shareholders' equity:		
Preferred stock, \$1 par:		
Authorized: 25 million; Outstanding: None.....	--	--
Common stock, \$1 par:		
Authorized: 250 million; Outstanding: 45.8 million and 47.3 million.....	45,780,000	47,250,000
Paid-in capital.....	16,820,000	41,060,000
Retained earnings.....	245,860,000	157,790,000
Accumulated other comprehensive loss.....	(7,460,000)	(2,560,000)
Less: Restricted stock awards.....	(47,120,000)	(32,880,000)
	-----	-----
Total shareholders' equity.....	253,880,000	210,660,000
	-----	-----
Total liabilities and shareholders' equity.....	\$2,090,540,000	\$1,144,680,000
	=====	=====

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

MASCOTECH, INC.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	1998	1997	1996
	-----	-----	-----
Net sales.....	\$ 1,635,500,000	\$ 922,130,000	\$ 1,281,220,000
Cost of sales.....	(1,208,930,000)	(735,470,000)	(1,048,110,000)
	-----	-----	-----
Gross profit.....	426,570,000	186,660,000	233,110,000
Selling, general and administrative expenses.....	(204,180,000)	(89,930,000)	(132,260,000)
Gains (charge) on disposition of businesses, net.....	(15,580,000)	4,980,000	(31,520,000)
	-----	-----	-----
Operating profit.....	206,810,000	101,710,000	69,330,000
	-----	-----	-----
Other income (expense), net:			
Interest expense, Masco Corporation.....	--	(7,500,000)	--
Other interest expense.....	(81,500,000)	(29,030,000)	(29,970,000)
Equity and other income from affiliates.....	10,150,000	43,360,000	40,460,000
Gain from disposition of an equity affiliate.....	--	46,160,000	--
Gains from changes in investments in equity affiliates.....	--	18,190,000	--
Deferred gain recognized from disposition of business.....	7,000,000	--	--
Other, net.....	2,060,000	17,400,000	(2,600,000)
	-----	-----	-----
Income before income taxes and cumulative effect of accounting change, net.....	144,520,000	190,290,000	77,220,000
Income taxes.....	47,050,000	75,050,000	37,300,000
	-----	-----	-----
Income before cumulative effect of accounting change, net.....	97,470,000	115,240,000	39,920,000
Cumulative effect of accounting change (net of income taxes).....	--	--	11,700,000
	-----	-----	-----
Net income.....	\$ 97,470,000	\$ 115,240,000	\$ 51,620,000
	=====	=====	=====
Preferred stock dividends.....	--	\$ 6,240,000	\$ 12,960,000
	=====	=====	=====
Earnings attributable to common stock....	\$ 97,470,000	\$ 109,000,000	\$ 38,660,000
	=====	=====	=====

	BASIC	DILUTED	BASIC	DILUTED	BASIC	DILUTED
	-----	-----	-----	-----	-----	-----
Earnings per common share:						
Income before cumulative effect of accounting change, net.....	\$2.23	\$1.83	\$2.70	\$2.12	\$ .54	\$ .50
Cumulative effect of accounting change, net.....	--	--	--	--	.23	.22
	-----	-----	-----	-----	-----	-----
Earnings attributable to common stock....	\$2.23	\$1.83	\$2.70	\$2.12	\$ .77	\$ .72
	=====	=====	=====	=====	=====	=====

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, 1998, 1997 AND 1996**

	1998	1997	1996
	-----	-----	-----
CASH FROM (USED FOR):			
OPERATING ACTIVITIES:			
Net income.....	\$ 97,470,000	\$115,240,000	\$ 51,620,000
Adjustments to reconcile net income to net cash provided by operating activities:			
(Gains) charge on disposition of businesses, net.....	15,580,000	(4,980,000)	31,520,000
Gains from disposition or other changes in investments in equity affiliates.....	(7,000,000)	(64,350,000)	--
Depreciation and amortization.....	83,640,000	43,460,000	44,470,000
Equity earnings, net of dividends.....	(6,080,000)	(27,180,000)	(31,650,000)
Deferred income taxes.....	(110,000)	17,520,000	8,640,000
Decrease (increase) in marketable securities, net.....	45,970,000	(8,210,000)	(24,890,000)
(Increase) decrease in receivables.....	(6,700,000)	2,670,000	10,200,000
(Increase) decrease in inventories.....	(19,640,000)	1,950,000	19,190,000
Decrease (increase) in prepaid expenses and other current assets.....	1,240,000	(1,280,000)	38,650,000
(Decrease) increase in accounts payable and accrued liabilities.....	(6,060,000)	11,140,000	9,320,000
Other, net.....	2,290,000	(7,480,000)	(28,060,000)
Net cash from operating activities....	----- 200,600,000	----- 78,500,000	----- 129,010,000
FINANCING ACTIVITIES:			
Increase in debt.....	1,162,670,000	7,080,000	5,220,000
Payment of debt.....	(410,660,000)	(16,590,000)	(114,900,000)
Payment of note due to Masco Corporation....	--	(45,580,000)	--
Retirement of preferred stock.....	--	(8,360,000)	--
Retirement of Company Common Stock.....	(63,550,000)	(6,610,000)	(14,040,000)
Repurchase of Company Common Stock and warrants from Masco Corporation for cash...	--	--	(116,000,000)
Payment of dividends.....	(12,240,000)	(15,900,000)	(22,940,000)
Other, net.....	(13,480,000)	(9,070,000)	(8,610,000)
Net cash from (used for) financing activities.....	----- 662,740,000	----- (95,030,000)	----- (271,270,000)
INVESTING ACTIVITIES:			
Cash received from sale of businesses.....	25,020,000	76,560,000	223,720,000
Acquisition of businesses, net of cash acquired.....	(879,370,000)	(11,100,000)	(47,200,000)
Capital expenditures.....	(106,300,000)	(54,780,000)	(42,390,000)
Receipt of cash from notes receivable.....	4,880,000	17,330,000	9,300,000
Proceeds from redemptions of debt by affiliates.....	80,500,000	--	--
Other, net.....	210,000	10,230,000	1,850,000
Net cash from (used for) investing activities.....	----- (875,060,000)	----- 38,240,000	----- 145,280,000
CASH AND CASH INVESTMENTS:			
Increase (decrease) for the year.....	(11,720,000)	21,710,000	3,020,000
At January 1.....	41,110,000	19,400,000	16,380,000
At December 31.....	----- \$ 29,390,000	----- \$ 41,110,000	----- \$ 19,400,000
	=====	=====	=====

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



**MASCOTECH, INC.**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996**

(IN THOUSANDS)

	PREFERRED STOCK	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME		RESTRICTED STOCK AWARDS	TOTAL SHAREHOLDERS' EQUITY
					FOREIGN CURRENCY TRANSLATION AND OTHER	MINIMUM PENSION LIABILITY		
Balances, January 1, 1996....	\$ 10,800	\$55,520	\$ 307,910	\$ 32,380	\$ 8,570	\$ --	\$(17,050)	\$ 398,130
Comprehensive income:								
Net income.....				51,620				51,620
Foreign currency translation.....					(5,080)			(5,080)
Unrealized gain/(loss) on securities (net of tax, \$3,040).....					4,560			4,560
Total comprehensive income.....								51,100
Preferred stock dividends.....				(12,960)				(12,960)
Common stock dividends....				(9,980)				(9,980)
Retirement of common stock and warrants.....		(18,720)	(263,600)					(282,320)
Exercise of stock options.....		450	3,490					3,940
Restricted stock awards, net of amortization.....							(9,090)	(9,090)
Balances, December 31, 1996.....	10,800	37,250	47,800	61,060	8,050	--	(26,140)	138,820
Comprehensive income:								
Net income.....				115,240				115,240
Foreign currency translation.....					(9,220)			(9,220)
Unrealized gain/(loss) on securities (net of tax benefit, \$(920)).....					(1,390)			(1,390)
Total comprehensive income.....								104,630
Preferred stock dividends.....		150	2,850	(6,240)				(3,240)
Common stock dividends....				(12,270)				(12,270)
Retirement of common stock.....		(330)	(6,280)					(6,610)
Retirement of preferred stock.....	(450)		(7,910)					(8,360)
Conversion of outstanding preferred stock.....	(10,350)	9,750	600					--
Exercise of stock options.....		430	4,000					4,430
Restricted stock awards, net of amortization.....							(6,740)	(6,740)
Balances, December 31, 1997.....	--	47,250	41,060	157,790	(2,560)	--	(32,880)	210,660
Comprehensive income:								
Net income.....				97,470				97,470
Foreign currency translation.....					6,410			6,410
Minimum pension liability (net of tax benefit, \$(6,700)).....						(10,700)		(10,700)
Unrealized gain/(loss) on securities (net of tax benefit, \$(420)).....					(610)			(610)
Total comprehensive income.....								92,570
Common stock dividends....				(9,400)				(9,400)
Retirement of common stock.....		(3,640)	(60,170)					(63,810)
Exercise of stock options.....		1,160	14,750					15,910
Restricted stock awards, net of amortization.....							(14,240)	(14,240)
Common stock issued for acquisition of business.....		1,010	21,180					22,190
Balances, December 31, 1998..	--	\$45,780	\$ 16,820	\$245,860	\$ 3,240	\$(10,700)	\$(47,120)	\$ 253,880

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

F-7  
58

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; ownership less than 20 percent is accounted for on the cost basis unless the Company exercises significant influence over the investee. Capital transactions by equity affiliates, which change the Company's ownership interest at amounts differing from the Company's carrying amount, are reflected in other income or expense and the investment in affiliates account.

The Company has a corporate services agreement with Masco Corporation, which at December 31, 1998 owned approximately 17 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, aggregated approximately \$8.7 million in 1998, \$5.5 million in 1997 and \$7.1 million in 1996.

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from such estimates and assumptions.

**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 and Derivative Financial Instruments.** The Company's marketable equity securities holdings are categorized as trading and, as a result, are stated at fair value. Changes in the fair value of trading securities are recognized in earnings. The Company may enter into S&P futures contracts which are held for purposes other than trading and are carried at market value. Changes in market value of outstanding futures contracts are recognized in earnings. The Company may enter into interest rate swap agreements to limit the effect of increases in the interest rates on any floating rate debt. For interest rate instruments that effectively hedge interest rate exposures, the net cash amounts paid or received on the agreements are recognized as an adjustment to interest expense.

**Receivables.** Receivables are presented net of allowances for doubtful accounts of approximately \$3.4 million and \$1.2 million at December 31, 1998 and 1997, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 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, 1998.

At December 31, 1998 and 1997, accumulated amortization of the excess of cost over net assets of acquired companies and patents was \$56.4 million and \$33.2 million, respectively. Amortization expense was \$31.8 million, \$9.3 million and \$8.5 million in 1998, 1997 and 1996, respectively.

**Income Taxes.** The Company records income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") 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. A provision has not been made at December 31, 1998 for U.S. or additional foreign withholding taxes on approximately \$90 million of undistributed earnings of foreign subsidiaries as those earnings are intended to be permanently reinvested. Generally, such earnings become subject to U.S. tax 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.

**New Accounting Pronouncements and Reclassifications.** Effective January 1, 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." This statement establishes standards for reporting and displaying comprehensive income and its components. The Company displays comprehensive income in the Statement of Shareholders' Equity and has reclassified all prior periods as required.

Effective December 31, 1998, the Company adopted SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information." SFAS No. 131 supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise." The adoption of SFAS No. 131 did not affect results of operations or financial position but did affect the disclosure of segment information (see "Segment Information" note).

Effective December 31, 1998, the Company adopted SFAS No. 132, "Employer's Disclosure about Pensions and Other Postretirement Benefits." The provisions of SFAS No. 132 revise employers' disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of these plans.

Prior periods have been reclassified to conform to these and other presentations adopted in calendar year 1998.

At January 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which resulted in a pre-tax gain (because the fair value of the businesses being held for sale at January 1, 1996 exceeded the carrying value for such businesses) of \$16.7 million (\$11.7 million after-tax), recorded as the cumulative effect of an accounting change.

On June 15, 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 is effective for quarters of all fiscal years beginning after June 15, 1999 (January 1, 2000 for the Company). SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in



MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The Company is currently evaluating the impact SFAS No. 133 will have on its financial statements, if any.

The American Institute of Certified Public Accountants' Statement of Position No. 98-5, "Reporting on the Costs of Start-up Activities," became effective on January 1, 1999 and will not have a material impact on the Company's financial statements.

**EARNINGS PER SHARE:**

The following are reconciliations of the numerators and denominators used in the computations of basic and diluted earnings per common share:

	(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)		
	1998	1997	1996
Weighted average number of shares outstanding.....	43,630	40,300	50,190
Income before cumulative effect of accounting change, net...	\$ 97,470	\$115,240	\$ 39,920
Less: Preferred stock dividends.....	--	(6,240)	(12,960)
Earnings used for basic earnings per share computation.....	\$ 97,470	\$109,000	\$ 26,960
Basic earnings per share before cumulative effect of accounting change, net.....	\$2.23	\$2.70	\$.54
Total shares used for basic earnings per share computation.....	43,630	40,300	50,190
Dilutive securities:			
Stock options and warrants.....	1,060	1,250	1,430
Assumed conversion of preferred stock at January 1, 1997.....	--	5,210	--
Convertible debentures.....	10,000	10,000	--
Contingently issuable shares.....	3,830	2,160	2,170
Total shares used for diluted earnings per share computation.....	58,520	58,920	53,790
Earnings used for basic earnings per share computation.....	\$ 97,470	\$109,000	\$ 26,960
Add back of preferred stock dividends.....	--	6,240	--
Add back of debenture interest.....	9,530	9,530	--
Earnings used for diluted earnings per share computation.....	\$107,000	\$124,770	\$ 26,960
Diluted earnings per share before cumulative effect of accounting change, net.....	\$1.83	\$2.12	\$.50

Diluted earnings per share reflect the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. The Company's preferred stock and convertible debentures did not have a dilutive effect on earnings per share in 1996.

**SUPPLEMENTARY CASH FLOWS INFORMATION:**

Significant transactions not affecting cash were: in 1998, the issuance of \$22 million of Company Common Stock in partial exchange for the assets of an acquired company; the acquisition of TriMas for cash and the assumption of liabilities of approximately \$179 million; in 1997, the conversion of the Company's outstanding shares of Dividend Enhanced Convertible Preferred Stock for approximately ten million shares of Company Common Stock (see "Shareholders' Equity" note); the exchange of



**MASCOTECH, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

approximately 9.9 million shares of the outstanding common stock of Emco Limited ("Emco") with a value of approximately \$106 million, in addition to the cash payment of approximately \$46 million, in payment of a promissory note due to Masco Corporation; and in 1996, in addition to cash received, approximately \$25 million comprised of both common stock and warrants, as consideration from the sale of MascoTech Stamping Technologies, Inc.; in addition to the cash payment by the Company of \$121 million, notes approximating \$159 million were issued for the purchase of 18 million shares of the Company's Common Stock and warrants to purchase ten million shares of the Company's Common Stock (see "Shareholders' Equity" note).

Income taxes paid (refunded) were \$38 million, \$44 million and \$(12) million in 1998, 1997 and 1996, respectively. Interest paid was \$79 million, \$39 million and \$30 million in 1998, 1997 and 1996, respectively.

**ACQUISITIONS:**

In January 1998, the Company completed the acquisition of TriMas Corporation ("TriMas") by purchasing all the outstanding shares of TriMas not already owned by the Company for approximately \$920 million. The Company previously owned 37 percent of TriMas.

The results for 1998 reflect TriMas sales and operating results from the date of acquisition. The acquisition has been accounted for as a purchase and the excess of the aggregate purchase price over the fair value of net assets acquired of approximately \$680 million is being amortized over 40 years.

The following unaudited pro forma results of operations reflect this transaction as if it had occurred on January 1, 1997. The unaudited pro forma data does not purport to be indicative of the results which would actually have been reported if the transaction had occurred on such date (in thousands except per share amounts).

	FOR THE YEARS ENDED DECEMBER 31	
	1998	1997
----- ----- Net sales.....	\$1,671,500	
\$1,590,040	=====	
----- =====		
Net income.....	\$ 97,100	\$
115,260	=====	
----- =====		
Diluted earnings per common share.....	\$1.83	
\$2.12	=====	
----- =====		

In transactions accounted for as purchases, the Company acquired additional businesses in 1998 for an aggregate purchase price of approximately \$77 million. These businesses have annual sales of approximately \$60 million and their results of operations have been included in the consolidated financial statements from the dates of acquisition.

**DISPOSITIONS OF BUSINESSES:**

In May 1996, the Company sold MascoTech Stamping Technologies, Inc. ("MSTI"), a wholly owned subsidiary, to Tower Automotive, Inc. ("Tower") resulting in an after-tax loss of approximately \$26 million (\$.49 per common share). The Company received initial consideration of approximately \$80 million, consisting principally of \$55 million in cash, 785,000 shares of Tower common stock and warrants to purchase additional Tower common stock. In addition, the Company received approximately \$30 million of contingent consideration (\$5 million in 1997 and \$25 million in 1998) based on the subsequent operating performance of the businesses sold. This gain, which is non-taxable, is included in the caption "gains (charge) on disposition of businesses, net" in the consolidated statement of income.



MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

On January 3, 1997, the Company sold its Technical Services Group (comprised of the Company's engineering and technical business services units) to MSX International, Inc. Also included in this transaction were the net assets of APX International which were acquired by the Company in November 1996 for approximately \$44 million. The sale resulted in total proceeds to the Company of approximately \$145 million, subject to certain adjustments, consisting of cash, \$30 million of subordinated debentures, \$18 million of preferred stock and an approximate 45 percent common equity interest in MSX International, Inc. valued at \$2 million. In January 1998, the Company received \$48 million of cash from MSX International, Inc. in payment of the subordinated debentures and other amounts due MascoTech, resulting in a realized gain in the first quarter 1998 of \$7 million. The remaining deferred gain of approximately \$20 million will be recognized upon the liquidation of the common and preferred stock holdings for cash. The Company did not reflect any revenues or expenses in the consolidated statement of income related to APX International from the date of acquisition through January 3, 1997 as control was deemed to be temporary.

In the second quarter of 1998, the Company recorded a non-cash charge aggregating approximately \$41 million pre-tax (approximately \$22 million after-tax) to reflect the write-down of certain long-lived assets principally related to the plan to dispose of certain businesses and to accrue exit costs of approximately \$8 million, of which approximately \$7 million relates to severance. The disposition of these businesses is expected to occur in 1999 with the cash portion of the proceeds applied to reduce the Company's indebtedness and to provide capital to invest in its remaining businesses. The expected proceeds from the sale 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 dispositions of these businesses do 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. These businesses had annual sales of \$115 million, \$130 million and \$517 million in 1998, 1997 and 1996, respectively, and operating profit of \$12 million, \$16 million and \$19 million in 1998, 1997 and 1996, respectively.

Future periods will include the operating results of the businesses to be sold and any additional costs to be incurred in connection with the sale of the remaining businesses which cannot be accrued at December 31, 1998, 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.

**INVENTORIES:**

THOUSANDS )	( IN	
	AT DECEMBER 31	
-----	1998	1997
	-----	
-----		
-----		
Finished goods.....	\$ 87,810	
\$22,160		
Work in process.....	47,960	
22,990		
Raw material.....	62,580	
28,710		
-----		
	\$198,350	
\$73,860		
=====	=====	

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

EQUITY AND OTHER INVESTMENTS IN AFFILIATES:

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

	AT DECEMBER 31		
1996	1998	1997	
TriMas Corporation.....	--	37%	41%
Emco Limited.....	--	--	43%
Titan International, Inc. ....	16%	15%	12%
Delco Remy International, Inc. (voting).....	17%	18%	26%

Titan International, Inc. ("Titan") is a manufacturer of wheels, tires and other products for agricultural, construction and off-highway equipment markets. Delco Remy International, Inc. ("DRI") is a manufacturer of automotive electronic motors and other components. The above companies are accounted for under the equity method.

The carrying amount of investments in affiliates at December 31, 1998 and 1997 and quoted market values at December 31, 1998 for publicly traded affiliates (which may differ from the amounts that could have been realized upon disposition) are as follows:

THOUSANDS )	( IN		
CARRYING	1998 QUOTED MARKET VALUE	1998 CARRYING AMOUNT	1997 AMOUNT
Common stock:			
TriMas Corporation.....	\$ --	\$ --	
\$137,740			
Titan International, Inc.....	31,500	46,900	
44,080			
Delco Remy International, Inc.....	29,690	10,920	
9,320			
Investments in publicly traded affiliates (common stock holdings).....	61,190	57,820	
191,140			
MSX International, Inc. debt.....	--	--	
47,500			
Other non-public affiliates.....	--	35,740	
24,660			
Total.....	\$61,190	\$93,560	
\$263,300	=====	=====	
=====			

In March 1997, TriMas called for redemption its 5% Convertible Subordinated Debentures which resulted in the issuance of approximately 4.7 million common shares, reducing the Company's common equity ownership in TriMas to approximately 37 percent. The Company recognized pre-tax income of approximately \$13 million as a result of the change in the Company's common equity ownership interest in TriMas.

In September 1997, the Company exercised its option and exchanged its equity holdings in Emco, with a value approximating \$106 million, and approximately \$46 million in cash to satisfy the indebtedness to Masco Corporation incurred in 1996 in connection with the Company's purchase and retirement of certain of its securities held by Masco Corporation. This transaction resulted in a pre-tax gain of approximately \$46 million. In addition, the Company had an investment in Emco subordinated notes which were classified as available-for-sale and, as a result, were included in other assets at fair value at December 31, 1997. The notes were subsequently redeemed in 1998.

In December 1997, DRI completed an initial public offering reducing the Company's common equity ownership interest in DRI to approximately 12 percent on a diluted basis. As a result of the

F-13

64

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

change in the Company's common equity ownership interest in DRI, the Company recognized a pre-tax gain of approximately \$5 million.

In addition to its equity investments in publicly traded affiliates, the Company has equity and other investment interests in privately held automotive related companies, including the Company's common equity ownership in Saturn Electronics & Engineering, Inc., a manufacturer of electromechanical and electronic automotive components, and MSX International, Inc., a provider of technology-based business services and product development services.

Equity in undistributed earnings of affiliates of \$6 million at December 31, 1998, \$68 million at December 31, 1997 and \$57 million at December 31, 1996 are included in consolidated retained earnings.

Approximate combined condensed financial data of the Company's equity affiliates (including TriMas through the date of acquisition in early 1998 and Emco through the date of disposition September 30, 1997) accounted for under the equity method are as follows:

	( IN THOUSANDS )	
	AT DECEMBER 31	
	-----	-----
	1998	1997
	-----	-----
Current assets.....	\$ 948,370	\$1,117,940
Current liabilities.....	(451,200)	
(520,900)		
	-----	-----
Working capital.....	497,170	597,040
Property and equipment, net.....	473,460	612,060
Excess of cost over net assets of acquired companies...	112,640	371,190
Other assets.....	236,420	145,000
Long-term debt.....	(846,330)	
(702,390)		
Deferred income taxes and other long-term		
liabilities.....	(52,030)	
(82,610)		
	-----	-----
Shareholders' equity.....	\$ 421,330	\$ 940,290
	=====	=====



THOUSANDS)	( IN FOR THE YEARS ENDED DECEMBER 31		
-----	1998	1997	1996
-----	-----	-----	
Net sales.....	\$2,764,860	\$3,484,540	
\$2,959,980	=====	=====	
Operating profit.....	\$ 125,730	\$ 264,590	\$
269,440	=====	=====	
Earnings attributable to common stock.....	\$ 32,480	\$ 108,230	\$
128,820	=====	=====	
=====			

Equity and other income from affiliates consists of the following:

THOUSANDS)	( IN FOR THE YEARS ENDED DECEMBER 31		
-----	1998	1997	1996
-----	-----	-----	
The Company's equity in affiliates' earnings available for common shareholders.....	\$ 7,340	\$31,330	
\$35,190			
Interest and dividend income.....	2,810	12,030	
5,270	-----	-----	
Equity and other income from affiliates.....	\$10,150	\$43,360	
\$40,460	=====	=====	
=====			

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PROPERTY AND EQUIPMENT, NET:

THOUSANDS )	( IN	
	AT DECEMBER 31	
-----	1998	1997
-----	-----	
Cost:		
Land and land improvements.....	\$ 33,160	\$
19,820		
Buildings.....	179,870	
116,270		
Machinery and equipment.....	777,710	
545,590		
	-----	
	990,740	
681,680		
Less: Accumulated depreciation.....	312,610	
264,650		
	-----	
	\$ 678,130	
\$417,030		
=====	=====	

Depreciation expense totalled \$52 million, \$34 million and \$37 million in 1998, 1997 and 1996, respectively.

ACCRUED LIABILITIES:

THOUSANDS)	( IN	
	AT DECEMBER 31	
-----	1998	1997
-----	-----	-----
Salaries, wages and commissions.....	\$ 16,550	\$
9,160		
Vacation, holiday and bonus.....	19,420	
8,530		
Income taxes.....	8,790	
7,760		
Interest.....	4,300	
1,740		
Insurance.....	22,470	
24,740		
Property, payroll and other taxes.....	5,490	
3,340		
Pension.....	13,600	
6,900		
Other.....	44,610	
52,480		
	-----	
	\$ 135,230	
	=====	
-----		
\$114,650		
=====		

**LONG-TERM DEBT:**

THOUSANDS )	( IN	
	AT DECEMBER 31	
-----	1998	1997
-----	-----	
4 1/2% Convertible Subordinated Debentures, due 2003 and convertible into Company Common Stock at \$31 per share.....	\$ 310,000	
\$310,000		
Bank revolving credit agreement.....	500,000	
245,000		
Bank term loan.....	475,000	--
Other.....	108,060	
39,880		
	-----	
	1,393,060	
594,880		
Less: Current portion of long-term debt.....	4,820	
2,880		
	-----	
Long-term debt.....	\$1,388,240	
\$592,000		
	=====	
=====		

In connection with the TriMas acquisition in early 1998 (see "Acquisitions" note), the Company entered into a new \$1.3 billion credit facility. This facility includes a \$500 million term loan with remaining principal payments as follows: 1999 -- \$40 million; 2000 -- \$60 million; 2001 -- \$75 million; 2002 -- \$190 million; and 2003 -- \$110 million. The credit facility also includes an \$800 million revolver

## MASCOTECH, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

which terminates in 2003. The Company has the ability and intent to refinance amounts due in 1999 on a long-term basis utilizing the revolver.

Other debt at December 31, 1998 principally consists of borrowings denominated in foreign currencies under the revolving credit agreement by the Company's subsidiaries. At December 31, 1998, there was \$233 million unused under the revolving credit agreement.

The interest rates applicable to the revolver and term loan are principally at alternative floating rates which approximated 6.3 percent at December 31, 1998. Interest rate swaps covering a notional amount of \$400 million of the Company's floating rate debt were entered into in 1998 at an aggregate interest rate of approximately seven percent including the current borrowing spread under the Company's revolving credit agreement. These swap agreements expire at various dates between 2000 and 2007.

The credit facility requires the maintenance of a specified level of shareholders' equity plus subordinated debt, with limitations on the ratios of total debt to cash flow (as defined) and cash flow less capital expenditures (as defined) to interest plus taxes and scheduled debt payments. In addition, there are limitations on dividends, share repurchases and subordinated debt repurchases. Under the most restrictive of these provisions, approximately \$39 million would have been available at December 31, 1998 for the payment of cash dividends and the acquisition of Company capital stock. The facility is collateralized by a pledge of the stock of TriMas.

The maturities of debt as at December 31, 1998 during the next five years are as follows (in millions): 1999 -- \$45; 2000 -- \$67; 2001 -- \$79; 2002 -- \$194; and 2003 -- \$923.

#### SHAREHOLDERS' EQUITY:

On June 27, 1997, the Company completed the conversion of all remaining issued and outstanding shares of its Dividend Enhanced Convertible Preferred Stock (DECS). Holders of DECS received in exchange for each share of DECS .955 of a share of the Company's Common Stock, par value \$1.00 per share, resulting in the issuance of approximately 10 million shares of Company Common Stock.

On October 31, 1996, the Company purchased from Masco Corporation 17 million shares of MascoTech common stock and warrants to purchase 10 million shares of MascoTech common stock, for cash and notes approximating \$266 million. As part of this 1996 transaction, Richard A. Manoogian, Chairman of both Masco Corporation and MascoTech, also sold to MascoTech one million shares of MascoTech common stock (at the then current market price) for approximately \$13.6 million. In addition, as part of this transaction, Masco Corporation's agreement to purchase from the Company, at the Company's option, up to \$200 million of subordinated debentures was extended through 2002. Masco Corporation also agreed that MascoTech will have the right of first refusal to purchase the approximate 7.8 million shares of MascoTech common stock that Masco Corporation continues to hold, should Masco Corporation decide to dispose of such shares.

The Company repurchased and retired approximately 3.6 million shares of its common stock in 1998, approximately .3 million shares of its common stock and approximately .5 million shares of its preferred stock in 1997, and approximately one million shares of its common stock in 1996, pursuant to Board of Directors' authorized repurchase programs. At December 31, 1998, the Company may repurchase approximately 4.6 million additional shares of Company Common Stock pursuant to repurchase authorization.

On the basis of amounts paid (declared), cash dividends per common share were \$.26 (\$.20) in 1998, \$.22 (\$.28) in 1997 and \$.18 (\$.18) in 1996.

F-16

67

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

STOCK OPTIONS AND AWARDS:

The Company's Long Term Stock Incentive Plan (the "Plan") provides for the issuance of stock-based incentives in various forms. At December 31, 1998, outstanding stock-based incentives are in the form of restricted long-term stock awards and stock options.

Pursuant to the Plan, the Company granted long-term stock awards, net, for 908,000, 565,000 and 480,000 shares of Company Common Stock during 1998, 1997 and 1996, respectively, to key employees of the Company and affiliated companies. The weighted average fair value per share of long-term stock awards granted during 1998, 1997 and 1996 on the date of grant was \$19, \$19 and \$14, respectively. Compensation expense for the vesting of long-term stock awards was approximately \$5.2 million, \$4.7 million and \$2.3 million in 1998, 1997 and 1996, respectively. The unamortized value of unvested stock awards, aggregating approximately \$47 million at December 31, 1998, are generally amortized over ten-year vesting periods and are recorded in the financial statements as a deduction from shareholders' equity.

Fixed stock options are granted to key employees of the Company and affiliated companies and have a maximum term of ten years. The exercise price of each fixed option equals the market price of Company Common Stock on the date of grant. These options either vest no later than ten years after grant or in installments beginning in the third year and extending through the eighth year after grant.

A summary of the status of the Company's stock options granted under the Plan or prior plans for the three years ended December 31, 1998 is presented below.

	(SHARES IN THOUSANDS)		
	1998	1997	1996
	-----	-----	-----
Option shares outstanding, January 1.....	3,770	4,290	3,440
Weighted average exercise price.....	\$10	\$10	\$ 8
Option shares granted.....	1,480	80	1,370
Weighted average exercise price.....	\$19	\$20	\$15
Option shares exercised.....	(1,160)	(500)	(450)
Weighted average exercise price.....	\$10	\$ 8	\$ 7
Option shares canceled.....	(140)	(100)	(70)
Weighted average exercise price.....	\$15	\$16	\$ 5
Option shares outstanding, December 31.....	3,950	3,770	4,290
Weighted average exercise price.....	\$14	\$10	\$10
Weighted average remaining option term (in years).....	6.6	4.7	5.3
Option shares exercisable, December 31.....	750	1,430	1,710
Weighted average exercise price.....	\$ 9	\$ 9	\$ 9

The following table summarizes information about stock options outstanding at December 31, 1998:

	(SHARES IN THOUSANDS)				
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT 12/31/98	WEIGHTED AVERAGE REMAINING LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 12/31/98	WEIGHTED AVERAGE EXERCISE PRICE
-----	-----	-----	-----	-----	-----
\$4.50 -- \$14	1,200	2.6	\$ 5.46	455	\$ 5.33
\$14 -- \$18	1,226	7.6	\$14.54	250	\$14.56
\$18 -- \$25.125	1,524	8.9	\$19.20	45	\$22.10
	-----			---	
Total Outstanding	3,950			750	
	=====		Total Exercisable	===	

**MASCOTECH, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

At December 31, 1998, options have been granted and are outstanding with exercise prices ranging from \$4.50 to \$25.125 per share, the fair market values at the dates of grant.

At December 31, 1998, 1997 and 1996, a combined total of 3,820,000, 5,223,000 and 4,656,000 shares, respectively, of Company Common Stock were available for the granting of options and incentive awards under the above plans.

The Company has elected to continue to apply the provisions of Accounting Principles Board Opinion No. 25 and, accordingly, no stock option compensation expense is included in the determination of net income in the statement of income. The weighted average fair value on the date of grant of options granted was \$6.30, \$7.70 and \$6.20 in 1998, 1997 and 1996, respectively. Had stock option compensation expense been determined pursuant to the methodology of SFAS No. 123, "Accounting for Stock-Based Compensation," the pro forma effects on the Company's earnings per share would have been a reduction of approximately \$.04, \$.02 and \$.01 in 1998, 1997 and 1996, respectively.

The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

	1998	1997	1996
	----	----	----
Risk-free interest rate.....	5.5%	6.5%	6.5%
Dividend yield.....	1.3%	1.4%	1.1%
Volatility factor.....	28.8%	35.0%	39.0%
Expected option life (in years).....	5.5	5.5	5.5

**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 Board of Directors. Aggregate charges to income under these plans were \$15 million in 1998, \$9 million in 1997 and \$11 million in 1996.

Net periodic pension cost for the Company's defined-benefit pension plans includes the following components for the three years ended December 31, 1998:

	(IN THOUSANDS)		
	1998	1997	1996
	-----	-----	-----
Service cost.....	\$ 6,470	\$ 3,480	\$ 5,230
Interest cost.....	11,380	6,650	6,490
Expected return on assets..... (5,940)	(11,430)	(6,600)	
Amortization of transition asset..... (120)	(170)	(120)	
Amortization of prior-service cost.....	750	690	640
Amortization of net loss.....	670	410	710
	-----	-----	-----
Net periodic pension cost.....	\$ 7,670	\$ 4,510	\$ 7,010
	=====	=====	=====

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

	1998	1997	1996
	-----	-----	
-----			
Discount rate for obligations.....	6.75%	7.25%	
7.50%			
Rate of increase in compensation levels.....	5.00%	5.00%	
5.00%			
Expected long-term rate of return on plan assets....	11.00%	11.00%	
11.00%			

F-18  
69



MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following provides a reconciliation of the changes in the defined-benefit pension plans' projected benefit obligations and fair value of assets for each of the two years ended December 31, 1998, and the funded status as of December 31, 1998 and 1997:

	(IN THOUSANDS)	
	1998	1997
	-----	-----
CHANGES IN PROJECTED BENEFIT OBLIGATIONS		
Benefit obligations at January 1.....	\$ (99,150)	
\$(89,620)		
Acquisitions.....	(63,720)	--
Service cost.....	(5,900)	
(3,180)		
Interest cost.....	(11,380)	
(6,650)		
Plan amendments.....	(650)	
(2,200)		
Actuarial loss.....	(9,580)	
(2,140)		
Benefit payments.....	6,350	4,640
	-----	-----
Projected benefit obligations at December 31.....	\$ (184,030)	
\$(99,150)		
	-----	-----
CHANGES IN PLAN ASSETS		
Fair value of plan assets at January 1.....	\$ 63,020	\$ 59,710
Actual return on plan assets.....	1,890	3,100
Acquisitions.....	46,420	--
Contributions.....	6,430	5,210
Benefit payments.....	(6,350)	
(4,640)		
Expenses/Other.....	(650)	
(360)		
	-----	-----
Fair value of plan assets at December 31.....	\$ 110,760	\$ 63,020
	=====	=====
FUNDED STATUS		
Plan assets less than projected benefits at December		
31.....	\$ (73,270)	
\$(36,130)		
Unamortized transition asset.....	(1,100)	
(800)		
Unamortized prior-service cost.....	7,640	8,210
Unamortized net loss.....	36,600	21,340
	-----	-----
Net liability recognized at December 31.....	\$ (30,130)	\$
(7,380)	=====	=====

The following provides the amounts related to the plans at December 31, 1998 and 1997:

	(IN THOUSANDS)	
	1998	1997
	-----	-----
Accrued benefit liability.....	\$(51,370)	
\$(24,960)		
Intangible asset.....	10,540	10,620
Accumulated other comprehensive income.....	10,700	6,960
	-----	-----
Net liability recognized.....	\$(30,130)	\$
(7,380)		
	=====	=====

F-19  
70

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Postretirement Benefits. The Company provides postretirement medical and life insurance benefits, none of which are funded, for certain of its active and retired employees. Net periodic postretirement benefit cost includes the following components for the years ended December 31, 1998, 1997 and 1996:

THOUSANDS )	( IN		
	1998	1997	1996
	-----	-----	
-----			
Service cost.....	\$ 300	\$ 300	\$
400			
Interest cost.....	1,200	1,400	
1,600			
Net amortization.....	(100)	700	
800	-----	-----	
-----			
Net periodic postretirement benefit cost.....	\$1,400	\$2,400	
\$2,800	=====	=====	
=====			

The following provides a reconciliation of the changes in the postretirement benefit plans' benefit obligations for each of the two years ended December 31, 1998 and the status as of December 31, 1998 and 1997:

	(IN THOUSANDS)	
	1998	1997
	-----	-----
CHANGES IN BENEFIT OBLIGATIONS		
Benefit obligations at January 1.....	\$(12,400)	
\$(20,000)		
Acquisitions.....	(4,400)	--
Service cost.....	(300)	
(300)		
Interest cost.....	(1,200)	
(1,400)		
Employee contributions.....	(100)	
(100)		
Actuarial gain/(loss).....	(1,900)	8,100
Benefit payments.....	1,200	1,300
Curtailment.....	200	--
	-----	-----
Benefit obligations at December 31.....	\$(18,900)	
\$(12,400)		
	=====	=====
STATUS		
Benefit obligations at December 31.....	\$(18,900)	
\$(12,400)		
Unamortized transition obligation.....	9,300	10,300
Unrecognized prior-service cost.....	500	500
Unrecognized net gain.....	(6,200)	
(9,000)		
	-----	-----
Net liability at December 31.....	\$(15,300)	
\$(10,600)		
	=====	=====

The discount rate, as of December 31, 1998, used in determining the accumulated postretirement benefit obligation decreased from 7.25 percent in 1997 to 6.75 percent in 1998. The assumed health care cost trend rate in 1998 was 8.5 percent, decreasing to an ultimate rate in the year 2007 of five percent. If the assumed medical cost trend rates were increased by one percent, the accumulated postretirement benefit obligations would increase by \$1.2 million and the aggregate of the service and interest cost components of net periodic postretirement benefit obligations cost would increase by \$.1 million. If the assumed medical cost trend rates were decreased by one percent, the accumulated postretirement benefit obligations would decrease by \$1.1 million and the aggregate of the service and interest cost components of net periodic postretirement benefit cost would decrease by \$.1 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**SEGMENT INFORMATION:**

The Company has defined a segment as a component, with business activity resulting in revenue and expense, that has separate financial information evaluated regularly by the Company's chief operating decision maker in determining resource allocation and assessing performance. The Company has five operating segments involving the manufacture and sale of the following:

Specialty Metal Formed Products -- Precision products, principally engine and drivetrain components and subassemblies, generally produced using advanced metalworking technologies with significant proprietary content for the transportation industry.

Towing Systems -- Vehicle hitches, jacks, winches, couplers and related towing accessories.

Specialty Fasteners -- Cold formed fasteners and related metallurgical processing.

Specialty Packaging and Sealing Products -- Industrial container closures, pressurized gas cylinders and metallic and nonmetallic gaskets.

Specialty Industrial Products -- Specialty drills, cutters and specialized metal finishing services, and flame-retardant facings and jacketings and pressure-sensitive tapes.

The Company purchased TriMas in January 1998 and the segment data for 1998 reflects TriMas as though the transaction had occurred on January 1, 1998, consistent with the Company's internal management reporting.

Included in the Specialty Metal Formed Products segment are sales to one customer of \$184 million, \$156 million and \$155 million in 1998, 1997 and 1996, respectively; sales to another customer, attributed mainly to the Specialty Metal Formed Products segment, of \$140 million and \$232 million in 1997 and 1996, respectively; sales to a third customer, attributed mainly to the Specialty Metal Formed Products segment, of \$79 million and \$146 million in 1997 and 1996, respectively; and sales to a fourth customer, attributed mainly to the Specialty Metal Formed Products segment, of \$62 million and \$122 million in 1997 and 1996, respectively. Specialty Metal Formed Products' operating profit for 1997 was reduced by \$17 million of nonrecurring charges.

The Company's export sales approximated \$142 million, \$71 million and \$75 million in 1998, 1997 and 1996, respectively.

Intersegment transactions represent principally transactions occurring in the ordinary course of business.

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	( IN THOUSANDS )						
	SPECIALTY METAL FORMED PRODUCTS	TOWING SYSTEMS	SPECIALTY FASTENERS	SPECIALTY PACKAGING AND SEALING PRODUCTS	SPECIALTY INDUSTRIAL PRODUCTS	COMPANIES SOLD OR HELD FOR SALE	TOTAL
1998							
Revenue from external customers.....	\$760,000	\$238,000	\$226,000	\$223,000	\$110,000	\$115,000	\$1,672,000
Intersegment revenue.....	5,000	6,000	3,000	--	1,000	3,000	18,000
Depreciation and amortization.....	34,000	9,000	10,000	11,000	5,000	6,000	75,000
Segment operating profit.....	106,000	34,000	38,000	46,000	16,000	12,000	252,000
Segment net assets.....	494,000	281,000	328,000	423,000	140,000	102,000	1,768,000
Capital expenditures.....	63,000	8,000	14,000	16,000	4,000	3,000	108,000
1997							
Revenue from external customers.....	711,000	--	44,000	--	37,000	130,000	922,000
Intersegment revenue.....	9,000	--	1,000	--	--	2,000	12,000
Depreciation and amortization.....	29,000	--	1,000	--	2,000	6,000	38,000
Segment operating profit.....	88,000	--	8,000	--	7,000	16,000	119,000
Segment net assets.....	444,000	--	17,000	--	18,000	109,000	588,000
Capital expenditures.....	46,000	--	1,000	--	2,000	5,000	54,000
1996							
Revenue from external customers.....	668,000	--	43,000	--	53,000	517,000	1,281,000
Intersegment revenue.....	9,000	--	3,000	--	--	--	12,000
Depreciation and amortization.....	26,000	--	1,000	--	2,000	15,000	44,000
Segment operating profit.....	93,000	--	8,000	--	3,000	19,000	123,000
Segment net assets.....	429,000	--	17,000	--	12,000	215,000	673,000
Capital expenditures.....	24,000	--	3,000	--	1,000	13,000	41,000

The following table presents the Company's revenues for each of the years ended December 31 and net assets at each year ended December 31 by geographic area, attributed to each subsidiary's continent of domicile. Revenue and net assets from no single foreign country was material to the consolidated revenues and net assets of the Company.

	1998		1997		( IN THOUSANDS ) 1996	
	SALES	NET ASSETS	SALES	NET ASSETS	SALES	NET ASSETS
Europe.....	\$149,000	\$171,000	\$100,000	\$111,000	\$170,000	\$129,000
Australia.....	18,000	10,000	--	--	--	--
Other North America.....	16,000	12,000	--	--	--	--
Total foreign.....	\$183,000	\$193,000	\$100,000	\$111,000	\$170,000	\$129,000

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following is a reconciliation of reportable segment revenue from external customers, segment operating profit and segment net assets to the Company's consolidated totals:

	(IN THOUSANDS)		
	1998	1997	1996
	-----	-----	-----
REVENUE FROM EXTERNAL CUSTOMERS			
Revenue from external customers for reportable segments....	\$1,672,000	\$922,000	\$1,281,000
TriMas sales prior to acquisition.....	(36,000)	--	--
	-----	-----	-----
Total net sales.....	\$1,636,000	\$922,000	\$1,281,000
	=====	=====	=====

	(IN THOUSANDS)		
	1998	1997	1996
	-----	-----	-----
OPERATING PROFIT			
Total operating profit for reportable segments.....	\$ 252,000	\$119,000	\$ 123,000
General corporate expense.....	(24,000)	(22,000)	(22,000)
Loss on disposition of businesses.....	(41,000)	--	(32,000)
MSTI earnout.....	25,000	5,000	--
TriMas operating profit prior to acquisition.....	(5,000)	--	--
	-----	-----	-----
Total operating profit.....	\$ 207,000	\$102,000	\$ 69,000
	=====	=====	=====

	(IN THOUSANDS)		
	1998	1997	1996
	-----	-----	-----
NET ASSETS AT DECEMBER 31			
Total net operating assets for reportable segments.....	\$1,768,000	\$588,000	\$ 673,000
Corporate net assets.....	72,000	372,000	371,000
	-----	-----	-----
Total net assets.....	\$1,840,000	\$960,000	\$1,044,000
	=====	=====	=====

The information that the chief operating decision maker utilizes includes total net assets as presented in the table above. Total net assets is defined by the Company as total assets less current liabilities.

**OTHER SIGNIFICANT ITEMS**

	(IN THOUSANDS)		
	1998	1997	1996
	-----	-----	-----
DEPRECIATION AND AMORTIZATION			
Segment totals.....	\$ 75,000	\$ 38,000	\$ 44,000
Adjustments.....	9,000	5,000	1,000
	-----	-----	-----
Consolidated totals.....	\$ 84,000	\$ 43,000	\$ 45,000
	=====	=====	=====

The above adjustments to depreciation and amortization are principally the result of compensation expense related to stock award amortization and prepaid debenture expense amortization.

F-23  
74



MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

OTHER INCOME (EXPENSE), NET:

	(IN THOUSANDS)		
	1998	1997	1996
	-----	-----	-----
Other, net:			
Net realized and unrealized gains (losses) from marketable securities.....	\$ 3,330	\$ 13,130	\$ (160)
Interest income.....	4,180	3,440	1,160
Other, net.....	(5,450)	830	(3,600)
	-----	-----	-----
	\$ 2,060	\$ 17,400	\$ (2,600)
	=====	=====	=====

INCOME TAXES:

	(IN THOUSANDS)		
	1998	1997	1996
	-----	-----	-----
Income before income taxes and cumulative effect of accounting change, net:			
Domestic.....	\$115,630	\$173,410	\$59,870
Foreign.....	28,890	16,880	17,350
	-----	-----	-----
	\$144,520	\$190,290	\$77,220
	=====	=====	=====
Provision for income taxes:			
Currently payable:			
Federal.....	\$ 28,210	\$ 40,290	\$16,170
State and local.....	3,950	6,810	4,650
Foreign.....	15,000	10,430	7,840
Deferred:			
Principally federal.....	590	18,840	8,300
Foreign.....	(700)	(1,320)	340
	-----	-----	-----
Income taxes on income before cumulative effect of accounting change, net.....	\$ 47,050	\$ 75,050	\$37,300
	=====	=====	=====

The components of deferred taxes at December 31, 1998 and 1997 are as follows:

	(IN THOUSANDS)	
	1998	1997
	-----	
-----		
Deferred tax assets:		
Inventories.....	\$ 2,990	\$
2,440		
Accrued liabilities and other long-term		
liabilities.....	51,910	
35,660		
Expected capital loss benefit from disposition of		
businesses.....	7,910	--
	-----	
-----		
	62,810	
38,100	-----	
-----		
Deferred tax liabilities:		
Property and equipment.....	101,640	
64,630		
Other, principally equity investments in		
affiliates.....	26,170	
62,240	-----	
-----		
	127,810	
126,870	-----	
-----		
Net deferred tax liability.....	\$ 65,000	\$
88,770	=====	
=====		

**MASCOTECH, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

The following is a reconciliation of tax computed at the U.S. federal statutory rate to the provision for income taxes allocated to income before income taxes and cumulative effect of accounting change, net:

	( IN THOUSANDS )		
	1998	1997	1996
U.S. federal statutory rate.....	35%	35%	35%
Tax at U.S. federal statutory rate.....	\$50,580	\$66,600	\$27,020
State and local taxes, net of federal tax benefit.....	2,570	4,430	3,020
Higher effective foreign tax rate.....	4,210	3,200	2,100
Non-taxable additional consideration from previously sold business.....	(8,190)	(1,710)	--
Disposition of businesses.....	(2,400)	--	5,780
Amortization in excess of tax, net..... (140)	1,390	(760)	
Other, net..... (480)	(1,110)	3,290	
	-----	-----	-----
Income taxes before cumulative effect of accounting change, net.....	\$47,050	\$75,050	\$37,300
	=====	=====	=====

**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.

**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 futures contracts and interest rate swap agreements, are intended to reduce the market risk associated with the Company's marketable equity securities portfolio and floating rate debt.

The Company's investment in S&P 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. The Company's market risk is subject to the price differential between the contract market value and

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

contract cost. The average monthly notional amount of S&P futures contracts in 1997 was approximately \$17 million. 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. There were no contracts outstanding at December 31, 1998 or 1997.

Interest rate swap agreements covering a notional amount of \$400 million of the Company's floating rate debt were entered into in 1998 at an aggregate interest rate of approximately seven percent including the current borrowing spread under the Company's revolving credit agreement. The fair value of the swap agreements was not recognized in the consolidated financial statements since they are accounted for as hedges of the floating rate exposure. These swap agreements expire at various dates in 2000 to 2007.

The estimated fair value of the interest rate swap agreements, based on current market rates, approximated a net payable of \$11 million at December 31, 1998. Exposure to credit loss could occur when the fair value of the agreements is a net receivable.

The interest rate swaps are with major banks of high credit quality; therefore, the risk of non-performance by the counterparties is considered to be negligible.

The carrying amounts and fair values of the Company's financial instruments at December 31, 1998 and 1997 are as follows:

	1998		(IN THOUSANDS) 1997	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash investments.....	\$ 29,390	\$ 29,390	\$ 41,110	\$ 41,110
Marketable securities, notes receivable and other assets.....	\$ 5,290	\$ 4,480	\$ 80,760	\$ 81,590
Long-term debt:				
Bank debt.....	\$1,051,260	\$1,051,260	\$267,000	\$267,000
4 1/2% Convertible Subordinated Debentures.....	\$ 310,000	\$ 251,100	\$310,000	\$269,700
Other long-term debt.....	\$ 26,980	\$ 25,580	\$ 15,000	\$ 14,500

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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
1998:				
Net sales.....	\$401,760	\$399,500	\$433,480	\$400,760
Gross profit.....	\$104,960	\$100,150	\$117,070	\$104,390
Net income:				
Income.....	\$18,120	\$ 16,790	\$ 29,820	\$ 32,740
Income attributable to common stock....	\$18,120	\$ 16,790	\$ 29,820	\$ 32,740
Per common share:				
Basic.....	\$.43	\$.38	\$.68	\$.74
Diluted.....	\$.36	\$.33	\$.54	\$.60
Market price per common share:				
High.....	\$18 3/4	\$24 1/8	\$26 7/16	\$23 1/4
Low.....	\$15 1/4	\$16 1/4	\$22 5/16	\$17 11/16
1997:				
Net sales.....	\$233,620	\$222,030	\$233,040	\$233,440
Gross profit.....	\$42,020	\$ 34,350	\$ 53,990	\$ 56,300
Net income:				
Income.....	\$19,270	\$ 38,660	\$ 24,650	\$ 32,660
Income attributable to common stock....	\$19,270	\$ 38,660	\$ 21,650	\$ 29,420
Per common share:				
Basic.....	\$.43	\$.86	\$.61	\$.83
Diluted.....	\$.37	\$.70	\$.46	\$.59
Market price per common share:				
High.....	\$21 5/16	\$22 1/2	\$23 1/2	\$21 1/4
Low.....	\$16 1/2	\$20	\$18 1/2	\$16

In January 1998, the Company completed the acquisition of TriMas Corporation ("TriMas") by purchasing all the outstanding shares of TriMas not already owned by the Company for approximately \$920 million. The results for 1998 reflect TriMas sales and operating results from the date of acquisition.

Results for first quarter 1998 benefitted from pre-tax gains aggregating approximately \$12 million which resulted from partial recognition of a deferred gain related to the 1997 divestiture of a business and gains from the Company's marketable securities portfolio.

Second quarter results for 1998 were impacted by the charge (approximately \$41 million pre-tax) principally related to the disposition of certain businesses. This charge more than offset the gain (approximately \$25 million pre-tax) related to additional consideration received by the Company in the second quarter of 1998 resulting from the disposition of MascoTech Stamping Technologies, Inc. ("MSTI") in 1996.

Results for the first and fourth quarters 1997 include pre-tax gains of approximately \$13 million and \$5 million, respectively, as a result of equity transactions by affiliates of the Company.

Results for the first, second, third and fourth quarters 1997 include pre-tax marketable securities gains (losses) of approximately \$5.0 million, \$4.0 million, \$4.4 million and \$(.3) million, respectively.

**MASCOTECH, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Results for the third quarter 1997 include a pre-tax gain of approximately \$46 million related to the transfer of the Company's equity holdings in Emco Limited to Masco Corporation. This gain was partially offset by pre-tax costs approximating \$14 million associated with a plant closure and the Company's share of a special charge recorded by an equity affiliate and other expenses.

Results for the fourth quarter 1997 include approximately \$5 million pre-tax of additional consideration earned from the sale of MSTI, which was sold in the second quarter 1996.

Results for the fourth quarter 1997 were negatively impacted by charges aggregating approximately \$10 million pre-tax principally related to severance, the Company's share of a charge recorded by an equity affiliate, write-off of deferred charges and loss on disposition of fixed assets.

The 1998 and 1997 income (loss) per common share amounts for the quarters may not total to the full year amounts due to the purchase and retirement of shares throughout the year.

F-28

79

**MASCOTECH, INC.**  
**FINANCIAL STATEMENT SCHEDULES**  
**PURSUANT TO ITEM 14(a)(2) OF FORM 10-K**  
**ANNUAL REPORT TO THE SECURITIES AND EXCHANGE COMMISSION**  
**FOR THE YEAR ENDED DECEMBER 31, 1998**

Schedules, as required for the years ended December 31, 1998, 1997 and 1996:

PAGE

-----  
II. Valuation and Qualifying Accounts.....  
F-30

F-29  
80

MASCOTECH, INC.

**SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS  
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996**

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:					
1998.....	\$1,180,000	\$750,000	\$2,590,000	\$1,110,000	\$3,410,000
	=====	=====	=====	=====	=====
1997.....	\$2,000,000	\$500,000	\$ 60,000	\$1,380,000	\$1,180,000
	=====	=====	=====	=====	=====
1996.....	\$1,880,000	\$890,000	\$ 20,000	\$ 790,000	\$2,000,000
	=====	=====	=====	=====	=====

**NOTES:**

(A) Allowance of companies acquired, and other adjustments, net in 1998 and 1997. Allowance of companies reclassified for businesses held for disposition, and other adjustments, net in 1996.

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



## EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
3.i	Restated Certificate of Incorporation of Masco Corporation and amendments thereto.(7)
3.ii	Bylaws of Masco Corporation, as amended.(filed herewith)
4.a.i	Indenture dated as of December 1, 1982 between Masco Corporation and Morgan Guaranty Trust Company of New York, as Trustee,(5) and Directors' resolutions establishing
Masco	Corporation's: (i) 9% Notes Due October 1, 2001(5), (ii) 6 5/8 Notes Due September 15, 1999(6), (iii) 6 1/8 Notes
Due	September 15, 2003 (filed herewith), (iv) 7 1/8% Debentures Due August 15, 2013 (filed herewith), (v) 6.625% Debentures Due April 15, 2018 (filed herewith) and (vi) 5.75% Notes
Due	2008. (filed herewith)
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	\$750,000,000 Amended and Restated Credit Agreement dated as of November 14, 1996 among Masco Corporation, the banks party thereto and Morgan Guaranty Trust Company of New
York,	as agent(5) and Amendment No. 1 dated April 30, 1997(6) and Amendment dated as of March 30, 1998.(7)
4.c	Rights Agreement dated as of December 6, 1995, between
Masco	Corporation and The Bank of New York, as Rights Agent(3)
and	Amendment No. 1 to Rights Agreement dated as of September 23, 1998.(8)
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, 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. (all filed herewith)
4.e	\$1,300,000,000 Credit Agreement dated as of January 16,
1998	among MascoTech, Inc., MascoTech Acquisition, Inc., the banks party thereto from time to time, The First National Bank of Chicago, as Administrative Agent, Bank of America NT&SA and NationsBank, N.A., as Syndication Agents and Amendment No. 1 thereto dated as of February 10, 1998.(6)
4.f	DM 350,
dated	September 14, 1998 among Masco GmbH, as Borrower, Masco Corporation, as Guarantor, Commerzbank Aktiengesellschaft, as Lender, and Commerzbank International S.A. as Agent





EXHIBIT  
NUMBER

DESCRIPTION

10.b

Corporate Services Agreement dated as of January 1, 1987 between Masco Corporation and Masco Industries, Inc. (now known as MascoTech, Inc.)(6), Amendment No. 1 dated as of October 31, 1996(4), and related letter agreement dated January 22, 1998.(6)

10.c

Corporate Opportunities Agreement dated as of May 1, 1984 between Masco Corporation and Masco Industries, Inc. (now known as MascoTech, Inc.)(3) and Amendment No. 1 dated as of October 31, 1996(4).

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 letter dated September 20, 1985, Amendment to Stock Repurchase Agreement dated as of December 20, 1990, and amendment to Stock Repurchase Agreement included in Agreement dated as of November 23, 1993. (all filed herewith)

NOTE:

Exhibits 10.e through 10.r 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 (Restated July 10, 1998). (filed herewith)

10.f

Masco Corporation 1988 Restricted Stock Incentive Plan (Restated December 6, 1995).(3)

10.g

Masco Corporation 1988 Stock Option Plan (Restated December 6, 1995).(3)

10.h

Masco Corporation Supplemental Executive Retirement and Disability Plan.(2)

10.i

Masco Corporation 1997 Annual Incentive Compensation Plan.(6)

10.j

Masco Corporation 1997 Non-Employee Directors Stock Plan. (as amended July 10, 1998). (filed herewith)

10.k

MascoTech, Inc. 1991 Long Term Stock Incentive Plan (Restated July 15, 1998). (filed herewith)

10.l

MascoTech, Inc. 1984 Restricted Stock Incentive Plan (Restated December 6, 1995).(3)

10.m

MascoTech, Inc. 1984 Stock Option Plan (Restated December 6, 1995).(3)

10.n

MascoTech, Inc. 1997 Annual Incentive Compensation Plan.(6)

10.o

MascoTech, Inc. 1997 Non-Employee Directors Stock Plan.(6)

10.p

Description of the Masco Corporation Program for Estate, Financial Planning and Tax Assistance.(6)

10.q

Amended and Restated Securities Purchase Agreement dated as of November 23, 1993 ("Securities Purchase Agreement") between MascoTech, Inc. and Masco Corporation, including form of Note Agreement dated as of November 23, 1993 relating to the Securities Purchase Agreement dated as of October 31, 1996. (all filed herewith)

10.r

Registration Agreement dated as of March 21, 1993 between



EXHIBIT NUMBER -----	DESCRIPTION -----
21	List of Subsidiaries. (filed herewith)
23.a	Consent of PricewaterhouseCoopers LLP relating to Masco Corporation's Financial Statements and Financial Statement Schedule. (filed herewith)
23.b	Consent of PricewaterhouseCoopers LLP relating to MascoTech, Inc.'s Financial Statements and Financial Statement Schedule. (filed herewith)
27	Financial Data Schedule as of and for the year ended December 31, 1998. (filed herewith)

(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, 1994.

(3) Incorporated by reference to the Exhibits filed with Masco Corporation's Annual Report on Form 10-K for the year ended December 31, 1995.

(4) Incorporated by reference to the Exhibits filed with Masco Corporation's Current Report on Form 8-K dated November 13, 1996.

(5) Incorporated by reference to the Exhibits filed with Masco Corporation's Annual Report on Form 10-K for the year ended December 31, 1996.

(6) Incorporated by reference to the Exhibits filed with Masco Corporation's Annual Report on Form 10-K for the year ended December 31, 1997.

(7) Incorporated by reference to the Exhibits filed with Masco Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.

(8) Incorporated by reference to the Exhibits filed with Masco Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998.

THE COMPANY WILL FURNISH ITS STOCKHOLDERS A COPY OF ANY OF THE ABOVE EXHIBITS NOT INCLUDED HEREIN UPON THE WRITTEN REQUEST OF SUCH STOCKHOLDER AND THE PAYMENT TO THE COMPANY OF THE REASONABLE EXPENSES INCURRED BY THE COMPANY IN FURNISHING SUCH COPY OR COPIES.

(B) REPORTS ON FORM 8-K.

None.

1  
**EXHIBIT 3.ii**

**BYLAWS  
OF  
MASCO CORPORATION**  
(a Delaware corporation)  
(As Amended May 19, 1993)

**ARTICLE I**  
**Meetings of Stockholders**

Section 1.01. Annual Meetings. The annual meeting of stockholders for the election of Directors and for the trans action of such other proper business, notice of which was given in the notice of the meeting, shall be held on a date (other than a legal holiday) in May or June of each year which shall be designated by the Board of Directors, or on such other date to which a meeting may be adjourned or re-scheduled, at such time and place within or without the State of Delaware as shall be designated in the notice of such meeting.

Section 1.02. Special Meetings. 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. Special meetings shall be held at such place within or without the State of Delaware and at such hour as may be designated in the notice of such meeting and the business transacted shall be confined to the object stated in the notice of the meeting.

Section 1.03. Re-scheduling and Adjournment of Meetings. Notwithstanding Sections 1.01 and 1.02 of this Article, the Board of Directors may postpone and re-schedule any previously scheduled annual or special meeting of stockholders. The person presiding at any meeting is empowered to adjourn the meeting at any time after it has been convened.

Section 1.04. Notice of Stockholders' Meetings. The notice of all meetings of stockholders shall be in writing and shall state the place, date and hour of the meeting. The notice of an annual meeting shall state that the meeting is called for the election of the Directors to be elected at such meeting and for the transaction of such other business as is stated in the notice of the meeting.



The notice of a special meeting shall state the purpose or purposes for which the meeting is called and shall also indicate that it is being issued by or at the direction of the person or persons calling the meeting. If, at any meeting, action is proposed to be taken which would, if taken, entitle stockholders fulfilling the requirements of the General Corporation Law to receive payment for their shares, the notice of such meeting shall include a statement to that effect.

A copy of the notice of each meeting of stockholders shall be given, personally or by mail, not less than ten days nor more than sixty days before the date of the meeting, to each stockholder entitled to vote at such meeting at his record address or at such other address as he may have furnished by request in writing to the Secretary of the Corporation. If a meeting is adjourned to another time or place, and, if any announcement of the adjourned time or place is made at the meeting, it shall not be necessary to give notice of the adjourned meeting unless the adjournment is for more than thirty days or the Directors, after adjournment, fix a new record date for the adjourned meeting.

Notice of a meeting need not be given to any stockholder who submits a signed waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of a stockholder at a meeting, in person or by proxy, without protesting prior to the meeting the lack of notice of such meeting shall constitute a waiver of notice of the meeting.

Section 1.05. Business to be Considered. Only those matters stated to be considered in the notice of the meeting, or of which written notice has been given to the Corporation either by personal delivery to the Chairman of the Board or the Secretary or by U.S. mail, postage prepaid, of a stockholder's intent to bring the matter before the meeting, may be considered at the Annual Meeting of Stockholders. Such notice shall be received no later than 120 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.

Only that business brought before a special meeting pursuant to the notice of the meeting may be conducted or considered at such meeting.

Only such business brought before an annual or special meeting of stockholders pursuant to these bylaws shall be eligible to be conducted or considered at such meetings.

Section 1.06. Quorum. Except as otherwise required by law, by the Certificate of Incorporation or by these bylaws, the presence, in person or by proxy, of stockholders holding a majority of the stock of the Corporation entitled to vote shall constitute a quorum at all meetings of the stockholders. In case a quorum shall not be present at any meeting, a majority in interest of the stockholders entitled to vote thereat, present in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite amount of stock entitled to vote shall be present. At any such adjourned meeting at which the requisite amount of stock entitled to vote shall be represented, any business may be transacted which might have been transacted at the meeting as originally noticed; but only those stockholders entitled to vote at the meeting as originally noticed shall be entitled to vote at any adjournment or adjournments thereof.

Directors shall be elected by a plurality of the votes cast at a meeting of stockholders by the holders of shares entitled to vote in the election. Whenever any corporate action, other than the election of Directors, is to be taken by vote of the stockholders, except as otherwise required by the General Corporation Law, the Certificate of Incorporation or these bylaws, it shall be authorized by a majority of the votes cast on the proposal by the holders of shares entitled to vote thereon at a meeting of stockholders.

Section 1.07. Inspectors at Stockholders' Meetings. The Board of Directors, in advance of any stockholders' meeting, shall appoint one or more inspectors to act at the meeting or any adjournment thereof and to make a written report thereof. In case any inspector or alternate appointed is unable to act, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability.

The inspectors shall determine the number of shares out standing and the voting power of each, and shares represented at the meeting, the existence of a quorum, the validity and effect of

proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote the fairness to all stockholders. On request of the person presiding at the meeting or any stockholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated and of the vote as certified by them.

Section 1.08. Presiding Officer at Stockholders' Meetings. The Chairman, or the President, shall preside at Stockholders' Meetings as more particularly provided in Article III hereof. In the event that both the Chairman and the President shall be absent or otherwise unable to preside, then a majority of the Directors present at the meeting shall appoint one of the Directors or some other appropriate person to preside.

-4-

5

**ARTICLE II**  
**Directors**

Section 2.01. Qualifications and Number; Term; Vacancies. A Director need not be a stockholder, a citizen of the United States, or a resident of the State of Delaware. The number of Directors constituting the entire Board shall be not less than five nor more than twelve, 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. Directors shall be nominated and serve for such terms, and vacancies shall be filled, as provided in the Certificate of Incorporation.

Directors may be removed only for cause.

Section 2.02. Place and Time of Meetings of the Board. Regular and special meetings of the Board shall be held at such places (within or without the State of Delaware) and at such times as may be fixed by the Board or upon call of the Chairman of the Board or of the executive committee or of any two Directors, provided that the Board of Directors shall hold at least four meetings a year.

Section 2.03. Quorum and Manner of Acting. A majority of the entire Board of Directors shall constitute a quorum for the transaction of business, but if there shall be less than a quorum at any meeting of the Board, a majority of those present (or if only one be present, then that one) may adjourn the meeting from time to time and the meeting may be held as adjourned without further notice. Except as provided to the contrary by the General Corporation Law, by the Certificate of Incorporation or by these bylaws, at all meetings of Directors, a quorum being present, all matters shall be decided by the vote of a majority of the Directors present at the time of the vote.

Section 2.04. Remuneration of Directors. In addition to reimbursement for his reasonable expenses incurred in attending meetings or otherwise in connection with his attention to the affairs of the Corporation, each Director as such, and as a member of any committee of the Board, shall be entitled to receive such remuneration as may be fixed from time to time by the Board.

-5-

6

Section 2.05. Notice of Meetings of the Board. Regular meetings of the Board may be held without notice if the time and place of such meetings are fixed by the Board. All regular meetings of the Board, the time and place of which have not been fixed by the Board, and all special meetings of the Board shall be held upon twenty-four hours' notice to the Directors given by letter or telegraph. No notice need specify the purpose of the meeting. Any requirement of notice shall be effectively waived by any Director who signs a waiver of notice before or after the meeting or who attends the meeting without protesting (prior thereto or at its commencement) the lack of notice to him; provided, however, that a regular meeting of the Board may be held without notice immediately following the annual meeting of the stockholders at the same place as such meeting was held, for the purpose of electing officers and a Chairman of the Board for the ensuing year.

Section 2.06. Executive Committee and Other Committees. The Board of Directors, by resolution adopted by a majority of the entire Board, may designate from among its members an Executive Committee and other committees to serve at the pleasure of the Board. Each Committee shall consist of such number of Directors as shall be specified by the Board in the resolution designating the Committee. Except as set forth below, the Executive Committee shall have all of the authority of the Board of Directors. Each other committee shall be empowered to perform such functions, as may, by resolution, be delegated to it by the Board.

The Board of Directors may designate one or more Directors as alternate members of any such committee, who may replace any absent member or members at any meetings of such committee. Vacancies in any committee, whether caused by resignation or by increase in the number of members constituting said committee, shall be filled by a majority of the entire Board of Directors. The Executive Committee may fix its own quorum and elect its own Chairman. In the absence or disqualification of any member of any such committee, the member or members thereof present at any meeting and not disqualified from voting whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member.

Section 2.07. Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors, or

-6-

7

of any committee thereof, may be taken without a meeting, if prior to such action a written consent thereto is signed by all members of the Board, or of such committee as the case may be, and such written consent if filed with the minutes of proceedings of the Board or committee.

### **ARTICLE III Officers**

Section 3.01. Officers. The Board of Directors, at its first meeting held after the annual meeting of stockholders in each year shall elect a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer and a Controller, and may, in its discretion, also appoint from time to time, such other officers or agents as it may deem proper. The Chairman shall be elected from among the members of the Board of Directors.

Any two or more offices may be held by the same person.

Unless otherwise provided in the resolution of election or appointment, each officer shall hold office until the meeting of the Board of Directors following the next annual meeting of stockholders and until his successor has been elected and qualified; provided, however, that the Board of Directors may remove any officer for cause or without cause at any time.

Section 3.02. Chairman of the Board. The Chairman shall preside, unless he designates another to act in his stead, at all meetings of the Stockholders, the Board of Directors, and the Executive Committee and shall be a member ex officio of all committees appointed by the Board of Directors, except that the Board may, at his request, excuse him from membership on a committee. The Chairman shall be the chief executive officer of the Corporation and shall have the power on behalf of the Corporation to enter into, execute and deliver all contracts, instruments, conveyances or documents and to affix the corporate seal thereto. The Chairman shall do and perform all acts and duties herein specified or which may be assigned to him from time to time by the Board of Directors.

Section 3.03. Chairman Emeritus. If the Board shall elect a Chairman Emeritus, he or she shall, at the request of the Chairman of the Board or in his absence or inability to act if the Board shall not designate another member, preside at the meetings of the

Board. The Chairman Emeritus shall also perform such duties which may be assigned to him by the Chairman of the Board.

Section 3.04. President. At the request of the Chairman of the Board or in his absence or inability to act, the President shall preside at meetings of the Stockholders. The President shall be the chief operating officer of the Corporation and as such, subject to the direction of the Chairman of the Board, be responsible for the operations of the Corporation and shall also perform such other duties as may be prescribed by the Board of Directors or the Executive Committee or the Chairman of the Board. The President shall have the power on behalf of the Corporation to enter into, execute, or deliver all contracts, instruments, conveyances or documents and to affix the corporate seal thereto.

Section 3.05. Secretary. The Secretary shall keep minutes of the proceedings taken and the resolutions adopted at all meetings of the stockholders, the Board of Directors and the Executive Committee, and shall give due notice of the meetings of the stockholders, the Board of Directors and the Executive Committee. He shall have charge of the seal and all books and papers of the corporation, and shall perform all duties incident to his office. In case of the absence or disability of the Secretary, his duties and powers may be exercised by such person as may be appointed by the Board of Directors or the Executive Committee.

Section 3.06. Treasurer. The Treasurer shall receive all the monies belonging to the Corporation, and shall forthwith deposit the same to the credit of the Corporation in such financial institution as may be selected by the Board of Directors or the Executive Committee. He shall keep books of account and vouchers for all monies disbursed. He shall also perform such other duties as may be prescribed by the Board of Directors or Executive Committee or the President and in case of the absence or disability of the Treasurer, his duties and powers may be exercised by such person as may be appointed by the Board of Directors or Executive Committee.

Section 3.07. Controller. The Controller shall have custody of the financial records of the Corporation and shall keep full and accurate books and records of the financial transactions of the Corporation. He shall determine the methods of accounting and reporting for all entities comprising the Corporation and shall be responsible for assuring adequate systems of internal control.

-8-

9

The Controller shall render to the Chairman of the Board of Directors, the President, and the Board of Directors, whenever they may request it, a report on the financial condition of the Corporation and on the results of its operations.

#### **ARTICLE IV Capital Stock**

Section 4.01. Share Certificates. Each certificate representing shares of the Corporation shall be in such form as may be approved by the Board of Directors, and, when issued, shall contain upon the face or back thereof the statements prescribed by the General Corporation Law and by any other applicable provision of law. Each such certificate shall be signed by the Chairman of the Board or the President or a Vice President and by the Secretary or Treasurer or an Assistant Secretary or Assistant Treasurer. The signatures of said officers upon a certificate may be facsimile if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or its employee. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of issue.

Section 4.02. Lost, Destroyed or Stolen Certificates. No certificate representing shares shall be issued in place of any certificate alleged to have been lost, destroyed or stolen, except on production of evidence of such loss, destruction or theft and on delivery to the Corporation, if the Board of Directors shall so require, of a bond of indemnity in such amount, upon such terms and secured by such surety as the Board of Directors may in its discretion require.

Section 4.03. Transfer of Shares. The shares of stock of the Corporation shall be transferable or assignable on the books of the Corporation only by the person to whom they have been issued or his legal representative, in person or by attorney, and only upon surrender of the certificate or certificates representing such shares properly assigned. The person in whose name shares of stock shall stand on the record of stockholders of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

-9-

10



Section 4.04. Record Dates. For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other action, the Board may fix, in advance, a date as the record date of any such determination of stockholders. Such date shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action.

**ARTICLE V**  
**Miscellaneous**

Section 5.01. Signing of Instruments. All checks, drafts, notes, acceptances, bills of exchange, and orders for the payment of money shall be signed in such manner as may be provided and by such person or persons as may be authorized from time to time by resolution of the Board of Directors or the Executive Committee or these bylaws.

Section 5.02. Corporate Seal. The seal of the Corporation shall consist of a metal disc having engraved thereon the words "Masco Corporation, Delaware."

Section 5.03. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January of each year and shall end on the thirty-first day of December following.

**ARTICLE VI**  
**Amendments of Bylaws**

Section 6.01. Amendments. Except as provided to the contrary by the General Corporation Law, by the Certificate of Incorporation or by these bylaws, these bylaws may be amended or repealed at a meeting, (1) by vote of a majority of the whole Board of Directors, provided that notices of the proposed amendments shall have been sent to all the Directors not less than three days before the meeting at which they are to be acted upon, or at any regular meeting of the Directors by the unanimous vote of all the Directors present, or (2) by the affirmative vote of the holders of at least 80% of the stock of the Corporation generally entitled to vote, voting together as a single class.

-11-

1  
**EXHIBIT 4.a.i**

**RESOLUTIONS  
OF THE PRICING COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF MASCO CORPORATION**

September 8, 1993

WHEREAS, the Company has filed a Registration Statement (No. 33-53330) on Form S-3 with the Securities and Exchange Commission, which is in effect;

WHEREAS, the Company desires to create an additional series of securities under the Indenture dated as of December 1, 1982 (the "Indenture"), with Morgan Guaranty Trust Company of New York, as trustee (the "Trustee"), providing for the issuance from time to time of unsecured debentures, notes or other evidences of indebtedness ("Securities") in one or more series under such Indenture; and

WHEREAS, capitalized terms used in these resolutions and not otherwise defined are used with the same meaning ascribed to such terms in the Indenture;

THEREFORE, IT IS RESOLVED, that there is established a series of Securities under the Indenture, the terms of which shall be as follows:

1. The Securities of such series shall be designated as "6-1/8% Notes Due September 15, 2003".
2. The aggregate principal amount of Securities of such series which may be authenticated and delivered under the Indenture is limited to Two Hundred Million Dollars (\$200,000,000), except for Securities of such series authenticated and delivered upon registration of, transfer of, in exchange for, or in lieu of, other Securities of such series pursuant to Sections 2.07, 2.08, 2.09, 9.04 or 14.03 of the Indenture.
3. The date on which the principal of the Securities of such series shall be payable is September 15, 2003.
4. The Securities of such series shall bear interest from September 15, 1993, at the rate of 6-1/8% per annum, payable semi-annually on March 15 and September 15 of each year commencing on March 15, 1994, until the principal thereof is paid or made available for payment. The March 1 or September 1 (whether or not a business day), as the case may be, next preceding each such interest payment date shall be

the "record date" for the determination of holders to whom interest is payable.

5. The principal of and interest on the Securities of such series shall be payable at the office or agency of the Company maintained for such purpose under Section 3.02 of the Indenture in the Borough of Manhattan, The City of New York, or at any other office or agency designated by the Company, for such purpose pursuant to the Indenture; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the person entitled thereto as such address shall appear on the Company's registry books.

6. The Securities of such series shall not be redeemable prior to maturity.

7. The Securities of such series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any integral multiples thereof.

8. The Securities of such series shall be issuable at a price such that the Company shall receive \$198,700,000 after an underwriting discount of \$1,300,000.

FURTHER RESOLVED, that the Securities of such series are declared to be issued under the Indenture and subject to the provisions hereof;

FURTHER RESOLVED, that the Chairman of the Board, the President or any Vice President is authorized to execute, on the Company's behalf and in its name, and the Secretary or an Assistant Secretary is authorized to attest to such execution and under the Company's seal, (which may be in the form of a facsimile of the Company's seal) \$200,000,000 aggregate principal amount of the Securities of such series (and in addition Securities to replace lost, stolen, mutilated or destroyed Securities and Securities required for exchange, substitution or transfer, all as provided in the Indenture) in fully registered form in substantially the form of the note filed as an exhibit to the Company's Registration Statement on Form S-3 (No. 33-53330), but with such changes and insertions therein as are appropriate to conform such Securities to the terms set forth herein or otherwise as the respective officers executing such Securities shall approve and as are not inconsistent with these resolutions, such approval to be conclusively evidenced by such officer's execution and delivery of such Securities, and to deliver such Securities to the Trustee for authentication, and the Trustee is authorized and directed thereupon to authenticate and deliver the same to or upon the written order of the Company as provided in the Indenture;

FURTHER RESOLVED, that the signatures of the Company officers so authorized to execute the Securities of such series may be the manual or facsimile signatures of the present or any future authorized officers and may be imprinted or otherwise reproduced thereon, and the Company for such purpose adopts each facsimile signature as binding upon it notwithstanding the fact that at the time the respective Securities shall be authenticated and delivered or disposed of, the individual so signing shall have ceased to hold such office;

FURTHER RESOLVED, that Salomon Brothers Inc and J. P. Morgan Securities Inc. are appointed as the underwriters for the issuance and sale of the Securities of such series, and the Chairman of the Board, the President or any Vice President of the Company is authorized, in the Company's name and on its behalf, to execute and deliver an Underwriting Agreement, substantially in the form heretofore approved by the Company's Board of Directors, with such underwriters, with such changes and insertions therein as are appropriate to conform such Underwriting Agreement to the terms set forth herein or otherwise as the officer executing such Underwriting Agreement shall approve and as are not inconsistent with these resolutions, such approval to be conclusively evidenced by such officer's execution and delivery of the Underwriting Agreement;

FURTHER RESOLVED, that Morgan Guaranty Trust Company of New York, the Trustee under the Indenture, is appointed trustee for Securities of such series, and as Agent of the Company for the purpose of effecting the registration, transfer and exchange of the Securities of such series as provided in the Indenture, and the corporate trust office of Morgan Guaranty Trust Company of New York in the Borough of Manhattan, The City of New York is designated pursuant to the Indenture as the office or agency of the Company where such Securities may be presented for registration, transfer and exchange and where notices and demands to or upon the Company in respect of such Securities and the Indenture may be served;

FURTHER RESOLVED, that Morgan Guaranty Trust Company of New York is appointed Paying Agent of the Company for the payment of interest on and principal of the Securities of such series, and the corporate trust office of Morgan Guaranty Trust Company of New York, is designated, pursuant to the Indenture, as the office or agency of the Company where such Securities may be presented for payment; and

FURTHER RESOLVED, that each Company officer is authorized and directed, on behalf of the Company and in its name, to do or cause to be done everything such officer deems advisable to effect the sale and delivery of the Securities of such series pursuant to the Underwriting Agreement and otherwise to carry out the Company's obligations under the Underwriting Agreement, and to do or cause to be done everything and to execute and deliver all documents as such

officer deems advisable in connection with the execution and delivery of the Underwriting Agreement and the execution, authentication and delivery of such Securities (including, without limiting the generality of the foregoing, delivery to the Trustee of such Securities for authentication and of requests or orders for the authentication and delivery of such Securities).

## Permanent Global Registered Fixed Rate Security

THIS NOTE IS A GLOBAL SECURITY AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN

PART FOR NOTES IN CERTIFICATED FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO A NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO MASCO CORPORATION OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

### MASCO CORPORATION

6 1/8% Note Due September 15, 2003

### REGISTERED CUSIP No. 574599AP1

No. R-1

Masco Corporation, a corporation duly organized and existing under the laws of the State of Delaware (herein referred to as the "Company"), for value received, hereby promises to pay to CEDE & CO. or registered assigns, at the office or agency of the Company in the Borough of Manhattan, The City of New York, the principal sum of TWO HUNDRED MILLION DOLLARS (\$200,000,000) on September 15, 2003, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semi-annually on March 15 and September 15 of each year, on said principal sum at said office or agency, in like coin or currency, at the rate per annum specified in the title of this Note, from the March 15 or September 15, as the case may be, next preceding the date of this Note to which interest has been paid or duly provided for, unless the date hereof is a date to which interest has been paid or duly provided for, in which case from the date of this Note, or unless no interest has been paid or duly provided for on the Notes since the original issue date (as defined in the Indenture referred to on the reverse hereof) of this Note, in which case from the March 15 or September 15 next preceding such original issue date or if the original issue date is a March 15 or September 15 then from such original issue date, until payment of said

1

6

principal sum has been made or duly provided for. Notwithstanding the foregoing, if the date hereof is after March 1 or September 1, as the case may be, and before the following March 15 or September 15, this Note shall bear interest from such March 15 or September 15; provided, however, that if the Company shall default in the payment of interest on such March 15 or September 15, then this Note shall bear interest from the next preceding March 15 or September 15 to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Notes since the original issue date (as defined in such Indenture) of this Note, from the March 15 or September 15 next preceding such original issue date unless the original issue date is a March 15 or September 15, in which case from the original issue date hereof. The interest so payable on any March 15 or September 15 will, subject to certain exceptions provided in such Indenture, be paid to the person in whose name this Note is registered at the close of business on the March 1 or September 1, as the case may be, next preceding such March 15 or September 15, whether or not such March 1 or September 1 is a business day, and may, at the option of the Company, be paid by check mailed to the registered address of such person.

Reference is made to the further provisions of this Note set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee under such Indenture.

2  
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IN WITNESS WHEREOF, Masco Corporation has caused this instrument to be executed in its corporate name by the facsimile signature of its Chairman of the Board or its President and imprinted with a facsimile of its corporate seal, attested by the facsimile signature of its Secretary or an Assistant Secretary.

Dated: September 10, 1993

**Masco Corporation**

*By /s/ Richard A.  
Manoogian*

-----  
*Chairman of the Board*

**Attest**

*By /s/ Gerald Bright*

-----  
*Assistant  
Secretary*

**CERTIFICATE OF AUTHENTICATION**

**THIS IS ONE OF THE SECURITIES OF THE SERIES DESIGNATED THEREIN REFERRED TO IN THE WITHIN-MENTIONED INDENTURE.**

**MORGAN GUARANTY TRUST COMPANY OF NEW YORK,  
AS TRUSTEE**

**BY**  
**AUTHORIZED OFFICER**

3  
8

## REVERSE OF NOTES

This Note is one of a duly authorized issue of debentures, notes, bonds or other evidences of indebtedness of the Company (hereinafter called the "Securities") of the series hereinafter specified, all issued or to be issued under and pursuant to an indenture dated as of December 1, 1982 (herein called the "Indenture"), duly executed and delivered by the Company to Morgan Guaranty Trust Company of New York, Trustee (herein called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and holders of the Securities. The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption provisions (if any), may be subject to different sinking, purchase or analogous funds (if any), may be subject to different covenants and Events of Default and may otherwise vary as in the Indenture provided. This Note is one of a series designated as the 6 1/8% Notes Due September 15, 2003 of the Company, limited in aggregate principal amount to \$200,000,000.

In case an Event of Default with respect to the 6- 1/8% Notes Due September 15, 2003 shall have occurred and be continuing, the principal hereof may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66-2/3% in aggregate principal amount of the Securities at the time outstanding of all series to be affected (voting as a class), evidenced as in the Indenture provided, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Securities of each such series; provided, however, that no such supplemental indenture shall (i) extend the final maturity of any Security, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof or any premium thereon, or reduce any amount payable on redemption thereof or make the principal thereof or any interest of premium thereon payable in any coin or currency other than that hereinbefore provided, or impair or affect the right of any holder to institute suit for payment thereof or the right of repayment, if any, at the option of the holder, without the consent of the holder of each Security so affected, or (ii) reduce the aforesaid principal amount of Securities of all series to be affected, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all Securities so affected then outstanding. It is also provided in the Indenture that, with respect to certain defaults or Events of Default regarding the Securities of any series, prior to any declaration accelerating the maturity of such Securities, the holders of a majority in aggregate principal amount of the Securities of such series at the time outstanding (or,

in the case of certain defaults or Events of Default, all the Securities) may on behalf of the holders of all of the Securities of such series (or all the Securities, as the case may be) waive any such past default or Event of Default under the Indenture and its consequences except a default in the payment of principal of, premium, if any, or interest, if any, on any of the Securities. Any such consent or waiver by the holder of this Note (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Note and any Notes which may be issued in exchange or transfer hereof or in substitution herefor, irrespective of whether or not any notation thereof is made upon this Note or such other Notes.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note at the place, at the respective times, at the rate and in the coin or currency herein prescribed.

The Notes are issuable in registered form without coupons in denominations of \$1,000 and any multiple of \$1,000. Upon due presentment for registration of transfer of this Note at the office or agency of the Company for such registration in the Borough of Manhattan, The City of New York, or any other location or locations as may be provided for pursuant to the Indenture, a new Note or Notes of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange therefor, subject to the limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in connection therewith.

The Notes may not be redeemed prior to maturity.

The Company, the Trustee and any agent of the Company or the Trustee may deem and treat the holder hereof as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment of or on account of the principal hereof and, subject to the provisions on the face hereof, interest hereon, and for all other purposes, and neither the Company nor the Trustee nor any such agent shall be affected by any notice to the contrary. All payments made to or upon the order of such holder shall, to the extent of the sum or sums paid, effectually satisfy and discharge liability for moneys payable hereon.

No recourse for the payment of the principal of, or premium, if any, or interest on this Note, or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any indenture supplemental thereto or in any Note, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or

any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

All terms used in this Note which are defined in the Indenture shall have the respective meanings ascribed to them therein.

This Note shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with and governed by the laws of that State.

6  
11

The following abbreviations, where such abbreviations appear on this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN-ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in

common

UNIF GIFT MIN ACT-.....Custodian.....

(Cust) (Minor)

under Uniform Gifts to Minors

Act.....

(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

**PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE**

**PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE**

the within Note of MASCO CORPORATION and hereby does irrevocably constitute and appoint

**Attorney**

to transfer the said Note on the books of the within-named Company, with full power of substitution in the premises.

Dated

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NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE

OF

THE CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

7

12

**RESOLUTIONS  
OF THE PRICING COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF MASCO CORPORATION**

August 17, 1993

In lieu of a meeting, the undersigned being all of the members of the Pricing Committee of the Board of Directors of Masco Corporation, a Delaware corporation (the "Company"), adopt the following resolutions:

WHEREAS, the Company has filed two Registration Statements (Nos. 33-40067 and 33-53330) on Form S-3 with the Securities and Exchange Commission, which are in effect;

WHEREAS, the Company desires to create an additional series of securities under the Indenture dated as of December 1, 1982 (the "Indenture"), with Morgan Guaranty Trust Company of New York, as trustee (the "Trustee"), providing for the issuance from time to time of unsecured debentures, notes or other evidences of indebtedness of this Company ("Securities") in one or more series under such Indenture; and

WHEREAS, capitalized terms used in these resolutions and not otherwise defined are used with the same meaning ascribed to such terms in the Indenture;

THEREFORE, IT IS RESOLVED, that there is established a series of Securities under the Indenture, the terms of which shall be as follows:

1. The Securities of such series shall be designated as "7 1/8% Debentures Due August 15, 2013".
2. The aggregate principal amount of Securities of such series which may be authenticated and delivered under the Indenture is limited to Two Hundred Million Dollars (\$200,000,000), except for Securities of such series authenticated and delivered upon registration of, transfer of, or in exchange for, or in lieu of, other Securities of such series pursuant to Sections 2.07, 2.08, 2.09, 9.04 or 14.03 of the Indenture.
3. The date on which the principal of the Securities of such series shall be payable is August 15, 2013.

4. The Securities of such series shall bear interest from August 15, 1993, at the rate of 7 1/8% per annum, payable semi-annually on February 15 and August 15 of each year commencing on February 15, 1994, until the principal thereof is paid or made available for payment. The February 1 or August 1 (whether or not a business day), as the case may be, next preceding each such interest payment date shall be the "record date" for the determination of holders to whom interest is payable.

5. The principal of and interest on the Securities of such series shall be payable at the office or agency of this Company maintained for such purpose under Section 3.02 of the Indenture in the Borough of Manhattan, The City of New York, or at any other office or agency designated by the Company, for such purpose pursuant to the Indenture; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the person entitled thereto as such address shall appear on the Company's registry books.

6. The Securities of such series shall not be redeemable prior to maturity.

7. The Securities of such series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any integral multiples thereof.

8. The Securities shall be issuable at a price such that this Company shall receive \$197,000,000 (plus accrued interest from August 15, 1993 to the date of delivery) after an underwriting discount of \$1,750,000.

FURTHER RESOLVED, that the Securities of such series are declared to be issued under the Indenture and subject to the provisions hereof;

FURTHER RESOLVED, that the Chairman of the Board, the President or any Vice President is authorized to execute, on the Company's behalf and in its name, and the Secretary or an Assistant Secretary is authorized to attest to such execution and under the Company's seal (which may be in the form of a facsimile of the Company's seal) \$200,000,000 aggregate principal amount of the Securities of such series (and in addition Securities to replace lost, stolen, mutilated or destroyed Securities and Securities required for exchange, substitution or transfer, all as provided in the Indenture) in fully registered form in substantially the form of the debenture filed as an exhibit to the Company's Registration Statements on Form S-3 (No. 33-40067 and 33-53330), but with such changes and insertions therein as are appropriate to conform the Debentures to the terms set forth herein or otherwise as the respective officers executing the Securities shall approve and as are not inconsistent with these resolutions, such approval to be conclusively evidenced by such

officer's execution and delivery of such Securities, and to deliver such Securities to the Trustee for authentication, and the Trustee is authorized and directed thereupon to authenticate and deliver the same to or upon the written order of the Company as provided in the Indenture;

FURTHER RESOLVED, that the signatures of the Company officers so authorized to execute the Securities of such series may be the manual or facsimile signatures of the present or any future authorized officers and may be imprinted or otherwise reproduced thereon, and the Company for such purpose adopts each facsimile signature as binding upon it notwithstanding the fact that at the time the respective Securities shall be authenticated and delivered or disposed of, the individual so signing shall have ceased to hold such office;

FURTHER RESOLVED, that Salomon Brothers Inc and Smith Barney Shearson Inc. are appointed as the underwriters for the issuance and sale of the Securities of such series, and the Chairman of the Board, the President or any Vice President of the Company is authorized, in the Company's name and on its behalf, to execute and deliver and Underwriting Agreement, substantially in the form heretofore approved by the Company's Board of Directors, with such underwriters, with such changes and insertions therein as are appropriate to conform such Underwriting Agreement to the terms set forth herein or otherwise as the officer executing such Underwriting Agreement shall approve and as are not inconsistent with these resolutions, such approval to be conclusively evidenced by such officer's execution and delivery of the Underwriting Agreement;

FURTHER RESOLVED, that Morgan Guaranty Trust Company of New York, the Trustee under the Indenture, is appointed trustee for Securities of such series, and as Agent of this Company for the purpose of effecting the registration, transfer and exchange of the Securities of such series as provided in the Indenture, and the corporate trust office of Morgan Guaranty Trust Company of New York in the Borough of Manhattan, The City of New York is designated pursuant to the Indenture as the office or agency of the Company where such Securities may be presented for registration, transfer and exchange and where notices and demands to or upon this Company in respect of the Securities and the Indenture may be served;

FURTHER RESOLVED, that Morgan Guaranty Trust Company of New York is appointed Paying Agent of this Company for the payment of interest on and principal of the Securities of such series, and the corporate trust office of Morgan Guaranty Trust Company of New York, is designated, pursuant to the Indenture, as the office or agency of the Company where Securities may be presented for payment; and



FURTHER RESOLVED, that each Company officer is authorized and directed, on behalf of the Company and in its name, to do or cause to be done everything such officer deems advisable to effect the sale and delivery of the Securities of such series pursuant to the Underwriting Agreement and otherwise to carry out the Company's obligations under the Underwriting Agreement, and to do or cause to be done everything and to execute and deliver all documents as such officer deems advisable in connection with the execution and delivery of the Underwriting Agreement and the execution, authentication and delivery of such Securities (including, without limiting the generality of the foregoing, delivery to the Trustee of the Securities for authentication and of requests or orders for the authentication and delivery of Securities).

## Permanent Global Registered Fixed Rate Security

THIS DEBENTURE IS A GLOBAL SECURITY AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN

PART FOR DEBENTURES IN CERTIFICATED FORM, THIS DEBENTURE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO A NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS DEBENTURE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO MASCO CORPORATION OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY DEBENTURE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

### MASCO CORPORATION

7 1/8% Debenture Due August 15, 2013

**REGISTERED CUSIP No. 574599AN6**

No. R-1

Masco Corporation, a corporation duly organized and existing under the laws of the State of Delaware (herein referred to as the "Company"), for value received, hereby promises to pay to CEDE & CO. or registered assigns, at the office or agency of the Company in the Borough of Manhattan, The City of New York, the principal sum of TWO HUNDRED MILLION DOLLARS (\$200,000,000) on August 15, 2013, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semi-annually on February 15 and August 15 of each year, on said principal sum at said office or agency, in like coin or currency, at the rate per annum specified in the title of this Debenture, from the February 15 or August 15, as the case may be, next preceding the date of this Debenture to which interest has been paid or duly provided for, unless the date hereof is a date to which interest has been paid or duly provided for, in which case from the date of this Debenture, or unless no interest has been paid or duly provided for on the Debentures since the original issue date (as defined in the Indenture referred to on the reverse hereof) of this Debenture, in which case from the February 15 or August 15 next preceding such original issue date or if the original issue date is a February 15 or August 15 then from such original issue date, until

1

17

payment of said principal sum has been made or duly provided for.

Notwithstanding the foregoing, if the date hereof is after February 1 or August 1, as the case may be, and before the following February 15 or August 15, this Debenture shall bear interest from such February 15 or August 15; provided, however, that if the Company shall default in the payment of interest on such February 15 or August 15, then this Debenture shall bear interest from the next preceding February 15 or August 15 to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Debentures since the original issue date (as defined in such Indenture) of this Debenture, from the February 15 or August 15 next preceding such original issue date unless the original issue date is a February 15 or August 15, in which case from the original issue date hereof. The interest so payable on any February 15 or August 15 will, subject to certain exceptions provided in such Indenture, be paid to the person in whose name this Debenture is registered at the close of business on the February 1 or August 1, as the case may be, next preceding such February 15 or August 15, whether or not such February 1 or August 1 is a business day, and may, at the option of the Company, be paid by check mailed to the registered address of such person.

Reference is made to the further provisions of this Debenture set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Debenture shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee under such Indenture.

2

18

IN WITNESS WHEREOF, Masco Corporation has caused this instrument to be executed in its corporate name by the facsimile signature of its Chairman of the Board or its President and imprinted with a facsimile of its corporate seal, attested by the facsimile signature of its Secretary or an Assistant Secretary.

Dated: August 18, 1993

**Masco Corporation**

*By /s/Richard A. Manoogian*  
-----  
*Chairman of the*  
*Board*

**Attest**

*By /s/ Gerald Bright*  
-----  
*Assistant*  
*Secretary*

**CERTIFICATE OF AUTHENTICATION**

**THIS IS ONE OF THE SECURITIES OF THE SERIES DESIGNATED THEREIN REFERRED TO IN THE WITHIN-MENTIONED INDENTURE.**

**MORGAN GUARANTY TRUST COMPANY OF NEW YORK,  
AS TRUSTEE**

**BY  
AUTHORIZED OFFICER**

3  
19

## REVERSE OF DEBENTURES

This Debenture is one of a duly authorized issue of debentures, notes, bonds or other evidences of indebtedness of the Company (hereinafter called the "Securities") of the series hereinafter specified, all issued or to be issued under and pursuant to an indenture dated as of December 1, 1982 (herein called the "Indenture"), duly executed and delivered by the Company to Morgan Guaranty Trust Company of New York, Trustee (herein called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and holders of the Securities. The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption provisions (if any), may be subject to different sinking, purchase or analogous funds (if any), may be subject to different covenants and Events of Default and may otherwise vary as in the Indenture provided. This Debenture is one of a series designated as the 7 1/8% Debentures Due August 15, 2013 of the Company, limited in aggregate principal amount to \$200,000,000.

In case an Event of Default with respect to the 7 1/8% Noes Due August 15, 2013 shall have occurred and be continuing, the principal hereof may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66 2/3% in aggregate principal amount of the Securities at the time outstanding of all series to be affected (voting as a class), evidenced as in the Indenture provided, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Securities of each such series; provided, however, that no such supplemental indenture shall (i) extend the final maturity of any Security, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof or any premium thereon, or reduce any amount payable on redemption thereof or make the principal thereof or any interest of premium thereon payable in any coin or currency other than that hereinbefore provided, or impair or affect the right of any holder to institute suit for payment thereof or the right of repayment, if any, at the option of the holder, without the consent of the holder of each Security so affected, or (ii) reduce the aforesaid principal amount of Securities of all series to be affected, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all Securities so affected then outstanding. It is also provided in the Indenture that, with respect to certain defaults or Events of Default regarding the Securities of any series, prior to any declaration accelerating the maturity of such Securities, the holders of a majority in aggregate principal amount of the Securities of such series at the time outstanding (or,

in the case of certain defaults or Events of Default, all the Securities) may on behalf of the holders of all of the Securities of such series (or all the Securities, as the case may be) waive any such past default or Event of Default under the Indenture and its consequences except a default in the payment of principal of, premium, if any, or interest, if any, on any of the Securities. Any such consent or waiver by the holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Debenture and any Debentures which may be issued in exchange or transfer hereof or in substitution herefor, irrespective of whether or not any notation thereof is made upon this Debenture or such other Debentures.

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Debenture at the place, at the respective times, at the rate and in the coin or currency herein prescribed.

The Debentures are issuable in registered form without coupons in denominations of \$1,000 and any multiple of \$1,000. Upon due presentment for registration of transfer of this Debenture at the office or agency of the Company for such registration in the Borough of Manhattan, The City of New York, or any other location or locations as may be provided for pursuant to the Indenture, a new Debenture or Debentures of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange therefor, subject to the limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in connection therewith.

The Debentures may not be redeemed prior to maturity.

The Company, the Trustee and any agent of the Company or the Trustee may deem and treat the holder hereof as the absolute owner of this Debenture (whether or not this Debenture shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment of or on account of the principal hereof and, subject to the provisions on the face hereof, interest hereon, and for all other purposes, and neither the Company nor the Trustee nor any such agent shall be affected by any notice to the contrary. All payments made to or upon the order of such holder shall, to the extent of the sum or sums paid, effectually satisfy and discharge liability for moneys payable hereon.

No recourse for the payment of the principal of, or premium, if any, or interest on this Debenture, or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any indenture supplemental thereto or in any Debenture, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or

any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

All terms used in this Debenture which are defined in the Indenture shall have the respective meanings ascribed to them therein.

This Debenture shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with and governed by the laws of that State.

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22

The following abbreviations, where such abbreviations appear on this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in

common

UNIF GIFT MIN ACT-

Custodian

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(Cust)

(Minor)

**under Uniform Gifts to Minors Act**

(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

**PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE**

**PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE**

the within Debenture of MASCO CORPORATION and hereby does irrevocably constitute and appoint

**Attorney**

to transfer the said Debenture on the books of the within-named Company, with full power of substitution in the premises.

Dated

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NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.



**RESOLUTIONS  
OF THE  
PRICING COMMITTEE  
OF THE  
BOARD OF DIRECTORS  
OF MASCO CORPORATION**  
April 16, 1998

In lieu of a meeting, the undersigned being all of the members of the Pricing Committee of the Board of Directors of Masco Corporation, a Delaware corporation (the "Company"), adopt the following resolutions: WHEREAS, the Company has filed a Registration Statement (No. 33-56043) on Form S-3 with the Securities and Exchange Commission, which is in effect; WHEREAS, the Company desires to create an additional series of securities under the Indenture dated as of December 1, 1982 (as amended to the date hereof, the "Indenture"), with The First National Bank of Chicago, as successor trustee to Morgan Guaranty Trust Company of New York (the "Trustee"), providing for the issuance from time to time of unsecured debentures, notes or other evidences of indebtedness of this Company ("Securities") in one or more series under such Indenture; and

WHEREAS, capitalized terms used in these resolutions and not otherwise defined are used with the same meaning ascribed to such terms in the Indenture; THEREFORE RESOLVED, that there is established a series of Securities under the Indenture, the terms of which shall be as follows:

1. The Securities of such series shall be designated as the "6.625% Debentures Due April 15, 2018".
2. The aggregate principal amount of Securities of such series which may be authenticated and delivered under the Indenture is limited to Two Hundred Fifty Million Dollars (\$250,000,000), except for Securities of such series authenticated and delivered upon registration of, transfer of, or in exchange for, or in lieu of, other Securities of such series pursuant to Sections 2.07, 2.08, 2.09, 9.04 or 14.03 of the Indenture.
3. The date on which the principal of the Securities of such series shall be payable is April 15, 2018.
4. The Securities of such series shall bear interest from April 21, 1998, at the rate of 6.625% per annum, payable semi-annually on April 15 and October 15 of each year commencing on October 15, 1998, until the principal thereof is paid or made available for payment. The April 1 or October 1 (whether or not a business day), as the case may be, next

preceding each such interest payment date shall be the "record date" for the determination of holders to whom interest is payable.

5. The Securities shall be issued initially in the form of one or more global securities registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), and will be held by the Trustee as custodian for DTC. The Securities shall be subject to the procedures of DTC described in the Company's prospectus supplement dated April 16, 1998 relating to the Securities and, except as described in such prospectus supplement, will not be issued in definitive registered form.

6. The principal of and interest on the Securities of such series shall be payable at the office or agency of this Company maintained for such purpose under Section 3.02 of the Indenture in the Borough of Manhattan, The City of New York, or at any other office or agency designated by the Company, for such purpose pursuant to the Indenture; provided, however, that if Securities in definitive registered form are issued, then at the option of the Company payment of interest may be made by check mailed to the address of the person entitled thereto as such address shall appear on the Company's registry books.

7. The Securities of such series shall not be redeemable prior to maturity.

8. The Securities of such series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any integral multiples thereof.

9. The Securities shall be issuable at a price such that this Company shall receive \$247,460,000 after an underwriting discount of \$2,187,500.

10. The Securities shall be subject to defeasance and discharge and to defeasance of certain obligations as set forth in the Indenture.

FURTHER RESOLVED, that the Securities of such series are declared to be issued under the Indenture and subject to the provisions hereof; FURTHER RESOLVED, that the Chairman of the Board, the President or any Vice President of the Company is authorized to execute, on the Company's behalf and in its name, and the Secretary or any Assistant Secretary of the Company is authorized to attest to such execution and under the Company's seal (which may be in the form of a facsimile of the Company's seal), \$250,000,000 aggregate principal amount of the Securities of such series (and in addition Securities to replace lost, stolen, mutilated or destroyed Securities and Securities required for

exchange, substitution or transfer, all as provided in the Indenture) in fully registered form in substantially the form of the note filed as an exhibit to the Company's Registration Statement on Form S-3 (No. 33-56043), but with such changes and insertions therein as are appropriate to conform the Securities to the terms set forth herein or otherwise as the respective officers executing the Securities shall approve and as are not inconsistent with these resolutions, such approval to be conclusively evidenced by such officer's execution and delivery of such Securities, and to deliver such Securities to the Trustee for authentication, and the Trustee is authorized and directed thereupon to authenticate and deliver the same to or upon the written order of this Company as provided in the Indenture;

FURTHER RESOLVED, that the signatures of the Company officers so authorized to execute the Securities of such series may be the manual or facsimile signatures of the present or any future authorized officers and may be imprinted or otherwise reproduced thereon, and the Company for such purpose adopts each facsimile signature as binding upon it notwithstanding the fact that at the time the respective Securities shall be authenticated and delivered or disposed of, the individual so signing shall have ceased to hold such office;

FURTHER RESOLVED, that Salomon Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are appointed as the underwriters for the issuance and sale of the Securities of such series, and the Chairman of the Board, the President or any Vice President of the Company is authorized, in the Company's name and on its behalf, to execute and deliver an Underwriting Agreement, substantially in the form heretofore approved by the Company's Board of Directors, with such underwriters, with such changes and insertions therein as are appropriate to conform such Underwriting Agreement to the terms set forth herein or otherwise as the officer executing such Underwriting Agreement shall approve and as are not inconsistent with these resolutions, such approval to be conclusively evidenced by such officer's execution and delivery of the Underwriting Agreement;

FURTHER RESOLVED, that The First National Bank of Chicago, the Trustee under the Indenture, is appointed trustee for Securities of such series, and as Agent of this Company for the purpose of effecting the registration, transfer and exchange of the Securities of such series as provided in the Indenture, and the corporate trust office of The First National Bank of Chicago in the Borough of Manhattan, The City of New York is designated pursuant to the Indenture as the office or agency of the Company where such Securities may be presented for registration, transfer and exchange and where notices and demands to or upon this Company in respect of the Securities and the Indenture may be served;

FURTHER RESOLVED, that The First National Bank of Chicago is appointed Paying Agent of this Company for the payment of interest on and principal of the Securities of such series, and the corporate trust office of The First National Bank of Chicago, is designated, pursuant to the Indenture, as the office or agency of the Company where Securities may be presented for payment; and

FURTHER RESOLVED, that each of the Company's officers is authorized and directed, on behalf of the Company and in its name, to do or cause to be done everything such officer deems advisable to effect the sale and delivery of the Securities of such series pursuant to the Underwriting Agreement and otherwise to carry out the Company's obligations under the Underwriting Agreement, and to do or cause to be done everything and to execute and deliver all documents as such officer deems advisable in connection with the execution and delivery of the Underwriting Agreement and the execution, authentication and delivery of such Securities (including, without limiting the generality of the foregoing, delivery to the Trustee of the Securities for authentication and of requests or orders for the authentication and delivery of Securities).

## Permanent Global Registered Fixed Rate Security

THIS DEBENTURE IS A GLOBAL SECURITY AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN

PART FOR NOTES IN CERTIFICATED FORM, THIS DEBENTURE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO A NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS DEBENTURE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO MASCO CORPORATION OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY DEBENTURE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

### MASCO CORPORATION

6.625% Debenture Due April 15, 2018

**REGISTERED CUSIP No. 574599 AR7**

No. R-1

Masco Corporation, a corporation duly organized and existing under the laws of the State of Delaware (herein referred to as the "Company"), for value received, hereby promises to pay to CEDE & CO. or registered assigns, at the office or agency of the Company in the Borough of Manhattan, The City of New York, the principal sum of TWO HUNDRED MILLION DOLLARS (\$200,000,000) on April 15, 2018, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semi-annually on April 15 and October 15 of each year, on said principal sum at said office or agency, in like coin or currency, at the rate per annum specified in the title of this Debenture, from the April 15 or October 15, as the case may be, next preceding the date of this Debenture to which interest has been paid or duly provided for, unless the date hereof is a date to which interest has been paid or duly provided for, in which case from the date of this Debenture, or unless no interest has been paid or duly provided for on the Debentures since the original issue date (as defined in the Indenture referred to on the reverse hereof) of this Debenture, in which case from the original issue date, until payment of said principal sum has been made or duly provided for. Notwithstanding the foregoing, if the date hereof is after April 1 or October 1, as the case may be, and before the following April 15 or October 15, this Debenture shall bear interest from such April 15 or October 15; provided, however,

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28

that if the Company shall default in the payment of interest on such April 15 or October 15, then this Debenture shall bear interest from the next preceding April 15 or October 15 to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Debentures since the original issue date (as defined in such Indenture) of this Debenture, from the original issue date hereof. The interest so payable on any April 15 or October 15 will, subject to certain exceptions provided in such Indenture, be paid to the person in whose name this Debenture is registered at the close of business on the April 1 or October 1, as the case may be, next preceding such April 15 or October 15, whether or not such April 1 or October 1 is a business day, and may, at the option of the Company, be paid by check mailed to the registered address of such person.

Reference is made to the further provisions of this Debenture set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Debenture shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee under such Indenture.

\*\*\*\*[end of page 2]\*\*\*\*

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29

IN WITNESS WHEREOF, Masco Corporation has caused this instrument to be executed in its corporate name by the manual or facsimile signature of its Chairman of the Board or its President and imprinted with a manual or facsimile of its corporate seal, attested by the manual or facsimile signature of its Secretary or an Assistant Secretary.

Dated: April 21, 1997

**Masco Corporation**

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

*Attest*

*By /s/John R. Leekley  
Assistant Secretary*

**CERTIFICATE OF AUTHENTICATION**

This is one of the securities of the series designated therein referred to in the within-mentioned indenture.

**THE FIRST NATIONAL BANK OF CHICAGO,**

**AS TRUSTEE**

**BY \_\_\_\_\_  
AUTHORIZED OFFICER**

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30

## REVERSE OF NOTES

This Debenture is one of a duly authorized issue of debentures, notes, bonds or other evidences of indebtedness of the Company (hereinafter called the "Securities") of the series hereinafter specified, all issued or to be issued under and pursuant to an indenture dated as of December 1, 1982 (herein called the "Indenture"), duly executed and delivered by the Company to The First National Bank of Chicago (as successor trustee to Morgan Guaranty Trust Company of New York), Trustee (herein called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and holders of the Securities. The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption provisions (if any), may be subject to different sinking, purchase or analogous funds (if any), may be subject to different covenants and Events of Default and may otherwise vary as in the Indenture provided. This Debenture is one of a series designated as the 6.625% Debentures Due April 15, 2018 of the Company, limited in aggregate principal amount to \$250,000,000.

In case an Event of Default with respect to the 6.625% Debentures Due April 15, 2018 shall have occurred and be continuing, the principal hereof may be declared, and upon such declaration shall become due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66-2/3% in aggregate principal amount of the Securities at the time outstanding of all series to be affected (voting as a class), evidenced as in the Indenture provided, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Securities of each such series; provided, however, that no such supplemental indenture shall (i) extend the final maturity of any Security, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof or any premium thereon, or reduce any amount payable on redemption thereof or make the principal thereof or any interest or premium thereon payable in any coin or currency other than that hereinbefore provided, or impair or affect the right of any holder to institute suit for payment thereof or the right of repayment, if any, at the option of the holder, without the consent of the holder of each Security so affected, or (ii) reduce the aforesaid principal amount of Securities of all series to be affected, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all Securities so affected then outstanding. It is also provided in the Indenture that, with respect to certain defaults or Events of Default regarding the Securities of any series, prior to any declaration accelerating the maturity of such Securities, the holders of a majority in aggregate principal amount of the Securities of such series at the time outstanding



(or, in the case of certain defaults or Events of Default, all the Securities) may on behalf of the holders of all of the Securities of such series (or all the Securities, as the case may be) waive any such past default or Event of Default under the Indenture and its consequences except a default in the payment of principal of, premium, if any, or interest, if any, on any of the Securities. Any such consent or waiver by the holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Debenture and any Debentures which may be issued in exchange or transfer hereof or in substitution herefor, irrespective of whether or not any notation thereof is made upon this Debenture or such other Debentures.

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Debenture at the place, at the respective times, at the rate and in the coin or currency herein prescribed.

The Debentures are issuable in registered form without coupons in denominations of \$1,000 and any multiple of \$1,000. Upon due presentment for registration of transfer of this Debenture at the office or agency of the Company for such registration in the Borough of Manhattan, The City of New York, or any other location or locations as may be provided for pursuant to the Indenture, a new Debenture or Debentures of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange therefor, subject to the limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in connection therewith.

The Debentures may not be redeemed prior to maturity.

The Debentures will be subject to defeasance and discharge and to defeasance of certain obligations as set forth in the Indenture.

The Company, the Trustee and any agent of the Company or the Trustee may deem and treat the holder hereof as the absolute hereof (whether or not this Debenture shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment of or on account of the principal hereof and, subject to the provisions on the face hereof, interest hereon, and for all other purposes, and neither the Company nor the Trustee nor any such agent shall be affected by any notice to the contrary. All payments made to or upon the order of such holder shall, to the extent of the sum or sums paid, effectually satisfy and discharge liability for moneys payable hereon.

No recourse for the payment of the principal of, or premium, if any, or interest on this Debenture, or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any indenture supplemental thereto or in any Debenture, or because of the creation of any indebtedness represented thereby, shall

be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

All terms used in this Debenture which are defined in the Indenture shall have the respective meanings ascribed to them therein.

This Debenture shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with and governed by the laws of that State.

\*\*\*[end of page 6]\*\*\* The following abbreviations, where such abbreviations appear on this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants

in common UNIF

GIFT MIN ACT-.....Custodian.....

(Cust)

(Minor)

under Uniform Gifts to Minors Act.....

(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

**PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE**

**PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE**

the within Debenture of MASCO CORPORATION and hereby does irrevocably constitute and appoint

Attorney to transfer the said Debenture on the books of the within-named Company, with full power of substitution in the premises.

Dated

\_\_\_\_\_

OF

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE

THE CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

## Permanent Global Registered Fixed Rate Security

THIS DEBENTURE IS A GLOBAL SECURITY AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN

PART FOR NOTES IN CERTIFICATED FORM, THIS DEBENTURE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO A NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS DEBENTURE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO MASCO CORPORATION OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY DEBENTURE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

### MASCO CORPORATION

6.625% Debenture Due April 15, 2018

**REGISTERED CUSIP No. 574599 AR7**

No. R-2

Masco Corporation, a corporation duly organized and existing under the laws of the State of Delaware (herein referred to as the "Company"), for value received, hereby promises to pay to CEDE & CO. or registered assigns, at the office or agency of the Company in the Borough of Manhattan, The City of New York, the principal sum of FIFTY MILLION DOLLARS (\$50,000,000) on April 15, 2018, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semi-annually on April 15 and October 15 of each year, on said principal sum at said office or agency, in like coin or currency, at the rate per annum specified in the title of this Debenture, from the April 15 or October 15, as the case may be, next preceding the date of this Debenture to which interest has been paid or duly provided for, unless the date hereof is a date to which interest has been paid or duly provided for, in which case from the date of this Debenture, or unless no interest has been paid or duly provided for on the Debentures since the original issue date (as defined in the Indenture referred to on the reverse hereof) of this Debenture, in which case from the original issue date, until payment of said principal sum has been made or duly provided for. Notwithstanding the foregoing, if the date hereof is after April 1 or October 1, as the case may be, and before the following April 15 or October 15, this Debenture shall bear interest from such April 15 or October 15; provided, however,

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34

that if the Company shall default in the payment of interest on such April 15 or October 15, then this Debenture shall bear interest from the next preceding April 15 or October 15 to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Debentures since the original issue date (as defined in such Indenture) of this Debenture, from the original issue date hereof. The interest so payable on any April 15 or October 15 will, subject to certain exceptions provided in such Indenture, be paid to the person in whose name this Debenture is registered at the close of business on the April 1 or October 1, as the case may be, next preceding such April 15 or October 15, whether or not such April 1 or October 1 is a business day, and may, at the option of the Company, be paid by check mailed to the registered address of such person.

Reference is made to the further provisions of this Debenture set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Debenture shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee under such Indenture.

\*\*\*\*[end of page 2]\*\*\*\*

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IN WITNESS WHEREOF, Masco Corporation has caused this instrument to be executed in its corporate name by the manual or facsimile signature of its Chairman of the Board or its President and imprinted with a manual or facsimile of its corporate seal, attested by the manual or facsimile signature of its Secretary or an Assistant Secretary.

Dated: April 21, 1997

**Masco Corporation**

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

*Attest*

*By/s/John R. Leekley  
Assistant Secretary*

**CERTIFICATE OF AUTHENTICATION**

This is one of the securities of the series designated therein referred to in the within-mentioned indenture.

**THE FIRST NATIONAL BANK OF CHICAGO,**

**AS TRUSTEE**

**BY \_\_\_\_\_  
AUTHORIZED OFFICER**

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36

## REVERSE OF NOTES

This Debenture is one of a duly authorized issue of debentures, notes, bonds or other evidences of indebtedness of the Company (hereinafter called the ASecurities@) of the series hereinafter specified, all issued or to be issued under and pursuant to an indenture dated as of December 1, 1982 (herein called the "Indenture"), duly executed and delivered by the Company to The First National Bank of Chicago (as successor trustee to Morgan Guaranty Trust Company of New York), Trustee (herein called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and holders of the Securities. The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption provisions (if any), may be subject to different sinking, purchase or analogous funds (if any), may be subject to different covenants and Events of Default and may otherwise vary as in the Indenture provided. This Debenture is one of a series designated as the 6.625% Debentures Due April 15, 2018 of the Company, limited in aggregate principal amount to \$250,000,000.

In case an Event of Default with respect to the 6.625% Debentures Due April 15, 2018 shall have occurred and be continuing, the principal hereof may be declared, and upon such declaration shall become due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66 2/3% in aggregate principal amount of the Securities at the time outstanding of all series to be affected (voting as a class), evidenced as in the Indenture provided, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Securities of each such series; provided, however, that no such supplemental indenture shall (i) extend the final maturity of any Security, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof or any premium thereon, or reduce any amount payable on redemption thereof or make the principal thereof or any interest of premium thereon payable in any coin or currency other than that hereinbefore provided, or impair or affect the right of any holder to institute suit for payment thereof or the right of repayment, if any, at the option of the holder, without the consent of the holder of each Security so affected, or (ii) reduce the aforesaid principal amount of Securities of all series to be affected, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all Securities so affected then outstanding. It is also provided in the Indenture that, with respect to certain defaults or Events of Default regarding the Securities of any series, prior to any declaration accelerating the maturity of such Securities, the holders of a majority in aggregate principal amount of the Securities of such series at the time outstanding

(or, in the case of certain defaults or Events of Default, all the Securities) may on behalf of the holders of all of the Securities of such series (or all the Securities, as the case may be) waive any such past default or Event of Default under the Indenture and its consequences except a default in the payment of principal of, premium, if any, or interest, if any, on any of the Securities. Any such consent or waiver by the holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Debenture and any Debentures which may be issued in exchange or transfer hereof or in substitution herefor, irrespective of whether or not any notation thereof is made upon this Debenture or such other Debentures.

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Debenture at the place, at the respective times, at the rate and in the coin or currency herein prescribed.

The Debentures are issuable in registered form without coupons in denominations of \$1,000 and any multiple of \$1,000. Upon due presentment for registration of transfer of this Debenture at the office or agency of the Company for such registration in the Borough of Manhattan, The City of New York, or any other location or locations as may be provided for pursuant to the Indenture, a new Debenture or Debentures of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange therefor, subject to the limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in connection therewith.

The Debentures may not be redeemed prior to maturity.

The Debentures will be subject to defeasance and discharge and to defeasance of certain obligations as set forth in the Indenture.

The Company, the Trustee and any agent of the Company or the Trustee may deem and treat the holder hereof as the absolute hereof (whether or not this Debenture shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment of or on account of the principal hereof and, subject to the provisions on the face hereof, interest hereon, and for all other purposes, and neither the Company nor the Trustee nor any such agent shall be affected by any notice to the contrary. All payments made to or upon the order of such holder shall, to the extent of the sum or sums paid, effectually satisfy and discharge liability for moneys payable hereon.

No recourse for the payment of the principal of, or premium, if any, or interest on this Debenture, or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any indenture supplemental thereto or in any Debenture, or because of the creation of any indebtedness represented thereby, shall

be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

All terms used in this Debenture which are defined in the Indenture shall have the respective meanings ascribed to them therein.

This Debenture shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with and governed by the laws of that State.

\*\*\*[end of page 6]\*\*\*

6

39



The following abbreviations, where such abbreviations appear on this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants

in common

UNIF GIFT MIN ACT-.....Custodian.....

(Cust) (Minor)  
under Uniform Gifts to Minors Act.....

(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

**PLEASE INSERT SOCIAL SECURITY OR OTHER  
IDENTIFYING NUMBER OF ASSIGNEE**

**PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE**

the within Debenture of MASCO CORPORATION and hereby does irrevocably constitute and appoint

Attorney to transfer the said Debenture on the books of the within named Company, with full power of substitution in the premises.

Dated

\_\_\_\_\_

\_\_\_\_\_

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST  
CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE

OF

THE CERTIFICATE IN EVERY PARTICULAR WITHOUT  
ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

**RESOLUTIONS  
OF THE  
PRICING COMMITTEE  
OF THE  
BOARD OF DIRECTORS  
OF MASCO CORPORATION**  
October 6, 1998

WHEREAS, Masco Corporation, a Delaware corporation (the "Company") the Company has filed a Registration Statement (No. 33-56043) on Form S-3 with the Securities and Exchange Commission, which is in effect;

WHEREAS, the Company desires to create an additional series of securities under the Indenture dated as of December 1, 1982 (as amended to the date hereof, the "Indenture"), with The First National Bank of Chicago, as successor trustee to Morgan Guaranty Trust Company of New York (the "Trustee"), providing for the issuance from time to time of unsecured debentures, notes or other evidences of indebtedness of this Company ("Securities") in one or more series under such Indenture; and

WHEREAS, capitalized terms used in these resolutions and not otherwise defined are used with the same meaning ascribed to such terms in the Indenture;

THEREFORE RESOLVED, that there is established a series of Securities under the Indenture, the terms of which shall be as follows:

1. The Securities of such series shall be designated as the "5.75% Notes Due 2008".
2. The aggregate principal amount of Securities of such series which may be authenticated and delivered under the Indenture is limited to One Hundred Million Dollars (\$100,000,000), except for Securities of such series authenticated and delivered upon registration of, transfer of, or in exchange for, or in lieu of, other Securities of such series pursuant to Sections 2.07, 2.08, 2.09, 9.04 or 14.03 of the Indenture.
3. The date on which the principal of the Securities of such series shall be payable is October 15, 2008.
4. The Securities of such series shall bear interest from October 9, 1998, at the rate of 5.75% per annum, payable semi-annually on April 15 and October 15 of each year commencing on April 15, 1999, until the principal thereof is paid or made available for payment. The April 1 or October 1 (whether or not a business day), as the case may be, next preceding

each such interest payment date shall be the "record date" for the determination of holders to whom interest is payable.

5. The Securities shall be issued initially in the form of one or more global securities registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), and will be held by the Trustee as custodian for DTC. The Securities shall be subject to the procedures of DTC described in the Company's prospectus supplement dated October 6, 1998 relating to the Securities and, except as described in such prospectus supplement, will not be issued in definitive registered form.

6. The principal of and interest on the Securities of such series shall be payable at the office or agency of this Company maintained for such purpose under Section 3.02 of the Indenture in the Borough of Manhattan, the City of New York, or at any other office or agency designated by the Company, for such purpose pursuant to the Indenture; provided, however, that if Securities in definitive registered form are issued, then at the option of the Company payment of interest may be made by check mailed to the address of the person entitled thereto as such address shall appear on the Company's registry books.

7. The Securities of such series shall not be redeemable prior to maturity.

8. The Securities of such series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any integral multiples thereof.

9. The Securities shall be issuable at a price such that this Company shall receive \$99,350,000 after an underwriting discount of \$650,000.

10. The Securities shall be subject to defeasance and discharge and to defeasance of certain obligations as set forth in the Indenture.

FURTHER RESOLVED, that the Securities of such series are declared to be issued under the Indenture and subject to the provisions hereof;

FURTHER RESOLVED, that the Chairman of the Board, the President or any Vice President of the Company is authorized to execute, on the Company's behalf and in its name, and the Secretary or any Assistant Secretary of the Company is authorized to attest to such execution and under the Company's seal (which may be in the form of a facsimile of the Company's seal), \$100,000,000 aggregate principal amount of the Securities of such series (and in addition Securities to replace lost, stolen, mutilated or destroyed Securities and Securities required for exchange,

substitution or transfer, all as provided in the Indenture) in fully registered form in substantially the form of the note filed as an exhibit to the Company's Registration Statement on Form S-3 (No. 33-56043), but with such changes and insertions therein as are appropriate to conform the Securities to the terms set forth herein or otherwise as the respective officers executing the Securities shall approve and as are not inconsistent with these resolutions, such approval to be conclusively evidenced by such officer's execution and delivery of such Securities, and to deliver such Securities to the Trustee for authentication, and the Trustee is authorized and directed thereupon to authenticate and deliver the same to or upon the written order of this Company as provided in the Indenture;

FURTHER RESOLVED, that the signatures of the Company officers so authorized to execute the Securities of such series may be the manual or facsimile signatures of the present or any future authorized officers and may be imprinted or otherwise reproduced thereon, and the Company for such purpose adopts each facsimile signature as binding upon it notwithstanding the fact that at the time the respective Securities shall be authenticated and delivered or disposed of, the individual so signing shall have ceased to hold such office;

FURTHER RESOLVED, that Merrill Lynch, Pierce, Fenner & Smith Incorporated and Salomon Smith Barney Inc. are appointed as the underwriters for the issuance and sale of the Securities of such series, and the Chairman of the Board, the President or any Vice President of the Company is authorized, in the Company's name and on its behalf, to execute and deliver an Underwriting Agreement, substantially in the form heretofore approved by the Company's Board of Directors, with such underwriters, with such changes and insertions therein as are appropriate to conform such Underwriting Agreement to the terms set forth herein or otherwise as the officer executing such Underwriting Agreement shall approve and as are not inconsistent with these resolutions, such approval to be conclusively evidenced by such officer's execution and delivery of the Underwriting Agreement;

FURTHER RESOLVED, that The First National Bank of Chicago, the Trustee under the Indenture, is appointed trustee for Securities of such series, and as Agent of this Company for the purpose of effecting the registration, transfer and exchange of the Securities of such series as provided in the Indenture, and the corporate trust office of The First National Bank of Chicago in the Borough of Manhattan, The City of New York is designated pursuant to the Indenture as the office or agency of the Company where such Securities may be presented for registration, transfer and exchange and where notices and demands to or upon this Company in respect of the Securities and the Indenture may be served;

FURTHER RESOLVED, that The First National Bank of Chicago is appointed Paying Agent of this Company for the payment of interest on and principal of the Securities of such series, and the corporate trust office of The First National

Bank of Chicago, is designated, pursuant to the Indenture, as the office or agency of the Company where Securities may be presented for payment; and

FURTHER RESOLVED, that each of the Company's officers is authorized and directed, on behalf of the Company and in its name, to do or cause to be done everything such officer deems advisable to effect the sale and delivery of the Securities of such series pursuant to the Underwriting Agreement and otherwise to carry out the Company's obligations under the Underwriting Agreement, and to do or cause to be done everything and to execute and deliver all documents as such officer deems advisable in connection with the execution and delivery of the Underwriting Agreement and the execution, authentication and delivery of such Securities (including, without limiting the generality of the foregoing, delivery to the Trustee of the Securities for authentication and of requests or orders for the authentication and delivery of Securities).

4

44

**Permanent Global Registered Fixed Rate Security**

THIS NOTE IS A GLOBAL SECURITY AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN

PART FOR NOTES IN CERTIFICATED FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO A NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO MASCO CORPORATION OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**MASCO CORPORATION**

5.75% Note Due 2008

**REGISTERED CUSIP No. 574599AS5**

No. R-1

Masco Corporation, a corporation duly organized and existing under the laws of the State of Delaware (herein referred to as the "Company"), for value received, hereby promises to pay to CEDE & CO. or registered assigns, at the office or agency of the Company in the Borough of Manhattan, The City of New York, the principal sum of ONE HUNDRED MILLION DOLLARS (\$100,000,000) on October 15, 2008, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semi-annually on April 15 and October 15 of each year, on said principal sum at said office or agency, in like coin or currency, at the rate per annum specified in the title of this Note, from the April 15 or October 15, as the case may be, next preceding the date of this Note to which interest has been paid or duly provided for, unless the date hereof is a date to which interest has been paid or duly provided for, in which case from the date of this Note, or unless no Interest has been paid or duly provided for on the Notes since the original issue date (as defined in the Indenture referred to on the reverse hereof) of this Note, in which case from the original issue date, until payment of said principal sum has been made or duly provided for.

Notwithstanding the foregoing, if the date hereof is after April 1 or October 1, as the case may be, and

before the following April 15 or October 15, this Note shall bear interest from such April 15 or October 15; provided, however, that if the Company shall default in the payment of interest on such April 15 or October 15, then this Notes shall bear interest from the next preceding April 15 or October 15 to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Notes since the original issue date (as defined in such Indenture) of this Note, from the original issue date hereof. The interest so payable on any April 15 or October 15 will, subject to certain exceptions provided in such Indenture, be paid to the person in whose name this Note is registered at the close of business on the April 1 or October 1, as the case may be, next preceding such April 15 or October 15, whether or not such April 1 or October 1 is a business day, and may, at the option of the Company, be paid by check mailed to the registered address of such person.

Reference is made to the further provisions of this Note set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee under such Indenture.

2  
46

IN WITNESS WHEREOF, Masco Corporation has caused this instrument to be executed in its corporate name by the manual or facsimile signature of its Chairman of the Board or its President and imprinted with a manual or facsimile of its corporate seal, attested by the manual or facsimile signature of its Secretary or an Assistant Secretary.

Dated: October 9, 1998

**Masco Corporation**

*By /s/Richard A. Manoogian*  
-----  
*Chairman of the*  
*Board*

**Attest**

*By /s/Richard G.*  
*Mosteller*  
-----  
*Assistant Secretary*

**CERTIFICATE OF AUTHENTICATION**

This is one of the securities of the series designated therein referred to in the within-mentioned indenture.

**THE FIRST NATIONAL BANK OF CHICAGO,**

**AS TRUSTEE**

**BY**

**AUTHORIZED OFFICER**

3  
47



## REVERSE OF NOTES

This Note is one of a duly authorized issue of debentures, notes, bonds or other evidences of indebtedness of the Company (hereinafter called the "Securities") of the series hereinafter specified, all issued or to be issued under and pursuant to an indenture dated as of December 1, 1982 (herein called the "Indenture"), duly executed and delivered by the Company to The First National Bank of Chicago (as successor trustee to Morgan Guaranty Trust Company of New York), Trustee (herein called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and holders of the Securities. The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption provisions (if any), may be subject to different sinking, purchase or analogous funds (if any), may be subject to different covenants and Events of Default and may otherwise vary as in the Indenture provided. This Note is one of a series designated as the 5.75% Notes Due 2008 of the Company, limited in aggregate principal amount to \$100,000,000.

In case an Event of Default with respect to the 5.75% Notes Due 2008 shall have occurred and be continuing, the principal hereof may be declared, and upon such declaration shall become due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66-2/3% in aggregate principal amount of the Securities at the time outstanding of all series to be affected (voting as a class), evidenced as in the Indenture provided, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Securities of each such series; provided, however, that no such supplemental indenture shall (i) extend the final maturity of any Security, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof or any premium thereon, or reduce any amount payable on redemption thereof or make the principal thereof or any interest or premium thereon payable in any coin or currency other than that hereinbefore provided, or impair or affect the right of any holder to institute suit for payment thereof or the right of repayment, if any, at the option of the holder, without the consent of the holder of each Security so affected, or (ii) reduce the aforesaid principal amount of Securities of all series to be affected, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all Securities so affected then outstanding. It is also provided in the Indenture that, with respect to certain defaults or Events of Default regarding the Securities of any series, prior to any declaration accelerating the maturity of such Securities, the holders of a majority in

4

48

aggregate principal amount of the Securities of such series at the time outstanding (or, in the case of certain defaults or Events of Default, all the Securities) may on behalf of the holders of all of the Securities of such series (or all the Securities, as the case may be) waive any such past default or Event of Default under the Indenture and its consequences except a default in the payment of principal of, premium, if any, or interest, if any, on any of the Securities. Any such consent or waiver by the holder of this Note (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Note and any Notes which may be issued in exchange or transfer hereof or in substitution herefor, irrespective of whether or not any notation thereof is made upon this Note or such other Notes.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note at the place, at the respective times, at the rate and in the coin or currency herein prescribed.

The Notes are issuable in registered form without coupons in denominations of \$1,000 and any multiple of \$1,000. Upon due presentment for registration of transfer of this Note at the office or agency of the Company for such registration in the Borough of Manhattan, The City of New York, or any other location or locations as may be provided for pursuant to the Indenture, a new Note or Notes of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange therefor, subject to the limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in connection therewith.

The Notes may not be redeemed prior to maturity.

The Notes will be subject to defeasance and discharge and to defeasance of certain obligations as set forth in the Indenture.

The Company, the Trustee and any agent of the Company or the Trustee may deem and treat the holder hereof as the absolute hereof (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment of or on account of the principal hereof and, subject to the provisions on the face hereof, interest hereon, and for all other purposes, and neither the Company nor the Trustee nor any such agent shall be affected by any notice to the contrary. All payments made to or upon the order of such holder shall, to the extent of the sum or sums paid, effectually satisfy and discharge liability for moneys payable hereon.

No recourse for the payment of the principal of, or premium, if any, or interest on this Note, or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the

Indenture or any indenture supplemental thereto or in any Note, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

All terms used in this Note which are defined in the Indenture shall have the respective meanings ascribed to them therein.

This Note shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with and governed by the laws of that State.

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50

The following abbreviations, where such abbreviations appear on this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants

in common

UNIF GIFT MIN ACT-.....Custodian.....

(Cust) (Minor)  
under Uniform Gifts to Minors

Act.....

(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

**PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE**

**PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE**

the within Note of MASCO CORPORATION and hereby does irrevocably constitute and appoint

**Attorney**

to transfer the said Note on the books of the within-named Company, with full power of substitution in the premises.

Dated

\_\_\_\_\_

OF

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE

THE CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

[CONFORMED COPY]

MASCO INDUSTRIES, INC.  
AND  
MORGAN GUARANTY TRUST COMPANY OF NEW YORK,  
TRUSTEE  
INDENTURE  
Dated as of November 1, 1986

**TIE-SHEET\***

of provisions of Trust Indenture Act of 1939 with Indenture dated as of November 1, 1986 between Masco Industries, Inc. and Morgan Guaranty Trust Company of New York, Trustee:

Section of Act Indenture	Section of
310(a)(1) and (2)	8.09
310(a)(3) and (4)	Not applicable
310(b)	8.08 and 8.10
(a)(b)	
310(c)	and (d) Not applicable
311(a) and (b)	8.13
311(c)	Not applicable
312(a)	6.01 and 6.02(a)
312(b) and (c)	6.02(b) and (c)
313(a)	6.04(a)
313(b)(1)	Not applicable
313(b)(2)	6.04(b)
313(c)	6.04(c)
313(d)	6.04(d)
314(a)	6.03
314(b)	Not applicable
314(c)(1) and (2)	15.05
314(c)(3)	Not applicable
314(d)	Not applicable
314(e)	15.05
314(f)	Not applicable
315(a)(c) and (d)	8.01
315(b)	7.08
315(e)	7.09
316(a)(1)	7.01 and 7.07
316(a)(2)	Omitted
316(a) last sentence	9.04
316(b)	7.04
317(a)	7.02
317(b)	5.04(a)
318(a)	15.07

\*This tie-sheet is not part of the Indenture as executed.

TABLE OF CONTENTS\*

-----

	Page
Parties	1
Recitals	1
Authorization of Indenture	1
Compliance with Legal Requirements	1
ARTICLE ONE.	
Definitions.	
SECTION 1.01. Definitions	1
Authenticating Agent	2
Board of Directors	2
Common Stock	2
Company	2
Consolidated Net Earnings	2
Convertible Security or Convertible Securities	3
Event of Default	3
Indenture	3
Officers' Certificate	3
Opinion of Counsel	4
Original Issue Date	4
Person	4
Principal Office of the Trustee	4
Responsible Officer	4
Security or Securities; Outstanding	4
Securityholder	5
Senior Indebtedness	5
Subsidiary	6
Trustee	7
Trust Indenture Act of 1939	7

-----  
\*This table of contents shall not, for any purpose, be deemed to be part of the Indenture.

TWO.

ARTICLE

**SECURITIES.**

Page

SECTION 2.01.	Forms Generally	7
SECTION 2.02.	Form of Trustee's Certificate of Authentication	7
SECTION 2.03.	Amount Unlimited; Issuable in Series	8
SECTION 2.04.	Authentication and Delivery	9
SECTION 2.05.	Date and Denomination of Securities	11
SECTION 2.06.	Execution of Securities	12
SECTION 2.07.	Exchange and Registration of Transfer of Securities	12
SECTION 2.08.	Mutilated, Destroyed, Lost or Stolen Securities	13
SECTION 2.09.	Temporary Securities	15
SECTION 2.10.	Cancellation of Securities Paid, etc.	15

**ARTICLE THREE.****CONVERSION OF SECURITIES.**



SECTION 3.01.	Conversion Privilege
16	
SECTION 3.02.	Manner of Exercise of Conversion Privilege
16	
SECTION 3.03.	Fractional Shares
17	
SECTION 3.04.	Conversion Price
18	
SECTION 3.05.	Adjustment of Conversion Price
18	
SECTION 3.06.	Merger, Consolidation, etc.
22	
SECTION 3.07.	Notices
22	
SECTION 3.08.	Taxes on Conversions
23	
SECTION 3.09.	Company to Provide Stock
24	
SECTION 3.10.	Disclaimer of Responsibility for Certain Matters
24	
SECTION 3.11.	Return of Funds Deposited for Redemption of Converted Securities
25	
SECTION 3.12.	Disposition of Converted Securities
25	

## **ARTICLE FOUR.**

### **SUBORDINATION OF SECURITIES.**

SECTION 4.01.	Agreement to Subordinate
25	
SECTION 4.02.	No Payment on Securities if Senior Indebtedness in Default
26	
SECTION 4.03.	Priority of Senior Indebtedness
26	
SECTION 4.04.	Company to Give Notice of Certain Events; Reliance by Trustee
28	

Page			
	SECTION 4.05.	Subrogation of Securities	29
	SECTION 4.06.	Company Obligation to Pay Unconditional	29
	SECTION 4.07.	Authorization of Holders of Securities to Trustee to Effect Subordination	30
	SECTION 4.08.	Notice to Trustee of Facts Prohibiting Payments	30
	SECTION 4.09.	Trustee May Hold Senior Indebtedness	30
	SECTION 4.10.	All Indenture Provisions Subject to this Article	30

## **ARTICLE FIVE.**

### **PARTICULAR COVENANTS OF THE COMPANY**

SECTION 5.01.	Payment of Principal, Premium and Interest	31
SECTION 5.02.	Offices for Notices and Payments, etc.	31
SECTION 5.03.	Appointments to Fill Vacancies in Trustee's Office	32
SECTION 5.04.	Provision as to Paying Agent	32
SECTION 5.05.	Certificate to Trustee	33

## **ARTICLE SIX.**

### **SECURITYHOLDERS' LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE.**

SECTION 6.01.	Securityholders' Lists	33
SECTION 6.02.	Preservation and Disclosure of Lists	34
SECTION 6.03.	Reports by Company	35
SECTION 6.04.	Reports by Trustee	36

## **ARTICLE SEVEN.**

### **REMEDIES OF THE TRUSTEE AND SECURITYHOLDERS ON EVENT OF DEFAULT.**

SECTION 7.01.	Events of Default
38	
SECTION 7.02.	Payment of Securities on Default; Suit Therefor
41	
SECTION 7.03.	Application of Moneys Collected by Trustee
43	
SECTION 7.04.	Proceedings by Securityholders
44	
SECTION 7.05.	Proceedings by Trustee
45	
SECTION 7.06.	Remedies Cumulative and Continuing
45	
SECTION 7.07.	Direction of Proceedings and Waiver of Defaults by Majority of Securityholders
46	
SECTION 7.08.	Notice of Defaults
47	
SECTION 7.09.	Undertaking to Pay Costs
47	

**ARTICLE EIGHT.**  
**CONCERNING THE TRUSTEE.**

Page

SECTION 8.01. Duties and Responsibilities of Trustee 48

SECTION 8.02. Reliance on Documents, Opinions, etc. 49

SECTION 8.03. No Responsibility for Recitals, etc. 50

SECTION 8.04. Trustee, Authenticating Agent, Paying Agents, Transfer Agents, Conversion Agents or Registrar May Own Securities 51

SECTION 8.05. Moneys to Be Held in Trust 51

SECTION 8.06. Compensation and Expenses of Trustee 51

SECTION 8.07. Officers' Certificate as Evidence 52

SECTION 8.08. Conflicting Interest of Trustee 52

SECTION 8.09. Eligibility of Trustee 59

SECTION 8.10. Resignation or Removal of Trustee 59

SECTION 8.11. Acceptance by Successor Trustee 61

SECTION 8.12. Succession by Merger, etc. 62

SECTION 8.13. Limitation on Rights of Trustee as a Creditor 63

SECTION 8.14. Authenticating Agents 67

**ARTICLE NINE.**  
**CONCERNING THE SECURITYHOLDERS.**

SECTION 9.01. Action by Securityholders  
70

SECTION 9.02. Proof of Execution by Securityholders  
70

SECTION 9.03. Who Are Deemed Absolute Owners  
70

SECTION 9.04. Securities Owned by Company Deemed  
Not Outstanding

71

SECTION 9.05. Revocation of Consents; Future Holders Bound  
71

**ARTICLE TEN.**  
**SECURITYHOLDERS' MEETING.**

SECTION 10.01.	Purposes of Meetings
72	
SECTION 10.02.	Call of Meetings by Trustee
72	
SECTION 10.03.	Call of Meetings by Company or Securityholders
73	
SECTION 10.04.	Qualifications for Voting
73	
SECTION 10.05.	Regulations
73	
SECTION 10.06.	Voting
74	

**ARTICLE ELEVEN.  
SUPPLEMENTAL INDENTURE.**

Page

SECTION 11.01. Supplemental Indentures without Consent of Securityholders 75

SECTION 11.02. Supplemental Indentures with Consent of Securityholders 77  
SECTION 11.03. Compliance with Trust Indenture Act; Effect of Supplemental Indentures 78  
SECTION 11.04. Notation on Securities 78  
SECTION 11.05. Evidence of Compliance of Supplemental Indenture to Be Furnished Trustee 79  
SECTION 11.06. Effect on Senior Indebtedness 79

**ARTICLE TWELVE.**

**CONSOLIDATION, MERGER AND SALE BY THE COMPANY.**

SECTION 12.01. Consolidation, Merger or Sale of Assets Permitted 79  
SECTION 12.02. Successor Corporation to be Substituted for Company 80  
SECTION 12.03. Evidence to be Furnished Trustee 80

**ARTICLE THIRTEEN.**

**SATISFACTION AND DISCHARGE OF INDENTURE.**

SECTION 13.01. Discharge of Indenture 81  
SECTION 13.02. Deposited Moneys to Be Held in Trust by Trustee 82  
SECTION 13.03. Paying Agent to Repay Moneys Held 83  
SECTION 13.04. Return of Unclaimed Moneys 83

**ARTICLE FOURTEEN.**

**IMMUNITY OF INCORPORATION, STOCKHOLDERS,  
OFFICERS AND DIRECTORS.**

SECTION 14.01. Indenture and Securities Solely Corporate Obligations 83

**ARTICLE FIFTEEN.**

**MISCELLANEOUS PROVISIONS.**

SECTION 15.01. Successor 84  
SECTION 15.02. Official Acts by Successor Corporation 84  
SECTION 15.03. Addresses for Notices, Inc. 84

Page

SECTION 15.04. New York Contract

84

SECTION 15.05. Evidence of Compliance with Conditions Precedent 85

SECTION 15.06 Legal Holidays 85

SECTION 15.07. Trust Indenture Act to Control 85

SECTION 15.08. Table of Contents, Headings, etc. 85

SECTION 15.09. Execution in Counterparts 86

SECTION 15.10. No Security Interest Created 86

**ARTICLE SIXTEEN.****REDEMPTION OF SECURITIES - MANDATORY AND  
OPTIONAL SINKING FUND.**SECTION 16.01. Applicability of Article  
86SECTION 16.02. Notice of Redemption; Selection of Securities  
86SECTION 16.03. Payment of Securities Called for Redemption  
87SECTION 16.04. Mandatory and Optional Sinking Fund  
88

TESTIMONIUM

91

SIGNATURES

91

ACKNOWLEDGEMENTS

92

THIS INDENTURE, dated as of November 1, 1986, between MASCO INDUSTRIES, INC., a Delaware corporation (hereinafter sometimes called the "Company"), and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, trustee (hereinafter sometimes called the "Trustee").

**WITNESSETH:**

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the issue from time to time of its convertible and non-convertible subordinated debentures, notes or other evidence of indebtedness to be issued in one or more series (the "Securities") up to such principal amount or amounts as may from time to time be authorized in accordance with the terms of this Indenture and, to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered, the Company has duly authorized the execution of this Indenture; and

WHEREAS, all acts and things necessary to make this Indenture a valid agreement according to its terms, have been done and performed;

**NOW, THEREFORE, THIS INDENTURE WITNESSETH:**

In consideration of the premises, and the purchase of the Securities by the holders thereof, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective holders from time to time of the Securities or of a series thereof, as follows:

**ARTICLE ONE.**

**DEFINITIONS.**

SECTION 1.01 Definitions. The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective means specified in this Section 1.01. all others terms used in this Indenture which are defined in the Trust Indenture Act of 1939, as amended, or which are by reference therein defined in the Securities Act of 1933, as amended, shall (except as herein otherwise expressly provided or unless the context otherwise requires) have the meanings assigned to such terms in said Trust Indenture Act and in said Securities Act as in force at the date of this Indenture as originally executed. All accounting terms used herein and not expressly defined shall have the meanings assigned to such terms in accordance with generally accepted accounting principles and the term "generally accepted accounting principles" means such accounting principles as are generally accepted at the time of any computation. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.



**Authenticating Agent:**

The term "Authenticating Agent" shall mean any agent or agents of the Trustee which at the time shall be appointed and acting pursuant to Section 8.14.

**Board of Directors:**

The term "Board of Directors" shall mean the Board of Directors of the Company or any committee of such Board duly authorized to act for it hereunder.

**Common Stock:**

The term "Common Stock" shall mean the Common Stock of the Company, \$1 par value, at the date of this Indenture, as such Common Stock may be changed or reclassified from time to time.

**Company:**

The term "Company" shall mean Masco Industries, Inc., a Delaware corporation, and, subject to the provisions of Article Twelve, shall include its successors and assigns.

**Consolidated Net Earnings:**

The term "Consolidate Net Earnings" shall mean the consolidate net earnings (or loss) of the Company and its consolidated Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles, after deduction of all charges, including, without limitation, operating expenses, interest amortization of deferred charges, depreciation and taxes (including income and other profits taxes).

**Convertible Security or Convertible Securities:**

The terms "Convertible Security" or "Convertible Securities" shall mean any series of Securities designated convertible by the resolutions or supplemental indentures referred to in Section 2.03.

**Event of Default:**

The term "Event of Default" shall mean any event specified in Section 7.01, continued for the period of time, if any, and after the giving of the notice, if any, therein designated.

**Indenture:**

The term "Indenture" shall mean this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented, or both, and shall include the form and

terms of particular series of Securities established as contemplated hereunder; provided, however, that if at any time more than one Person is acting as Trustee under this instrument, "Indenture" shall mean with respect to any one or more series of Securities for which such Person is Trustee, this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of particular series of Securities for which such Person is Trustee established as contemplated by

Section 2.03, exclusive, however, of any provisions or terms which relate solely to other series of Securities for which such Person is not Trustee, regardless of when such terms or provisions were adopted, and exclusive any provisions or terms adopted by means of one or more indentures supplemental hereto executed and delivered after such Person had become such Trustee but to which such Person, as such Trustee, was not a party.

**Officers' Certificate:**

The term "Officers' Certificate" shall mean a certificate signed by the Chairman of the Board, the President or any Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary of an Assistant Secretary of the Company and delivered to the Trustee. Each such certificate shall include the statements provided for in Section 15.05 if and to the extent required by the provisions of such Section.

**Opinion of Counsel:**

The term "Opinion of Counsel" shall mean an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company, or may be other counsel acceptable to the Trustee. Each such opinion shall include the statements provided for in Section 15.05 if and to the extent required by the provisions of such Section.

**Original Issue Date:**

The term "Original Issue Date" or "original issue date" of any Security (or any portion thereof) shall mean the earlier of (a) the date of such Security or (b) the date of any Security (or portion thereof) for which such Security was issued (directly or indirectly) on registration of transfer, exchange or substitution.

**Person:**

The term "Person" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

**Principal Office of the Trustee:**

The term "principal office of the Trustee", or other similar term, shall mean the principal office of the Trustee at which at any particular time its corporate trust business shall principally be administered, which office may be in more than one location within the same city.

**Responsible Officer:**

The term "Responsible Officer", when used with respect to the Trustee, means any officer of the Trustee authorized to administer its corporate trust matters.

**Security or Securities; Outstanding:**

The terms "Security" or "Securities" shall have the meaning stated in the first recital of this Indenture and more particularly means any security or securities, as the case may be, authenticated and delivered under this Indenture, whether convertible or non-convertible into shares of Common Stock; provided, however, that if at any time there is more than one Person acting as Trustee under this instrument, "Security" or "Securities" with respect to the Indenture as to which such Person is Trustee shall have the meaning stated in the first recital of this instrument and shall more particularly mean any securities, as the case may be, authenticated and delivered under this instrument, whether convertible or non-convertible into shares of Common Stock, exclusive, however, of securities of any series as to which such Person is not Trustee.

The term "outstanding" (except as otherwise provided in Section 8.08), when used with reference to Securities, shall, subject to the provisions of Section 9.04, mean, as of any particular time, all Securities authenticated and delivered by the Trustee or the authenticating Agent under this Indenture, except

- (a) Securities theretofore cancelled by the Trustee or the Authenticating Agent or delivered to the Trustee for cancellation;
- (b) Securities, or portions thereof, for the payment or redemption of which moneys is in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own paying agent); provided that, if such Securities, or portions thereof, are to be redeemed prior to maturity thereof, notice of such redemption shall have been given as in Article Sixteen provided or provisions satisfactory to the Trustee shall have been made for giving such notice; and

(c) Securities paid or in lieu of or in substitution for which other Securities shall have been authenticated and delivered pursuant to the terms of Section 2.08 unless proof satisfactory to the Company and the Trustee is presented that any such Securities are held by bona fide holders in due course.

**Securityholder:**

The terms "Securityholder", "holder of Securities" or "Holder", or other similar terms, shall mean any person in whose name at the time a particular Security is registered on the register kept by the Company or the Trustee for that purpose in accordance with the terms hereof.

**Senior Indebtedness:**

The term "Senior Indebtedness" shall mean (a) all indebtedness of the Company for money borrowed (including without limitation obligations of the Company in respect of overdrafts, foreign exchange contracts, letters of credit, bankers' acceptance, or any loan or advance from a bank whether or not evidenced by promissory notes or other instruments) or incurred in connection with the acquisition of property, whether outstanding on the date of execution of this Indenture or thereafter created, assumed or incurred, except such indebtedness as is by its terms expressly stated to be not superior in right of payment to the Securities or to rank pari passu with the Securities and (b) any deferrals, renewals or extensions of any such Senior Indebtedness, or debentures, notes or other evidences of indebtedness issued in exchange for such Senior Indebtedness. The term "indebtedness of the Company for money borrowed" as used in the foregoing sentence shall mean any obligation of the Company (and any guaranty, endorsement or other contingent obligation of the Company in respect of, or to purchase or otherwise acquire, any obligation of another) for borrowed money evidenced by notes or other written obligations, and any indebtedness of the Company evidenced by bonds, notes or debentures or other similar instruments. The term "indebtedness of the Company incurred in connection with the acquisition of property" as used in the first sentence of this definition shall mean any purchase money obligation (whether or not secured by any lien or other security interest) created or assumed as all or part of the consideration for the acquisition of property whether by purchase, merger, consolidation or otherwise (but not including any account payable or any other obligation created or assumed by the Company in the ordinary course of business in connection with the obtaining materials or services).

**Subsidiary:**

The term "Subsidiary" shall mean any corporation of which at least a majority of the outstanding stock having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (excluding in the computation of such percentage stock of any class or classes of such corporation which has or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by the Company, or by one or more Subsidiaries, or by the Company and one or more Subsidiaries.

**Trustee:**

The term "Trustee" shall mean the Person identified as "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder; provided, however, that if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean only the Trustee with respect to Securities of that series.

**Trust Indenture Act of 1939:**

The term "Trust Indenture Act of 1939" shall mean the Trust Indenture of Act of 1939 as in force at the date of execution of this Indenture, except as provided in Sections 2.03 and 11.03.

**ARTICLE TWO.****SECURITIES.**

SECTION 2.01. Forms Generally. The Securities of each series shall be in substantially the form as shall be established by or pursuant to a resolution of the Board of Directors or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with any law or with any rules made pursuant thereto or with any rules of any securities exchange or all as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities.

The definitive Securities shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

SECTION 2.02 Form of Trustee's Certificate of Authentication. The Trustee's certificate of authentication on all Securities shall be in substantially the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

**MORGAN GUARANTY TRUST  
COMPANY OF NEW YORK,  
as Trustee**

By  
Authorized Officer

SECTION 2.03. Amount Unlimited; Issuable in Series. The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities shall rank equally and *pari passu* and may be issued in one or more series. There shall be established in or pursuant to a resolution of the Board of Directors or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series,

- (1) the title of the Securities of the series (which shall distinguish the Securities of the series from all other Securities);
- (2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 2.07, 2.08, 2.09, 11.04 or 16.03);
- (3) the date or dates on which the principal of a premium, if any, on the Securities of the series is payable;
- (4) the rate or rates at which the Securities of the series shall bear interest, or the method by which such interest may be determined, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable and the record dates for the determination of holders to whom interest is payable;

- (5) the place or places where the principal of, and premium, if any, and interest on Securities of the series shall be payable;
- (6) the price or prices at which, the period or periods within which and the terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Company, pursuant to any Sinking Fund or otherwise;
- (7) the obligation, if any, of the Company to redeem, purchase or repay Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Securityholder thereof and the price or prices at which and the period or periods within which and the terms and conditions upon which Securities of the series shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligation;
- (8) the right, if any, of the Company to discharge the Indenture as to the Securities of the series pursuant to Section 13.01(c) or to limit the Indenture as to the Securities of the series pursuant to the last sentence of Section 13.01 (and if any sinking fund is applicable to such series, the obligations of such sinking fund shall survive and be provided for upon the discharge of the Indenture pursuant to Section 13.01(c) or the limitation of the Indenture pursuant to the last sentence of Section 13.01);
- (9) if other than denominations of \$1,000 and any multiple thereof, the denominations in which Securities of the series shall be issuable;
- (10) any Events of Default with respect to the Securities of a particular series, in addition to or in lieu of those set forth herein;
- (11) any trustees, authenticating or paying agents, warrant agents, transfer agents, conversion agents (if such Securities are Convertible Securities) or registrar with respect to the Securities of such series;
- (12) the applicable initial conversion price if such Securities are Convertible Securities, the dates on or subsequent to which such Securities are convertible and the date such Securities cease to be convertible; and
- (13) any other terms of the series (which terms shall conform to the requirements of the Trust Indenture Act of 1939 as then in effect, shall not adversely affect the rights of the Securityholders of any other Securities then outstanding and shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be

provided in or pursuant to such resolution of the Board of Directors or in any such indenture supplemental hereto.

**SECTION 2.04. Authentication and Delivery.** At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Securities to or upon the written order of the Company, signed by its Chairman of the Board of Directors, President, any Vice President, its Treasurer or Assistant Treasurer or its Secretary or an Assistant Secretary without any further action by the Company hereunder. In authenticating such Securities, the Trustee shall be entitled to receive, and (subject to Sections 8.01 and 8.02) shall be fully protected in relying upon:

- (1) a copy of any resolution or resolutions of the Board of Directors relating thereto and, if applicable, an appropriate record of any action taken pursuant to such resolution, in each case certified by the Secretary or an Assistant Secretary of the Company;
- (2) an executed supplemental indenture, if any;
- (3) an Officers' Certificate prepared in accordance with Section 15.05 setting forth the form and terms of the Securities as required pursuant to Sections 2.01 and 2.03, respectively; and
- (4) an Opinion of Counsel prepared in accordance with Section 15.05 which shall also state
  - (a) that the form of such Securities has been established by or pursuant to a resolution of the Board of Directors or by a supplemental indenture as permitted by Section 2.01 in conformity with the provisions of this Indenture;
  - (b) that the terms of such Securities have been established by or pursuant to a resolution of the Board of Directors or by a supplemental indenture as permitted by Section 2.03 in conformity with the provisions of this Indenture;
  - (c) that such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company;



(d) that all laws and requirements in respect of the execution and delivery by the Company of the Securities have been complied with and that authentication and delivery of the Securities by the Trustee will not violate the terms of this Indenture; and

(e) such other matters as the Trustee may reasonably request.

The Trustee shall have the right to decline to authenticate and deliver any Securities under this Section if the Trustee, being advised by counsel, determines that such action may not lawfully be taken or if the Trustee in good faith by its board of directors or trustees, executive committee, or a trust committee of directors or trustees and/or vice presidents shall determine that such action would expose the Trustee to personal liability to existing holders.

**SECTION 2.05. Date and Denomination of Securities.** The Securities shall be issuable as registered Securities without coupons and in such denominations as shall be specified as contemplated by Section 2.03. In the absence of any such specification with respect to the Securities of any series, the Securities of such series shall be issuable in the denominations of \$1,000 and any multiple thereof. The Securities shall be numbered, lettered, or otherwise distinguished in such manner or in accordance with such plans as the officers of the Company executing the same may determine with the approval of the Trustee as evidenced by the execution and authentication thereof.

Every Security shall be dated the date of its authentication, shall bear interest from such date and shall be payable on such dates, in each case, as contemplated by Section 2.03.

The person in whose name any Security of any series is registered at the close of business on any record date (as hereinafter defined) with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding the cancellation of such Security upon any transfer, exchange or conversion subsequent to the record date and prior to such interest payment date; provided, however, that if and to the extent the Company shall default in the payment of the interest due on such interest payment date, such defaulted interest shall be paid to the persons in whose names outstanding Securities are registered on a subsequent record date established by notice given by mail by or on behalf of the Company to the holders of Securities and the Trustee not less than 15 days preceding such subsequent record date, such subsequent record date to be not less than ten days preceding the date of payment of such defaulted interest. The term "record date" as used in this Section with respect to any interest payment date shall mean if such interest payment date is the first day of a calendar month, the fifteenth day of the next preceding calendar month and shall mean, if such interest payment date is the fifteenth

day of a calendar month, the first day of such calendar month, whether or not such record date is a business day.

SECTION 2.06. Execution of Securities. The Securities shall be signed in the name and on behalf of the Company by the facsimile signature of its Chairman of the Board or its President and imprinted with a facsimile of its corporate seal, and attested by the facsimile signature of its Secretary or an Assistant Secretary. Each such signature upon the Securities may be in the form of a facsimile signature of any such officer and may be imprinted or otherwise reproduced on the Securities and for that purpose the Company may adopt and use the facsimile signature of any person who has been or is such officer, and in case any such officer of the Company signing any of the Securities shall cease to be such officer before the Securities so signed shall have been authenticated and delivered by the Trustee, or disposed of by the Company, such securities nevertheless may be authenticated and delivered or disposed of as though such person had not ceased to be such officer of the Company. Only such Securities as shall bear thereon a certificate of authentication substantially in the form hereinbefore recited, executed by the Trustee or the Authenticating Agent, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee or the Authenticating Agent upon any Security executed by the Company shall be conclusive evidence that the Security so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Indenture.

SECTION 2.07. Exchange and Registration of Transfer of Securities. Securities of any series may be exchanged for a like aggregate principal amount of Securities of the same series of other authorized denominations. Securities to be exchanged may be surrendered at the principal office of the Trustee or at any office or agency to be maintained by the Company for such purpose as provided in Section 5.02, and the Company or the Trustee shall execute and register and the Trustee or the Authenticating Agent shall authenticate and deliver in exchange therefor the Security or Securities which the Securityholder making the exchange shall be entitled to receive. Upon due presentment for registration of transfer of any Security of any series at the principal office of the Trustee or at any office or agency of the Company maintained for such purpose as provided in Section 5.02, the Company or the Trustee shall execute and register and the Trustee or the Authenticating Agent shall authenticate and deliver in the name of the transferee or transferees a new Security or Securities of the same series for a like aggregate principal amount. Registration or registration of transfer of any Security by the Trustee or by any agent of the Company appointed pursuant to Section 5.02, and delivery of such Security, shall be deemed to complete the registration or registration of transfer of such Security.

The Company or the Trustee shall keep, at the principal office of the Trustee, a register for each series of Securities issued hereunder in which, subject to such reasonable regulations as it may prescribe, the Company or the Trustee shall register all Securities and shall register the transfer of all Securities as in this Article Two provided. Such register shall be in written form or in any other form capable of being converted into written form within a reasonable time.

All Securities presented for registration of transfer or for exchange or payment shall (if so required by the Company or the Trustee or the Authenticating Agent) be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and the Trustee or the Authenticating Agent duly executed by, the holder or his attorney duly authorized in writing.

No service charge shall be made for any exchange or registration of transfer of Securities, but the Company or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

The Company or the Trustee shall not be required to exchange or register a transfer of (a) any Security of a series for a period of 15 days next preceding the date of selection of Securities of such series for redemption, or (b) any Securities of any series selected, called or being called for redemption in whole or in part, except, in the case of any Securities of any series to be redeemed in part, the portion thereof not so to be redeemed.

SECTION 2.08. Mutilated, Destroyed, Lost or Stolen Securities. In case any temporary or definitive Security shall become mutilated or be destroyed, lost or stolen, the Company in the case of a mutilated Security shall, and in the case of a lost, stolen or destroyed Security may in its discretion, execute, and upon its request the Trustee shall authenticate and deliver, a new Security of the same series bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Security, or in lieu of and in substitution for the Security so destroyed, lost or stolen. In every case the applicant for a substituted Security shall furnish to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and the Trustee evidence to their satisfaction of the destruction, loss or theft of such Security and of the ownership thereof.

The Trustee may authenticate any such substituted Security and deliver the same upon the written request or authorization of any officer of the Company. Upon the issuance of any substituted Security, the Company may require the payment of a sum sufficient

to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith an in additional further sum not exceeding two dollars for each Security so issued in substitution. In case any Security which has matured or is about to mature or has been called for redemption in full shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substitute Security, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Security) if the applicant for such payment shall furnish to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless and, in case of destruction, loss or theft, evidence satisfactory to the Company and to the Trustee of the destruction, loss or theft of such Security and of the ownership thereof.

Every substituted Security of any series issued pursuant to the provisions of this Section 2.08 by virtue of the fact that any such Security is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be found at any time, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of the same series duly issued hereunder. All Securities shall be held and owned upon the express condition that, to the extent permitted by applicable law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.09. Temporary Securities. Pending the preparation of definitive Securities of any series the Company may execute and the Trustee shall authenticate and deliver temporary Securities (printed or lithographed). Temporary Securities shall be issuable in any authorized denomination, and substantially in the form of the definitive Securities but with such omissions, insertions and variations as may be appropriate for temporary Securities, all as may be determined by the Company. Every such temporary Security shall be executed by the Company and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the definitive Securities. Without unreasonable delay the Company will execute and deliver to the Trustee or the Authenticating Agent definitive Securities and thereupon any or all temporary Securities of such series may be surrendered in exchange therefor, at the principal office of the Trustee or at any office or agency maintained by the Company for such purpose as provided in Section 5.02, and the Trustee or the Authenticating Agent shall authenticate and deliver in exchange for such temporary Securities a like aggregate principal amount of such definitive Securities. Such exchange shall be made by the Company

at its own expense and without any charge therefor except that in case of any such exchange involving a registration of transfer the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto. Until so exchanged, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of the same series authenticated and delivered hereunder.

Section 2.10. Cancellation of Securities Paid, etc. All Securities surrendered for the purpose of payment, redemption, exchange or registration of transfer shall, if surrendered to the Company or any paying agent, be surrendered to the Trustee and promptly cancelled by it, or, if surrendered to the Trustee or any Authenticating Agent, shall be promptly cancelled by it, and no Securities shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. All Securities cancelled by any Authenticating Agent shall be delivered to the Trustee. The Trustee shall destroy cancelled Securities and shall deliver a certificate of such destruction to the Company. If the Company shall acquire any of the Securities, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are surrendered to the Trustee for cancellation.

### **ARTICLE THREE.**

#### **Conversion of Securities.**

SECTION 3.01. Conversion Privilege. Subject to and upon compliance with the provisions of this Article Three, the holder of any Convertible Security shall have the right, at his option, at any date on or subsequent to which such Convertible Security is convertible up to the date on which such Convertible Security ceases to be convertible (or if such Convertible Security is called for redemption prior to such date such Convertible Security ceases to be convertible then, in respect of such Convertible Security, to and including but not after the close of business on the last business day preceding the date fixed for such redemption, unless the Company shall default in the payment due upon redemption thereof) as set forth in the resolutions or supplemental indenture relating to such series of Convertible Securities referred to in Section 2.03 to convert the principal amount of such Convertible Security into the whole number of fully paid and non-assessable shares of Common Stock obtained by dividing the principal amount of the Convertible Security to be converted by the Conversion Price for such series.

SECTION 3.02. Manner of Exercise of Conversion Privilege. In order to exercise the conversion privilege, the holder of any Convertible Security to be converted shall surrender such Convertible Security at the office or agency to be maintained by

the Company pursuant to Section 5.02 for the conversion of Convertible Securities, and shall give written notice to the Company in the form provided on the Security at such office or agency that the holder elects to convert such Convertible Security and, if so required by the Company, accompanied by instruments of transfer, in form satisfactory to the Company and to the Trustee, duly executed by the Holder or his duly authorized attorney in writing. Convertible Securities, of any series, surrendered for conversion during the period from the close of business on any record date (as defined in Section

2.05) for the payment of interest on such series of Convertible Securities to the opening of business on the interest payment date (as defined in Section

2.05) of such series for such interest shall (except in the case of Convertible Securities which have been called for redemption on a redemption date within such period) be accompanied by payment in New York Clearing House funds or other funds acceptable to the Company of an amount equal to the interest payable on such interest payment date on the principal amount of Convertible Securities being surrendered for conversion. Said notice shall state the name or names (with addresses) in which the certificate or certificates for shares of Common Stock which shall be issuable on such conversion shall be issued. As promptly as practicable after the surrender of such Convertible Security and the receipt of such notice, as aforesaid, the Company shall, subject to the provisions of

Section 3.08, issue and deliver at such office or agency to such holder, or on his written order, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion of Convertible Securities in accordance with the provisions of this Article and cash, as provided in Section

3.03, in respect of any fraction of a share of Common Stock otherwise issuable upon such conversion. Such conversion shall be deemed to have been effected immediately prior to the close of business on the date (herein called the "Date of Conversion") on which such notice shall have been received by the Company and such Convertible Security shall have been surrendered as aforesaid, and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become on the Date of Conversion the holder or holders of record of the shares represented thereby; provided, however, that any such surrender on any date when the stock transfer books of the Company shall be closed shall constitute the person or persons in whose name or names the certificate or certificates for such shares are to be issued as the record holder or holders thereof for all purposes at the opening of business on the next succeeding day on which such stock transfer books are open but such conversion shall nevertheless be at the conversion price in effect at the close of business on the date when such Convertible Security shall have been so surrendered with the conversion notice, and such Convertible Security shall cease to bear interest on such date. Subject to the foregoing and to the last paragraph of Section 2.05, no payment or adjustment shall be made upon conversion on account of any interest accrued on any

Convertible Security converted or for dividends or distributions on any shares of Common Stock issued upon conversion of any Convertible Security.

SECTION 3.03. Fractional Shares. No fractional shares of Common Stock shall be issued upon conversions of Convertible Securities. If more than one Convertible Security shall be surrendered for conversion at one time by the same holder, the number of full shares which shall be issuable upon conversion shall be computed on the basis of the aggregate principal amount of the Convertible Securities so surrendered. Instead of any fractional interest in a share of Common Stock which would otherwise be issuable upon conversion of any Convertible Security or Convertible Securities, the Company shall pay a cash adjustment in respect of such fractional interest to the nearest one-hundredth of a share in an amount equal to the market value of such fractional interest on the Date of Conversion. In such event, the market value of a share of Common Stock shall be (i) if the Common Stock is listed or admitted to trading on a national securities exchange, the closing price on the NYSE-Consolidated Tape (or any successor composite tape reporting transactions on national securities exchanges) or, if such a composite tape shall not be in use or shall not report transactions in the Common Stock, the last reported sales price regular way on the principal national securities exchange on which the Common Stock is listed or admitted to trading (which shall be the national securities exchange on which the greatest number of shares of the Common Stock has been traded during the preceding 30 consecutive trading days), or, if there is no transaction on any such day in any such situation, the mean of the bid and asked prices on such day or (ii), if the Common Stock is not listed or admitted to trading on any such exchange, the last reported sale price, if reported, or, if no sale occurs on such date or the last reported sale price is not available, the average of the closing bid and asked prices as reported by the National Association of Securities Dealers Automated Quotation System (NASDAQ) or a similar source selected from time to time by the Company for the purpose.

SECTION 3.04. Conversion Price. The Conversion Price for such series of Convertible Securities shall be as specified in the resolution or supplemental indenture or indentures pursuant to which such series is created referred to in Section 2.03, subject to adjustment as provided in this Article Three.

SECTION 3.05. Adjustment of Conversion Price. The Conversion Price for each series shall be adjusted from time to time as follows:

(a) In case the Company shall, while any of the Convertible Securities are outstanding, (i) pay a dividend or make a distribution with respect to its Common Stock in shares of its capital stock (whether shares of Common Stock or of capital stock of any other class), (ii) subdivide its

outstanding shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares, or (iv) issue by reclassification of its shares of Common Stock any shares of capital stock of the Company, the conversion privilege and the Conversion Price for each series of Convertible Securities in effect immediately prior to such action shall be adjusted so that the holder of any Convertible Security thereafter surrendered for conversion shall be entitled to receive the number of shares of capital stock of the Company which he would have owned immediately following such action had such Convertible Security been converted immediately prior thereto. An adjustment made pursuant to this subsection (a) shall become effective immediately after the record date in the case of a dividend and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification. If, as a result of an adjustment made pursuant to this subsection (a), the holder of any Convertible Security thereafter surrendered for conversion shall become entitled to receive shares of two or more classes of capital stock of the Company, the Board of Directors (whose determination shall be conclusive and shall be described in a resolution filed with the Trustee) shall determine the allocation of the adjusted Conversion Price for each series of Convertible Securities between or among shares of such classes of capital stock.

(b) In case the Company shall, while any of the Convertible Securities are outstanding, issue rights or warrants to all holders of its Common Stock entitling them (for a period expiring within forty-five days after the record date mentioned below) to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share (as determined pursuant to subsection (d) below) on the record date mentioned below, the Conversion Price for each series of Convertible Securities of the Common Stock shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price for such series in effect immediately prior to the date of issuance of such rights or warrants by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such current market price, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase. Such adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights or warrants.



(c) In case the Company shall, while any of the Convertible Securities are outstanding, distribute to all holders of its Common Stock evidences of its indebtedness or assets (excluding any cash dividends) or rights to subscribe or warrants (excluding those referred to in subsection (b) above), then in each such case the Conversion Price for each series of Convertible Securities of the Common Stock shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price for such series in effect immediately prior to the date of such distribution by a fraction of which the numerator shall be the current market price per share (determined as provided in subsection (d) below) of the Common Stock on the record date mentioned below less the then fair market value (as determined by the Board of Directors of the Company, whose determination shall be conclusive, and described in a resolution filed with the Trustee) of the portion of the assets or evidences of indebtedness so distributed or of such subscription rights or warrants applicable to one share of Common Stock, and the denominator shall be such current market price per share of the Common Stock. Such adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive such distribution.

(d) For the purpose of any computation under Subdivisions (b) and (c) above, the current market price per share of Common Stock at any date shall be deemed to be the average of the daily closing prices for the thirty consecutive trading days commencing forty-five trading days before the date in question. The closing price for each day shall be (i) if the Common Stock is listed or admitted to trading on a national securities exchange, the closing price on the NYSE-Consolidated Tape (or any successor composite tape reporting transactions on national securities exchanges) or, if such a composite tape shall not be in use or shall not report transactions in the Common Stock, the last reported sales price regular way on the principal national securities exchange on which the Common Stock is listed or admitted to trading (which shall be the national securities exchange on which the greatest number of shares of the Common Stock has been traded during such 30 consecutive trading days), or, if there is no transaction on any such day in any such situation, the mean of the bid and asked prices on such day or (ii) if the Common Stock is not listed or admitted to trading on any such exchange, the last reported sale price, if reported, or, if no sale occurs on such date or the last reported sale price is not available, the average of the closing bid and asked prices as reported by the National Association of Securities Dealers Automated Quotation System (NASDAQ) or a similar source selected from time to time by the Company for the purpose.

(e) In any case in which this Section 3.05 shall require that an adjustment be made immediately following a record date, the Company may elect to defer (but only until five business days following the filing by the Company with the Trustee of the Officer's Certificate described in subsection (g) below) issuing to the holder of any Convertible Security converted after such record date the shares of Common Stock and other capital stock of the Company issuable upon such conversion over and above the shares of Common Stock and other capital stock of the Company issuable upon such conversion only on the basis of the Conversion Price for the series of Convertible Securities which such Convertible Security is a part prior to such adjustment; and, in lieu of the shares the issuance of which is so deferred, the Company shall issue or cause its transfer agents to issue due bills or other appropriate evidence of the right to receive such shares.

(f) No adjustment in the Conversion Price for any series of Convertible Securities shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which be reason of this subsection (f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 3.05 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

(g) Whenever the Conversion Price for any series of Convertible Securities is adjusted as herein provided, the Company shall promptly file with the Trustee and each conversion agent an Officers' Certificate setting forth the Conversion Price for such series after such adjustment and setting forth a brief statement of the facts and calculation requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment and cause a notice stating that such adjustment has been effected and the adjusted Conversion Price to be mailed to the holders of Convertible Securities of such series at their last addresses as they shall appear on the Securities register.

(h) The Company may make such reductions in the Conversion Price, in addition to those required by this Section 3.05, as it considers to be advisable in order to avoid or diminish any income tax to any holder of its Common Stock resulting from any dividend distribution of stock or issuance or rights or warrants to purchase or subscribe for stock or from any event treated as such for income tax purposes or for any other reasons.

(i) In the event that at any time as a result of an adjustment made pursuant to subsection (a) above, the holder of any Convertible Security thereafter surrendered

for conversion shall become entitled to receive any shares of capital stock of the Company other than shares of its Common Stock, thereafter the Conversion Price for such series of such other shares so receivable upon conversion of any convertible Securities shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in subsections (a) through (h) above, and the provisions of Sections 3.01 through 3.04 and of Sections 3.06 through 3.10 with respect to the Common Stock shall apply on like terms to any such other shares.

SECTION 3.06. Merger, Consolidation, etc. If either of the following shall occur, namely: (a) any consolidation or merger to which the Company is a party, other than a consolidation or a merger in which the Company is the continuing corporation and which does not result in any reclassification of, or change (other than a change in par value or from par value to no par value or from no par value to par value, or as a result of a subdivision or combination) in, outstanding shares of the Common Stock, or (b) any sale or conveyance to another corporation of the assets of the Company as an entirety or substantially as an entirety, then the Company, or such successor or purchasing corporation, as the case may be, shall execute and deliver to the Trustee a supplemental indenture providing that the holder of each Convertible Security then outstanding shall have the right to convert such Convertible Security into the kind and amount of shares of stock and other securities and property (including cash) receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock issuable upon conversion of such Convertible Security immediately prior to such reclassification, change, consolidation, merger, sale or conveyance. Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article. The provisions of this Section 3.06 shall similarly apply to successive consolidations, mergers, sales or conveyances.

SECTION 3.07. Notices. In case, at any time while any of the Convertible Securities are outstanding,

- (a) the Company shall declare a dividend (or any other distribution) on its Common Stock, excluding any cash dividends; or
- (b) the Company shall authorize the issuance to all holders of its Common Stock of rights or warrants to subscribe for or purchase shares of its Common Stock or of any other subscription rights or warrants; or
- (c) of any reclassification of Common Stock of the Company (other than a subdivision or combination thereof) or

of any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required (except for a merger of the Company into one of its Subsidiaries solely for the purpose of changing the corporate domicile of the Company to another state of the United States and in connection with which there is no substantive change in the rights or privileges of any securities of the Company other than changes resulting from differences in the corporate statutes of the then existing and the new state of domicile), or of the sale or transfer of all or substantially all of the assets of the Company; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of the Convertible Securities pursuant to Section

5.02, and shall cause to be mailed to the holders of Convertible Securities at their last addresses as they shall appear on the Securities register, at least 10 days before the date hereinafter specified (or the earlier of the dates hereinafter specified, in the event that more than one date is specified), a notice stating (i) the date on which a record is to be taken for the purpose of such dividend, distribution, rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined, or (ii) the date on which any such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property (including cash), if any, deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up. The failure to give or receive the notice required by this Section 3.07 or any defect therein shall not affect the legality or validity of any such dividend, distribution, right or warrant or other action.

SECTION 3.08. Taxes on Conversions. The Company will pay any and all documentary, stamp or similar taxes payable to the United States of America or any political subdivision or taxing authority thereof or therein in respect of the issue or delivery of shares of Common Stock on conversion of Convertible Securities pursuant hereto; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the Convertible Securities to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid.

SECTION 3.09. Company to Provide Stock. The Company covenants that there shall be reserved, free from pre-emptive rights, out of authorized but unissued shares of Common Stock, sufficient shares to provide for the conversion of the Convertible Securities from time to time as such Convertible Securities are presented for conversion.

If any shares of Common Stock to be reserved for the purpose of conversion of Convertible Securities hereunder require registration with or approval of any governmental authority under any Federal or state law before such shares may be validly issued or delivered upon conversion, then the Company covenants that it will in good faith and as expeditiously as possible endeavor to secure such registration or approval, as the case may be.

Before any action which would cause an adjustment reducing the Conversion Price for any series of Convertible Securities below the then par value, if any, of the Common Stock, the Company covenants that there will be taken all corporate action which may, in the opinion of its counsel, be necessary in order that there may be validly and legally issued fully paid and non-assessable shares of such Common Stock at such adjusted Conversion Price.

The Company covenants that all shares of Common Stock which may be issued upon conversion of Convertible Securities will upon issue be validly issued, fully paid and non-assessable and free from all liens and charges with respect to the issue or delivery thereof.

SECTION 3.10. Disclaimer of Responsibility for Certain Matters. Neither the Trustee nor any conversion agent shall at any time be under any duty or responsibility to any holder of Convertible Securities to determine whether any facts exist which may require any adjustment of the Conversion Price for any series of Convertible Securities, or with respect to the Officer's Certificate referred to in Section 3.05(g), or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. Neither the Trustee nor any conversion agent shall be accountable with respect to the registration, validity or value (or the kind or amount) of any shares of Common Stock, or of any securities or property, which may at any time be issued or delivered upon the conversion of any Convertible Security; and neither the Trustee nor any conversion agent makes any representation with respect thereto. Neither the Trustee nor any conversion agent shall be responsible for any failure of the Company to issue or deliver any shares of Common Stock or stock certificates or other securities, cash or property upon the surrender of any Convertible Security for the purpose of conversion, or, subject to Section 8.01, to comply with any of the covenants of the Company contained in this Article Three.

SECTION 3.11. Return of Funds Deposited for Redemption of Converted Securities. Any funds which at any time shall have been deposited by the Company or on its behalf with the Trustee or any other paying agent for the purpose of paying the principal of, premium, if any, and interest on any of the Convertible Securities and which shall not be required for such purposes because of the conversion of such Convertible Securities, as provided in this Article Three, shall forthwith after such conversion be repaid to the Company by the Trustee or such other paying agent.

SECTION 3.12. Disposition of Converted Securities. All Convertible Securities delivered to the Company or any conversion agent upon conversion pursuant to this Article Three shall be delivered to the Trustee for cancellation.

## **ARTICLE FOUR.**

### **Subordination of Securities.**

SECTION 4.01. Agreement to Subordinate. The Company covenants and agrees, and each holder of Securities issued hereunder by his acceptance thereof likewise covenants and agrees, that all Securities issued hereunder shall be issued subject to the provisions of this Article; and each person holding any Security, whether upon original issue or upon transfer or assignment thereof, accepts and agrees to be bound by such provisions. The provisions of this Article are made for the benefit of the holders of Senior Indebtedness, and such holders shall, at any time, be entitled to enforce such provisions against the Company or any Securityholders.

All Securities issued hereafter shall, to the extent and in the manner hereinafter in this Article set forth, be subordinate and junior in the right of payment to the prior payment in full of all Senior Indebtedness.

SECTION 4.02. No Payment on Securities if Senior Indebtedness in Default. No payment on account of principal, premium, if any, sinking funds or interest on the Securities shall be made unless full payment of amounts then due for principal, premium, if any, sinking funds and interest on all Senior Indebtedness has been made or duly provided for. No payment (including the making of any deposit in trust with the Trustee in accordance with Section 13.01) on account of principal, premium, if any, sinking funds or interest on the Securities shall be made if, at the time of such payment or immediately after giving effect thereto, (i) there shall exist a default in the payment of principal, premium, if any, sinking funds or interest with respect to any Senior Indebtedness, or (ii) there shall have occurred an event of default (other than a default in the payment of principal, premium, if any, sinking funds or interest) with respect to any Senior Indebtedness, as defined therein or in the instrument under which the same is outstanding, permitting the holders thereof to accelerate the maturity thereof,

and such event of default shall not have been cured or waived or shall not have ceased to exist. The foregoing provision shall not prevent the Trustee from making payments on the Securities from monies or securities deposited with the Trustee pursuant to the terms of Section 13.01 if at the time such deposit was made or immediately after giving effect thereto the conditions in (i) or (ii) of this Section did not exist.

**SECTION 4.03. Priority of Senior Indebtedness.** In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization under the Federal Bankruptcy Code or any other similar applicable Federal or state law, or other similar proceedings in connection therewith, relative to the Company or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Company or assignment for the benefit of creditors or any other marshalling of assets of the Company, whether or not involving insolvency or bankruptcy, then the holders of Senior Indebtedness shall be entitled to receive payment in full of all principal of and premium, if any, and interest on all Senior Indebtedness including interest on such Senior Indebtedness after the date of filing of a petition or other action commencing such proceeding before the holders of the Securities are entitled to receive any payment on account of the principal of or premium, if any, or interest on the Securities (except that holders of Securities shall be entitled to receive such payments from monies or securities deposited with the Trustee pursuant to the terms of Section 13.01 if at the time such deposit was made or immediately after giving effect thereto the conditions in (i) or (ii) of Section 4.02 did not exist), and any payment or distribution of any kind or character which may be payable or deliverable in any such proceedings in respect of the Securities, except securities which are subordinate and junior in right of payment to the payment of all Senior Indebtedness then outstanding, shall be paid by the person making such payment or distribution directly to the holders of Senior Indebtedness to the extent necessary to make payment in full of all Senior Indebtedness, after giving effect to any concurrent payment or distribution to the holders of Senior Indebtedness. In the event that any payment or distribution of cash, property or securities shall be received by the Trustee or the holders of the Securities in contravention of this Section before all Senior Indebtedness is paid in full, or provision made for the payment thereof, such payment or distribution shall be held in trust for the benefit of and shall be paid over to the holders of such Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture under which any instrument evidencing any of such Senior Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay in full all Senior Indebtedness remaining unpaid, after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness.

In the event that any Security is declared due and payable before its expressed maturity because of the occurrence of an Event of Default (under circumstances when the provisions of the first paragraph of this Section shall not be applicable), the holders of the Senior Indebtedness outstanding at the time the Securities of such series so become due and payable because of such occurrence of such an Event of Default shall be entitled to receive payment in full of all principal of and premium, if any, interest on all Senior Indebtedness before the holders of the Securities of such series are entitled to receive any payment on account of the principal of or premium, if any, or interest on the Securities of such series except that holders of Securities of such series shall be entitled to receive payments from monies or securities deposited with the Trustee pursuant to the terms of Section 13.01, if at the time of such deposit no Security of such series had been declared due and payable before its expressed maturity because of the occurrence of an Event of Default.

Nothing in this Section shall apply to claims of, or payments to, the Trustee under or pursuant to Section 8.06.

**SECTION 4.04. Company to Give Notice of Certain Events; Reliance by Trustee.** The Company shall give prompt written notice to the Trustee of any insolvency or bankruptcy proceedings, any receivership, liquidation, reorganization under the Federal Bankruptcy Code or any other similar applicable Federal or state law, or similar proceedings and any proceedings for voluntary liquidation, dissolution or winding up of the Company within the meaning of this Article. The Trustee shall be entitled to assume that no such event has occurred unless the Company or any one or more holders of Senior Indebtedness or any trustee therefor has given such notice together with proof satisfactory to the Trustee of such holding of Senior Indebtedness or the authority of such Trustee. Upon any payment or distribution of assets of the Company referred to in this Article, the Trustee, in the absence of its negligence or bad faith and any holder of a Security shall be entitled to rely upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, delivered to the Trustee or to the holders of Securities, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article. In the event that the Trustee determines, in good faith, that further evidence is required with respect to the right of any person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article, the Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such person, as to the extent to which such person is entitled to participate in such payment or distribution and as to



other facts pertinent to the rights of such person under this Article, and if such evidence is not furnished, the Trustee may defer any payment to such person pending judicial determination as to the right of such person to receive such payment.

With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform or to observe only such covenants and obligations as are specifically set forth in this Indenture and no implied covenants or obligations with respect to holders of Senior Indebtedness shall be read into this Indenture against the Trustee.

Nothing in this Section shall apply to claims of, or payments to, the Trustee under or pursuant to Section 8.06.

**SECTION 4.05. Subrogation of Securities.** Subject to the payment in full of all Senior Indebtedness, the holders of the Securities shall be subrogate to the rights of the holders of Senior Indebtedness to receive payments or distributions of assets of the Company made on the Senior Indebtedness until the principal of and premium, if any, and interest on the Securities shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of Senior Indebtedness of any cash, property or securities to which the holders of the Securities or the Trustee would be entitled except for the provisions of this Article, and no payment over pursuant to the provisions of this Article to the holders of Senior Indebtedness by holders of the Securities or by the Trustee, shall, as between the Company, its creditors other than the holders of Senior Indebtedness, and the holders of Securities, be deemed to be a payment by the Company to or on account of Senior Indebtedness, and no payments or distributions to the Trustee or the holders of the Securities of cash, property or securities payable or distributable to the holders of the Senior Indebtedness to which the Trustee or the holders of the Securities shall become entitled pursuant to the provisions of this Section, shall, as between the Company, its creditors other than the holders of Senior Indebtedness, and the holders of the Securities, be deemed to be a payment by the Company to the holders of or on account of the Securities.

**SECTION 4.06. Company Obligation to Pay Unconditional.** The provisions of this Article are solely for the purpose of defining the relative rights of the holders of Senior Indebtedness on the one hand, and the holders of the Securities on the other hand, and nothing herein shall impair, as between the Company and the holders of the Securities, the obligation of the Company, which is unconditional and absolute, to pay to the holders thereof the principal thereof and premium, if any, and interest thereon in accordance with the terms of the Securities and this Indenture nor shall anything herein prevent the holders of the Securities or the Trustee from exercising all remedies otherwise permitted by applicable law or under the Securities and this Indenture upon default under the Securities and this Indenture, subject to the

rights of holders of Senior Indebtedness under the provisions of this Article to receive cash, property or securities otherwise payable or deliverable to the holders of the Securities.

SECTION 4.07. Authorization of Holders of Securities to Trustee to Effect Subordination. Each holder of Securities by his acceptance thereof authorizes the Trustee in his behalf to take such action as may be necessary to appropriate to effectuate the subordination as provided in this Article and appoints the Trustee his attorney-in-fact for any and all such purposes.

SECTION 4.08. Notice to Trustee of Facts Prohibiting Payments. Notwithstanding any of the provisions of this Article or any other provision of this Indenture, the Trustee shall not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment of moneys to or by the Trustee, unless and until the Principal Corporate Trust Office of the Trustee shall have received written notice thereof from the Company or from one or more holders of Senior Indebtedness or from any trustee therefor, together with proof satisfactory to the Trustee of such holding of Senior Indebtedness or the authority of such Trustee, and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Section

8.01, shall be entitled in all respects to assume that no such facts exist; provided, that, if prior to the second business day preceding the date upon which by the terms hereof any such moneys may become payable for any purpose (including, without limitation, the payment of the principal of or premium, if an, or interest on any Security), the Trustee shall have not received with respect to such moneys the notice provided for in this Section, then, anything herein contained to the contrary notwithstanding, the Trustee and any paying agent shall have full power and authority to receive such moneys and to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such day, and provided, further, that nothing contained herein shall prevent conversions of the Securities in accordance with the provisions of this Indenture.

SECTION 4.09. Trustee May Hold Senior Indebtedness. The Trustee, shall be entitled to all the rights set forth in this Article with respect to any Senior Indebtedness at the time held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

SECTION 4.10. All Indenture Provisions Subject to this Article. Notwithstanding anything herein contained to the contrary, all the provisions of this Indenture shall be subject to the provisions of this Article, so far as the same may be applicable thereto.

**ARTICLE FIVE.****PARTICULAR COVENANTS OF THE COMPANY.**

**SECTION 5.01. Payment of Principal, Premium and Interest.** The Company covenants and agrees for the benefit of each series of Securities that it will duly and punctually pay or cause to be paid the principal of an premium, if any, and interest on each of the Securities of that series at the place, at the respective times and in the manner provided in such Securities. Each installment of interest on the Securities of any series may be paid by mailing checks for such interest payable to the order of the holders of Securities entitled thereto as they appear on the registry books of the Company.

**SECTION 5.02. Offices for Notices and Payments, etc.** So long as any of the Securities remains outstanding, the Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where the Securities of each series may be presented for payment, an office or agency where the Securities of that series may be presented for registration of transfer and for exchange as in this Indenture provided, an office or agency where the Securities of that series, if convertible, may be presented for conversion and an office or agency where notices and demands to or upon the Company in respect of the Securities of that series or of this Indenture may be served. The Company will give to the Trustee written notice of the location of any such office or agency and of any change of location thereof. The Company hereby initially appoints the corporate trust office of MORGAN GUARANTY TRUST COMPANY OF NEW YORK in the Borough of Manhattan, The City of New York as the Company's conversion agent. Until otherwise designated from time to time by the Company in a notice to the Trustee, or specified as contemplated by Section 2.03, such office or agency for all of the above purposes shall be the principal office of the Trustee. In case the Company shall fail to maintain any such office or agency in the Borough of Manhattan, The City of New York, or shall fail to give such notice of the location or of any change in the location thereof, presentations and demands may be made and notices may be served at the principal office of the Trustee.

In addition to such office or agency, the Company may from time to time designate one or more offices or agencies outside the Borough of Manhattan, The City of New York, where the Securities may be presented for registration of transfer and for exchange in manner provided in this Indenture, and the Company may from time to time rescind such designation, as the Company may deem desirable or expedient; provided, however, that no such designation rescission shall in any manner relieve the Company of its obligation to maintain such office or agency in the Borough of Manhattan, The City of New York, for the purposes above mentioned. The Company will give to the Trustee prompt written notice of any such designation or rescission thereof.

SECTION 5.03. Appointments to Fill Vacancies in Trustee's Office. The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 8.10, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 5.04. Provision as to Paying Agent. (a) If the Company shall appoint a paying agent or conversion agent other than the Trustee with respect to the Securities of any series, it will cause such paying agent or conversion agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 5.04:

(1) that it will hold all sums held by it as such agent for the payment of the principal of and premium, if any, or interest on the Securities of such series (whether such sums have been paid to it by the Company or by any other obligor on the Securities of such series) in trust for the benefit of the holders of the Securities of such series;

(2) that it will give the Trustee notice of any failure by the Company (or by any other obligor on the Securities of such series) to make any payment of the principal of and premium, if any, or interest on the Securities of such series when the same shall be due and payable; and

(b) If the Company shall act as its own paying agent, it will, on or not more than seven days before each due date of the principal of and premium, if any, or interest on the Securities of any series, set aside, segregate and hold in trust for the benefit of the holders of the Securities of such series a sum sufficient to pay such principal, premium or interest so becoming due and will notify the Trustee of any failure to take such action and of any failure by the Company (or by any other obligor under the Securities of such series) to make any payment of the principal of and premium, if any, or interest on the Securities of such series when the same shall become due and payable.

(c) Anything in this Section 5.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining satisfaction and discharge with respect to one or more or all series of Securities hereunder, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust for any such series by the Trustee or any paying agent hereunder, as required by this Section 5.04, such sums to be held by the Trustee upon the trusts herein contained.

(d) Anything in this Section 5.04 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 5.04 is subject to Sections 13.03 and 13.04.

SECTION 5.05. Certificate to Trustee. The Company will deliver to the Trustee on or before April 1 in each year (beginning with April 1, 1987), so long as Securities of any series are outstanding hereunder, an Officers' Certificate stating that in the course of the performance by the signers of their duties as officers of the Company they would normally have knowledge of any default by the Company in the performance of any covenants contained in Article Three and Section 12.01, stating whether or not they have knowledge of any such default and, if so, specifying each such default of which the signers have knowledge and the nature thereof.

## **ARTICLE SIX.**

### **SECURITYHOLDERS' LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE.**

SECTION 6.01. Securityholders' Lists. The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee:

- (a) semi-annually, not more than 15 days after each record date for each series of Securities, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Securityholders of such series of Securities as of such record date; and
- (b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company, of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished, except that no such lists need be furnished so long as the Trustee is in possession thereof by reason of its acting as Securities registrar for such series.

SECTION 6.02. Preservation and Disclosure of Lists. (a) The Trustee shall preserve, in as current as form as is reasonably practicable, all information as to the names and addresses of the holders of each series of Securities (1) contained in the most recent list furnished to it as provided in Section 6.01 or (2) received by it in the capacity of Securities registrar (if so acting) hereunder. The Trustee may destroy any list furnished to it as provided in Section 6.01 upon receipt of a new list so furnished.

(b) In case three or more holders of Securities of any series (hereinafter referred to as "applicants") apply in writing to the Trustee and furnish to the Trustee reasonable proof that each such applicant has owned a Security of such series for a period of at least six months preceding the date of such application, and such

application states that the applicants desire to communicate with other holders of Securities of such series or with holders of all Securities with respect to their rights under this Indenture or under such Securities and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall within five business days after the receipt of such application, at its election, either:

(1) afford such applicants access to the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 6.02, or

(2) inform such applicants as to the approximate number of holders of such series or all Securities, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 6.02, and as to the approximate cost of mailing to such Securityholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Securityholder of such series or all Securities, as the case may be, whose name and address appear in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 6.02 a copy of the form of proxy or other communication which is specified in such request with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, the Trustee shall mail to such applicants and file with the Securities and Exchange Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the holders of Securities of such series or all Securities, as the case may be, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If said Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, said Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Securityholders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Each and every holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the holders of Securities in accordance with the provisions of subsection (b) of this Section 6.02, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under said subsection (b).

**SECTION 6.03. Reports by Company.** (a) The Company covenants and agrees to file with the Trustee, within 15 days after the Company is required to file the same with the Securities and Exchange Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as said Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with said Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of such sections, then to file with the Trustee and said Commission, in accordance with rules and regulations prescribed from time to time by said Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations.

(b) The Company covenants and agrees to file with the Trustee and the Securities and Exchange Commission, in accordance with the rules and regulations prescribed from time to time by said Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture as may be required from time to time by such rules and regulations.

(c) The Company covenants and agrees to transmit by mail to all holders of Securities, as the names and addresses of such holders appear upon the Securities register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to subsections (a) and (b) of this Section 6.03 as may be required by rules and regulations prescribed from time to time by the Securities and Exchange Commission.

**SECTION 6.04. Reports by the Trustee.** (a) On or before June 15, 1987, and on or before June 15 in every year thereafter, so long as any Securities are outstanding for which the Trustee is appointed hereunder, the Trustee shall transmit to the

Securityholders of each series of Securities for which such Trustee is appointed as hereinafter in this Section 6.04 provided, a brief report dated as of April 15 of the appropriate year with respect to:

- (1) its eligibility under Section 8.09, and its qualification under Section 8.08, or in lieu thereof, if to the best of its knowledge it has continued to be eligible and qualified under such Sections, a written statement to such effect;
  - (2) the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities, on any property or funds held or collected by it as Trustee, except that the Trustee shall not be required (but may elect) to state such advances if such advances so remaining unpaid aggregate not more than 1/2 of 1% of the principal amount of the Securities for any series outstanding on the date of such report.
  - (3) the amount, interest rate, and maturity date of all other indebtedness owing by the Company (or by any other obligator on the Securities) to the Trustee in its individual capacity, on the date of such report, with a brief description of any property held as collateral security therefor, except any indebtedness based upon a creditor relationship arising in any manner described in paragraph (2), (3), (4) or (6) of subsection (b) of Section 8.13;
  - (4) the property and funds, if any, physically in the possession of the Trustee, as such, on the date of such report;
  - (5) any additional issue of Securities which the Trustee has not previously reported; and
  - (6) any action taken by the Trustee in the performance of its duties under this Indenture which it has not previously reported and which in its opinion materially affects the Securities, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 7.08.
- (b) The Trustee shall transmit to the Securityholders for each series, as hereinafter provided, a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such), since the date of the last report transmitted pursuant to the provisions of subsection (a) of this



Section 6.04 (or, if no such report has yet been so transmitted, since the date of execution of this Indenture), for the reimbursement of which it claims or may claim a lien or charge prior to that of the Securities of such series on property or funds held or collected by it as Trustee, and which it has not previously reported pursuant to this subsection, except that the Trustee shall not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate 10% or less of the principal amount of Securities for such series outstanding at such time, such report to be transmitted within 90 days after such time.

(c) Reports pursuant to this Section 6.04 shall be transmitted by mail to all holders of Securities as the names and addresses of such holders appear upon the Securities register.

(d) A copy of each such report shall, at the time of such transmission to Securityholders, be filed by the Trustee with each stock exchange upon which the Securities of any applicable series are listed and also with the Securities and Exchange Commission. The Company will notify the Trustee when and as the Securities of any series become listed on or delisted by any stock exchange.

## ARTICLE SEVEN.

Remedies of the Trustee and Securityholders on Event of Default.

SECTION 7.01. Events of Default. "Event of Default", wherever used herein with respect to Securities of any series, means any one of the following events and such other events as may be established with respect to the Securities of that series as contemplated by Section 2.03 hereof:

(a) default in the payment of interest upon any Securities of that series when it becomes due and payable, and continuance of such default for a period of 30 days; or

(b) default in the payment of all or any part of the principal or (or premium, if any, on) any Securities of that series as and when the same shall become due and payable either at maturity, upon redemption (including redemption for the sinking fund), by declaration or otherwise; or

(c) default in the performance, or breach, of any covenant of the Company in this Indenture (other than a covenant a default in whose performance or whose breach is elsewhere in this Section specifically dealt with and other than those set forth exclusively in terms of any particular series of Securities established as contemplated in this Indenture), and continuance of such default or breach for a period of 90 days after there has been given, by registered or

certified mail, to the Company by the Trustee or to the Company and the Trustee by the holders of at least 25% in principal amount of the outstanding Securities a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(d) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of 90 consecutive days; or

(e) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Company or of any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due.

If an Event of Default described in clause (a) or (b) or established pursuant to Section 2.03 occurs and is continuing, then, and in each and every such case, unless the principal of all of the Securities of such series shall have already become due and payable, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Securities of such series then outstanding hereunder, by notice in writing to the Company (and to the Trustee if given by Securityholders), may declare the entire principal of all the Securities of such series and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. If an Event of Default described in clause (c), (d) or (e) occurs and is continuing, then and in each and every such case, unless the principal of all the Securities shall have already become due and payable, either the Trustee or the holders of not less than 25% in aggregate principal amount of all the Securities then outstanding hereunder (treated as one class), by notice in writing to the Company (and to the Trustee if given by Securityholders), may declare the entire principal of all the Securities then outstanding and interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable.

The foregoing provisions, however, are subject to the condition that if, at any time after the principal of the Securities of any series (or of all the Securities, as the case may be) shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all the Securities of any series (or all the Securities, as the case may be) and the principal of and premium, if any, on any and all Securities of such series (or of all the Securities, as the case may be) which shall have become due otherwise than by acceleration (with interest upon such principal and premium, if any, and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest at the same rate as the rate of interest specified in the Securities of such series, or at the respective rates of interest of the Securities, as the case may be, to the date of such payment or deposit) and such amount as shall be sufficient to cover reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, as provided in Section 8.06, and if any and all Events of Default under this Indenture, other than the non-payment of the principal of or premium, if any, on Securities which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein--then and in every such case the holders of a majority in aggregate principal amount of the Securities of such series (or of all the Securities, as the case may be) then outstanding, by written notice to the Company and to the Trustee, may waive all defaults with respect to that series (or with respect to all Securities, as the case may be, in such case, treated as a single class), and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Trustee and the holders of the Securities shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Trustee and the holders of the Securities shall continue as though no such proceeding had been taken.

SECTION 7.02. Payment of Securities on Default; Suit Therefor. The Company covenants that (a) in case default shall be made in the payment of any installment of interest upon any of the Securities of any series as and when the same shall become due and payable, and such default shall have continued for a period of 30 days, or (b) in case default shall be made in the payment of the

principal of or premium, if any, on any of the Securities of any series as and when the same shall have become due and payable, whether at maturity of the Securities of that series or upon redemption or by declaration or otherwise-- then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the holders of the Securities of that series, the whole amount that then shall have become due and payable on all such Securities of that series for principal and premium, if any, or interest, or both, as the case may be, with interest upon the overdue principal and premium, if any, and (to the extent that payment of such interest is enforceable under applicable law) upon the overdue installments of interest at the rate of interest borne by the Securities of that series; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Trustee, its agents, attorneys and counsel, as provided in Section 8.06.

In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company or any other obligor on such Securities and collect in the manner provided by law out of the property of the Company or any other obligor on such Securities wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Securities of any series under Title 11, United States Code, or any other applicable law, or in case a receiver or trustee (or similar official) shall have been appointed for the property of the Company or such other obligor, or in the case of any other similar judicial proceedings relative to the Company or other obligor upon the Securities of any series, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Securities of any series shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 7.02, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Securities of such series and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, as provide in Section 8.06) and of the Securityholders allowed in such judicial proceedings relative to the Company or any other obligor on the Securities of any series, or to the creditors

or property of the Company or such other obligor, unless prohibited by applicable law and regulations, to vote on behalf of the holders of the Securities of any series in any election of a trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency proceedings or person performing similar functions in comparable proceedings, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the Securityholders to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Securityholders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, as provided in Section 8.06.

Nothing herein contained shall be construed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Securityholder any plan of reorganization, arrangement, adjustment or composition affecting the Securities of any series or the rights of any holder thereof or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding.

All rights of action and of asserting claims under this Indenture, or under any of the Securities, may be enforced by the Trustee without the possession of any of the Securities, or the production thereof on any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the holders of all the Securities in respect of which such action was taken.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the holders of the Securities of the series affected thereby and it shall not be necessary to make any such holders of the Securities parties to any such proceedings.

Section 7.03 Application of Moneys Collected by Trustee. Any moneys collected by the Trustee shall be applied in the order following, at the date or dates fixed by the Trustee for the distribution of such moneys, upon presentation of the several Securities of any series in respect of which moneys have been collected, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

FIRST: To the payment of costs and expenses of collection applicable to each such series and reasonable compensation to the Trustee, its agents, attorneys and counsel, as provided in Section 8.06;

SECOND: In case the principal of the outstanding Securities in respect of which moneys have been collected shall not have become due and be unpaid, to the payment of interest on the Securities of each such series in the order of the maturity of the installments of such interest, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest at the respective rates borne by the Securities of each such series, such payments to be made ratably to the persons entitled thereto;

THIRD: In case the principal of the outstanding Securities in respect of which moneys have been collected shall have become due, by declaration or otherwise, to the payment of the whole amount then owing and unpaid upon the Securities of each such series for principal and premium, if any, and interest, with interest on the overdue principal and premium, if any, and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest at the respective rates specified in the Securities of each such series: and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Securities of each such series, then to the payment of such principal and premium, if any, and interest without preference or priority of principal and premium, if any, over interest, or of interest over principal and premium, if any, or of any installment of interest over any other installment of interest, or of any Security of each such series over any other Security of each such series, ratably to the aggregate of such principal and premium, if any, and accrued and unpaid interest.

Any surplus then remaining shall be paid to the Company or to such other person as shall be entitled to receive it.

Section 7.04. Proceedings by Securityholders. No holder of any Security of any series shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit,

action or proceeding in equity or at law upon or with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless such holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, and unless also the holders of not less than 25% in aggregate principal amount of the Securities of that series then outstanding, or, in the case of any Event of Default described in clause (c), (d) or (e) of Section 7.01, 25% in aggregate principal amount of all Securities then outstanding, shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonably indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action, suite or proceeding, it being understood and intended, and being expressly covenanted by the taker and holder of every Security with every other taker and holder and the Trustee, that no one or more holders of Securities of any series shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other holder of Securities, or to obtain or seek to obtain priority over or preference to any other such holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all holders of Securities of the applicable series.

Notwithstanding any other provisions in this Indenture, however, the right of any holder of any Security to receive payment of the principal of, premium, if any, and interest on such Security, on or after the same shall have become due and payable, or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the consent of such holder.

SECTION 7.05. Proceedings by Trustee. In case of an Event of Default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suite in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 7.06. Remedies Cumulative and Continuing. All powers and remedies given by this Article Seven to the Trustee or to the Securityholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the holders of the

Securities, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any holder of any of the Securities to exercise any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 7.04, every power and remedy given by this Article Seven or by law to the trustee or to the Securityholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Securityholders.

**SECTION 7.07. Direction of Proceedings and Waiver of Defaults by Majority of Securityholders.** The holders of a majority in aggregate principal amount of the Securities of any or all series at the time outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; provided, however, that (subject to the provisions of Section 8.01) the Trustee shall have the right to decline to follow any such direction if the Trustee shall determine that the action so directed would be unjustly prejudicial to the holders not taking part in such direction or if the Trustee being advised by counsel determines that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors or trustees, executive committee, or a trust committee of directors or trustees and/or Responsible Officers shall determine that the action or proceedings so directed would involve the Trustee in personal liability. Subject to Sections 7.01 and 7.02, the holders of a majority in aggregate principal amount of the Securities of that series at the time outstanding may on behalf of the holders of all the Securities of such series waive any past default or Event of Default including any default or Event of Default established pursuant to Section 2.03 (or, in the case of an event specified in clause (c), (d) or (e) of Section 7.01, the holders of a majority in aggregate principal amount of all the Securities then outstanding (voting as one class)) may waive such default or Event of Default, and its consequences except a default (a) in the payment of principal of, premium, if any, or interest on any of the Securities or (b) in respect of covenants or provisions hereof which cannot be modified or amended without the consent of the holder of each Security affected. Upon any such waiver the Company, the Trustee and the holders of the Securities of that series (or of all Securities, as the case may be) shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon. Whenever any default or Event of Default hereunder shall have been waived as permitted by this Section 7.07, said default or Event of Default shall for all purposes of the Securities of that series (or of all Securities, as the case may



be) and this Indenture be deemed to have been cured and to be not continuing.

Section 7.08. Notice of Defaults. The Trustee shall, within 90 days after the occurrence of a default with respect to any of the Securities of any series mail to all Securityholders of that series, as the names and addresses of such holders appear upon the Securities register, notice of all defaults with respect to that series known to the Trustee, unless such defaults shall have been cured before the giving of such notice (the term "defaults" for the purpose of this

Section 7.08 being hereby defined to be the events specified in clauses (a),

(b), (c), (d) and (e) of Section 7.01, not including periods of grace, if any, provided for therein, and irrespective of the giving of written notice specified in clause (c) of Section 7.01); and provided that, except in the case of default in the payment of the principal of, premium, if any, or interest on any of the Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Securityholders of such series; and provided further, that in the case of any default of the character specified in Section 7.01(c) no such notice to Securityholders shall be given until at least 90 days after the occurrence thereof but shall be given within 120 days after such occurrence.

Section 7.09. Undertaking to Pay Costs. All parties to this Indenture agree, and each holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 7.09 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Securityholder, or group of Securityholders of any series, holding in the aggregate more than 10% in principal amount of the Securities of that series (or in the case of any suit relating to or arising under clause (c), (d) or (e) of

Section 7.01, 10% in aggregate principal amount of all Securities) outstanding, or to any suit instituted by any Securityholder for the enforcement of the payment of the principal of or premium, if any, or interest on any Security against the Company on or after the same shall have become due and payable.

**ARTICLE EIGHT****Concerning the Trustee**

Section 8.01. Duties and Responsibilities of Trustee. With respect to any series of Securities issued hereunder, the Trustee, prior to the occurrence of an Event of Default with respect to Securities of that series and after the curing or waiving of all Events of Default which may have occurred with respect to Securities of that series, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture with respect to such series. In case an Event of Default with respect to the Securities of a series has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture with respect to such series, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that

(a) prior to the occurrence of an Event of Default with respect to the Securities of a series and after the curing or waiving of all Events of Default with respect to that series which may have occurred

(1) the duties and obligations of the Trustee with respect to the Securities of a series shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations with respect to such series as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the trust of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee, unless it shall be proved that the

Trustee was negligent in ascertaining the pertinent facts; and

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith, in accordance with the direction of the Securityholders pursuant to Section 7.07, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it.

Section 8.02. Reliance on Documents, Opinions, etc. Except as otherwise provided in Section 8.01

(a) the Trustee may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, note, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(c) the Trustee may consult with counsel and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Securityholders, pursuant to the provisions of this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby;

(e) the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be

authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(f) prior to the occurrence of an Event of Default hereunder and after the curing or waiving of all Events of Default, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, debenture, coupon or other paper or document, unless requested in writing to do so by the holders of not less than a majority in principal amount of the Securities of all series affected then outstanding; provided, however, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expense or liability as a condition to so proceeding; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents (including any Authenticating Agent) or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed by it with due care.

SECTION 8.03. No Responsibility for Recitals, etc. The recitals contained herein and in the Securities (except in the certificate of authentication of the Trustee or the Authenticating Agent) shall be taken as the statements of the Company, and the Trustee and the Authenticating Agent assume no responsibility for the correctness of the same. The Trustee and the Authenticating Agent make no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee and the Authenticating Agent shall not be accountable for the use or application by the Company of any Securities or the proceeds of any Securities authenticated and delivered by the Trustee or the Authenticating Agent in conformity with the provisions of this Indenture.

SECTION 8.04. Trustee, Authenticating Agent, Paying Agents, Transfer Agents, Conversion Agents or Registrar May Own Securities. The Trustee or any Authenticating Agent or any paying agent or any transfer agent or any conversion agent or any Securities registrar, in its individual or any other capacity, may become the owner or pledgee of Securities with the same rights it would have if it were not Trustee, Authenticating Agent, paying agent, transfer agent, conversion agent or Securities registrar.

**SECTION 8.05. Moneys to Be Held in Trust.** Subject to the provisions of

Section 13.04, all moneys received by the trustee or any paying agent shall, until used or applied as herein provided, be held in trust for the purpose for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee and any paying agent shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company. So long as no Event of Default shall have occurred and be continuing, all interest allowed, if any, on any such moneys shall be paid from time to time upon the written order of the Company, signed by the Chairman of the Board of Directors, the President, any Vice President, the Treasurer or any Assistant Treasurer of the Company.

**SECTION 8.06. Compensation and Expenses of Trustee.** The Company covenants and agrees to pay to the trustee from time to time, and the Trustee shall be entitled to, reasonable compensation (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ and any amounts paid by the Trustee to any Authenticating Agent pursuant to Section 8.14) except any such expense, disbursement or advance as may arise from its negligence or bad faith. If any property other than cash shall at any time be subject to the lien of this Indenture, the Trustee, if and to the extent authorized by a receivership or bankruptcy court of competent jurisdiction or by the supplemental instrument subjecting such property to such lien, shall be entitled to make advances for the purpose of preserving such property or of discharging tax liens or other prior liens or encumbrances thereon. The Company also covenants to indemnify each of the Trustee, and any predecessor Trustee for, and to hold each of them harmless against, any loss, liability or expense arising out of or in connection with the acceptance or administration of this trust and the performance of its duties hereunder including the costs and expenses of defending itself against any claim of liability in the premises, except to the extent such loss, liability or expense results from its own negligence or bad faith. The obligations of the Company under this Section 8.06 to compensate the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by a claim prior to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the holders of particular Securities.

**SECTION 8.07 Officers' Certificate as Evidence.** Except as otherwise provided in Section 8.01 and 8.02, whenever in the

administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such Certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken or omitted by it under the provisions of this Indenture upon the faith thereof.

**SECTION 8.08. Conflicting Interest of Trustee.** (a) If the Trustee has or shall acquire any conflicting interest, as defined in this Section 8.08 with respect to the Securities of any series, it shall, within 90 days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign with respect to the Securities of that series in the manner and with the effect specified in Section 8.10.

(b) In the event that the Trustee shall fail to comply with the provisions of subsection (a) of this Section 8.08 with respect to the Securities of any series, the Trustee shall, within 10 days after the expiration of such 90-day period, transmit notice of such failure to all holders of Securities of that series, as the names and addresses of such holders appear upon the Securities register.

(c) For the purposes of this Section 8.08 the Trustee shall be deemed to have a conflicting interest with respect to Securities of any series if

(1) the Trustee is trustee under this Indenture with respect to the Securities of any other series or under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the Company or other obligor on the Securities of such series (each of which is hereafter in this Section called a "Security party") are outstanding, unless such other indenture is a collateral trust indenture under which the only collateral consists of Securities issued under this Indenture; provided that there shall be excluded from the operation of this paragraph this Indenture with respect to the Securities of any other series and any other indenture or indentures under which other securities, or certificates of interest or participation in other securities, of a Security party (as defined in Section 8.13), are outstanding if (i) this Indenture is and, if applicable, this Indenture and such other indenture or indentures are wholly unsecured and such other indenture or indentures are hereafter qualified under the Trust Indenture Act of 1939, unless the Securities and Exchange Commission shall have found

and declared by order pursuant to subsection (b) of Section 305 or subsection (c) of Section 307 of the Trust Indenture Act of 1939 that differences exist between the provisions of this Indenture with respect to Securities of such series and one or more other series or, if applicable, this Indenture and the provisions of such other indenture or indentures which are so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture and such other indenture or indentures, or (ii) the Company shall have sustained the burden of proving, on application to the Securities and Exchange Commission and after opportunity for hearing thereon, that trusteeship under this Indenture with respect to Securities of such series and one or more other series or, if applicable, this Indenture and such other indenture or indentures is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture with respect to Securities of such series and one or more other series or, if applicable, this Indenture and one of such indentures;

(2) the Trustee or any of its directors or executive officers is an obligor upon the Securities of any series issued under this Indenture or an underwriter for a Security party;

(3) the Trustee directly or indirectly controls or is directly or indirectly controlled by or is under direct or indirect common Control with a Security party or an underwriter for a Security party;

(4) the Trustee or any of its directors or executive officers is a director, officer, partner, employee, appointee, or representative of a Security party, or of an underwriter (other than the Trustee itself) for a Security party who is currently engaged in the business of underwriting, except that (A) one individual may be a director and/or an executive officer of the Trustee and a director and/or an executive officer of a Security party, but may not be at the same time an executive officer of both the Trustee and a Security party; (B) if and so long as the number of directors of the Trustee in office is more than nine, one additional individual may be a director and/or an executive officer of the Trustee and a director of a Security party; and (C) the Trustee may be designated by a Security party or by an underwriter for a Security party to act in the capacity of transfer agent, registrar, custodian, paying

agent, fiscal agent, escrow agent, or depository, or in any other similar capacity, or, subject to the provisions of paragraph (1) of this subsection (c), to act as trustee whether under an indenture or otherwise;

(5) 10% or more of the voting securities of the Trustee is beneficially owned either by a Security party or by any director, partner, or executive officer thereof, or 20% or more of such voting securities is beneficially owned, collectively, by any two or more of such persons; or 10% or more of the voting securities of the Trustee is beneficially owned either by an underwriter for a Security party or by any director, partner, or executive officer thereof, or is beneficially owned, collectively, by any two or more such persons;

(6) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, (A) 5% or more of the voting securities, or 10% or more of any other class of security, of a Security party, not including the Securities issued under this Indenture and securities issued under any other indenture under which the Trustee is also trustee, or (B) 10% or more of any class of security of an underwriter for a Security party;

(7) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, 5% or more of the voting securities of any person who, to the knowledge of the Trustee, owns 10% or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control with, a Security party;

(8) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, 10% or more of any class of security of any person who, to the knowledge of the Trustee, owns 50% or more of the voting securities of a Security party; or

(9) the Trustee owns on May 15 in any calendar year, in the capacity of executor, administrator, testamentary or inter vivos trustee, guardian, committee or conservator, or in any other similar capacity, an aggregate of 25% or more of the voting securities, or of any class of security, of any person, the beneficial ownership of a specified percentage of which would have constituted a conflicting interest under paragraph (6), (7) or (8) of this subsection (c). As to any such securities of which the Trustee acquired ownership through becoming executor, administrator or testamentary trustee of an estate which included them, the provisions of the preceding sentence



shall not apply, for a period of two years from the date of such acquisition, to the extent that such securities included in such estate do not exceed 25% of such voting securities or 25% of any such class of security. Promptly after May 15, in each calendar year, the Trustee shall make a check of its holdings of such securities in any of the above-mentioned capacities as of such May

15. If the Company fails to make payment in full of principal of or interest on any of the Securities when and as the same become due and payable, and such failure continues for 30 days thereafter, the Trustee shall make a prompt check of its holdings of such securities in any of the above-mentioned capacities as of the date of the expiration of such 30-day period and, after such date, notwithstanding the foregoing provisions of this paragraph (9), all such securities so held by the Trustee, with sole or joint control over such securities vested in it, shall, but only so long as such failure shall continue, be considered as though beneficially owned by the Trustee for the purposes of paragraphs (6), (7), and (8) of this subsection (c).

The specifications of percentages in paragraphs (5) to (9), inclusive, of this subsection (c) shall not be construed as indicating that the ownership of such percentages of the securities of a person is or is not necessary or sufficient to constitute direct or indirect control for the purposes of paragraph (3) or (7) of this subsection (c).

For the purposes of paragraphs (6), (7), and (9) of this subsection (c) only, (A) the terms "security" and "securities" shall include only such securities as are generally known as corporate securities, but shall not include any note or other evidence of indebtedness issued to evidence an obligation to repay moneys lent to a person by one or more banks, trust companies or banking firms, or any certificate of interest or participation in any such note or evidence of indebtedness; (B) an obligation shall be deemed to be in default when a default in payment of principal shall have continued for 30 days or more and shall not have been cured; and (C) the Trustee shall not be deemed to be the owner or holder of (i) any security which it holds as collateral security (as trustee or otherwise) for any obligation which is not in default as defined in clause (B) above, or (ii) any security which it holds as collateral security under this Indenture, irrespective of any default hereunder, or (iii) any security which it holds as agent for collection, or as custodian, escrow agent, or depository, or in any similar representative capacity.

Except as provided in the next preceding paragraph hereof, the work "security" or "securities" as used in this Indenture shall mean any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any

profit-sharing agreement, collateral-trust certificate, pre-organization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas or other mineral rights, or, in general, any interest or instrument commonly known as a "security" or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase any of the foregoing.

(d) For the purposes of this Section 8.08:

(1) The term "underwriter" when used with reference to a Security party shall mean every person who, within three years prior to the time as of which the determination is made, has purchased from such Security party with a view to, or has offered or sold for such Security party in connection with, the distribution of any security of such Security party outstanding at such time, or has participated or has had a direct or indirect participation in any such undertaking, or has participated or has had a participation in the direct or indirect underwriting of any such undertaking, but such term shall not include a person whose interest was limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission.

(2) The term "director" shall mean any director of a corporation or any individual performing similar functions with respect to any organization whether incorporated or unincorporated.

(3) The term "person" shall mean an individual, a corporation, a partnership, an association, a joint-stock company, a trust, an unincorporated organization, or a government or political subdivision thereof. As used in this paragraph, the term "trust" shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

(4) The term "voting security" shall mean any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a person, or any security issued under or pursuant to any trust, agreement or arrangement whereby a trustee or trustees or agent or agents for the owner or holder of such security are presently entitled to vote in the direction or management of the affairs of a person.

(5) The term "executive officer" shall mean the president, every vice president, every trust officer, the

cashier, the secretary, and the treasurer of a corporation, and any individual customarily performing similar functions with respect to any organization whether incorporated or unincorporated, but shall not include the chairman of the board of directors.

The percentages of voting securities and other securities specified in this Section 8.08 shall be calculated in accordance with the following provisions:

(A) A specified percentage of the voting securities of the Trustee, the Company or any other person referred to in this Section 8.08 (each of whom is referred to as a "person" in this paragraph) means such amount of the outstanding voting securities of such person as entitles the holder or holders to cast such specified percentage of the aggregate votes which the holders of all the outstanding voting securities of such person are entitled to cast in the direction or management of the affairs of such person.

(B) A specified percentage of a class of securities of a person means such percentage of the aggregate amount of securities of the class outstanding.

(C) The term "amount", when used in regard to securities, means the principal amount if relating to evidences of indebtedness, the number of shares if relating to capital shares, and the number of units if relating to any other kind of security.

(D) The term "outstanding" means issued and not held by or for the account of the issuer. The following securities shall not be deemed outstanding within the meaning of this definition:

(i) securities of an issuer held in a sinking fund relating to securities of the issuer of the same class;

(ii) securities of an issuer held in a sinking fund relating to another class of securities of the issuer, if the obligations evidenced by such other class of securities is not in default as to principal or interest or otherwise;

(iii) securities pledged by the issuer thereof as security for an obligation of the issuer not in default as to principal or interest or otherwise;

(iv) securities held in escrow if placed in escrow by the issuer thereof; provided, however, that any

voting securities of an issuer shall be deemed outstanding if any person other than the issuer is entitled to exercise the voting rights thereof.

(E) A security shall be deemed to be of the same class as another security if both securities confer upon the holders or holders thereof substantially the same rights and privileges; provided, however, that, in the case of secured evidences of indebtedness, all of which are issued under a single indenture, differences in the interest rates or maturity dates of various series thereof shall not be deemed sufficient to constitute such series different classes, and provided, further, that, in the case of unsecured evidences of indebtedness, differences in the interest rates or maturity dates thereof shall not be deemed sufficient to constitute them securities of different classes, whether or not they are issued under a single indenture.

**SECTION 8.09. Eligibility of Trustee.** The Trustee hereunder shall at all times be a corporation organized and doing business under the laws of the United States or any State or Territory thereof or of the District of Columbia authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$5,000,000, subject to supervision or examination by Federal, State, Territorial, or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 8.09 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 8.09, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.10.

**SECTION 8.10. Resignation or Removal of Trustee.** (a) The Trustee, or any trustee or trustees hereafter appointed, may at any time resign with respect to one or more or all series of Securities by giving written notice of such resignation to the Company and by mailing notice thereof to the holders of the applicable series of Securities at their addresses as they shall appear on the Securities register. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee or trustees with respect to the applicable series by written instrument, in duplicate, executed by order of its Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed with respect to any series of Securities and have accepted appointment within 60 days after the mailing of such

notice of resignation to the affected Securityholders, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Securityholder who has been a bona fide holder of a Security or Securities of the applicable series for at least six months may, subject to the provisions of Section 7.09, on behalf of himself and all other similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur--

(1) the Trustee shall fail to comply with the provisions of subsection (a) of Section 8.08 after written request therefor by the Company or by any Securityholder who has been a bona fide holder of a Security or Securities for at least six months, or

(2) the Trustee shall cease to be eligible in accordance with the provisions of Section 8.09 and shall fail to resign after written request therefor by the Company or by any such Securityholder, or

(3) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, the Company may remove the Trustee with respect to all Securities 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, or, subject to the provisions of Section 7.09, any Securityholder who has been a bona fide holder of a Security or Securities of the applicable series for at least six months may, on behalf of himself and all other similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The holders of a majority in aggregate principal amount of the Securities of one or more series (each series voting as a class) or all series (voting as one class) at the time outstanding may at any time remove the Trustee with respect to the applicable series of Securities or all series, as the case may be, and nominate a successor trustee with respect to the applicable series of Securities or all series, as the case may be, which shall be

deemed appointed as successor trustee with respect to the applicable series unless within ten days after such nomination the Company objects thereto, in which case the Trustee so removed or any Securityholder of the applicable series, upon the terms and conditions and otherwise as in subdivision (a) of this Section 8.10 provided, may petition any court of competent jurisdiction for an appointment of a successor trustee with respect to such series.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 8.10 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 8.11.

**SECTION 8.11. Acceptance by Successor Trustee.** Any successor trustee appointed as provided in Section 8.10 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee with respect to all or any applicable series shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations with respect to such series of its predecessor hereunder, with like effect as if originally named as trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due it pursuant to the provisions of Section 8.06, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a claim upon all property or funds held or collected by such trustee to secure any amounts then due it pursuant to the provisions of Section 8.06.

If a successor trustee is appointed with respect to the Securities of one or more (but not all) series, the Company, the predecessor Trustee and each successor trustee with respect to the Securities of any applicable series shall execute and deliver an indenture supplemental hereto which shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the predecessor Trustee with respect to the Securities of any series as to which the predecessor Trustee is not retiring shall continue to be vested in the predecessor Trustee, and shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trust hereunder by more than one trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such trustees co-trustees of the same trust and that each such trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such trustee.

No successor trustee shall accept appointment as provided in this Section 8.11 unless at the time of such acceptance such successor trustee shall be qualified under the provisions of Section 8.08 and eligible under the provisions of Section 8.09.

Upon acceptance of appointment by a successor trustee as provided in this Section 8.11, the Company shall mail notice of the succession of such trustee hereunder to the holders of Securities of any applicable series at their addresses as they shall appear on the Securities register. If the Company fails to mail such notice within ten days after the acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Company.

**SECTION 8.12. Succession by Merger, etc.** Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Securities of any series shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Securities so authenticated; and in case at that time any of the Securities of any series shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor trustee; and in all such cases such

certificates shall have the full force which it is anywhere in the Securities of such series or in this Indenture provided that the certificate of the Trustee shall have; provided, however, that the right to adopt the certificate of authentication of any predecessor Trustee or authenticate Securities of any series in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

**SECTION 8.13. Limitation on Rights of Trustee as a Creditor.** (a) Subject to the provisions of subsection (b) of this Section 8.13, if the Trustee shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Company or of any other obligor on the Securities (each of which is hereafter in this Section 8.13 called a "Security party") within four months prior to a default, as defined in paragraph (1) of subsection (c) of this

Section 8.13, or subsequent to such a default, then, unless and until such default shall be cured, the Trustee shall set apart and hold in a special account for the benefit of the Trustee individually, the holders of the Securities, and the holders of other indenture securities (as defined in paragraph (2) of subsection (c) of this Section 8.13):

(1) an amount equal to any and all reductions in the amount due and owing upon any claim as such creditor in respect of principal or interest, effected after the beginning of such four-month period and valid as against such Security party and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in paragraph (2) of this subsection, or from the exercise of any right of set-off which the Trustee could have exercised if a petition in bankruptcy had been filed by or against such Security party upon the date of such default; and

(2) all property received by the Trustee in respect of any claim as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such four-month period, or an amount equal to the proceeds of any such property, if disposed of, subject, however, to the rights, if any, of such Security party and its other creditors in such property or such proceeds.

Nothing herein contained, however, shall affect the right of the Trustee:

(A) to retain for its own account (i) payments made on account of any such claim by any person (other than such Security party) who is liable thereon, and (ii) the proceeds of the bona fide sale of any such claim by the Trustee to a third person, and (iii) distributions made in case, securities, or other property in respect of claims filed



against such Security party in bankruptcy or receivership or in proceedings for reorganization pursuant to Title 11, United States Code or applicable state law;

(B) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such four-month period;

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such four-month period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a default, as defined in subsection (c) of this Section 8.13, would occur within four months; or

(D) to receive payment on any claim referred to in paragraph (B) or (C), against the release of any property held as security for such claim as provided in such paragraph (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of paragraphs (B), (C), and (D), property substituted after the beginning of such four-month period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released, and, to the extent that any claim referred to in any of such paragraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Trustee shall be required to account, the funds and property held in such special account and the proceeds thereof shall be apportioned between the Trustee, the Securityholders and the holders of other indenture securities in such manner that the Trustee, the Securityholders and the holders of other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against such Security party in bankruptcy or receivership or in proceedings for reorganization pursuant to Title 11, United States Code, or applicable state law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from such Security party of the funds and property in such special account and before crediting to the respective claims of the Trustee, the Securityholders, and the holders of other indenture securities dividends on claims filed against such Security party in bankruptcy or receivership or in proceedings for reorganization pursuant to

Title 11, United States Code or applicable state law, but after crediting thereon receipts on account of the indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or in proceedings for reorganization pursuant to Title 11, United States Code, or applicable state law, whether such distribution is made in cash, securities, or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership, or proceeding for reorganization is pending shall have jurisdiction (i) to apportion among the Trustee, the Securityholders, and the holders of other indenture securities, in accordance with the provisions of this paragraph, the funds and property held in such special account and the proceeds thereof, or

(ii) in lieu of such apportionment, in whole or in part, to give the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee, the Securityholders and the holders of other indenture securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distributions as between the secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee who has resigned or been removed after the beginning of such four-month period shall be subject to the provisions of this subsection (a) as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such four-month period, it shall be subject to the provisions of this subsection (a) if and only if the following conditions exist:

(i) the receipt of property or reduction of claim which would have given rise to the obligation to account, if such Trustee had continued as trustee, occurred after the beginning of such four-month period; and

(ii) such receipt of property or reduction of claim occurred within four months after such resignation or removal.

(b) There shall be excluded from the operation of subsection (a) of this Section 8.13 a creditor relationship arising from

(1) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee;

(2) advances authorized by a receivership or bankruptcy court of competent jurisdiction, or by this Indenture, for the purpose of preserving any property which shall at any time be subject to the lien of this Indenture or of discharging tax liens or other prior liens or encumbrances thereon, if notice of such advance and of the circumstances surrounding the making thereof is given to the Securityholders at the time and in the manner provided in Section 6.04 with respect to reports pursuant to the subsections (a) and (b) thereof, respectively;

(3) disbursements made in the ordinary course of business in the capacity of trustee under an indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depository, or other similar capacity;

(4) an indebtedness created as a result of services rendered or premises rented; or an indebtedness created as a result of goods or securities sold in a cash transaction as defined in subsection (c) of this Section 8.13;

(5) the ownership of stock or of other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of a Security party; or

(6) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of self-liquidating paper as defined in subsection (c) of this Section 8.13.

(c) As used in this Section 8.13:

(1) The term "default" shall mean any failure to make payment in full of the principal of or interest upon any of the Securities or upon the other indenture securities when and as such principal or interest becomes due and payable;

(2) The term "other indenture securities" shall mean securities upon which a Security party is an obligor (as defined in the Trust Indenture Act of 1939) outstanding under any other indenture (A) under which the Trustee is also trustee, (B) which contains provisions substantially similar to the provisions of subsection (a) of this Section 8.13, and (C) under which a default exists at the time of the apportionment of the funds and property held in said special account;

(3) The term "cash transaction" shall mean any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand;

(4) The term "self-liquidating paper" shall mean any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by a Security party for the purpose of financing the purchase, processing, manufacture, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security; provided that the security is received by the Trustee simultaneously with the creation of the creditor relationship with such Security party arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

SECTION 8.14. Authenticating Agents. There may be one or more Authenticating Agents appointed by the Trustee upon the request of the Company with power to act on the Trustee's behalf and subject to its direction in the authentication and delivery of Securities of any series issued upon exchange or transfer thereof as fully to all intents and purposes as though any such Authenticating Agent had been expressly authorized to authenticate and deliver Securities of such series; provided, that the Trustee shall have no liability to the Company for any acts or omissions of the Authenticating Agent with respect to the authentication and delivery of Securities of any series. Any such Authenticating Agent shall at all times be a corporation organized and doing business under the laws of the United States or of any State or Territory thereof or of the District of Columbia authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of at least \$5,000,000 and being subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section 8.14 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect herein specified in this Section.

Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, if such successor corporation is otherwise eligible under this

Section 8.14, without the execution or filing of any paper or any further act on the part of the parties hereto or such Authenticating Agent.

Any Authenticating Agent may at any time resign with respect to one or more or all series of Securities by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time terminate the agency of any Authenticating Agent with respect to one or more or all series of Securities by giving written notice of termination to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section 8.14, the Trustee may, and upon the request of the Company shall, promptly appoint a successor Authenticating Agent with respect to the applicable series eligible under this Section 8.14, shall give written notice of such appointment to the Company and shall mail notice of such appointment to all holders of the applicable series of Securities as the names and addresses of such holders appear on the Securities register. Any successor Authenticating Agent with respect to all or any series upon acceptance of its appointment hereunder shall become vested with all rights, powers, duties and responsibilities with respect to such series of its predecessor hereunder, with like effect as if originally named as Authenticating Agent herein.

The Trustee agrees to pay to any Authenticating Agent from time to time reasonable compensation for its services, and the Trustee shall be entitled to be reimbursed for such payments, subject to Section 8.06. Any Authenticating Agent shall have no responsibility or liability for any action taken by it as such in accordance with the directions of the Trustee.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form.

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

**MORGAN GUARANTY TRUST  
COMPANY OF NEW YORK  
as Trustee**

By  
as Authenticating Agent  
for the Trustee

By  
Authorized Officer

**ARTICLE NINE****Concerning the Securityholders**

SECTION 9.01. Action by Securityholders. Whenever in this Indenture it is provided that the holders of a specified percentage in aggregate principal amount of the Securities of any or all series may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action) the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by such Securityholders in person or by agent or proxy appointed in writing, or (b) by the record of such holders of Securities voting in favor thereof at any meeting of such Securityholders duly called and held in accordance with the provisions of Article Ten, or (c) by a combination of such instrument or instruments and any such record of such a meeting of such Securityholders.

SECTION 9.02. Proof of Execution by Securityholders. Subject to the provisions of Sections 8.01, 8.02 and 10.05, proof of the execution of any instrument by a Securityholder or his agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The ownership of Securities shall be proved by the Securities register or by a certificate of the Securities registrar.

The record of any Securityholders' meeting shall be proved in the manner provided in Section 10.06.

SECTION 9.03. Who Are Deemed Absolute Owners. The Company, the Trustee, any Authenticating Agent, any paying agent, any transfer agent, any conversion agent and any Securities registrar may deem the person in whose name such Security shall be registered upon the Securities register to be, and may treat him as, the absolute owner of such Security (whether or not such Security shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purposes of conversion and of receiving payment of or on account of the principal of, premium, if any, and interest on such Security and for all other purposes; and neither the Company nor the Trustee nor any Authenticating Agent nor any paying agent nor any transfer agent nor any conversion agent nor any Securities registrar shall be affected by any notice to the contrary. All such payments so made to any holder for the time being or upon his order shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Security.

SECTION 9.04. Securities Owned by Company Deemed Not Outstanding. In determining whether the holders of the requisite aggregate principal amount of Securities have concurred in any direction, consent or waiver under this Indenture, Securities which are owned by the Company or any other obligor on the Securities or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Securities shall be disregarded and deemed not to be outstanding for the purpose of any such determination; provided that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only Securities which a Responsible Officer knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 9.04 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Securities and that the pledgee is not the Company or any such other obligor or person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any such other obligor. Upon request of the Trustee, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Securities, if any, known by the Company to be owned or held by or for the account of any of the above-described person; and, subject to the provisions of Section 8.01, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Securities not listed therein are outstanding for the purpose of any such determination.

SECTION 9.05. Revocation of Consents; Future Holders Bound. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section

9.01, of the taking of any action by the holders of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action, any holder of a Security (or any Security issued in whole or in part in exchange or substitution therefor) who consented to such action may, by filing written notice with the Trustee at its principal office and upon proof of holding as provided in Section 9.02, revoke such action so far as concerns such Security (or so far as concerns the principal amount represented by any exchanged or substituted Security). Except as aforesaid any such action taken by the holder of any Security shall be conclusive and binding upon such holder and upon all future holders and owners of such Security, and of any Security issued in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon such Security or any Security issued in exchange or substitution therefor. Any action taken by the holders of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the holders of such Securities.

**ARTICLE TEN****Securityholders' Meetings**

**SECTION 10.01. Purposes of Meetings.** A meeting of Securityholders of any or all series may be called at any time and from time to time pursuant to the provisions of this Article Ten for any of the following purposes:

- (a) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to consent to the waiving of any default hereunder and its consequences, or to take any other action authorized to be taken by Securityholders pursuant to any of the provisions of Article Seven;
- (b) to remove the Trustee and nominate a successor trustee pursuant to the provisions of Article Eight;
- (c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 11.02; or
- (d) to take any other action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of such Securities under any other provisions of this Indenture or under applicable law.

**SECTION 10.02. Call of Meetings by Trustee.** The Trustee may at any time call a meeting of Securityholders of any or all series to take any action specified in Section 10.01, to be held at such time and at such place in the Borough of Manhattan, The City of New York, as the Trustee shall determine. Notice of every meeting of the Securityholders of any or all series, setting forth the record date, time and place of such meeting and in general terms the action proposed to be taken at such meeting, shall be mailed to holders of Securities of each series affected at their addresses as they shall appear on the Securities register of each series affected. Such notice shall be mailed not less than 20 nor more than 90 days prior to the date fixed for the meeting.

**SECTION 10.03. Call of Meetings by Company or Securityholders.** In case at any time the Company pursuant to a resolution of the Board of Directors, or the holders of at least 10% in aggregate principal amount of the Securities of any or all series, as the case may be, then outstanding, shall have requested the Trustee to call a meeting of Securityholders of any or all series, as the case may be, by written request setting forth in reasonable detail action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within 20 days after receipt of such request, then the Company or such



Securityholders may determine the time and the place in said Borough of Manhattan for such meeting and may call such meeting to take any action authorized in Section 10.01, by mailing notice thereof as provided in Section 10.02.

**SECTION 10.04. Qualifications for Voting.** To be entitled to vote at any meeting of Securityholders a person shall (a) be a holder of one or more Securities with respect to which the meeting is being held or (b) a person appointed by an instrument in writing as proxy by such a holder of one or more such Securities. The only persons who shall be entitled to be present or to speak at any meeting of Securityholders shall be the persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

**SECTION 10.05. Regulations.** Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Securityholders, in regard to proof of the holding of Securities and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Securityholders as provided in Section 10.03, in which case the Company or the Securityholders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by majority vote of the meeting.

Subject to the provisions of Section 9.04, at any meeting each holder of Securities with respect to which such meeting is being held or proxy therefor shall be entitled to one vote for each \$1,000 principal amount of Securities held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Securities held by him or instruments in writing as aforesaid duly designating him as the person to vote on behalf of other Securityholders. At any meeting of Securityholders, the presence of persons holding or representing Securities in an aggregate principal amount sufficient to take action on the business for the transaction of which such meeting was called shall constitute a quorum, but, if less than a quorum is present, the persons holding or representing a majority in aggregate principal amount of the Securities represented at the meeting and entitled to

vote may adjourn such meeting with the same effect, for all intents and purposes, as though a quorum had been present. Any meeting of Securityholders duly called pursuant to the provisions of Section 10.02 or 10.03 may be adjourned from time to time by a majority of those present, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

**SECTION 10.06. Voting.** The vote upon any resolution submitted to any meeting of holders of Securities with respect to which such meeting is being held shall be by written ballots on which shall be subscribed the signatures of such holders or of their representatives by proxy and the serial number or numbers of the Securities held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Securityholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in Section 10.02. The record shall show the serial numbers of the Securities voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

## **ARTICLE ELEVEN.**

### **Supplemental Indentures.**

**SECTION 11.01. Supplemental Indentures without Consent of Securityholders.** The Company, when authorized by a resolution of the Board of Directors, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(a) to evidence the succession of another corporation to the Company, or successive succession, and the assumption by the successor corporation of the covenants, agreements and obligations of the Company pursuant to Article Twelve hereof;

(b) to add to the covenants of the Company such further covenants, restrictions or conditions for the protection of the holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities stating that such covenants are expressly being included for the benefit of such series) as the Board of Directors and the Trustee shall consider to be for the protection of the holders of such Securities, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions a default or an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; provided, however, that in respect of any such additional covenant, restriction or condition such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default;

(c) to provide for the issuance under this Indenture of Securities in coupon form (including Securities registrable as to principal only) and to provide for exchangeability of such Securities with the Securities issued hereunder in fully registered form and to make all appropriate changes for such purpose;

(d) to establish the form or terms of Securities of any series as permitted by Sections 2.01 and 2.03;

(e) to evidence and provide for the acceptance of appointment hereunder by a successor trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Section 8.11;

(f) to make provision with respect to the conversion rights of holders of Convertible Securities pursuant to the requirements of Section 3.06; and

(g) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture; provided that any such action shall not materially adversely affect the interests of the holders of the Securities.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to, but may in its discretion, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 11.01 may be executed by the Company and the Trustee without the consent of the holders of any of the Securities at the time outstanding, notwithstanding any of the provisions of Section 11.02.

**SECTION 11.02. Supplemental Indentures with Consent of Securityholders.** With the consent (evidenced as provided in Section 9.01) of the holders of not less than 66 2/3% in aggregate principal amount of the Securities at the time outstanding of all series affected by such supplemental indenture (voting as a class), the Company, when authorized by a resolution of the Board of Directors, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the Securities of each series so affected; provided, however, that no such supplemental indenture shall (i) extend the final maturity of any Security, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof or any premium thereon, or reduce any amount payable on redemption thereof or make the principal thereof or any interest or premium thereon payable in any coin or currency other than that provided in the Securities, or impair the right to convert Convertible Securities into Common Stock on the terms set forth herein, or impair or affect the right of any Securityholder to institute suit for payment thereof or the right of repayment, if any, at the option of the holder, or modify any of the provisions of this Indenture relating to the subordination of the Securities in a manner adverse to the holders thereof without the consent of the holder of each Security so affected, or (ii) reduce the aforesaid percentage of Securities the holders of which are required to act pursuant to Section 7.07 or to consent to any such supplemental indenture, without the consent of the holders of each Security then affected.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of Securityholders of such series with respect to such covenant or

provision, shall be deemed not to affect the rights under this Indenture of the Securityholders of any other series.

Upon the request of the Company accompanied by a copy of a resolution of the Board of Directors certified by its Secretary or Assistant Secretary authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Securityholders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Securityholders under this Section 11.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

**SECTION 11.03. Compliance with Trust Indenture Act; Effect of Supplemental Indentures.** Any supplemental indenture executed pursuant to the provisions of this Article Eleven shall comply with the Trust Indenture Act of 1939, as then in effect. Upon the execution of any supplemental indenture pursuant to the provisions of this Article Eleven, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the holders of Securities of each series affected thereby shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

**SECTION 11.04. Notation on Securities.** Securities of any series authenticated and delivered after the execution of any supplemental indenture affecting such series pursuant to the provisions of this Article Eleven may bear a notation in the form approved by the trustee as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may be prepared and executed by the Company, authenticated by the Trustee or the Authenticating Agent and delivered in exchange for the Securities of any series then outstanding.

SECTION 11.05. Evidence of Compliance of Supplemental Indenture to Be Furnished Trustee. The Trustee, subject to the provisions of Sections 8.01 and 8.02, may receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article Eleven.

SECTION 11.06. Effect on Senior Indebtedness. No supplemental indenture shall adversely affect the rights of any holder of Senior Indebtedness under Article Four without the consent of such holder.

## **ARTICLE TWELVE.**

### **Consolidation, Merger and Sale by the Company.**

SECTION 12.01. Consolidation, Merger and Sale of Assets Permitted. The Company covenants and agrees that it will not consolidate with, merge into, or sell or otherwise dispose of all or substantially all its property as an entirety to, any person other than a corporation organized under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, lawfully entitled to acquire the same. The Company will not so consolidate or merge, or make any such sale or other disposition, unless, and the Company covenants and agrees that any such consolidation, merger, sale or other disposition shall be on the condition that, (1) the provisions of Section 3.06 are complied with and (2) such corporation shall expressly assume the due and punctual payment of the principal of and premium, if any, and interest on all the Securities, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed by the Company, by supplemental indenture satisfactory to the Trustee, executed and delivered to the Trustee by such corporation. The Company covenants and agrees that it will not so consolidate or merge or make any such sale or other disposition, or permit any corporation to merge into the Company, if immediately thereafter the Company or such successor corporation, as the case may be, shall be in default in the performance or observance of any of the covenants or conditions of this Indenture.

SECTION 12.02. Successor Corporation to Be Substituted for Company. In case of any such merger, consolidation, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the party of the first part, and, in case of such a sale or conveyance other than a lease, the Company thereupon shall be relieved of any further obligation or liability hereunder or upon the Securities, and may thereupon or at any time thereafter

be dissolved, wound up or liquidated. Such successor corporation thereupon may cause to be signed, and may issue either in its own name or in the name of Masco Industries, Inc. any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee or the Authenticating Agent; and, upon the order of such successor corporation (instead of the Company) and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee or the Authenticating Agent shall authenticate and deliver any Securities which previously shall have been signed and delivered by the officers of the Company to the Trustee or the Authenticating Agent for authentication, and any Securities which such successor corporation thereafter shall cause to be signed and delivered to the Trustee or the Authenticating Agent for that purpose. All the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale or conveyance, such changes in phraseology and form (but not in substance) may be made in the Securities thereafter to be issued as may be appropriate.

SECTION 12.03. Evidence to Be Furnished Trustee. The Trustee, subject to the provisions of Sections 8.01 and 8.02, may receive and rely upon an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any consolidation, merger, sale or conveyance, and any such assumption complies with the provisions of this Article Twelve.

## **ARTICLE THIRTEEN.**

### **Satisfaction and Discharge of Indenture.**

SECTION 13.01. Discharge of Indenture. When (a) the Company shall have paid or caused to be paid the principal of and interest on all Securities of any series outstanding hereunder, as and when the same shall have become due and payable, (b) the Company shall deliver to the Trustee for cancellation all Securities of any series theretofore authenticated (other than any Securities of such series which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.08 or converted) and not theretofore cancelled, or (c) with respect to any series of Securities which, under the terms specified in the resolution or supplemental indenture or indentures referred to in Section 2.03, pursuant to which such series is created, can be discharged prior to maturity, the Company shall deposit with the Trustee, in trust, cash and/or a principal amount of obligations of or directly guaranteed by the United States of America maturing or redeemable at the option of the holder thereof not later than the

date fixed for payment or redemption of all outstanding Securities of such series which, together with the income to be earned on such obligations prior to such date, equals the principal amount of (and any applicable premium on), all such Securities of such series not theretofore cancelled or delivered to the Trustee for cancellation, with interest to the date of their maturity or redemption, as the case may be, but excluding, however, the amount of any moneys for the payment of principal of, or premium, if any, or interest on the Securities of such series (1) theretofore repaid to the Company in accordance with the provisions of Section 13.04, or (2) paid to any State or to the District of Columbia pursuant to its unclaimed property or similar laws, and if in any such case the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then (except in the case of (c) above as to

(i) rights of registration of transfer and exchange and any right of the Company of optional redemption and to deliver Securities of such series to the Trustee for cancellation, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Securities, (iii) any remaining rights of conversion of Convertible Securities, (iv) the rights, obligations and immunities of the Trustee hereunder and (v) the rights of the Securityholders as beneficiaries hereof with respect to the property so deposited with the Trustee, all of which shall continue in full force and effect) all of the Company's liability with respect to principal, premium, if any, and interest on the Securities of such series shall be discharged, this Indenture shall cease to be of further effect as to such series, and the Trustee, on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel and at the cost and expense of the Company, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture as to such series, the Company, however, hereby agreeing to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred by the Trustee in connection with this Indenture or the Securities; provided, however, that the rights of Securityholders to receive amounts in respect of principal of and interest on the Securities held by them shall not be delayed longer than required by then-applicable mandatory rules or policies of any securities exchange if the Securities of such series continue to be listed. Notwithstanding the foregoing, if the Company makes a deposit of cash and/or obligations described in clause

(c) above with respect to any series of Securities which, under the terms specified in the resolution or supplemental indenture or indentures referred to in Section 2.03, pursuant to which such series is created, is subject to the provisions of this sentence (whether or not such resolution or supplemental indenture provides that such series can be discharged prior to maturity under clause (c) above), and, concurrently with such deposit, notifies the Trustee that such series shall no longer have the benefit of all or any portion of the provisions of Article Seven of this Indenture and such other provisions of this Indenture or the resolution or supplemental indenture, pursuant to which such series is created, as are specifically permitted in such resolution or supplemental indenture



to be made inapplicable under this sentence with respect to such series, this Indenture and such supplemental indenture or resolution shall thereupon be deemed amended with respect to such series solely by the deletion in their entirety of such provisions and this Indenture and such supplemental indenture or resolution shall in all other respects be unaffected thereby.

**SECTION 13.02. Deposited Moneys to Be Held in Trust by Trustee.** Subject to the provisions of Section 13.04, all moneys and obligations deposited with the Trustee pursuant to Section 13.01 shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Company if acting as its own paying agent), to the holders of the particular Securities for the payment of which such moneys and obligations have been deposited with the Trustee, of all sums due and to become due thereon for principal, premium, if any, and interest; provided, however, that the Company shall be entitled from time to time to withdraw cash and/or obligations deposited under clause (c) or the last sentence of Section 13.01 provided that the cash and obligations thereafter on deposit and after giving effect to such withdrawal would, if then deposited under such clause, satisfy in all respects the requirements of such clause or the last sentence of Section 13.01. At the time of any such withdrawal, the Company shall deliver to the Trustee an Officers' Certificate demonstrating compliance with the provisions of such clause or sentence.

**SECTION 13.03. Paying Agent to Repay Moneys Held.** Upon the satisfaction and discharge of this Indenture all moneys then held by any paying agent of the Securities (other than the Trustee) shall, upon demand of the Company, be repaid to it or paid to the Trustee, and thereupon such paying agent shall be released from all further liability with respect to such moneys.

**SECTION 13.04. Return of Unclaimed Moneys.** Except as may be required under applicable law, any moneys deposited with or paid to the Trustee or any paying agent for payment of the principal of, and premium, if any, or interest on Securities and not applied but remaining unclaimed by the holders of Securities for three years after the date upon which the principal of, and premium, if any, or interest on such Securities, as the case may be, shall have become due and payable, shall be repaid to the Company by the Trustee or such paying agent on written demand; and the holder of any of the Securities shall thereafter look only to the Company for any payment which such holder may be entitled to collect and all liability of the Trustee or such paying agent with respect to such moneys shall thereupon cease.

**ARTICLE FOURTEEN.****Immunity of Incorporators, Stockholders, Officers and Directors.**

SECTION 14.01. Indenture and Securities Solely Corporate Obligations. No recourse for the payment of the principal of or premium, if any, or interest on any Security, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or in any supplemental indenture, or in any Security, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation of the Company, either directly or through the Company or any successor corporation of the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Securities.

**ARTICLE FIFTEEN.****Miscellaneous Provisions.**

SECTION 15.01. Successors. All the covenants, stipulations, promises and agreements in this Indenture contained by the Company shall bind its successors and assigns whether so expressed or not.

SECTION 15.02. Official Acts by Successor Corporation. Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation that shall at the time be the lawful sole successor of the Company.

SECTION 15.03. Addresses for Notices, etc. Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the holders of Securities on the Company may be given or served by being deposited postage prepaid by registered or certified mail in a post office letter box addressed (until another address is filed by the Company with the Trustee for the purpose) to Masco Industries Inc., 21001 Van Born Road, Taylor, Michigan 48180, Attention: President. Any notice, direction, request or demand by any Securityholder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made in writing at the office of the Trustee, 30 West Broadway, New York, New York 10015, Attention: Corporate Trust Administration.

SECTION 15.04. New York Contract. This Indenture and each Security shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be governed by and construed in accordance with the laws of said State.

SECTION 15.05. Evidence of Compliance with Conditions Precedent. Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that in the opinion of the signers all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture (other than the Officers' Certificate called for by Section 5.05) shall include (1) a statement that the person making such certificate or opinion has read such covenant or condition; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

SECTION 15.06. Legal Holidays. In any case where the date of payment of interest on or principal of or premium, if any, on the Securities will be in The City of New York, New York a legal holiday or a day on which banking institutions are authorized by law to close, the payment of such interest on or principal of or premium, if any, on the Securities need not be made on such date but may be made on the next succeeding day not in such City a legal holiday or a day on which banking institutions are authorized by law to close, with the same force and effect as if made on the date of payment and no interest shall accrue for the period from and after such date.

SECTION 15.07. Trust Indenture Act to Control. If and to the extent that any provision of this Indenture limits, qualifies or conflicts with another provision included in this Indenture which is required to be included in this Indenture by any of Sections 310 to 317, inclusive, of the Trust Indenture Act of 1939, such required provision shall control.

SECTION 15.08. Table of Contents, Headings, etc. The table of contents and the titles and headings of the articles and sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall no way modify or restrict any of the terms of provisions hereof.

SECTION 15.09. Execution in Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

SECTION 15.10. No Security Interest Created. Nothing in this Indenture or in the Securities, expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect, in any jurisdiction where property of the Company or its Subsidiaries is located.

## **ARTICLE SIXTEEN.**

### **Redemption of Securities--Mandatory and Optional Sinking Fund.**

SECTION 16.01. Applicability of Article. The provisions of this Article shall be applicable to the Securities of any series which are redeemable at the option of the Company before their maturity or to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 2.03 for Securities of such series.

SECTION 16.02. Notice of Redemption; Selection of Securities. In case the Company shall desire to exercise the right to redeem all, or, as the case may be, any part of the Securities of any series in accordance with their terms, it shall fix a date for redemption and shall mail a notice of such redemption at least 30 and not more than 60 days prior to the date fixed for redemption to the holders of Securities of such series so to be redeemed as a whole or in part at their last address as the same appear on the Securities register. Such mailing shall be by first class mail. The notice if mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the holder of any Security of a series designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security of such series.

Each such notice of redemption shall specify the date fixed for redemption, the redemption price at which Securities of such series are to be redeemed, the place or places of payment, that

payment will be made upon presentation and surrender of such Securities, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue. If less than all the Securities of such series are to be redeemed the notice of redemption shall specify the numbers of the Securities of that series to be redeemed. In case any Security of a series is to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the date fixed for redemption, upon surrender of such Security, a new Security or Securities of that series in principal amount equal to the unredeemed portion thereof will be issued.

Not more than seven days prior to the redemption date specified in the notice of redemption given as provided in this Section, the Company will deposit with the Trustee or with one or more paying agents an amount of money sufficient to redeem on the redemption date all the Securities so called for redemption at the appropriate redemption price, together with accrued interest to the date fixed for redemption.

If less than all the Securities of a series are to be redeemed the Company will give the Trustee notice not less than 60 days prior to the redemption date as to the aggregate principal amount of Securities of that series to be redeemed and the Trustee shall select, in such manner as in its sole discretion it shall deem appropriate and fair, the Securities of that series or portions thereof (in integral multiples of \$1,000, except as otherwise set forth in the applicable form of Security) to be redeemed.

**SECTION 16.03. Payment of Securities Called for Redemption.** If notice of redemption has been given as provided in Section 16.02 or Section 16.04, the Securities or portions of Securities of the series with respect to which such notice has been given shall become due and payable on the date and at the place or places stated in such notice at the applicable redemption price, together with interest accrued to the date fixed for redemption, and on and after said date (unless the Company shall default in the payment of such Securities at the redemption price, together with interest accrued to said date) interest on the Securities or portions of Securities of any series so called for redemption shall cease to accrue. On presentation and surrender of such Securities at a place of payment specified in said notice, the said Securities or the specified portions thereof shall be paid and redeemed by the Company at the applicable redemption price, together with interest accrued thereon to the date fixed for redemption.

Upon presentation of any Security of any series redeemed in part only, the Company shall execute and the Trustee shall authenticate and deliver to the holder thereof, at the expense of

the Company, a new Security or Securities of such series of authorized denominations, in principal amount equal to the unredeemed portion or the Security so presented.

SECTION 16.04. Mandatory and Optional Sinking Fund. The minimum amount of any sinking fund payment provided for by the terms of Securities of any series determined pursuant to Section 2.03 is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment". The last date on which any such payment may be made is herein referred to as a "sinking fund payment date".

In lieu of making all or any part of any mandatory sinking fund payment with respect to any Securities of a series in cash, the Company may at its option (a) deliver to the Trustee Securities of that series (other than any previously called for redemption) theretofore purchased or otherwise acquired by the Company and (b) may apply as a credit Securities of that series which have been previously delivered to the Trustee by the Company or Securities of that series which have been converted or redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of optional sinking fund payments pursuant to the next succeeding paragraph, in each case in satisfaction of all or any part of any mandatory sinking fund payment, provided that such Securities have not been previously so credited. Each such Security so delivered or applied as a credit shall be credited at the sinking fund redemption price for such Securities and the amount of any mandatory sinking fund shall be reduced accordingly. If the Company intends so to deliver or credit such Securities with respect to any mandatory sinking fund payment it shall deliver to the Trustee at least 60 days prior to the next succeeding sinking fund payment date for such series (a) a certificate signed by the Treasurer or an Assistant Treasurer of the Company specifying the portion of such sinking fund payment, if any, to be satisfied by payment of cash and the portion of such sinking fund payment, if any, which is to be satisfied by delivering and crediting such Securities and (b) any Securities to be so delivered, if not previously delivered. All Securities so delivered to the Trustee shall be cancelled by the Trustee and no Securities shall be authenticated in lieu thereof. If the Company fails to deliver such certificate and Securities at or before the time provided above, the Company shall not be permitted to satisfy any portion of such mandatory sinking fund payment by delivery or credit of Securities.

At its option the Company may pay into the sinking fund for the retirement of Securities of any particular series, on or not more than seven days before each sinking fund payment date for such series, any additional sum in cash as specified by the terms of such series of Securities. If the Company intends to exercise its

right to make any such optional sinking fund payment, it shall deliver to the Trustee at least 60 days prior to the next succeeding sinking fund payment date for such Series a certificate signed by the Treasurer or an Assistant Treasurer of the Company stating that the Company intends to exercise such optional right and specifying the amount which the Company intends to pay on such sinking fund payment date. If the Company fails to deliver such certificate at or before the time provided above, the Company shall not be permitted to make any optional sinking fund payment with respect to such sinking fund payment date. To the extent that such right is not exercised in any year it shall not be cumulative or carried forward to any subsequent year.

If the sinking fund payment or payments (mandatory or optional) made in cash plus any unused balance of any preceding sinking fund payments made in cash shall exceed \$50,000 (or a lesser sum if the Company shall so request) with respect to the Securities of any particular series, it shall be applied by the Trustee or one or more paying agents on the next succeeding sinking fund payment date to the redemption of Securities of such series at the sinking fund redemption price together with accrued interest to the date fixed for redemption. The Trustee shall select, in the manner provided in Section 16.02, for redemption on such sinking fund payment date a sufficient principal amount of Securities of such series to absorb said cash, as nearly as may be, and the Trustee shall, at the expense and in the name of the Company, thereupon cause notice of redemption of Securities of such series to be given in substantially the manner and with the effect provided in Sections 16.02 and 16.03 for the redemption of Securities of that series in part at the option of the Company, except that the notice of redemption shall also state that the Securities of such series are being redeemed for the sinking fund. Any sinking fund moneys not so applied or allocated by the Trustee or any paying agent to the redemption of Securities of that series shall be added to the next cash sinking fund payment received by the Trustee or such paying agent and, together with such payment, shall be applied in accordance with the provisions of this Section 16.04. Any and all sinking fund moneys held by the Trustee or any paying agent on the maturity date of the securities of any particular series, and not held for the payment or redemption of particular Securities of such series, shall be applied by the trustee or such paying agent, together with other moneys, if necessary, to be deposited sufficient for the purpose, to the payment of the principal of Securities at maturity.

On or not more than seven days before each sinking fund payment date, the Company shall pay to the Trustee or to one or more paying agents in cash sum equal to all interest accrued to the date fixed for redemption on Securities to be redeemed on the next following sinking fund payment date pursuant to this Section.

Neither the Trustee nor any paying agent shall redeem any Securities of a series with sinking fund moneys, and the Trustee shall not mail any notice of redemption of Securities of such series by operation of the sinking fund, during the continuance of a default in payment of interest on such Securities or of any Event of Default (other than an Event of Default occurring as a consequence of this paragraph) with respect to such Securities, except that if the notice of redemption of any Securities shall theretofore have been mailed in accordance with the provisions hereof, the Trustee or any paying agent shall redeem such Securities if cash sufficient for that purpose shall be deposited with the Trustee or such paying agent for that purpose in accordance with the terms of this Article Sixteen. Except as aforesaid, any moneys in the sinking fund for such series at the time when any such default or Event of Default shall occur and any moneys thereafter paid into the sinking fund shall, during the continuance of such default or Event of Default, be held as security for the payment of all Securities of such series; provided, however, that in case such Event of Default or default shall have been cured or waived as provided herein, such moneys shall thereafter be applied on the next succeeding sinking fund payment date on which such moneys may be applied pursuant to the provisions of this Section 16.04

MORGAN GUARANTY TRUST COMPANY OF NEW YORK hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions hereinabove set forth.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed by their respective officers thereunto duly authorized and their respective corporate seals to be hereunto duly affixed and attested, all as of the day and year first above written.

**MASCO INDUSTRIES, INC.**  
**Company**

By /s/JAMES J.  
SIGOUIN  
Vice President

[CORPORATE SEAL]

Attest:

/s/TIMOTHY WADHAMS  
Assistant  
Secretary



**MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK  
Trustee**

*By /s/J. N.  
CREAN  
Trust Officer*

**[CORPORATE SEAL]**

**Attest:**

*/s/G. J. CASTELLANO  
Assistant Trust  
Officer*

State of Michigan)

) ss.:

County of Wayne )

On the 2nd of February, 1987, before me personally came JAMES J. SIGOUIN, to me known, who, being by me duly sworn, did depose and say that he resides at 570 Oxford, Grosse Pointe Woods, MI; that he is Vice President of MASCO INDUSTRIES, 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/DIANE G. KIRKENDALL  
Notary Public*

*DIANE G. KIRKENDALL  
Notary Public, Wayne County,  
MI  
My Commission Expires  
7-15-90*

**[NOTARIAL SEAL]**

State of New York)

) ss.:

County of Kings )

On the 4th day of February, 1987, before me personally came J. N. CREAN, to me known, who, being by me duly sworn, did depose and say that he resides at Allendale, N. J. 07401; that he is Trust Officer of MORGAN GUARANTY TRUST COMPANY OF NEW YORK, one of the corporations 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.

*Notary Public*

*York*

*1987*

*/s/WILLIAM P. MIFSUD, JR.*

*WILLIAM P. MIFSUD, JR.  
Notary Public, State of New*

*No. 4785483  
Qualified in Kings County  
Commission Expires Mar. 30,*

**[NOTARIAL SEAL]**

**RESOLUTIONS  
OF THE  
PRICING COMMITTEE  
OF THE  
BOARD OF DIRECTORS  
OF MASCOTECH, INC.**

January 13, 1994

WHEREAS, the Company has filed a Registration Statement on Form S-3 (file no. 33-59222) with the Securities and Exchange Commission, which currently remains in effect.

WHEREAS, the Company desires to create and make provision for a series of securities under the Indenture dated as of November 1, 1986 (the "Indenture") with Morgan Guaranty Trust Company of New York, as trustee (the "Trustee"), which was filed as an exhibit to the Registration Statement, providing for the issuance from time to time of convertible or non-convertible unsecured subordinated debentures, notes or other evidences of indebtedness of the Company ("Securities") in one or more series under such Indenture; and

WHEREAS, capitalized terms used in these resolutions and not otherwise defined are used with the same meaning ascribed to such terms in the Indenture;

NOW, THEREFORE, BE IT RESOLVED, that there hereby is approved and established a series of Securities under the Indenture whose terms shall be as follows:

1. The Securities of such series shall be known and designated as the "4 1/2% Convertible Subordinated Debentures Due 2003" of the Company.
2. The aggregate principal amount of Securities of such series which may be authenticated and delivered under the Indenture is limited to Three Hundred Forty-Five Million Dollars (\$345,000,000), except for Securities of such series authenticated and delivered upon registration of, transfer of, or in exchange for, or in lieu of, other Securities of such series pursuant to Sections 2.07, 2.08, 2.09, 11.04 or 16.03 of the Indenture.
3. The date on which the principal of the Securities of such series shall be payable is December 15, 2003.

4. The Securities of such series shall bear interest from January 21, 1994, at the annual rate of 4? percent, payable semi-annually on June 15 and December 15 of each year commencing on June 15, 1994 (calculated on a standard 360 day year of 12 thirty-day months) until the principal thereof is paid or made available for payment. The June 1 or December 1 (whether or not a Business Day), as the case may be, next preceding each such interest payment date shall be the "record date" for the determination of holders to whom interest is payable.

5. The principal of, and premium, if any, and interest on the Securities of such series shall be payable at the office or agency of the Company maintained for such purpose under Section 5.02 of the Indenture in the Borough of Manhattan, The City of New York, or at any other office or agency designated by the Company for such purpose pursuant to the Indenture; provided, however, that, at the option of the Company, payment of interest may be made by check mailed to the address of the person entitled thereto as such address shall appear on the registry books of the Company.

6. The Securities of such series shall be subject to redemption at any time on or after December 22, 1996, in whole or in part, at the option of the Company, at a redemption price equal to the percentage of the principal amount set forth below if redeemed during the twelve-month period beginning December 15 in each of the following years, in each case together with interest accrued to the date fixed for redemption (subject to the right, if any, of the registered holder on the record date for an interest payment to receive such interest):

Year	Percentage
1996 . . . . .	103.00%
1997 . . . . .	102.50%
1998 . . . . .	102.00%
1999 . . . . .	101.50%
2000 . . . . .	101.00%
2001 . . . . .	100.50%
2002 . . . . .	100.00%

7. The Company shall have the right to discharge or limit the Indenture as to the Securities of such series prior to maturity pursuant to the provisions of Section 13.01 of the Indenture.

8. The Securities of such series shall be convertible at any time on or after March 22, 1994 and prior to maturity, unless previously redeemed, into an aggregate maximum amount

of 11,129,032 fully paid and non-assessable shares of Company Common Stock, par value \$1.00 per share, at a conversion price of \$31.00 per share, such number of shares of Common Stock and conversion price being subject to adjustment as provided in the Indenture.

9. The Securities of such series shall be subordinated in right of payment to the prior payment in full of Senior Indebtedness (as defined in the Indenture) and so long as the Securities of such series are outstanding, the Company shall not create or incur "indebtedness of the Company for money borrowed" or "indebtedness of the Company incurred in connection with the acquisition of property" that is subordinate and junior in right of payment to the prior payment of Senior Indebtedness, except such indebtedness that ranks pari passu with, or is subordinate and junior in right of payment to, the Securities of such series.

10. The Securities of such series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any integral multiple thereof.

11. The Company shall receive 97.75 percent of the price of such Securities sold to the public after discount of 2.25 percent.

FURTHER RESOLVED, that the Securities of such series are declared to be issued under the Indenture and subject to the provisions thereof;

FURTHER RESOLVED, that the Chairman of the Board, the President or any Vice President and the Secretary or any Assistant Secretary is authorized in the name and on behalf of the Company and under its corporate seal (which may be in the form of a facsimile of the seal of the Company) to execute \$345,000,000 aggregate principal amount of the Securities of such series (and in addition Securities to replace lost, stolen, mutilated or destroyed Securities and Securities required for exchange, substitution or transfer, all as provided in the Indenture) in fully registered form, substantially in the form of the subordinated debenture filed as an exhibit to the Company's Registration Statement, with such changes and insertions therein as are appropriate to conform such debentures to the terms set forth herein or otherwise as the respective officers executing such Securities shall approve and as are not inconsistent with these resolutions, such approval to be conclusively evidenced by such officer's execution and delivery of such Securities, and to deliver such Securities to the Trustee for authentication and delivery in accordance with the terms of the Indenture, and the Trustee is authorized and directed thereupon to authenticate and deliver the same to or upon the written order of the Company as provided in the Indenture;

- 3 -

95

FURTHER RESOLVED, that the signatures of the officers of the Company so authorized to execute the Securities of such series may be the manual or facsimile signatures of the present or any future such authorized officers and may be imprinted or otherwise reproduced thereon, the Company for such purpose hereby adopting each such facsimile signature as binding upon it notwithstanding the fact that at the time the respective Securities shall be authenticated and delivered or disposed of, the officer so signing shall have ceased to be such officer;

FURTHER RESOLVED, that Smith Barney Shearson Inc., PaineWebber Incorporated, Prudential Securities Incorporated and Salomon Brothers Inc are appointed as underwriters for the issuance and sale of the Securities of such series, and the Chairman of the Board, the President or any Vice President of the Company is authorized, in the name and on behalf of the Company, to execute and deliver an Underwriting Agreement, substantially in the form heretofore approved by the Board of Directors of the Company, with such underwriters and with such changes and insertions therein as are appropriate to conform such Underwriting Agreement to the terms set forth herein or otherwise as the respective officers executing such Underwriting Agreement shall approve and as are not inconsistent with these resolutions, such approval to be conclusively evidenced by such officer's execution and delivery of such Underwriting Agreement;

FURTHER RESOLVED, that Morgan Guaranty Trust Company of New York, the Trustee under the Indenture, is appointed trustee for Securities of such series, and as Agent of the Company for the purpose of effecting the registration, transfer, exchange and conversion of the Securities of such series as provided in the Indenture, and the corporate trust office of Morgan Guaranty Trust Company of New York, in the Borough of Manhattan, The City of New York is designated pursuant to the Indenture as the office or agency of the Company where such Securities may be presented for registration, transfer, exchange and conversion and where notices and demands to or upon the Company in respect of the Securities of such series and of the Indenture may be served;

FURTHER RESOLVED, that Morgan Guaranty Trust Company of New York, is appointed Paying Agent of the Company for the payment of principal of and premium, if any, and interest on the Securities of such series, and the corporate trust office of Morgan Guaranty Trust Company of New York, is designated, pursuant to the Indenture, as the office or agency of the Company where such Securities may be presented for payment; and

FURTHER RESOLVED, that each of the officers of the Company is authorized and directed in the name and on behalf of the Company to do or cause to be done all such acts and things as they or he may deem necessary or advisable, to effect the sale and delivery of the Securities of such series pursuant to the Underwriting Agreement

- 4 -

96

and otherwise to carry out the obligations of the Company under the Underwriting Agreement, and to do or cause to be done all such acts and things and to execute and deliver all such documents as they or he deem necessary or advisable in connection with the execution and delivery of the Underwriting Agreement, the execution, authentication and delivery of such Securities (including, without limiting the generality of the foregoing, delivery to the Trustee of such Securities for authentication and of requests or orders for the authentication and delivery of Securities) and the listing of the Securities on The New York Stock Exchange.

- 5 -

97

**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*

*COMPANY*

*MORGAN GUARANTY TRUST*

*OF NEW YORK, as resigning  
Trustee*

*By:/s/ Michael Culhane  
Name: Michael Culhane  
Title: Vice President*

[Seal]  
Attest:

*/s/ M. E. McNulty  
Assistant Secretary*

*Trustee*

*THE FIRST NATIONAL BANK OF  
CHICAGO, as successor*

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

[Seal]  
Attest:

/s/ T. Marshall  
Trust Officer

4

101

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]

5  
102

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]

6  
103

**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 MascoTech, 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.







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*  
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*Notary Public  
State of Illinois  
My Comm. Exp.: May 21,  
1997*

[NOTARIAL SEAL]

-3-

1  
**EXHIBIT 4.f**

**Dated 14 September 1998**

**MASCO GMBH  
as Borrower**

and

**MASCO CORPORATION  
as Guarantor**

and

**COMMERZBANK AKTIENGESELLSCHAFT  
as Arranger**

and

**COMMERZBANK INTERNATIONAL S.A.  
as Agent**

and

**OTHERS**

**DM 350,000,000 MULTICURRENCY REVOLVING CREDIT FACILITY**

**HENGELER MUELLER WEITZEL WIRTZ  
Frankfurt am Main**

2

CONTENTS

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Page

SECTION 1	Interpretation	3
SECTION 2	The Facility	3
SECTION 3	The Lenders	3
SECTION 4	Cancellation	4
SECTION 5	Fees and Expenses	4
SECTION 6	Advance of Funds	5
SECTION 7	Currency Option	7
SECTION 8	Interest	8
SECTION 9	Repayment of Advances	9
SECTION 10	Prepayment of Advances	9
SECTION 11	Guarantee	9
SECTION 12	Changes of Circumstances	11
SECTION 13	Payments	15
SECTION 14	Late Payment	17
SECTION 15	Sharing among Lenders	17
SECTION 16	Representations and Warranties	19
SECTION 17	Delivery of Information	23
SECTION 18	General Covenants	26
SECTION 19	Early Termination	30
SECTION 20	The Agent and the Arranger	33
SECTION 21	Evidence and Certificates	37
SECTION 22	Notices	37
SECTION 23	Transfers and Substitution	38
SECTION 24	Waivers and Amendments	40
SECTION 25	Miscellaneous	41
SECTION 26	Law and Jurisdiction	42
SECTION 27	Confidentiality	42
Annex: Definitions, References and Construction		46

SCHEDULES

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Schedule 1:	Lenders and Commitments; Address Details	57
Schedule 2:	Conditions Precedent	60
Schedule 3:	Form of Substitution Certificate	61
Schedule 4:	Form of Borrowing Notice	63
Schedule 5:	Form of Tax Confirmation	65

CREDIT AGREEMENT dated 14 September 1998 between:

- (1) MASCO GMBH, as borrower (the "Borrower"),
- (2) MASCO CORPORATION, as guarantor (the "Guarantor"),
- (3) COMMERZBANK AKTIENGESELLSCHAFT, as arranger (the "Arranger"),
- (4) COMMERZBANK INTERNATIONAL S.A., as agent, and
- (5) THE FINANCIAL INSTITUTIONS listed in Schedule 1, as lenders.

THE PARTIES agree as follows:

#### SECTION 1 INTERPRETATION

The defined expressions used in this Agreement are set out in the Annex.

#### SECTION 2 THE FACILITY

- (1) Amount and Nature. The Facility is a five-year DM 350,000,000 multicurrency revolving credit facility.
- (2) Purpose. The Borrower agrees to use the proceeds of the Facility to refinance debt of the Borrower outstanding at the date of this Agreement or for general corporate funding purposes, but no Syndicate Party needs to concern itself with the application of amounts taken up by the Borrower under the Facility.
- (3) Availability. The Borrower may borrow under the Facility after the Agent has received all the items listed in Schedule 2 in a form satisfactory to the Agent.
- (4) Expiry of Availability. The Borrower may not borrow under the Facility after the Commitment Expiry Date.

#### SECTION 3 THE LENDERS

- (1) Rights and Obligations. The rights and obligations of each Lender under this Agreement are separate and independent from the rights and obligations of each other Lender. A Lender may take proceedings against any Obligor on its own without involving any other Lender in those proceedings.
- (2) Failure to Perform. If a Lender fails to perform its obligations the Borrower will have rights solely against that Lender. The obligations of any Obligor

to the Agent, the Arranger and the other Lenders will not be affected by this failure.

#### SECTION 4 CANCELLATION

(1) Voluntary Cancellation. The Borrower may cancel the whole or any part of the Available Facility by giving notice in writing to the Agent. This notice will take effect thirty days after it is received by the Agent unless a later date is specified in the notice. In that case the notice will take effect on the specified date. The Borrower may only cancel a part of the Available Facility which is a minimum amount of DM 10,000,000 or any higher integral multiple of DM 5,000,000.

(2) Effect of Cancellation. The Borrower may not borrow any part of the Available Facility which has been cancelled or which is the subject of a notice of voluntary cancellation. The Available Commitments of the Lenders will be reduced by an aggregate amount equal to the reduction of the Available Facility. Each Lender's Available Commitment will be reduced proportionately. No amount of the Available Facility cancelled under this Agreement may subsequently be reinstated. The Available Facility shall be cancelled automatically on the Final Maturity Date.

#### SECTION 5 FEES AND EXPENSES

(1) Management Fee. The Borrower will pay to the Agent for the account of the Arranger a management fee. The amount of this fee and the timing of payment are described in a letter from the Arranger to the Borrower dated the same date as this Agreement.

(2) Agency Fee. The Borrower agrees to pay to the Agent an agency fee. The amount of this fee and the timing of payment are described in a letter from the Agent to the Borrower dated the same date as this Agreement.

(3) Reimbursement of Initial Expenses. The Borrower agrees to reimburse the Arranger for all reasonable out-of-pocket expenses incurred in connection with the negotiation, preparation and signing (including, but not limited to, legal expenses, travelling expenses and communication charges) of this Agreement and the syndication of the Facility. In addition, the Borrower agrees to bear and pay all expenses related to the publication of any advertisements in connection with the Facility made with the approval of the Borrower.

(4) Commitment Fee. A commitment fee will accrue on the undrawn and uncanceled amount of the Commitment of each Lender. This fee will accrue from the date of this Agreement until the Final Maturity Date. The rate of the fee will be 50 per cent. of the Margin as most recently determined according to the Definition of Margin. The Borrower agrees to pay the fee to the Agent for the

benefit of each Lender in arrear at quarterly intervals and on the Final Maturity Date.

(5) Protection of Rights. A Syndicate Party may incur expenses in protecting, preserving or enforcing its rights under this Agreement. The Borrower agrees to reimburse that Syndicate Party for the amount of expenses reasonably incurred.

(6) Documentary Taxes. The Borrower agrees to bear and pay any duty, fee or other similar charge required to be paid on this Agreement, any document referred to in or contemplated by this Agreement or any judgment obtained in connection with this Agreement or payable in order for this Agreement or any of these documents to be valid, binding and enforceable or for any of them to be admitted as evidence in court.

Alternatively, a Syndicate Party may make the payment; if it does so, the Borrower agrees to reimburse that Syndicate Party for the amount paid.

#### SECTION 6 ADVANCE OF FUNDS

(1) Notice to the Agent. When the Borrower wishes to borrow under the Facility, it will deliver a notice to the Agent substantially in the form attached hereto as Schedule 4. The notice shall specify the amount of the Advance, the currency of the Advance, the length of the Term of the Advance and the proposed Advance Date. The Advance Date must be no sooner than three (or, in the case of Optional Currency other than USD, four) Business Days after the date the Agent receives the notice. For this purpose, if the Agent receives the notice on a day which is not a Business Day or after 2.00 p.m. on a Business Day, it will be treated as having received the notice on the following Business Day.

(2) Limitations on Advances. The following limitations apply to Advances:

(a) No Advance may exceed the Available Facility. This limitation will be applied as at the Advance Date. For this purpose:

(i) any part of the Facility which is subject to a notice of voluntary cancellation will be treated as cancelled;

(ii) any amount due to be repaid on the Advance Date will be treated as having been repaid; and

(iii) Advances in Optional Currencies will be taken at their Original DM Amount.

(b) An Advance must be a minimum of DM 10,000,000 or any higher integral multiple of DM 5,000,000 or be the Available Facility (or in each case the equivalent in Optional Currency).



- (c) If the Advance is not to be in DM, SECTION 7 applies.
  - (d) The Term of the Advance must be a period of 1, 2, 3 or 6 months (or any longer period agreed by all Lenders).
  - (e) The Advance Date must be a Business Day on or prior to the Commitment Expiry Date and at least three (or, in the case of Optional Currency other than USD, four) Business Days after the Facility has become available under SECTION 2(3).
  - (f) No more than six Advances may be outstanding at any time.
  - (g) The Term of the Advance must expire on or before the Final Maturity Date.
- (3) Amount of the Lenders' Participation in the Advance. The amount of a Lender's participation in an Advance shall be that proportion of the Advance which its Commitment bears to the Total Commitments on the date of receipt by the Agent of the relevant notice of borrowing. For this purpose any amount due to be repaid on the Advance Date will be treated as having been repaid. The Agent may round participations upwards or downwards to the nearest unit of currency not exceeding each Lender's Commitment.
- (4) Notice to the Lenders. The Agent agrees to provide details of the notice of borrowing to each Lender not later than close of business on the third Business Day preceding the Advance Date. These details will also include the amount of each Lender's participation in the Advance, and in case of a borrowing under SECTION 7, the Exchange Rate and the Original DM Amount.
- (5) Conditions to Borrowing. The Lenders will only be obliged to make an Advance to the Borrower if:
- (a) the Facility is available in accordance with SECTION 2 and SECTION 4;
  - (b) a properly completed and signed notice of borrowing has been received by the Agent;
  - (c) the representations and warranties in SECTION 16(1) and SECTION 16(2) except the representations set forth in SECTION 16(2)(d)(iii), (e), (f) (other than clause (i) thereof), (g) and (j) are true on the date of delivery of the notice of borrowing and on the Advance Date; and
  - (d) on the date of delivery of the borrowing notice and on the Advance Date, no Termination Event or Potential Termination Event exists.

(6) Obligation to make an Advance. If the requirements of this SECTION 6 are satisfied, each Lender agrees to make the amount of its participation in the Advance available to the Agent for the Borrower on the Advance Date. The Advance will be made available to the Borrower in the case of DM by 11.00 a.m. on the Advance Date, in the case of USD by 11.00 a.m. New York time on the Advance Date and in the case of an Optional Currency other than USD by such other time on the Advance Date as is customary for the relevant Optional Currency.

(7) Consequences of an Advance not being made. If a notice of borrowing is delivered but no Advance is made due to any of the Conditions in SECTION 6(5) not being satisfied, the Borrower agrees to reimburse each Lender for the losses and expenses incurred by such Lender as a result of liquidating or otherwise utilizing amounts taken up by it to fund its participation in the Advance or terminating commitments relating to the funding or hedging open positions resulting from the Advance not being made.

(8) Adjustment of the Term. The Term will end on the last day of a calendar month if it is for a number of complete months and either:

(a) it commenced on the last Business Day of a calendar month; or

(b) it commenced on a day for which there is no corresponding day in the month in which it is due to end.

#### SECTION 7 CURRENCY OPTION

(1) Request for Optional Currency. If a notice of borrowing specifies a currency other than DM, the Advance requested will be made in the currency specified if all the following are true:

(a) The currency specified is an Optional Currency.

(b) The conditions to borrowing pursuant to SECTION 6 are satisfied.

(c) If the Advance is made the Loan will not be outstanding in more than five different currencies.

(2) Non-availability of Optional Currency. A Lender (an "Affected Lender") may notify the Agent that it is unable to make its participation in an Advance available in the specified Optional Currency for the requested Term. Each of the following applies if this notice is received by the Agent by 9.30 a.m. on the Rate Fixing Day:

(a) The Affected Lender will not be obliged to make its participation in the Advance available in the specified Optional Currency. Instead the Affected Lender agrees to make the participation available in DM.

(b) The amount the Affected Lender is required to advance will be the Original DM Amount of the participation it would otherwise have been required to make available in the Optional Currency.

(c) The Agent agrees to notify the Borrower and the other Lenders of the receipt of the notice from the Affected Lender. This notification will be made before 11.00 a.m. on the Rate Fixing Day.

(d) The time at which LIBOR (or, in the case of GBP, PIBOR) is determined will be postponed to 1 p.m. London (or, in the case of PIBOR, Paris) time on the Rate Fixing Day.

(3) Impracticality of Drawing in Optional Currency. An Advance which was to have been made in an Optional Currency will not be required to be made if all the following are true:

(a) An event described in SECTION 7(4) occurs.

(b) The Agent notifies the Borrower of this event and states that as a result the Advance cannot be made in the Optional Currency.

(c) The notice from the Agent is received by the Borrower by 9.00 a.m. on the Advance Date.

The Agent agrees to deliver a notice under this sub-paragraph if it is instructed by an Instructing Group to do so.

(4) Events Making Drawing in Optional Currency Impractical. An event referred to in SECTION 7(3) occurs if both:

(a) there is a change in national or international financial, political or economic conditions or in currency exchange rates or exchange controls; and

(b) this change would mean that the Advance cannot reasonably be denominated in the Optional Currency in question.

(5) DM-Advance in the Event of Impracticality. If an event referred to in SECTION 7(3) has occurred the Advance will, if so elected in the notice of borrowing, be made in the Original DM Amount of the Optional Currency, provided that

(a) the Rate Fixing Day of the Advance will be postponed to the day on which the Agent has given notice pursuant to SECTION 7(3)(b); and

(b) the Advance Date will be the second Business Day following the Rate Fixing Day.

## SECTION 8 INTEREST

(1) **Accrual of Interest.** Interest will accrue on each Advance during its Term.

(2) **Rate of Interest.** The rate of interest applicable during the Term of an Advance will be a rate per annum equal to LIBOR (or, in the case of GBP, PIBOR) for the currency of that Advance for that Term plus the Margin. The rate of interest will be fixed on the Rate Fixing Day.

(3) **Accrual and Payments.** Interest on each Advance shall:

(a) accrue from day to day and be calculated for the actual number of days elapsed and on the basis of a year of 360 days (or 365 days if this is market practice for the relevant Optional Currency) and

(b) be payable in arrear on the last day of the Term, and in the case of a Term in excess of six months, also on the day falling six months after the Advance was made, and thereafter at six months' intervals.

## SECTION 9 REPAYMENT OF ADVANCES

The Borrower agrees to repay each Advance made to the Borrower on the last day of its Term together with interest and all other amounts due in respect of such Advance. Amounts repaid may be redrawn.

## SECTION 10 PREPAYMENT OF ADVANCES

The Borrower may repay an Advance early. In this case the Borrower shall reimburse each Lender for the costs and expenses incurred as a result of the prepayment. These costs and expenses will be calculated in accordance with SECTION 12(5).

## SECTION 11 GUARANTEE

(1) **Guarantee.** The Guarantor unconditionally and irrevocably guarantees to each Syndicate Party the performance of any and all obligations of the Borrower under this Agreement and the payment of each amount expressed herein to be payable by the Borrower as and when such amount becomes due and in the same currency as the amount due. Payment shall be made forthwith upon the written demand of the Agent or any Lender through the Agent.

(2) **Nature of Guarantee Obligation.** This Guarantee constitutes a "Garantie" and not a "Burgschaft". Accordingly the obligations of the Guarantor under this Guarantee (i) are separate and independent from the obligations of the Borrower under this Agreement, (ii) exist irrespective of the legality, validity, binding effect or enforceability of the obligations of the Borrower under this Agreement,

and (iii) are not affected by any event, condition or circumstance of whatever nature, whether factual or legal, save the full, definitive and irrevocable satisfaction of any and all payment obligations expressed herein to be payable by the Borrower.

(3) Preservation of Rights. Any obligations of the Guarantor under this Guarantee will not be affected by:

- (a) Any change, waiver or release of the Borrower's obligations.
- (b) Any concession or time being given to the Borrower.
- (c) The winding-up or re-organisation of the Borrower.
- (d) Any change in the condition, nature or status of the Borrower.
- (e) Any of the above events occurring in relation to another guarantor or provider of security of its obligations.
- (f) Any failure of any Syndicate Party to take, retain or enforce any other guarantee or security.
- (g) Any circumstances affecting or preventing recovery of amounts due by the Borrower.
- (h) Any other matter which might discharge the Guarantor (other than full and unconditional payment under the Guarantee).

(4) Covenants of the Guarantor. The Guarantor agrees as follows:

- (a) Security. The Guarantor will not have the benefit of any Security provided by the Borrower in respect of this Guarantee.
- (b) Exercise of Rights. The Guarantor will not:
  - (i) take the benefit of any rights against the Borrower or any other person in respect of amounts paid under this Guarantee; or
  - (ii) claim or exercise against the Borrower any right to any payment (whether or not in connection with this Agreement).
- (c) Competing Claim. An Instructing Group may request the Guarantor to submit a claim in insolvency proceedings for amounts due to it by the Borrower or any other guarantor. The Guarantor agrees to submit such claim promptly in accordance with this request. The Guarantor hereby assigns to the Agent (for the benefit of the Syndicate Parties) for security purposes all its rights in respect of that claim.

The obligations in this SECTION 11(4) will cease to have effect when the Facility has ceased to be available and there are no amounts outstanding under the Facility. Paragraph (b) only applies for so long as there is a current Termination Event.

(5) Discharge Conditional. Any settlement with, or discharge of, the Guarantor will be subject to the condition that the settlement or discharge will be set aside if any prior payment, or any other guarantee or security relating to any amount due under this Agreement, is set aside, invalidated or reduced. In this event the Guarantor agrees to reimburse each Syndicate Party for the value of the payment, guarantee or security which is set aside, invalidated or reduced.

(6) Additional Security. This Guarantee is in addition to and is not in any way prejudiced by any other security now or hereafter held by any Syndicate Party.

## SECTION 12 CHANGES OF CIRCUMSTANCES

### (1) Illegality.

(a) Notice of Illegality. Each Lender may notify the Borrower if it determines that it is or will be acting illegally (rechtswidrig) in relation to the Facility. The illegality may relate to the performance of the Lender's obligations, the maintenance of the Facility or the Lender's funding arrangements.

(b) Cancellation and Prepayment. If a Lender delivers a notice of illegality any outstanding Commitment of that Lender will be cancelled on the date of that notice. The Borrower agrees to prepay the participation of that Lender in the Loan on the last day of the Term during which the notice is received, unless the Lender certifies that, because of a legal requirement (law, regulation or any action by a court or administrative authority) applicable to the Lender, it must be repaid earlier. In this event the Borrower agrees to prepay the participation on the date specified by the Lender. SECTION 12(5) applies to any cancellation or prepayment under this paragraph.

### (2) Increased Costs.

(a) Notice of Increased Costs. A Lender may give notice of increased costs to the Borrower if:

- (i) either:
  - (aa) there is a change in a legal or other requirement applicable to the Lender (or its holding company) (including any change relating to taxation or reserve asset, special deposit, cash ratio, liquidity or capital adequacy requirements or any other form of banking or

monetary control) or a change in its interpretation or application; or

(bb) the Lender (or its holding company) complies with a direction or request (whether or not having the force of law) of any central bank or other fiscal, monetary or other authority; and

(ii) as a result, any of the following occurs:

(aa) the Lender (or its holding company) incurs an expense;

(bb) the Lender's (or its holding company's) effective return from the Facility or on its overall capital is reduced;

(cc) any amount payable to the Lender (or its holding company) is reduced; or

(dd) the Lender (or its holding company) does not recover an amount which would otherwise have been paid to it.

No account will be taken of tax on the overall net income of a Lender in the country in which it has its principal office or the office through which it is acting for the purposes of this Agreement; and the losses,

(iii) reductions and expenses arising as a result are wholly or partly attributable to the Facility or the arrangements made by a Lender in connection with the Facility.

(b) Payment of Additional Amounts. The Borrower agrees to reimburse each Lender for the losses, reductions and expenses described in paragraph

(a)(ii) which are attributable to the Facility (as certified by the Lender, which certification shall include a calculation of the amount to be reimbursed). No reimbursement will be made for losses, reductions or expenses attributable to the period which is more than 30 days prior to the receipt of the notice described in paragraph (a).

(c) Prepayment. If a Lender delivers a notice of increased costs the Borrower may, on giving not less than 5 Business Days prior notice to that Lender, prepay the participation of that Lender in the Loan, together with compensation for such increased costs on the last day of the Term during which the notice is received and all other amounts then due to such Lender under the Facility, and any outstanding Commitment of the Lender will be cancelled on the date of that notice.

(3) Market Disruption.

(a) Notice of Market Disruption. The Agent agrees to give notice of market disruption if:

(i) the Agent determines, upon consultation with the Reference Banks, that there are no reasonable means to ascertain LIBOR (or, in the case of GBP, PIBOR) because of circumstances affecting the London or, as the case may be, Paris, Interbank Market generally;

(ii) Lenders with Commitments exceeding in aggregate 35% of the Total Commitments, or with participations exceeding in aggregate 35% of the Loan, notify the Agent that they determine that LIBOR (or, in the case of GBP, PIBOR) would not reflect fairly the cost to them of funding an amount outstanding under this Agreement;

(iii) LIBOR (or, in the case of GBP, PIBOR) cannot be determined because less than two Reference Banks provide quotations; or

(iv) Lenders with Commitments exceeding in aggregate 35% of the Total Commitments, or with participations exceeding in aggregate 35% of the Loan, notify the Agent that funds necessary to fund their participation in the Loan are not readily available in the London or, as the case may be, Paris, Interbank Market.

(b) Alternative Interest Rate Arrangements. If the Agent gives a notice of market disruption, the following applies:

(i) The Advance will be made and shall have a term of one month.

(ii) The means of determining the rates of interest applicable under this Agreement will be suspended. Instead the Borrower agrees to pay interest to the Lenders in the manner requested by the Agent. A request by the Agent must specify the rate of interest to apply for a period of one month. This rate will be the rate determined by the Agent to reflect the cost to each Lender of funding for the period plus the applicable Margin. In order to assist the Agent in this determination each Lender agrees to provide to the Agent any information which the Agent may reasonably request. If this information is received by the Agent within any time period specified by the Agent it will be taken into account by the Agent in making its determination.

(iii) The Borrower and the Agent will negotiate the terms of an alternative arrangement for determining a rate of interest. The negotiations will be carried on in good faith. Neither party is bound to continue the negotiations after the date 30 days after the Borrower receives the Agent's notice. If agreement is reached and if it is approved by an Instructing Group, the rate of interest will be determined in accordance with such agreement. Sub-paragraph (ii) will not apply to the extent that it is expressly excluded by such agreement.



(iv) If the circumstances described in paragraph (a) cease to apply, the Agent will notify the Borrower and the Lenders. The Borrower agrees to pay interest to the Lenders in the manner described in sub-paragraph (ii) or (iii) for the remainder of the period for which an alternative interest rate arrangement has been made in respect of each affected Advance unless a different arrangement is agreed by the Agent and the Borrower and approved by an Instructing Group. In this case the Borrower agrees to pay interest to the Lenders in the manner agreed.

(4) Withholdings.

(a) Notice of Withholding. The Borrower agrees to give notice of withholding or deduction on account of any taxes, duties or charges ("taxes") to the Agent if it is required by law to make a payment under this Agreement net of a withholding or deduction on account of taxes.

(b) Grossing Up. If the Borrower is so required, the Borrower agrees to increase the amount of any payment which is subject to a withholding or deduction on account of taxes. As a result of this increase the person entitled to the payment will be entitled to receive the same amount it would have received if there had been no withholding or deduction on account of taxes.

(c) Payment of Tax. The Borrower will pay to the appropriate authority all amounts withheld or deducted. If a receipt or other evidence of payment can be issued, the Borrower agrees to deliver this to the Agent as soon as practicable.

(d) Refund of Tax Credits. If the Borrower makes a payment under this SECTION 12(4) (a "Tax Payment"), the relevant Lender agrees to notify the Borrower if it has obtained a refund of tax or obtained and used a credit against tax on its overall net income (a "Tax Credit") which that Lender is able to identify as directly attributable to that Tax Payment. To the extent that it can in its opinion do so without prejudicing its ability to retain such Tax Credit, the Lender shall reimburse the Borrower such amount as that Lender shall have determined to be the proportion of that Tax Credit as will leave the Lender (after that reimbursement) in no better or worse position in respect of its worldwide tax liabilities than it would have been in had no Tax Payment been required. Nothing in this paragraph affects the right of any Syndicate Party to arrange its tax affairs as it thinks fit or gives the Borrower or the Guarantor the right to inquire into those tax affairs.

(e) SECTION 12(4) applies, mutatis mutandis, to payments to be made by the Guarantor in respect of the Guarantee.

(5) Prepayment. If the Borrower is obliged to prepay the Loan or any part of it under this SECTION 12 or SECTION 19(2), the Borrower agrees to pay on the date on which payment is due interest accrued on the Loan (or the amount to be repaid) up to that date. If the date on which repayment is due is not the last day of a Term, the Borrower will reimburse each affected Lender for the losses and expenses which that Lender has incurred, or will incur, in liquidating or otherwise utilizing amounts taken up by the Lender to fund the Loan or in hedging open positions resulting from the payment (excluding loss of margin for the period after any such repayment).

#### SECTION 13 PAYMENTS

(1) Method, Timing and Currency of Payments. All payments under the Facility must be made in immediately available and freely transferable funds. Each payment must be received by 10 a.m. (time at the place of payment) on the due date.

(2) Currency of Payment. Each Advance is to be repaid in the currency in which it is denominated. Interest on an Advance is to be paid in the same currency as the Advance. Payments under SECTION 5(1) to (4) are to be made in DM; losses and expenses are to be compensated in the currency in which such losses and expenses were incurred.

(3) Payments through the Agent

(a) Normal Arrangements. All payments under this Agreement will be made through the Agent. Each payment, if in Deutsche Mark, will be made to the account of the Agent, as notified by the Agent to the Borrower, if in other currency to such account as the Agent may designate. The Agent will pay on to the Lenders an amount received as soon as the Agent has ascertained that it has been received.

(b) Alternative Arrangements. If the Agent determines that it is, or will be, illegal or impossible for it to pay on to a Lender in accordance with paragraph (a), it agrees to notify the Borrower and that Lender. In this case the Borrower and that Lender may agree on alternative arrangements for payments to be made to that Lender. Paragraph (a) will not apply to the extent excluded by those alternative arrangements. The Lender agrees to provide notice of the arrangements to the Agent and will notify the Agent of payments in accordance with SECTION 15(1).

(4) Payments to the Borrower. Each payment by the Agent to the Borrower will be made to the account of the Borrower specified by it in the request for borrowing.

(5) Payments to Lenders. Each payment by the Agent to a Lender will be made to the account of that Lender notified to the Agent for this purpose.

(6) Change of Account. The Borrower or a Lender may change its receiving account by not less than five Business Days' notice to the Agent. The Agent may change its receiving account by not less than five Business Days' notice to each Obligor and the Lenders.

(7) Refunding of Payments by the Agent. If the Agent makes a payment out in the mistaken belief that it has received or will receive an incoming payment on a particular day, the person which received the payment from the Agent agrees to return it. It will also reimburse the Agent for all losses and expenses incurred by the Agent as a result of the payment. This SECTION 13(7) does not affect the rights of the person which received the payment against the person which failed to make the payment to the Agent.

(8) Non-Business Days. If a payment would be due on a non-Business Day the payment obligation will be deferred until the next Business Day. Interest will be adjusted accordingly.

(9) Payment in Full. All payments by any Obligor will be made in full and without set-off, counterclaim, or retention. No payment by any Obligor will be made net of a withholding or deduction, unless this is required by law. In this event SECTION 12(4) applies.

(10)Set-off. After a Termination Event or Potential Termination Event has occurred, any Syndicate Party may set off any obligation which it owes to any Obligor against any obligation which that Obligor owes to that Syndicate Party under this Agreement. The obligation of the Syndicate Party may be in a different currency, arise on a separate transaction, provide for a different place of payment, or involve another branch. If its obligation is in a different currency, the Syndicate Party may convert the amount owed into the same currency as the obligation of that Obligor using the then current exchange rate. If a Lender sets off an obligation, that Lender agrees to notify the Agent thereof. The notice will provide details of the amount set off.

(11) Application of Partial Payments. If the Agent receives a payment insufficient to discharge all the amounts then due and payable by the Borrower under this Agreement, the Agent shall apply that payment towards the obligations of the Borrower under this Agreement in the following order:

(a) first, in or towards payment pro rata of any unpaid costs or expenses due to the Agent in its capacity as such under or in connection with this Agreement;

(b) secondly, in or towards payment pro rata of any agency fee due but unpaid under SECTION 5;

- (c) thirdly, in or towards payment pro rata of any other accrued fees due but unpaid under SECTION 5;
- (d) fourthly, in or towards payment pro rata of any accrued interest due but unpaid under this Agreement;
- (e) fifthly, in or towards payment pro rata of any principal due but unpaid under this Agreement;
- (f) sixthly, in or towards payment pro rata of any other sums due but unpaid under this Agreement.

The Agent will vary the order set out in paragraphs (d) to (f) inclusive above if requested by all the Lenders. The provisions of this SECTION 13(11) will override any appropriation made by the Borrower.

(12)Currency Indemnity. Where a payment due by any Obligor under or in connection with this Agreement is made in a currency other than the currency owed, to the extent that the amount received, when converted into the currency owed, is less than the amount due that Obligor agrees to reimburse the person entitled to the payment for the difference. For the purposes of the computation of this amount that person will apply to the amount received a rate of exchange prevailing on an established currency market on the date of receipt. If, however, that person is unable to use the amount received to buy the currency owed on the date of receipt, the rate of exchange prevailing on the first date on which that person could buy the currency owed will be used instead. The obligation in this SECTION 13(12) is a separate and independent obligation.

#### SECTION 14 LATE PAYMENT

(1) Default Interest. If any Obligor fails to make a payment other than interest on its due date, that Obligor agrees to pay interest on the amount unpaid from its due date for payment. This interest will be computed by reference to successive periods not exceeding six months selected by the Agent. The first of these periods will start on the due date for payment of the unpaid amount. The rate of interest applicable during each of these periods will be a rate per annum equal to 1% plus LIBOR (or, in the case of GBP, PIBOR) for that period plus the applicable Margin. This interest will be paid in arrear on the last day of each of these periods and on the date of payment of the unpaid amount.

(2) Indemnity. If the Borrower fails to make a payment other than interest on the due date the Borrower agrees to reimburse the person entitled to the payment for the losses and expenses (including loss of profit) that person incurs, or will incur, as a result. The computation of these losses and expenses will take into account any amount received under SECTION 14(1).

(3) Late Interest Payment. If the Borrower fails to pay an amount of interest on the due date the Borrower agrees to pay to the Agent by way of indemnification and in addition to such amount, a lump sum computed on that amount due from the due date up to the date of payment by reference to the sum of (i) 1.6 per cent. per annum and (ii) LIBOR (or, in the case of GBP, PIBOR) for the period selected by the Agent if SECTION 14(1) were to apply.

#### SECTION 15 SHARING AMONG LENDERS

(1) Notice. If an amount due to a Lender (the "Recipient") under this Agreement is discharged other than by payment through the Agent the Lender agrees to notify the Agent. This may occur because of the exercise of a right of set-off, by virtue of a combination of accounts, because of a voluntary or involuntary payment by the Borrower direct to the Lender or otherwise. The notification will provide details of the amount discharged and will be delivered no later than ten Business Days after the discharge.

(2) Determination by the Agent. Where a Lender has issued a notice under SECTION 15(1) the Agent will determine what payments, if any, are due under SECTION 15(4). This determination will be made on the basis of the information contained in all the notices delivered to the Agent under SECTION 15(1). The determination will be notified to the Borrower and the Lenders.

(3) Litigation. In determining the amount due under SECTION 15(4) no account will be taken of an amount due to a Lender which has declined to participate in legal proceedings which resulted in the payment described in SECTION 15(1). This only applies if that Lender could have joined in the proceedings or could have instituted its own proceedings, but failed to do so.

(4) Payment to the Agent. The Recipient agrees to pay to the Agent an amount equal to the amount discharged, less the amount which would have been received by the Recipient if the discharge had been made by payment to the Agent. This amount will be paid no later than five Business Days after receipt of a notice from the Agent under SECTION 15(2).

(5) Obligations of the Borrower. Any amount due to the Recipient which would otherwise have been discharged as described in SECTION 15(1) will be treated as not having been discharged to the extent of an amount which is or will be payable under SECTION 15(4) as a result. Accordingly the Borrower agrees to pay this amount to the Recipient as if it had not been discharged. This payment is required to be made by the Borrower whether or not the Agent has issued a determination under SECTION 15(2).

(6) Distribution. The Agent agrees to distribute to the Lenders (other than the Recipient) the amount received by it under SECTION 15(4) as if that amount had been received from the Borrower in discharge of amounts due under the Agreement.

(7) Recovery. If an amount discharged as described in SECTION 15(1) is recovered by the Borrower or is required to be repaid to the Borrower by the Recipient, each Lender which received the benefit of a payment made under SECTION 15(6) from the Agent agrees to repay to the Recipient the amount it received. Each of these Lenders will also reimburse the Recipient for any interest or other losses or expenses which the Recipient has incurred in connection with the discharged amount or its recovery or repayment. The rights and obligations of the parties shall be restored to the position before any payment became due under SECTION 15(4).

#### SECTION 16 REPRESENTATIONS AND WARRANTIES

(1) By the Borrower. The Borrower represents and warrants that:

(a) Corporate Existence and Power. The Borrower is a corporation duly incorporated and validly existing, and the Borrower and its Subsidiaries have the power and all material governmental licenses, authorizations, consents and approvals required to own their assets and conduct their businesses, considered as a whole, substantially as now being conducted.

(b) Binding Obligations. This Agreement has been duly authorized, signed and delivered by the Borrower and the obligations of the Borrower under this Agreement are valid and binding obligations of the Borrower in accordance with their terms.

(c) Legality and Contraventions. Its signing and delivery of this Agreement and its exercise of rights and performance of obligations under this Agreement:

(i) do not require any approval, filing, registration or exemption (except for filings under the Securities Exchange Act of 1934);

(ii) do not contravene any provision of its Articles of Association or any law, regulation or order;

(iii) are not prohibited by, and do not constitute a default under, and do not result in an obligation to create Security under, any document or arrangement to which it is a party.

(d) No Termination Event. No Termination Event or Potential Termination Event has occurred and is continuing and none will occur as a result of the exercise of the Borrower's rights or the performance of its obligations under this Agreement.

(e) Accuracy of Information. All information supplied, and to be supplied, on behalf of the Borrower to any Syndicate Party is, and will be, accurate and not misleading in any material respect.

(f) No Breach. Neither the Borrower nor any of its Subsidiaries is in breach of any agreement to which it is a party or which is binding on it or any of its assets which breach has a material adverse effect on the ability of the Borrower to perform any of its obligations under this Agreement.

(g) Financial Statements. Its audited financial statements for the year ended November 30, 1997 and the partial year (Rumpfgeschäftsjahr) ended December 31, 1997 give a true and fair view of the results of its operations and financial position as of the date or period to which they relate. They were prepared in accordance with German law and generally accepted accounting principles consistently applied except to the extent otherwise described in the accompanying notes.

(2) By the Guarantor. The Guarantor represents and warrants that:

(a) Corporate Existence and Power. The Guarantor and its United States Subsidiaries are corporations duly incorporated, validly existing and in good standing under the laws of their respective states of incorporation, and have all corporate powers and all material governmental licences, authorizations, consents and approvals required to carry on their businesses, considered as a whole, substantially as now conducted.

(b) Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the Guarantor of this Agreement are within the Guarantor's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official (except filings under the Securities Exchange Act of 1934) and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Guarantor or of any agreement, judgement, injunction, order, decree or other instrument binding upon the Guarantor or result in the creation or imposition of any Lien on any asset of the Guarantor or any of its Subsidiaries.

(c) Binding Effect. This Agreement constitutes a valid and binding agreement of the Guarantor.

(d) Financial statements.

(i) The consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of December 31, 1997 and the related consolidated statements of income and cash flows for the fiscal year then ended, reported on by Coopers & Lybrand L.L.P. and set forth in the Guarantor's

1997 Form 10-K, a copy of which has been delivered to each of the Lenders, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Guarantor and its Consolidated Subsidiaries as of such date and the consolidated results of their operations and their cash flows for such fiscal year.

(ii) The unaudited condensed consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of March 31, 1998 and the related unaudited condensed statements of consolidated income and consolidated cash flows for the three months then ended, set forth in the Guarantor's quarterly report for the Fiscal Quarter ended March 31, 1998 as filed with the Securities and Exchange Commission on Form 10-Q, a copy of which has been delivered to each of the Lenders, fairly present, on a basis consistent with the financial statements referred to in sub-paragraph

(2)(d)(i) of this Clause, the consolidated financial position of the Guarantor and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such three-months period (subject to normal year-end adjustments).

(iii) There has been no material adverse change since December 31, 1997 in the business or financial position of the Guarantor and its Consolidated Subsidiaries, considered as a whole, as reflected in the financial statements referred to in sub-paragraph (2)(d)(i) of this Clause.

(e) Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the Borrower threatened against or affecting, the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which, in the reasonable opinion of the Guarantor, is likely to have a material adverse effect on the business or financial position of the Guarantor and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity of this Agreement.

(f) Compliance with ERISA. Each member of the ERISA Group (i) has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and (ii) is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (x) sought a waiver of the minimum funding standard under

Section 412 of the Internal Revenue Code in respect of any Plan, (y) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code, in each case securing an amount greater than US \$ 10,000,000 or (z) incurred any liability under Title IV of ERISA other than a liability to the



PBGC for premiums under Section 4007 of ERISA which could materially adversely affect the business, consolidated financial position or consolidated results of operations of the Guarantor and its Consolidated Subsidiaries.

(g) Environmental Matters. In the ordinary course of its business, the Guarantor conducts appropriate reviews of the effect of Environmental Laws on the business, operations and properties of the Guarantor and its Subsidiaries, in the course of which it identifies and evaluates pertinent liabilities and costs (including, without limitation, capital or operating expenditures required for clean-up or closure of properties presently or previously owned or for the lawful operation of its current facilities, required constraints or changes in operating activities, and evaluation of liabilities to third parties, including employees, together with pertinent costs and expenses). On the basis of this review, the Guarantor has reasonably concluded that Environmental Laws are not likely to have a material adverse effect on the business, financial position or results of operations of the Guarantor and its Consolidated Subsidiaries, considered as a whole.

(h) Taxes. United States Federal income tax returns of the Guarantor and its Subsidiaries have been examined and closed through the Fiscal Year ended December 31, 1993. The Guarantor and its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes shown as due pursuant to such returns or pursuant to any assessment received by the Guarantor or any Subsidiary, except such taxes, if any, as are being contested in good faith and as to which, in the opinion of the Guarantor, adequate reserves have been provided. The charges, accruals and reserves on the books of the Guarantor and its Subsidiaries in respect of taxes or related governmental charges are in the opinion of the Guarantor adequate.

(i) Not an Investment Company. The Guarantor is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended,

(j) Compliance with Laws. The Guarantor complies, and has caused each Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder), except where (i) the necessity of compliance therewith is contested in good faith by appropriate proceedings, (ii) no officer of the Guarantor is aware that the Guarantor or the relevant Subsidiary has failed to comply therewith or (iii) the Guarantor has reasonably concluded that failure to comply is not likely to have a material adverse effect on the business, financial position or results of

operations of the Guarantor and its Consolidated Subsidiaries, taken as a whole.

(3) Repetition. The representations in SECTION 16(1 and SECTION 16(2)(except the representations set forth in SECTION 16(2)(d)(iii), (e), (f) (other than clause (i) thereof), (g) and (j)) will be deemed repeated by the Borrower and the Guarantor, respectively, at the time of delivery of a notice of borrowing and on the first day of each Term. This repetition will be by reference to the facts on that day. If on that day audited accounts for a period subsequent to December 31, 1997 have been finalised SECTION 16(1)(g) and SECTION 16(2)(d)(i) will be treated as referring to the audited profit and loss accounts and audited balance sheets contained in the then latest audited financial statements of the Borrower or the Guarantor, respectively. If on that day unaudited, condensed quarterly accounts of the Guarantor for a period subsequent to March 31, 1998 have been finalised, SECTION 16(2)(d)(ii) will be treated as referring to the then latest quarterly accounts of the Guarantor.

(4) Survival of representations. Each of the representations made under this Agreement shall survive the making of the Advances.

SECTION 17 DELIVERY OF INFORMATION

(1) By the Borrower.

(a) Periodic Reports. The Borrower agrees to deliver each of the following to the Agent as soon as they become available and, in any event, by the latest date indicated:

Document/Information -----	Latest date -----
Consolidated audited annual financial statements of the Borrower	90 days after the end of the Borrower's financial year
Half-year consolidated financial statements of the Borrower	60 days after the end of the first half of the Borrower's financial year (except for the first half of 1998 for which the consolidated financial statements shall be delivered within 90 days after the end of
such	half year)

(b) Other information. The Borrower agrees to deliver to the Agent such additional information regarding the financial position or business of the Borrower as the Agent may reasonably request from time to time.

(c) Termination Events. The Borrower agrees to deliver to the Agent within 15 days after any officer of the Borrower becomes aware of the existence of any Termination Event or Potential Termination Event (unless such Termination Event or Potential Termination Event shall have been cured before the end of such 15 day period) a certificate signed by the chief financial officer or the chief accounting officer of the Borrower setting forth the details of such Termination Event or Potential Termination Event and the action which the Borrower is taking or proposes to take with respect thereto;

(2) By the Guarantor.

(a) Reports, Documents and Certificates. The Guarantor agrees to deliver to the Agent:

(i) as soon as available and in any event within 90 days after the end of each fiscal year, a consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income and cash flows for such fiscal year, setting forth in each case in comparative form the corresponding figures for the previous fiscal year, all reported on by Coopers & Lybrand L.L.P. or other independent public accountants of nationally recognized standing, whose report shall be without material qualification;

(ii) as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year, a condensed consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of the end of such quarter, the related condensed consolidated statement of income for such quarter and the related condensed consolidated statements of income and cash flows for the portion of such fiscal year ended at the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding periods of the previous fiscal year, all in reasonable detail and certified, to the best of its knowledge (subject to normal year-end adjustments), as to fairness of presentation, and consistency with generally accepted accounting principles (except for changes concurred in by the Guarantor's independent public accountants) by the chief financial officer or the chief accounting officer of the Guarantor.

(iii) simultaneously with the delivery of each set of financial statements referred to in sub-paragraphs (i) and (ii), a certificate of the chief financial officer or the chief accounting officer of the Guarantor (x) setting forth in reasonable detail the calculations required to establish whether the Guarantor was in compliance with the re-

quirements of SECTION 18(2)(a) to (c), inclusive, on the date of such financial statements, (y) stating, to the best of its knowledge, whether any Termination Event or Potential Termination Event exists on the date of such certificate and (z) if any Termination Event or Potential Termination Event then exists, setting forth the details thereof and the action which the Guarantor is taking or proposes to take with respect thereto;

(iv) within 15 days after any officer of the Guarantor becomes aware of the existence of any Termination Event or Potential Termination Event (unless such Termination Event or Potential Termination Event shall have been cured before the end of such 15 day period) a certificate of the chief financial officer or the chief accounting officer of the Guarantor setting forth the details of such Termination Event or Potential Termination Event and the action which the Guarantor is taking or proposes to take with respect thereto;

(v) promptly upon the mailing thereof to the shareholders of the Guarantor generally, copies of all financial statements, reports and proxy statements so mailed;

(vi) promptly upon the filing thereof, copies of all reports on Forms 10-K, 10-Q and 8-K and similar regular and periodic reports which the Guarantor shall have filed with the Securities and Exchange Commission;

(vii) if and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC, (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any

Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the chief financial officer or the chief accounting officer of the Guarantor setting forth details as to such occurrence and action, if any, which the Guarantor or applicable member of the ERISA Group is required or proposes to take; provided that no such certificate shall be required unless the aggregate unpaid actual or potential liability of members of the ERISA Group involved in all events referred to in (i) through (vii) above of which officers of the Guarantor have obtained knowledge and have not previously reported under this sub-paragraph (vii) exceeds US \$ 25,000,000;

(viii) immediately after any officer of the Guarantor obtains knowledge of a change or a proposed change in the rating of the Guarantor's outstanding senior unsecured long-term debt securities by Moody's Investor Service, Inc. or Standard & Poor's Rating Group, a certificate of the chief financial officer or chief accounting officer of the Guarantor setting forth the details thereof; and

(b) Other Information. The Guarantor agrees to deliver to the Agent from time to time such additional information regarding the financial position or business of the Guarantor as the Agent may reasonably request.

#### SECTION 18 GENERAL COVENANTS

(1) By the Borrower. The Borrower agrees as follows:

(a) Disposal of Assets. The Borrower and its Subsidiaries, considered as a whole, will not, without the prior approval of an Instructing Group, dispose of the whole or the substantial part of their assets. This does not apply to disposals on commercial terms for full market value and on an arms-length basis.

(b) Maintenance of Representations. It will take all steps necessary to ensure that the representations and warranties in Section 16(1) remain true and correct.

(c) Insurance. The Borrower and its Subsidiaries, considered as a whole, will maintain insurances on and in relation to their businesses, assets and operations with reputable insurance companies which are, in the reasonable opinion of the Borrower, appropriate to insure the Borrower and its Subsidiaries against risks involved in carrying on their businesses, including, in particular, product liability and environmental liability.

(2) By the Guarantor. The Guarantor agrees as follows:

(a) Minimum Consolidated Net Worth. At no time will Consolidated Net Worth be less than Minimum Consolidated Net Worth. "Minimum Consolidated Net Worth" means US \$ 1,700,000,000; provided that such amount shall be adjusted at the end of each Fiscal Quarter ending after March 31, 1998 as follows:

(i) increased by 50% of Consolidated Net Income for such Fiscal Quarter; provided that, if Consolidated Net Income for such Fiscal Quarter is a negative number (a "Consolidated Net Loss"), an amount up to 50% of such Consolidated Net Loss shall be applied first to reduce Minimum Consolidated Net Worth to the extent of offsetting prior increases (if any) in Minimum Consolidated Net Worth made pursuant to this sub-paragraph (i) during the same fiscal year and second to reduce (but not below zero) any future increase in Minimum Consolidated Net Worth that would otherwise be made pursuant to this sub-paragraph (i) during the same fiscal year; and

(ii) increased by an amount equal to 50% of all increases in Consolidated Net Worth during such Fiscal Quarter attributable to sales or issuances of the Guarantor's Equity Securities; provided that an amount up to 50% of all decreases in Consolidated Net Worth during such Fiscal Quarter attributable to purchases or other retirements of the Guarantor's Equity Securities shall be applied first to offset any increase in Minimum Consolidated Net Worth that would otherwise be made pursuant to this sub-paragraph (ii) at the end of such Fiscal Quarter, second to reduce Minimum Consolidated Net Worth to the extent of offsetting prior increases (if any) in Minimum Consolidated Net Worth made pursuant to this sub-paragraph (ii) and third to reduce (but not below zero) any future increase in Minimum Consolidated Net Worth that would otherwise be made pursuant to this sub-paragraph (ii).

(b) Limitations on Debt.

(i) It will not at any time, and will not suffer or permit any Consolidated Subsidiary at any time to, create, incur, issue, guarantee or assume any Debt if, immediately after giving effect thereto, the ratio of (y) Consolidated Debt to (z) the sum of Consolidated Debt and Consolidated Adjusted Net Worth would exceed 53%.

(ii) It will not at any time suffer or permit any Consolidated Subsidiary to create, incur, issue, guarantee or assume any Debt if, immediately after giving effect thereto, the aggregate outstanding amount (determined at that time) of Debt of all Consolidated Subsidiaries

(other than Debt owed to the Borrower or one or more other Consolidated Subsidiaries) would exceed 30% of Consolidated Net Worth.

(iii) Sub-paragraphs (i) and (ii) shall not prevent (i) the Guarantor from creating, incurring, issuing, guaranteeing or assuming Debt for the purpose of extending, renewing or Refunding (as such term is defined in this subsection) an equal or greater principal amount of Debt then outstanding of the Guarantor or of Debt then outstanding of a Consolidated Subsidiary or (ii) a Consolidated Subsidiary from creating, incurring, issuing, guaranteeing or assuming Debt for the purpose of extending, renewing or Refunding an equal or greater principal amount of Debt then outstanding of such Consolidated Subsidiary, or (iii) the creation, incurrence, issuance, guarantee or assumption of Debt owed to or owned by the Guarantor or a Consolidated Subsidiary. For purposes of this sub-paragraph (iii), Debt is deemed to be for the purpose of "Refunding" other Debt if and to the extent that (x) no later than 5 Domestic Business Days after the refunding Debt is incurred, the Guarantor delivers to the Agent written notice stating that the purpose of such Debt is to refund outstanding Debt and specifying the Debt to be refunded, (y) the proceeds of such refunding Debt are held in the form of cash or High Quality Investments (free of any Lien except a Lien securing the specified Debt to be refunded) until such specified Debt is repaid and (z) such specified Debt to be refunded is repaid within 45 days after the refunding Debt is incurred.

(iv) For purposes of the limitations provided in, and computations under, this SECTION 18(2)(b), (x) when a corporation becomes a Consolidated Subsidiary it shall be deemed to create at such time all the Debt it has outstanding immediately after such time (provided that, if after giving effect to this clause (x), the aggregate outstanding amount of Debt of all Consolidated Subsidiaries (other than Debt owed to the Guarantor or one or more other Consolidated Subsidiaries) would be greater than 30% but less than 60% of Consolidated Net Worth, this clause (x) shall not apply at the time such corporation becomes a Consolidated Subsidiary, but such corporation shall be deemed to create on the 15th day after it becomes a Consolidated Subsidiary all the Debt it has outstanding on such 15th day), (y) the disposition (other than to a Consolidated Subsidiary or the Guarantor) by the Guarantor or a Subsidiary of capital stock of any Consolidated Subsidiary which holds Debt of the Guarantor or any other Consolidated Subsidiary so that the Consolidated Subsidiary ceases to be a Consolidated Subsidiary after such disposition) shall be deemed the creation of such Debt, and (z) the disposition (other than to a

Consolidated Subsidiary or the Guarantor) of Debt of the Guarantor or any Consolidated Subsidiary by any Consolidated Subsidiary or the Guarantor shall be deemed the creation of such Debt.

(c) Negative Pledge. Neither the Guarantor nor any Consolidated Subsidiary will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

(i) Liens existing on March 31, 1998 securing Debt outstanding on March 31, 1998 in an aggregate principal amount not exceeding US \$30,000,000;

(ii) any Lien existing on any asset of any corporation at the time such corporation becomes a Consolidated Subsidiary and not created in contemplation of such event;

(iii) any Lien on any asset securing Debt incurred or assumed solely for the purpose of financing all or any part of the cost of acquiring such asset (or acquiring a corporation or other entity which owned such asset); provided that such Lien attaches to such asset concurrently with or within 90 days after such acquisition;

(iv) any Lien on any asset of any corporation existing at the time such corporation is merged or consolidated with or into the Guarantor or a Consolidated Subsidiary and not created in contemplation of such event;

(v) any Lien existing on any asset prior to the acquisition thereof by the Guarantor or a Consolidated Subsidiary and not created in contemplation of such acquisition;

(vi) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section; provided that such Debt is not increased and is not secured by any additional assets;

(vii) any Lien in favour of the holder of Debt (or any person or entity acting for or on behalf of such holder) arising pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;

(viii) Liens incidental to the normal conduct of its business or the ownership of its assets which (x) do not secure Debt, (y) do not secure



any obligation in an amount exceeding US \$ 100,000,000 and (z) do not in the aggregate materially detract from the value of the assets of the Guarantor and its Consolidated Subsidiaries taken as a whole or in the aggregate materially impair the use thereof in the operation of the business of the Guarantor and its Consolidated Subsidiaries taken as a whole; and

(ix) Liens securing Debt which are not otherwise permitted by the foregoing clauses of this subparagraph (c); provided that (y) the aggregate outstanding principal amount of Debt secured by all such Liens on current assets shall not at any time exceed 20% of Consolidated Current Assets and (z) the aggregate outstanding principal amount of Debt secured by all such Liens (including Liens referred to in clause (y) of this proviso) shall not at any time exceed the sum of (A) 20% of Consolidated Current Assets plus (B) 3% of Consolidated Net Worth.

(d) Consolidations, Mergers and Sale of Assets.

(i) The Guarantor will not directly or indirectly sell, lease, transfer or otherwise dispose of all or substantially all of its assets, or merge or consolidate with any other Person, or acquire any other Person through purchase of assets or capital stock, unless either (y) the Guarantor shall be the continuing or surviving corporation or (z) the successor or acquiring corporation (if other than the Guarantor) shall be a corporation organized under the laws of one of the States of the United States of America and shall assume, by a writing satisfactory in form and substance to the Instructing Group, all of the obligations of the Guarantor under this Agreement, including all covenants herein and therein contained, in which case such successor or acquiring corporation shall succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a party hereto.

(ii) No disposition of assets, merger, consolidation or acquisition referred to in sub-paragraph (i) shall be permitted if, immediately after giving effect thereto, the Guarantor would be in default under any of the terms or provisions of this Agreement.

(e) Compliance with Laws. The Guarantor will comply, and cause each Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder) except where (x) the necessity of compliance therewith is contested in good faith by appropriate proceedings, (y) no officer of the Guarantor is aware that the Guarantor or the relevant Subsidiary has failed to comply therewith or (z) the Guarantor

has reasonably concluded that failure to comply is not likely to have a material adverse effect on the business, financial position or results of operations of the Guarantor and its Consolidated Subsidiaries, taken as a whole.

(3) Duration of covenants. The obligations of the Borrower and the Guarantor under this SECTION 18 and SECTION 17 will cease to have effect when the Facility has ceased to be available and there are no amounts outstanding under the Facility.

#### SECTION 19 EARLY TERMINATION

(1) Termination Events. Each of the following is a Termination Event:

(a) Non-payment. The Borrower fails to pay when due any principal, or fails to pay within five days of the due date thereof, any other sum payable under this Agreement.

(b) Certain Covenants. The Borrower fails to observe or perform any covenant contained in SECTION 18(1)(a) to (c) or the Guarantor fails to observe or perform any covenant contained in SECTION 18(2)(a) to (d).

(c) Other Covenants. Any of the Obligors fails to observe or perform any other covenant or agreement contained in this Agreement for 30 days after written notice thereof has been given to the Borrower and the Guarantor by the Agent;

(d) Incorrect Statements. Any statement made by any of the Obligors in SECTION 16 or in any document delivered pursuant to this Agreement is incorrect in any material respect when made or deemed to have been repeated; provided that, if any statement deemed to have been made by the Obligor pursuant to SECTION 16(3) shall have been incorrect solely by reason of the existence of a Termination Event or Potential Termination Event of which the Obligor was not aware when such statement was deemed to have been made and which was cured before or promptly after the Obligor became aware thereof, then such statement shall be deemed not to have been incorrect in any material respect.

(e) Cross Default. The Guarantor or any Subsidiary fails to make one or more payments in respect of Material Debt (other than Acquired Debt in an aggregate outstanding principal amount not exceeding US \$ 50,000,000) when due or within any applicable grace period, and such failure has not been waived.

(f) Default on Other Obligations. The Guarantor or any Consolidated Subsidiary fails to observe or perform any term, covenant or agreement contained in any instrument or agreement (other than this Agreement) by

which it is bound relating to Material Debt (other than Acquired Debt in an aggregate outstanding principal amount not exceeding US \$ 50,000,000), or any other event or condition referred to therein shall occur, and the effect of all such failures, events and conditions (each a "default") is to cause the maturity of Material Debt to be accelerated or to permit (any applicable period of grace having expired) the holder or holders of Material Debt (or any Person acting on their behalf) to accelerate the maturity thereof.

(g) Voluntary Insolvency. The Borrower, the Guarantor or any Significant Subsidiary commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property under any such law, or consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it under any such law, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or a resolution shall be adopted by either the shareholders or the board of directors of such corporation to authorize any of the foregoing.

(h) Involuntary Insolvency. An involuntary case or other proceeding is commenced against the Borrower, the Guarantor or any Significant Subsidiary in any court of competent jurisdiction seeking in each case liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property under any such law, and in each case such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Guarantor or any Significant Subsidiary as debtors under the federal bankruptcy laws of the United States as now or hereafter in effect.

(i) ERISA. Any member of the ERISA Group fails to pay when due an amount or amounts aggregating in excess of US \$ 1,000,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Liabilities in excess of US \$ 50,000,000 (collectively, a "Material Plan") is filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC institutes proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition exists by

reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there occurs a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of US \$ 50,000,000; provided that no Termination Event shall exist under this sub-clause (i) with respect to any Prior Plan unless it is reasonably likely that one or more members of the ERISA Group is liable with respect to the relevant Unfunded Liabilities or current payment obligation, as the case may be.

(j) Judgement Unsatisfied. A judgement or order for the payment of money in excess of US \$ 10,000,000 shall be rendered against any of the Obligors or any of their respective Subsidiaries and such judgment or order shall continue unsatisfied and unstayed for a period of 45 days.

(k) Change of Ownership of Guarantor. Any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of 30 % or more of the outstanding shares of common stock of the Guarantor; or Continuing Directors shall cease to constitute a majority of the board of directors of the Guarantor.

(l) Change of Ownership of Borrower. The Guarantor ceases to hold, directly or indirectly, the entire voting share capital of the Borrower.

(m) Unlawfulness or Repudiation. It is unlawful for any of the Obligors to comply with, or any of the Obligors repudiates, any of its material obligations under this Agreement.

(n) Change of Business. The Guarantor ceases, or threatens to cease, to conduct, as a major portion of its business, the sale of building products.

(o) Material Adverse Change. There is a change in the financial condition or business of the Guarantor and its Subsidiaries, considered as a whole, which will in any material respect affect the ability of the Guarantor to perform its material obligations under this Agreement.

(2) Consequences of a Termination Event. If a Termination Event occurs the Agent may by notice to the Borrower:

(a) cancel the undrawn Facility; or

(b) demand immediate repayment of the Loan,

or both. The Agent agrees to deliver a notice under this SECTION 19(2) if an Instructing Group instructs the Agent to do so. In the case of cancellation the Lenders will be under no further obligation to make an Advance. In the case of a demand for repayment the Borrower agrees to pay the Lenders in accordance with the notice.

(3) Indemnity. If there is a Termination Event the Borrower agrees to reimburse the Agent and each Lender for the losses and expenses the Agent or that Lender incurs, or will incur, as a result.

#### SECTION 20 THE AGENT AND THE ARRANGER

(1) Appointment. The Agent is appointed as an agent by each Lender. The Agent is not acting as agent of the Borrower or the Guarantor under this Agreement.

(2) Authority. The Agent is authorised to exercise the rights, powers, discretions and duties which are specified by this Agreement. The Agent may also act in a manner reasonably incidental to these matters. The Agent shall be freed from the restrictions of SECTION 181 of the Civil Code (Bürgerliches Gesetzbuch).

(3) Duties. In addition to the obligations of the Agent set out elsewhere in this Agreement the Agent agrees as follows:

(a) Notices. The Agent will notify each Lender of the contents of each notice received from the Borrower or the Guarantor under the terms of this Agreement. If the notice only affects particular Lenders, the Agent may elect to notify only those Lenders.

(b) Other Documents. When the Borrower or the Guarantor delivers to the Agent any other document required to be delivered under this Agreement the Agent will provide a copy to each Lender.

(c) Termination Events. The Agent will notify each Lender of any Termination Event or Potential Termination Event. This obligation will not arise, however, until there is a default of which the Agent has actual knowledge or until the Agent receives express notice with reasonable supporting evidence of the Termination Event or Potential Termination Event. Until this time the Agent is entitled to assume that there is no Termination Event or Potential Termination Event. The Agent is not required to make inquiries. Information referred to in SECTION 20(11) does not have to be disclosed under this paragraph.

(d) Other Information. The Agent will request the Borrower or the Guarantor, as the case may be, to deliver to the Agent any information reasonably requested by a Lender.

(4) Powers. In addition to the powers of the Agent set out elsewhere in this Agreement the Agent has the following powers:

- (a) Professional Advisers. The Agent may instruct professional advisers to provide advice in connection with the Facility.
- (b) Authority from Instructing Group. The Agent may take any action which is not inconsistent with this Agreement and which is authorised by an Instructing Group.
- (c) Views of Instructing Group. In exercising any of its rights, powers or discretions the Agent may have regard to the views of an Instructing Group. If it exercises those rights, powers or discretions in accordance with those views the Agent will incur no liability.
- (d) Proceedings. The Agent may institute legal proceedings against the Obligors or any of them in the name of the Lenders if these proceedings are authorised by an Instructing Group. No proceedings may be commenced in the name of a Lender without such Lender's prior written consent.
- (e) Compliance with Law. The Agent may take any action necessary for it to comply with applicable laws.

The Agent is not required to exercise any of these powers and will incur no liability if it fails to do so. In the context of legal proceedings the Agent may decline to take any step until it has received indemnities or security satisfactory to it.

(5) Reliance. The Agent is entitled to rely upon each of the following:

- (a) Advice received from professional advisers.
- (b) A certificate of fact received from the Borrower or the Guarantor and signed by an Authorised Person.
- (c) Any communication or document believed by the Agent to be genuine.

The Agent will not be liable for any of the consequences of relying on these items.

(6) Extent of Agent's Duties.

- (a) No Other Duties. The Agent has no obligations or duties other than those expressly set out in this Agreement.
- (b) Illegality and Liability. The Agent is not obliged to do anything which is illegal or which may expose it to liability to any person.

(c) Not a Fiduciary. The Agent is not acting as a fiduciary for any purpose in connection with this Agreement.

(7) Responsibility of the Lenders. Each Lender is responsible for its own decision to become involved in the Facility and its decision to take or not take action under the Facility. It shall make its own credit appraisal of the Obligor and the terms of the Facility. Neither the Agent nor the Arranger makes any representation that any information provided to a Lender before or after the date of this Agreement is true. Accordingly each Lender should take whatever action it believes is necessary to verify that information. In addition neither the Agent nor the Arranger is responsible for the legality, validity or adequacy of this Agreement. Each Lender will satisfy itself on these issues.

(8) Limitation of Liability.

(a) Agent. The Agent will not be liable for any action or non-action under or in connection with the Facility unless caused by its gross negligence or willful misconduct.

(b) Directors, Employees and Agents. No director, employee or agent of the Agent will be liable to a Lender, the Borrower or the Guarantor in relation to the Facility. Each Lender, the Borrower and the Guarantor agree not to seek to impose this liability upon them.

(9) Business of the Agent. Despite its role as agent of the Lenders the Agent may:

(a) participate as a Lender in the Facility,

(b) carry on all types of business with the Borrower and the Guarantor, and

(c) act as agent for other groups of lenders to the Borrower, the Guarantor or other borrowers.

(10) Indemnity. Each Lender agrees to reimburse the Agent for all losses and expenses reasonably incurred by the Agent as a result of its appointment as Agent or arising from its activities as Agent. These losses and expenses will take into account amounts reimbursed to the Agent by any Obligor. The liability of each Lender under this SECTION 20(10) will be limited to the share of the total losses and expenses which corresponds to that Lender's share of the Total Commitments or, if an Advance has been made, the Loan. If the losses or expenses are attributable to an activity of the Agent which relates to only some of the Lenders, the Agent may instead notify the Lenders of a different sharing arrangement. In this case the limit of liability of a Lender under this sub-clause will be determined by the Agent. The Lenders are not liable for losses and expenses arising from the gross negligence or willful misconduct of the Agent.

(11) Information. The Agent is not required to disclose to the Lenders any information which is not received by it in its capacity as Agent.

(12) Resignation. The Agent may resign by giving notice to the Borrower, the Guarantor and the Lenders. The Agent may be removed by notice given by the Instructing Group to the Agent, the Guarantor and the Lenders. In either event the following shall apply:

(a) Appointment by Instructing Group. An Instructing Group may appoint a new Agent.

(b) Appointment by the Resigning Agent. If an Instructing Group has not appointed a new Agent within 30 days after the resigning Agent's notice, the resigning Agent may appoint a new Agent.

(c) Mode of Appointment. A new Agent will be appointed in consultation with the Borrower, by notice to the Borrower, the Guarantor and the Lenders. A new Agent cannot be appointed without its consent.

(d) Timing of Appointment. If the Agent has resigned, the new Agent will become Agent at a time agreed between the new Agent and the resigning Agent. If no time is agreed, the new Agent will become Agent ten Business Days after the notice referred to in paragraph (c). Any removal or resignation of the Agent will not be effective until a new Agent has been appointed and accepted its appointment.

(e) Effect of Appointment. Upon a new Agent becoming Agent the resigning or removed Agent will cease to be Agent. Accordingly it will be discharged from its obligations and duties as Agent. It will, however, continue to be able to rely on the terms of this SECTION 20 in respect of all matters relating to the period of its appointment. The new Agent will assume the role of Agent. It will have all the rights, powers, discretions and duties of the Agent provided for in this Agreement.

(f) Transition. The resigning or removed Agent and the new Agent agree to co-operate to ensure an orderly transition. The resigning or removed Agent agrees to deliver or make available to the new Agent all records, files and information held by it as Agent. This obligation will not require the resigning or removed Agent to disclose any confidential information.

(13) Arranger. The Arranger has no continuing role in connection with the Facility and is not liable in respect of any matter concerning the Facility.

## SECTION 21 EVIDENCE AND CERTIFICATES



(1) Evidence of Debt. The Agent will maintain in its books an account showing all liabilities accrued and payments made in relation to the Facility. Details of amounts outstanding recorded in this account will be prima facie evidence of the Borrower's or Guarantor's obligations.

(2) Certificates. Each certificate delivered under this Agreement must contain reasonable detail of the matters being certified. A certificate delivered by the Agent or a Lender will be conclusive unless there is an obvious error.

#### SECTION 22 NOTICES

(1) Nature of Notices. No notice given by any of the Obligors under this Agreement may be withdrawn or revoked. Each notice delivered by any of the Obligors must be unconditional. It must also be signed by an Authorised Person.

(2) Delivery of Notices. A notice under this Agreement will only be effective if it is in writing and is received. Notices may be given by post, telex, fax or (in the case of notices among the Lenders and the Agent) SWIFT. If a notice under SECTION 6(1) is given by fax, a hard copy must also be delivered.

(3) Notices through the Agent. Each notice from any of the Obligors or a Lender will be delivered to the Agent. The Agent agrees to pass on the details of notices received by it to the appropriate recipient as soon as practicable.

(4) Language.

(a) All notices given under this Agreement must be in English.

(b) All other documents delivered under this Agreement may be in English or German and must be delivered in sufficient copies for the Agent and all Lenders.

(5) Address Details. Notices will be delivered to the address of the intended recipient as set out in Schedule 1. The Borrower, the Guarantor or a Lender may change its address details by not less than 5 Business Days' notice to the Agent. The Agent may change its address details by 5 Business Days' notice to the Borrower, the Guarantor and the Lenders.

#### SECTION 23 TRANSFERS AND SUBSTITUTION

(1) Transfers by the Obligors. No Obligor may transfer or otherwise dispose of any of its rights or obligations under this Agreement.

(2) Substitution of Lender. If a Lender fails to perform its obligations, or the obligations of a Lender have been suspended or any Lender has demanded compensation under SECTION 12, the Borrower shall have the right, with the consent of

the Agent (such consent not to be unreasonably withheld) to substitute such Lender by another bank or financial institution which assumes such Lender's Commitment or, as the case may be, participations in the Advances.

(3) Transfers by Lenders.

(a) General Right. A Lender (the "Existing Lender") may at any time transfer any of its rights and/or obligations under this Agreement to:

- (i) any other Lender,
- (ii) any affiliate of any Lender being a bank or other financial institution or,
- (iii) with the prior consent of the Borrower (such consent not to be unreasonably withheld) to another bank or other financial institution, or
- (iv) to any other party following the occurrence of a Termination Event.

(in each case the "New Lender").

If an Existing Lender transfers any of its rights and/or obligations under this Agreement and at the time of such transfer there arises an obligation on the part of the Borrower under SECTION 12(2)(b) or SECTION 12(4)(b) to pay immediately or in respect of any future payment to the New Lender any amount in excess of the amount it would have been obliged to pay to the Existing Lender, the Borrower shall not be obliged to pay the amount of such excess.

(b) Effectiveness. Any transfer to a New Lender other than a Lender will be effective only if either:

- (i) the obligations are transferred in accordance with SECTION 23(4); or
- (ii) the New Lender in form and substance satisfactory to the Agent confirms to the Agent, the Borrower and the Guarantor that it undertakes to be bound by the terms of this Agreement as a Lender. On the transfer becoming effective in this manner the Existing Lender shall be released from its obligations under this Agreement to the extent that they are transferred to the New Lender.

(c) Minimum Amount. Partial transfers may only be made for a minimum amount of DM 5,000,000.

(d) Sub-participation. Nothing in this Agreement restricts the ability of a Lender to sub-participate its rights and obligations under this Agreement to another person if that Lender remains liable under this Agreement for its obligations.

(e) Agent's Fee. On each occasion an Existing Lender transfers any of its rights and/or obligations under this Agreement, the New Lender shall, on the date the transfer takes effect, pay to the Agent for its own account a fee of DM 2,000.

(f) Disclosure. A Lender may disclose to a proposed transferee or sub-participant details of this Agreement and any information received by the Lender under or in connection with this Agreement.

(4) Substitution.

(a) Procedure. A substitution of a Lender is effected if:

(i) the Existing Lender and the New Lender deliver to the Agent a duly completed certificate, substantially in the form of Schedule 3 (a "Substitution Certificate"); and

(ii) the Agent executes it.

(b) Authority of Agent. Each Party (other than the Existing Lender and the New Lender) irrevocably authorises the Agent to execute any duly completed Substitution Certificate on its behalf.

(c) Effects of Substitution. To the extent that they are expressed to be the subject of the substitution in the Substitution Certificate:

(i) the Existing Lender and the other Parties (the "existing Parties") will be released from their obligations to each other (the "discharged obligations");

(ii) the New Lender and the existing Parties will assume obligations towards each other which differ from the discharged obligations insofar as they are owed to or assumed by the New Lender instead of the Existing Lender;

(iii) the rights of the Existing Lender against the existing Parties and vice versa (the "discharged rights") will be cancelled; and

(iv) the New Lender and the existing Parties will acquire rights against each other which differ from the discharged rights only insofar as

they are exercisable by or against the New Lender instead of the Existing Lender,

all on the date of signing of the Substitution Certificate by the Agent or, if later, the date specified in the Substitution Certificate.

#### SECTION 24 WAIVERS AND AMENDMENTS

(1) Authority of the Agent. If authorised by an Instructing Group the Agent may grant waivers and agree amendments with the Obligors. These waivers and amendments will be made on behalf of and be binding on all the Lenders, including those which were not part of the Instructing Group. The Agent is not authorized to grant any waiver or agree any amendment affecting any of the following:

- (a) The amount or method of calculation of interest;
- (b) An alteration of the date for the payment of any sum;
- (c) The definitions of "Commitment Expiry Date" or "Instructing Group";
- (d) SECTIONS 3(1), 6(5)(c) and (d), 11, 13(9) and (10), 15, 20(4)(c), 20(10) and this SECTION 24(1);
- (e) The obligations of the Lenders;
- (f) Any requirement (including the one in this sub-clause) that all the Lenders or a certain proportion of them consent to a matter or deliver a notice.

Waivers or amendments affecting these matters require the consent of all Lenders.

(2) Expenses. The Borrower agrees to reimburse the Agent and each Lender for the expenses they incur as a result of any proposal made by the Borrower to waive or amend a term of this Agreement.

#### SECTION 25 MISCELLANEOUS

(1) Exercise of Rights. If the Agent or a Lender does not exercise a right or power when it is able to do so this will not prevent it exercising that right or power. When it does exercise a right or power it may do so again in the same or a different manner. The Agent's and the Lenders' rights and remedies under this Agreement are in addition to any other rights and remedies they may have. Those other rights and remedies are not affected by this Agreement.

- (2) Counterparts. There may be several signed copies of this Agreement. There is intended to be a single Agreement and each signed copy is a counterpart of that Agreement.
- (3) Entire Agreement. This Agreement constitutes the whole and only agreement between the parties relating to the Facility.
- (4) SECTION 8a KStG Confirmation. Each Lender undertakes to the Borrower to confirm in writing substantially in the form as attached in Schedule 5 within the first quarter of a calendar year (commencing in 1999) that any interest paid to such Lender under this Agreement is subject to taxation in Germany (after deduction of related expenses) and that (according to the relevant Lender's credit files pertaining to the Facility) the respective Lender has not made any payment (directly or indirectly) to any entity belonging to the Masco Group (as notified by the Guarantor to the Agent) that would be treated as a payment related to the Facility.
- (5) Introduction of EURO.
- (a) As from the beginning of the third stage of the European Monetary Union, except as provided in the following sentences, all payments by an Obligor expressed to be made in a sub-denomination of EURO in respect of the Loan or, as the case may be, the Guarantee will be made in EUROS. If upon the introduction of the EURO an Obligor has the option whether to make payments in respect of the Loan or, as the case may be, the Guarantee in EUROS or in a sub-denomination of the EURO, the Obligor will make payments in the relevant sub- denomination of the EURO until it has notified the Agent that thereafter payments will be made in EURO.
- (b) The parties agree to make such operational and administrative changes as are necessary and appropriate in the circumstances of the above, having regard to market practice existing at the time of the introduction of the EURO as the lawful currency in the states participating in the third stage of the European Monetary Union, provided that the parties hereby agree on the EURIBOR (Euro Interbank Offered Rate) as the new reference interest rate for EURO or any of its subdenominations.
- (c) The introduction of the EURO as currency and any amendments of this Agreement resulting therefrom will not entitle any party to this Agreement to any legal remedy, including, without limitation, any right of rescission or claim for damages.

## SECTION 26 LAW AND JURISDICTION

- (1) Law. This Agreement is governed by the law of the Federal Republic of Germany.
- (2) Submission. The courts of Frankfurt am Main shall have non-exclusive jurisdiction for any proceedings arising under or in connection with this Agreement. This submission to the jurisdiction of the courts in Frankfurt am Main shall not limit the right of any Syndicate Party to take proceedings against any of the Obligors in any other court of competent jurisdiction.
- (3) Service of Process. Without prejudice to any other mode of service Masco Corporation irrevocably appoints Masco GmbH, Hintertm Haag 10, 69207 Sandhausen as its agent for service of process relating to any proceedings before the German courts arising under or in connection with this Agreement.

## SECTION 27 CONFIDENTIALITY

Each Lender agrees that all documentation and other information made available by any of the Obligors to such Lender, whether under the terms of this Agreement or any other loan agreement, shall (except to the extent required by legal or governmental process or otherwise by law, or if such documentation and other information is publicly available or thereafter becomes publicly available other than by action of any Lender, or was theretofore known to such Lender independent of any disclosure thereto by the Obligors) be held in the strictest confidence by such Lender and used solely in connection with the administration of loans from time to time outstanding from such Lender to any of the Obligors; provided that (i) such Lender may disclose such documentation and other information to any of its affiliates or any other bank, in each case, to which such Lender sells or proposes to sell its Commitment or participation in the Advances, or such Lender's advisers, if such affiliate or other bank or advisers, prior to such disclosure, agrees for the benefit of the Obligors to comply with the provisions of this SECTION 27, (ii) such Lender may disclose the provisions of this Agreement and the amounts, maturities and interest rates of the Advances to any purchaser or potential purchaser of such Lender's Commitment or participation in any Advances and (iii) such Lender may disclose such documentation and other information to the extent required, in such Lender's good faith judgement, to enforce its rights under this Agreement.

**Frankfurt am Main,** \_\_\_\_\_

**MASCO GMBH**

By:

**MASCO CORPORATION**

By:

**COMMERZBANK AKTIENGESELLSCHAFT**  
(in its capacity as Arranger)

By:

**COMMERZBANK INTERNATIONAL S.A.**  
(in its capacity as Agent)

By:

**COMMERZBANK AKTIENGESELLSCHAFT**  
**Filiale Heidelberg**

By:

**BARCLAYS BANK PLC**

**DEUTSCHE BANK AG**  
**Filiale Heidelberg**

**DRESDNER BANK AKTIENGESELLSCHAFT**  
**Filiale Heidelberg**

**LANDESGIROKASSE**  
**OFFENTLICHE BANK UND LANDESSPARKASSE**

**BANCA COMMERCIALE ITALIANA SPA**  
**Frankfurt am Main Branch**

**BANCA MONTE DEI PASCHI DI SIENA**  
**Frankfurt am Main Branch**

**BANK BRUSSEL LAMBERT AG**  
**Niederlassung Koln**

**THE BANK OF NEW YORK**

**THE FIRST NATIONAL BANK OF CHICAGO**  
**Frankfurt/Main Branch**

**KBC BANK N.V.**  
**Zweigniederlassung Frankfurt**

By:

(by power of attorney)



Without prejudice to the foregoing execution of the Agreement by the parties hereto, COMMERZBANK INTERNATIONAL S.A. hereby expressly and specifically confirms its agreement with the provisions of SECTION 26(2) hereof for the purposes of Article 1 of the Protocol annexed to the Convention on Jurisdiction and the Enforcement of Judgements in Civil and Commercial Matters signed at Brussels on September 27, 1968.

**COMMERZBANK INTERNATIONAL S.A.**

By:  
47

**ANNEX**

**INTERPRETATION**

**DEFINITIONS, REFERENCES AND CONSTRUCTION**

**1. DEFINITIONS**

In this Agreement:

"ACQUIRED DEBT" means with respect to any person which becomes a Subsidiary after the date of this Agreement. Debt of such person which was outstanding before such person became a Subsidiary and which was not created in contemplation of such person becoming a Subsidiary, provided that such Debt shall no longer constitute "ACQUIRED DEBT" at any time that is more than six months after such person becomes a Subsidiary

"ADVANCE" means an advance made, or to be made, under SECTION 6.

"ADVANCE DATE" means the date, or proposed date, of an Advance.

"AFFILIATE" means at any date a person (other than a Consolidated Subsidiary) whose earnings or losses (or the appropriate proportionate share thereof) would be included in determining the Consolidated Net Income of the Guarantor and its Consolidated Subsidiaries for a period ending on such date under the equity method of accounting for investments in common stock (and certain other investments).

"AGENT" means Commerzbank International S.A. in its capacity as agent for the Lenders, acting through its office at Luxembourg or any other office which it may notify to the Borrower, the Guarantor and the Lenders. If there is a change of agent in accordance with SECTION 20(12), "Agent" will instead mean the new agent appointed under SECTION 20(12).

"AUTHORISED PERSON" means a person authorised to sign notices on behalf of the Borrower or the Guarantor under this Agreement. In the case of the Borrower, the authorisation is evidenced by a list of "Authorised Persons" duly signed on behalf of the Borrower by one or more Geschäftsführer (as appropriate), which list has been delivered to the Agent. In the case of the Guarantor, the authorisation is constituted by a resolution of the directors of the Guarantor, a certified copy of which has been delivered to the Agent. A person will cease to be an "Authorised Person" upon notice by the Borrower or the Guarantor, as the case may be, to the Agent.

"AVAILABLE COMMITMENT" means the amount of a Lender's Commitment which is available to be drawn by the Borrower. On any day it is the Lender's

Commitment on that day less that Lender's participation in all outstanding Advances. Participations in Advances in an Optional Currency will be determined at their Original DM Amount.

"AVAILABLE FACILITY" means the aggregate amount which is available to the Borrower under the Facility. On any day it is the Total Commitments on that day less the Loan.

"BENEFIT ARRANGEMENT" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"BUSINESS DAY" means a day on which banks

(a) with respect to the determination of an interest rate, are open for general business in Luxembourg and London (or, with respect to Eurosterling, Paris);

(b) with respect to payments, are open for interbank payments in Luxembourg and in the principal financial center of the relevant currency (which in the case of payments in euro is Frankfurt),

(c) with respect to the determination of an Exchange Rate, are open for general business in Luxembourg and London;

(d) in all other cases are open for general business in Luxembourg.

"COMMITMENT" means the amount of principal which a Lender has committed to the Facility. Each Lender's initial "Commitment" is set out next to its name in Schedule 1. This may be reduced or cancelled in accordance with this Agreement.

"COMMITMENT EXPIRY DATE" means the date which falls one month prior to the Final Maturity Date.

"CONSOLIDATED ADJUSTED NET WORTH" means at any date (i) Consolidated Net Worth at such date less (ii) the amount (if any) by which the aggregate amount of all equity and other investments in Affiliates of the Guarantor reflected in such Consolidated Net Worth exceeds US \$ 350,000,000.

"CONSOLIDATED CURRENT ASSETS" means at any date the consolidated current assets of the Guarantor and its Consolidated Subsidiaries determined as of such date.

"CONSOLIDATED DEBT" means at any date the Debt of the Guarantor and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"CONSOLIDATED NET INCOME" means, for any period, the consolidated net income of the Guarantor and its Consolidated Subsidiaries for such period (considered as a single accounting period), but excluding the net income or deficit of any person (other than the equity in earnings or losses of an Affiliate previously included in such consolidated net income determined under the equity method of accounting for investments) prior to the effective date on which it becomes a Consolidated Subsidiary or is merged into or consolidated with the Guarantor or a Consolidated Subsidiary.

"CONSOLIDATED NET WORTH" means at any date the consolidated shareholders' equity of the Guarantor and its Consolidated Subsidiaries determined as of such date.

"CONSOLIDATED SUBSIDIARY" means at any date any Subsidiary the accounts of which would be consolidated with those of the Guarantor in its consolidated financial statements as of such date.

"CONSOLIDATED TOTAL LIABILITIES" means at any date the aggregate of all liabilities or other items which would appear on the liability side of a consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of such date, except the amount so appearing which constitutes Consolidated Net Worth.

"CONTINUING DIRECTOR" means any member of the Guarantor's board of directors who either (i) is a member of such board as of 1st September 1998 or (ii) is thereafter elected to such board, or nominated for election by stockholders, by a vote of at least two-thirds of the directors who are Continuing Directors at the time of such vote; provided that an individual who is so elected or nominated in connection with a merger, consolidation, acquisition or similar transaction shall not be a Continuing Director unless such individual was a Continuing Director prior thereto.

"DEBT" of any person means at any date, without duplication, (i) all obligations of such person for borrowed money, (ii) all obligations of such person evidenced by debentures, notes or other similar instruments, (iii) all obligations of such person to pay the deferred purchase price of property, except trade accounts payable, (iv) all obligations of such person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) all Debt of others secured by a Lien on any asset of such person, whether or not such Debt is assumed by such Person, and (vi) all Debt of others for which such person is contingently liable. In calculating the amount of any Debt at any date for purposes of this Agreement, accrued interest shall be excluded to the extent that it would be properly classified as a current liability for interest under the heading "Accrued liabilities" (and not under the heading "Notes payable") in a balance sheet prepared as of such date in accordance with the accounting

principles and practices used in preparing the balance sheet referred to in SECTION 16(2)(d)(i) and the related footnotes thereto.

"DOMESTIC BUSINESS DAY" means each day other than a Saturday, Sunday or public holiday in New York City.

"ENVIRONMENTAL LAWS" means any and all United States federal, state and local statutes, laws, judicial decisions, regulations, ordinances, rules, judgements, orders, decrees, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to the environment, the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean-up or other remediation thereof.

"EQUIVALENT AMOUNT" means the amount in an Optional Currency equivalent to the specified amount in DM. The Equivalent Amount will be calculated using the Exchange Rate applicable to the date on which the amount in the Optional Currency is to be or was advanced.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA GROUP" means the Guarantor, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Guarantor or any Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

"EXCHANGE RATE" means a rate of exchange for converting an amount in DM into an amount in an Optional Currency or vice versa. The Exchange Rate applicable to any date will be the mean of the Agent's spot buying and selling rates for the exchange of these currencies at or around 11.00 a.m. on the third Business Day before that date.

"FACILITY" means the loan facility provided by this Agreement.

"FINAL MATURITY DATE" means the date which falls on the fifth anniversary of the date of this Agreement. If the Final Maturity Date is not a Business Day, the Final Maturity Date will instead be the next Business Day.

"FISCAL QUARTER" means a fiscal quarter of the Guarantor.

"GBP" means Eurosterling.

"GUARANTEE" means the guarantee contained in SECTION 11.

"GUARANTOR'S 1997 FORM 10-K" means the Guarantor's annual report on Form 10-K for the year ended December 31, 1997, as filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

"GUARANTOR'S EQUITY SECURITIES" means shares of any class of the Guarantor's capital stock or options, warrants or other rights to acquire such shares.

"HIGH QUALITY INVESTMENT" means any investment in (i) direct obligations of the United States of America or any agency thereof, or obligations guaranteed by the United States of America or any agency thereof, (ii) commercial paper rated at least A-1 by S&P and at least P-1 by Moody's or (iii) time deposits with, including certificates of deposit issued by, any bank which was a party to US \$ 750,000,000 Amended and Restated Credit Agreement dated as of November 14, 1996 among the Guarantor, the banks party thereto and the Agent named therein on its effective date or any office located in the United States of America of any bank or trust company which is organized under the laws of the United States of America or any State thereof and has capital, surplus and undivided profits aggregating at least US \$ 500,000,000; provided in each case that such investment matures within six months from the date of acquisition thereof by the Guarantor or a Subsidiary.

"INSTRUCTING GROUP" means Lenders whose Commitments exceed 50% in aggregate, or, if an Advance has been made, Lenders whose participations in the Loan exceed 50% in aggregate.

"INTERNAL REVENUE CODE" means the United States Internal Revenue Code of 1986, as amended, or any successor statute.

"LENDER" means a lender listed in Schedule 1 acting through the office appearing under its name or any other office which it may notify to the Agent. A lender which acquires an interest in this Facility by way of transfer or substitution under SECTION 23 will become a "Lender" and will act through its office notified to the Agent. The expression also includes universal successors to Lenders.

"LIBOR", in relation to any Term or other period in respect of which an interest rate is to be determined pursuant to this Agreement, means:

(a) the interest rate per annum appearing on the Telerate Screen page 3740 or 3750 (or any successor page displaying this information) for the currency of the Advance (as determined by the Agent) (the "Telerate

Screen") at or about 11:00 a.m. London time on the applicable Rate Fixing Day, as being the interest rate offered in the London Interbank Market for deposits in the currency of the relevant Advance for delivery on the first day of the Term of the Advance and for a period equal to such Term or any other period selected by the Agent in accordance with this Agreement; and

(b) if such interest rate per annum does not appear on the Telerate Screen or the Agent determines that no rate for a period of the duration of the relevant Term (or other period selected by the Agent pursuant to the provisions of this Agreement) appears on the Telerate Screen, the arithmetic mean (rounded upwards, if necessary, to four decimal places) of the respective rates of interest per annum, as supplied to the Agent at its request, quoted by the Reference Banks to leading banks in the London Interbank Market at or about 11:00 a.m. London time on the applicable Rate Fixing Date for the offering of deposits in the relevant currency during such Term in an amount comparable to the amount of the Advance to which such Term relates; provided that:

(i) if any Reference Bank does not supply such quotation by 12 noon on the applicable Rate Fixing Day, the relevant arithmetic mean shall be determined on the basis of the quotations supplied by the remaining Reference Banks; and

(ii) if fewer than two Reference Banks supply a quotation, SECTION 12(3). shall apply.

"LIEN" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or similar encumbrance of any kind in respect of such asset; provided that a subordination agreement shall not be deemed to create a Lien. For the purposes of this Agreement, the Guarantor or any Consolidated Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other similar title retention agreement relating to such asset.

"LOAN" means the principal amount borrowed and not repaid under the Facility.

"MARGIN", in relation to any Term or other period in respect of which an interest rate or commitment fee is to be determined pursuant to this Agreement, means the rate determined by the Agent by reference to the credit rating assigned from time to time by Moody's Investor Service, Inc. ("Moody's") or Standard & Poors ("S&P") to the long-term debt of the Guarantor and shall be:

(a) 0.300 per cent. per annum if such rating is A2 (Moody's) or A (S&P) or better;

(b) 0.325 per cent. per annum if such rating is A3 (Moody's) or A- (S&P);

- (c) 0.350 per cent. per annum if such rating is Baa1, Baa2 or Baa3 (Moody's) or BBB+, BBB or BBB- (S&P); or
- (d) 0.600 per cent. per annum if such rating is Ba1 (Moody's) or BB+ (S&P) or worse.

provided that a change in rating shall not affect the Margin applicable to a running Term.

In case the assigned credit ratings are not of an equal level, the better of the two ratings shall be decisive, provided that if one of the ratings is worse than Baa3 (Moody's) or BBB- (S&P) the worse of the two ratings shall be decisive.

"MASCO GROUP" means the Guarantor and its Subsidiaries.

"MATERIAL DEBT" means Debt of the Guarantor and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate outstanding principal amount exceeding US \$ 25,000,000.

"MATERIAL PLAN" has the meaning set forth in SECTION 19(1)(i).

"MULTIEMPLOYER PLAN" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or, pursuant to an applicable collective bargaining agreement, accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"OBLIGOR" at any time means the Borrower or the Guarantor.

"OPTIONAL CURRENCY" means a currency:

- (a) which is freely transferable,
- (b) which is freely convertible into DM, and
- (c) deposits of which are readily available and freely dealt on the London Interbank Market or, in the case of GBP, the Paris Interbank Market.

"ORIGINAL DM AMOUNT" means the DM equivalent of an amount in an Optional Currency calculated using the Exchange Rate applicable to the date on which the amount in the Optional Currency is to be or was advanced.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.



"PIBOR" means the arithmetic mean (rounded upwards, if necessary, to four decimal places) of the respective rates of interest per annum as supplied to the Agent at its request, quoted by the Reference Banks to leading banks in the Paris Interbank Market at or about 11.00 a.m. Paris time on the Rate Fixing Day for the offering of GBP deposits for a period comparable to the Term of the relevant Advance, provided that:

(i) if any Reference Bank does not supply such quotation by 12 noon on the applicable Rate Fixing Day, the relevant arithmetic mean shall be determined on the basis of the quotations supplied by the remaining Reference Banks; and

(ii) if fewer than two Reference Banks supply a quotation, SECTION 12(3). shall apply.

"PLAN" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"POTENTIAL TERMINATION EVENT" means any event or circumstance which, with the giving of notice and/or the lapse of time and/or the fulfillment of any other condition, is likely to constitute a Termination Event.

"PRIOR PLAN" means at any time (i) any Plan which at such time is no longer maintained or contributed to by any member of the ERISA Group or (ii) any Multiemployer Plan to which no member of the ERISA Group is at such time any longer making contributions or, pursuant to an applicable collective bargaining agreement, accruing an obligation to make contributions.

"RATE FIXING DAY" means, in relation to any Term or other period for which an interest rate is to be determined pursuant to this Agreement, the second Business Day before the commencement of the Term or such other period.

"REFERENCE BANKS" means, initially, the principal London (for the determination of LIBOR) or Paris (for the determination of PIBOR) offices of Commerzbank Aktiengesellschaft, Deutsche Bank AG and Barclays Bank PLC. The Agent, following consultation with the Borrower and the Lenders, may replace a "Reference Bank" with another Lender or an affiliate of a Lender. This replacement will take effect when notice is delivered to the Borrower and the Lenders.

"SECURITY" means security of any type created or existing over an asset.  
"Security" includes also any arrangement providing a creditor with a prior right

to an asset, or its proceeds of sale, over other creditors in an insolvency or liquidation.

"SIGNIFICANT SUBSIDIARIES" means any one or more Subsidiaries which, if considered in the aggregate as a single Subsidiary, would be a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X under the Securities Exchange Act of 1934. For purposes of this Agreement, a type of event shall not be deemed to have occurred with respect to Significant Subsidiaries unless such type of event has occurred with respect to each of the Subsidiaries required to be included to constitute "Significant Subsidiaries" as defined in the preceding sentence.

"SUBSIDIARY", in relation to the Borrower, means a company controlled or majority-owned by the Borrower within the meaning of Sections 16 and 17 of the Stock Corporation Act ("Aktengesetz"), and, in relation to the Guarantor, means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time owned by the Guarantor or by the Guarantor and one or more Subsidiaries or by one or more Subsidiaries.

"SUBSTITUTION CERTIFICATE" means a document substantially in the form set out in Schedule 3.

"SYNDICATE PARTY" means the Agent, the Arranger and any Lender.

"TERM" means the period for which an Advance is to be outstanding. If the last day of this period is not a Business Day that Term will instead end on the next Business Day, unless that day is in another calendar month. Where it is in another calendar month the last day of that Term will be the previous Business Day.

"TERMINATION EVENT" has the meaning described in Section 19(1).

"TOTAL COMMITMENTS" means the aggregate of the Commitments of all the Lenders.

"UNFUNDED LIABILITIES" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such

excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"UNITED STATES SUBSIDIARY" means a Subsidiary which is incorporated under the laws of the United States of America or any State thereof.

## 2. CERTAIN REFERENCES

Unless otherwise indicated, a reference in this Agreement to:

"Deutsche Mark" or "DM" is to the lawful currency for the time being of Germany and, following the commencement of the third stage of the European Monetary Union in Germany, is a reference to EURO or, as the case may be, to a sub-denomination of EURO;

"EURO" is to the lawful currency of the member states of the European Monetary Union participating in the third stage of the European Monetary Union to commence on 1 January 1999;

"fees" or "expenses" includes any value added tax on those fees or expenses;

"Germany" is to the Federal Republic of Germany;

unless stated otherwise, a "time of day" is to Luxembourg time.

## 3. CONSTRUCTION

In relation to the Guarantor, and unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with United States generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Guarantor's independent public accountants) with the most recent audited consolidated financial statements of the Guarantor and its Consolidated Subsidiaries delivered to the Lenders; provided that, if the Guarantor notifies the Agent that the Guarantor wishes to amend any covenant in SECTION 18(2) to eliminate the effect of any change in United States generally accepted accounting principles on the operation of such covenant (or if the Agent notifies the Guarantor that an Instructing Group wishes to amend SECTION 18(2) for such purpose), then the Guarantor's compliance with such covenant shall be determined on the basis of generally accepted accounting principles in effect immediately before the relevant change in United States generally accepted accounting principles became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Guarantor and the Instructing Group.

**SCHEDULE 1**

**LENDERS AND COMMITMENTS  
ADDRESS DETAILS**

DM	Lender	Commitment in
	COMMERZBANK AKTIENGESELLSCHAFT Filiale Heidelberg Kurfurstenanlage 47 - 51 69007 Heidelberg Telefax-No.: 06221-901846	70,000,000
	BARCLAYS BANK PLC Bockenheimer Landstrabbe 38 - 40 60323 Frankfurt am Main Telefax-No.: 069-71612399	40,000,000
	DEUTSCHE BANK AG Filiale Heidelberg Unternehmungen & Immobilien Adenauer Platz 1 69115 Heidelberg Telefax-No.: 06221-501316	40,000,000
	DRESDNER BANK AKTIENGESELLSCHAFT Filiale Heidelberg FK-Team Rhein-Neckar I Postfach 10 08 51 68008 Mannheim Telefax-No.: 0621-179-2488	40,000,000
	LANDESGIROKASSE OFFENTLICHE BANK UND LANDESSPARKASSE Kronenstrabe 20 70173 Stuttgart Telefax-No.: 0711-124-3996	40,000,000
	BANCA COMMERCIALE ITALIANA SPA Frankfurt am Main Branch Westendstrabe 58 - 62 60325 Frankfurt am Main Telefax-No.: 069-7452-04/7452-34	20,000,000
	BANCA MONTE DEI PASCHI DI SIENA Frankfurt am Main Branch Neue Mainzer Strabe 26 60311 Frankfurt am Main Telefax-No.: 069-235536	20,000,000

BANK BRUSSEL LAMBERT AG  
20,000,000  
Niederlassung Koln  
An Lyskirchen 14, Ecke Filzengraben  
50676 Koln  
Telefax-No.: 0221-2403294

THE BANK OF NEW YORK  
20,000,000  
Niedenau 61-63  
60325 Frankfurt am Main  
Telefax-No.: 069-721798/172198

THE FIRST NATIONAL BANK OF CHICAGO  
20,000,000  
Frankfurt/Main Branch  
Hochstrabe 35 - 37  
60313 Frankfurt am Main  
Telefax-No.: 069-299876-80/283840

KBC BANK N.V.  
20,000,000  
Zweigniederlassung Frankfurt  
Mendelssohnstrabe 75 - 77  
60325 Frankfurt am Main  
Telefax-No.: 069-75619366

-----

Total:  
350,000,000

=====

Arranger:

Commerzbank Aktiengesellschaft  
Kaiserplatz  
60261 Frankfurt am Main  
Telephone-No.: 069-1362-4033  
Telefax-No.: 069-1362-7111

Agent:

Commerzbank International S.A.  
11, Rue Notre Dame  
L-2240 Luxembourg  
Telephone-No.: 00352-477 911-1  
Telefax-No.: 00352-477 911 419

**Borrower:**

Masco GmbH  
Hinterm Haag 10  
69207 Sandhausen  
Telephone-No.: 06224-93090  
Telefax-No.: 06224-52709

**Guarantor:**

Masco Corporation  
21001 Van Born Road  
Taylor, Michigan 48180  
**USA**  
Telephone-No.: 001313-3746258  
Telefax-No.: 001313-3746135

## SCHEDULE 2

### CONDITIONS PRECEDENT

#### 1. IN RESPECT OF THE BORROWER:

- (a) A copy of the Articles of Association (Gesellschaftsvertrag) of the Borrower as last filed with the Commercial Register and of the related certificate of the Notary Public pursuant to SECTION 54(1) GmbHG, certified by two Authorized Persons to be correct and up-to-date.
- (b) An extract from the Commercial Register dated not earlier than 1 September 1998, certified by the Commercial Register.
- (c) A list of Authorized Persons complying with the definition of "Authorized Person".

#### 2. IN RESPECT OF THE GUARANTOR:

A copy of the charter, by-laws and authorizing resolutions of the Guarantor, certified by the corporate secretary of the Guarantor to be a true, correct and up-to-date copy.

#### 3. LEGAL OPINIONS FROM:

- (a) John R. Leekley, General Counsel of the Guarantor;
- (b) Davis Polk & Wardwell, legal advisers in the United States of America to the Lenders; and
- (c) Hengeler Mueller Weitzel Wirtz, legal advisers in Germany to the Lenders,

all legal opinions to be addressed to the Syndicate Parties and in the form of drafts circulated to the Lenders prior to signing.

**SCHEDULE 3**

**FORM OF SUBSTITUTION CERTIFICATE**

To: Commerzbank International S.A.

From: [The Existing Lender] and [The New Lender]

**MASCO GMBH - DM 350,000,000 MULTICURRENCY REVOLVING CREDIT FACILITY AGREEMENT DATED 14 SEPTEMBER 1998 (THE "AGREEMENT")**

**We refer to SECTION 23(4) of the Agreement.**

1. We (the "Existing Lender") and (the "New Lender") agree to the New Lender substituting the Existing Lender in respect of all the Existing Lender's rights and obligations referred to in the Schedule in accordance with SECTION 23(4).
2. The specified date for the purposes of SECTION 23(4) is [date of substitution].
3. The office through which the New Lender will be acting and the address for notices of the New Lender for the purposes of SECTION 22(5) are set out in the Schedule.
4. This Substitution Certificate is governed by the laws of the Federal Republic of Germany.

The Existing Lender and the New Lender agree as follows:

1. The New Lender is responsible for its own decision to become involved in the Facility. It should make its own credit appraisal of the Borrower and the Guarantor and the terms of the Facility. The Existing Lender makes no representation that any information provided to the New Lender before or after the date of this certificate is true. Accordingly the New Lender should take whatever action it believes is necessary to verify that information. In addition the Existing Lender is not responsible for the legality, validity or adequacy of the Loan Agreement. The New Lender will satisfy itself on these issues.
2. There is no obligation on the Existing Lender to accept any transfer back of the rights and obligations referred to in this Substitution Certificate. The Existing Lender accepts no obligation to indemnify the New Lender



for any losses incurred as a result of a failure by the Borrower or the Guarantor to perform their obligations or for any other losses.

This Substitution Certificate is to be governed by the law of the Federal Republic of Germany.

**Existing Lender: New Lender:**

[Name of Existing Lender] [Name of New Lender]

By: By:

**Agent (on behalf of the other Lenders, the Borrower and itself)**

**Commerzbank International S.A.**

By:

Date:

**THE SCHEDULE**

**RIGHTS AND OBLIGATIONS TO BE SUBJECT TO THE SUBSTITUTION**

[Insert details of the rights and obligations of the Existing Lender to be subject to the substitution].

**NAME OF NEW LENDER:**

Office through which the New Lender will be acting and address for notices:

**Address:**

**Fax Number:**

**Telex Number:**

**Attention:**

**SCHEDULE 4**

**FORM OF BORROWING NOTICE**

To: Commerzbank International S.A., in its capacity as Agent

From: Masco GmbH

**MASCO GMBH  
DM 350,000,000 MULTICURRENCY REVOLVING CREDIT FACILITY**

Dear Sirs,

(1) With reference to SECTION 6(1) of the Credit Agreement, dated 14 September 1998 (the "Agreement") we herewith give notice of our intention to borrow under the Facility, subject to the following conditions:

(a) Currency: [\_\_\_\_\_] If Optional Currency is not available according to SECTION 7(3), Advance shall be made in DM

	[ ]	[ ]
]	Yes	No

(b) Amount : [\_\_\_\_\_]

(c) Advance Date: [\_\_\_\_\_]

(d) Term: [\_\_\_\_\_]

(2) We herewith confirm

(a) that the representations and warranties in SECTION 16(1) and SECTION 16(2) except the representations set forth in SECTION 16(2)(d)(iii), (e), (f) (other than clause (i) thereof), (g) and (j) of the Agreement are true on the date of delivery of this notice and on the Advance Date; and

(b) no Termination Event or Potential Termination Event exists on the date of delivery of this notice and on the Advance Date.

We request that the Advance be disbursed to our account No. [\_\_\_\_\_] with [\_\_\_\_\_].

(3) Terms not defined herein shall have the meaning attributed to them in the Agreement.

Yours sincerely

**Masco GmbH**

By:  
65

**SCHEDULE 5**

**FORM OF TAX CONFIRMATION**

[Letterhead of Lender]

Masco GmbH  
[address]

**MASCO GMBH  
DM 350,000,000 MULTICURRENCY REVOLVING CREDIT FACILITY**

Dear Sirs,

With reference to SECTION 25(4) of the Facility Agreement, dated 14 September 1998, entered into in connection with the DM 350,000,000 Multicurrency Revolving Facility made available to you by a syndicate of banks including our institution, we herewith confirm the following to you with respect to the calendar year [\_\_\_\_]:

Any interest paid to ourselves in respect of the Facility is subject to taxation in Germany (after deduction of related expenses). We have not made any payments (directly or indirectly) to any entity belonging to the Masco Group (in which respect we have relied on the Schedule of entities belonging to the Masco Group supplied by Masco Corporation to the Agent) that would according to our credit files pertaining to the Facility be treated as a payment related to the Facility.

Yours sincerely

1  
**EXHIBIT 4.G**

**Dated 9th July, 1997**

**MASCO GMBH  
as Borrower**

and

**MASCO CORPORATION  
as Guarantor**

and

**COMMERZBANK AKTIENGESELLSCHAFT  
as Arranger**

and

**COMMERZBANK INTERNATIONAL S.A.  
as Agent**

and

**OTHERS**

**DM 400,000,000 TERM LOAN FACILITY**

**HENGELER MUELLER WEITZEL WIRTZ  
Frankfurt am Main**

2

CONTENTS

PAGE

SECTION 1	Interpretation	3
SECTION 2	The Facility	3
SECTION 3	The Lenders	3
SECTION 4	Fees and Expenses	4
SECTION 5	Advance of Funds	4
SECTION 6	Interest	6
SECTION 7	Repayment	7
SECTION 8	Prepayment	7
SECTION 9	Guarantee	7
SECTION 10	Changes of Circumstances	9
SECTION 11	Payments	13
SECTION 12	Late Payment	15
SECTION 13	Sharing among Lenders	16
SECTION 14	Representations and Warranties	17
SECTION 15	Delivery of Information	21
SECTION 16	General Covenants	24
SECTION 17	Early Termination	28
SECTION 18	The Agent and the Arranger	31
SECTION 19	Evidence and Certificates	35
SECTION 20	Notices	35
SECTION 21	Transfers and Substitution	36
SECTION 22	Waivers and Amendments	38
SECTION 23	Miscellaneous	38
SECTION 24	Law and Jurisdiction	39
SECTION 25	Confidentiality	40
Annex: Definitions, References and Construction		43

SCHEDULES

Schedule 1:	Lenders and Commitments; Address Details	52
Schedule 2:	Conditions Precedent	54
Schedule 3:	Form of Substitution Certificate	55
Schedule 4:	Form of Borrowing Notice	57
Schedule 5:	Form of Tax Confirmation	58

CREDIT AGREEMENT dated 9th July, 1997 between:

- (1) MASCO GMBH, as borrower (the "Borrower"),
- (2) MASCO CORPORATION, as guarantor (the "Guarantor"),
- (3) COMMERZBANK AKTIENGESELLSCHAFT, as arranger (the "Arranger"),
- (4) COMMERZBANK INTERNATIONAL S.A., as agent, and
- (5) THE FINANCIAL INSTITUTIONS listed in Schedule 1, as lenders.

THE PARTIES agree as follows:

#### SECTION 1 INTERPRETATION

The defined expressions used in this Agreement are set out in the Annex.

#### SECTION 2 THE FACILITY

- (1) Amount and Nature. The Facility is a five-year DM 400,000,000 term loan facility.
- (2) Purpose. The Borrower agrees to use the proceeds of the Facility to retire debt of the Borrower outstanding at the date of this Agreement, but no Syndicate Party needs to concern itself with the application of amounts taken up by the Borrower under the Facility.
- (3) Availability. The Borrower may borrow under the Facility after the Agent has received all the items listed in Schedule 2 in a form satisfactory to the Agent.
- (4) Expiry of Availability. The Borrower may not borrow under the Facility after the Commitment Expiry Date.

#### SECTION 3 THE LENDERS

- (1) Rights and Obligations. The rights and obligations of each Lender under this Agreement are separate and independent from the rights and obligations of each other Lender. A Lender may take proceedings against any Obligor on its own without involving any other Lender in those proceedings.
- (2) Failure to Perform. If a Lender fails to perform its obligations the Borrower will have rights solely against that Lender. The obligations of any Obligor to the Agent, the Arranger and the other Lenders will not be affected by this failure.

#### SECTION 4 FEES AND EXPENSES

(1) Management Fee. The Borrower will pay to the Agent for the account of the Arranger a management fee. The amount of this fee and the timing of payment are described in a letter from the Arranger to the Borrower dated the same date as this Agreement.

(2) Agency Fee. The Borrower agrees to pay to the Agent an agency fee. The amount of this fee and the timing of payment are described in a letter from the Agent to the Borrower dated the same date as this Agreement.

(3) Reimbursement of Initial Expenses. The Borrower agrees to reimburse the Arranger for all reasonable out-of-pocket expenses incurred in connection with the negotiation, preparation and signing (including, but not limited to, legal expenses, travelling expenses and communication charges) of this Agreement and the syndication of the Facility. In addition, the Borrower agrees to bear and pay all expenses related to the publication of any advertisements in connection with the Facility made with the approval of the Borrower.

(4) Protection of Rights. A Syndicate Party may incur expenses in protecting, preserving or enforcing its rights under this Agreement. The Borrower agrees to reimburse that Syndicate Party for the reasonable amount of expenses reasonably incurred.

(5) Documentary Taxes. The Borrower agrees to bear and pay any duty, fee or other similar charge required to be paid on this Agreement, any document referred to in or contemplated by this Agreement or any judgment obtained in connection with this Agreement or payable in order for this Agreement or any of these documents to be valid, binding and enforceable or for any of them to be admitted as evidence in court. Alternatively, a Syndicate Party may make the payment; if it does so, the Borrower agrees to reimburse that Syndicate Party for the amount paid.

#### SECTION 5 ADVANCE OF FUNDS

(1) Notice of Borrower. When the Borrower wishes to borrow under the Facility, it will deliver a notice to the Agent substantially in the form attached hereto as Schedule 4. The notice shall specify the amount of the Advance, the length of the Interest Period applicable to the Advance and the Advance Date. The Advance Date must be no sooner than five Business Days after the date the Agent receives the notice. For this purpose, if the Agent receives the notice on a day which is not a Business Day or after 3.00 p.m. on a Business Day, it will be treated as having received the notice on the following Business Day.

(2) Limitations on Advances. The following limitations apply to Advances:



- (a) No Advance may exceed the uncanceled and undrawn amount of the Facility.
  - (b) An Advance must be a minimum of DM 50,000,000 or, if higher, an integral multiple of DM 10,000,000, or be the uncanceled and undrawn amount of the Facility.
  - (c) No more than three Advances may be made.
  - (d) Amounts undrawn on the Commitment Expiring Date are automatically cancelled.
- (3) Amount of the Lenders' Participation in the Advance. The amount of a Lender's participation in an Advance shall be that proportion of the Advance which its Commitment bears to the Total Commitments on the date of receipt by the Agent of the relevant notice of borrowing.
- (4) Notice to the Lenders. The Agent agrees to provide details of the notice of borrowing to each Lender not later than close of business on the fourth Business Day preceding the Advance Date. These details will also include the amount of the Lender's participation in the Advance.
- (5) Conditions to Borrowing. The Lenders will only be obliged to make an Advance to the Borrower if:
- (a) the Facility is available in accordance with SECTION 2;
  - (b) a properly completed and signed notice of borrowing has been received by the Agent;
  - (c) the representations and warranties in SECTION 14 are true on the date of delivery of the notice of borrowing and on the Advance Date; and
  - (d) no Termination Event or Potential Termination Event exists on the Advance Date.
- (6) Obligation to make an Advance. If the requirements of this Section 5 are satisfied, each Lender agrees to make the amount of its participation in the Advance available to the Agent for the Borrower on the Advance Date.
- (7) Consequences of an Advance not being made. If a notice of borrowing is delivered but no Advance is made due to any of the Conditions in SECTION 5(5) not being satisfied, the Borrower agrees to reimburse each Lender for the losses and expenses incurred by such Lender as a result of liquidating or otherwise utilising amounts taken up by it to fund its participation in the Advance or terminating commitments relating to the funding or hedging open positions resulting from the Advance not being made.

## SECTION 6 INTEREST

(1) Interest Periods. Interest will accrue on each Advance by reference to successive periods of time. These periods may be of one, two, three or six months' duration as selected by the Borrower or any longer period on which all Lenders may have agreed with the Borrower, and notified by the Borrower, in the case of the first period applicable to an Advance, in the relevant notice of borrowing, and in the case of any subsequent period, not later than on the fourth Business Day before the commencement of such period, subject to the following:

(a) First Period. The first of these periods will commence on the Advance Date and will end on the date the selected number of months after that date.

(b) No Selection by the Borrower. Where the Borrower fails to timely select a certain period, the next period applicable to the Advance will be of three months' duration.

(c) Subsequent Periods. Subsequent periods will commence on the last day of the previous period and will end on the date the selected number of months after that date. A period that would otherwise include the Repayment Date will end on the Repayment Date and may be less than a full Interest Period.

(d) Adjustments. Where a period starts on a date for which there is no numerical equivalent in the month the selected number of months later, it will end on the last day of that month. If any date on which a period would otherwise end is not a Business Day, that period will be extended to the next Business Day unless such Business Day would fall into the next calendar month, in which case that period will end on the immediate preceding Business Day.

(2) Rate of Interest. The rate of interest applicable during an Interest Period will be a rate per annum equal to FIBOR for that Interest Period plus the applicable Margin.

(3) Accrual and Payment. Interest on the Loan shall:

(a) accrue from day to day and be calculated for the actual number of days elapsed and on the basis of a year of 360 days and

(b) be payable in arrears on the last day of each Interest Period and, in the case of Interest Periods which are longer than six months, also on the day falling six months after the first day of the Interest Period as regards the interest accrued for the initial six months.

(4) The Agent agrees to notify the Borrower and each Lender of any rate of interest determined under this Agreement.

#### SECTION 7 REPAYMENT

The Borrower agrees to repay the Loan on the Repayment Date.

#### SECTION 8 PREPAYMENT

(1) Optional Prepayment. The Borrower may give notice that it will prepay the whole or part of the Loan on the last day of an Interest Period. This notice must state:

(a) the amount to be prepaid which, in the case of partial prepayment, must be a minimum of DM 10,000,000 or, if higher, a multiple of DM 5,000,000; and

(b) the date of prepayment which will be at least 15 days after the notice is received by the Agent.

The Borrower agrees to prepay the Loan in accordance with its notice.

(2) No other Prepayment. The Borrower may not prepay the Loan except in the manner permitted by this Agreement.

(3) No Re-borrowing. No amount prepaid may be re-borrowed.

#### SECTION 9 GUARANTEE

(1) Guarantee. The Guarantor unconditionally and irrevocably guarantees to each Syndicate Party the performance of any and all obligations of the Borrower under this Agreement and the payment of each amount expressed herein to be payable by the Borrower as and when such amount becomes due and in the same currency as the amount due. Payment shall be made forthwith upon the written demand of the Agent.

(2) Nature of Guarantee Obligation. This Guarantee constitutes a "Garantie" and not a "Burgschaft". Accordingly the obligations of the Guarantor under this Guarantee (i) are separate and independent from the obligations of the Borrower under this Agreement, (ii) exist irrespective of the legality, validity, binding effect or enforceability of the obligations of the Borrower under this Agreement, and (iii) are not affected by any event, condition or circumstance of whatever nature, whether factual or legal, save the full, definitive and irrevocable satisfaction of any and all payment obligations expressed herein to be payable by the Borrower.

(3) Preservation of Rights. Any obligations of the Guarantor under this Guarantee will not be affected by:

- (a) Any change, waiver or release of the Borrower's obligations.
- (b) Any concession or time being given to the Borrower.
- (c) The winding-up or re-organisation of the Borrower.
- (d) Any change in the condition, nature or status of the Borrower.
- (e) Any of the above events occurring in relation to another guarantor or provider of security of its obligations.
- (f) Any failure of any Syndicate Party to take, retain or enforce any other guarantee or security.
- (g) Any circumstances affecting or preventing recovery of amounts due by the Borrower.
- (h) Any other matter which might discharge the Guarantor (other than full and unconditional payment under the Guarantee).

(4) Covenants of the Guarantor. The Guarantor agrees as follows:

(a) Security. The Guarantor will not have the benefit of any Security provided by the Borrower in respect of this Guarantee.

(b) Exercise of Rights. The Guarantor will not:

- (i) take the benefit of any rights against the Borrower or any other person in respect of amounts paid under this Guarantee; or
- (ii) claim or exercise against the Borrower any right to any payment (whether or not in connection with this Agreement).

(c) Competing Claim. An Instructing Group may request the Guarantor to submit a claim in insolvency proceedings for amounts due to it by the Borrower or any other guarantor. The Guarantor agrees to submit such claim promptly in accordance with this request. The Guarantor hereby assigns to the Agent (for the benefit of the Syndicate Parties) for security purposes all its rights in respect of that claim.

The obligations in this SECTION 9(4) will cease to have effect when the Facility has ceased to be available and there are no amounts outstanding under the Facility. Paragraphs (a) and (b) only apply for so long as there is a current Termination Event.

(5) Discharge Conditional. Any settlement with, or discharge of, the Guarantor will be subject to the condition that the settlement or discharge will be set aside if any prior payment, or any other guarantee or security relating to any amount due under this Agreement, is set aside, invalidated or reduced. In this event the Guarantor agrees to reimburse each Syndicate Party for the value of the payment, guarantee or security which is set aside, invalidated or reduced.

(6) Additional Security. This Guarantee is in addition to and is not in any way prejudiced by any other security now or hereafter held by any Syndicate Party.

#### SECTION 10 CHANGES OF CIRCUMSTANCES

##### (1) Illegality.

(a) Notice of Illegality. Each Lender may notify the Borrower if it determines that it is or will be acting illegally (rechtswidrig) in relation to the Facility. The illegality may relate to the performance of the Lender's obligations, the maintenance of the Facility or the Lender's funding arrangements.

(b) Cancellation and Prepayment. If a Lender delivers a notice of illegality any outstanding Commitment of that Lender will be cancelled on the date of that notice. The Borrower agrees to prepay the participation of that Lender in the Loan on the last day of the Interest Period during which the notice is received, unless the Lender certifies that, because of a legal requirement (law, regulation or any action by a court or administrative authority) applicable to the Lender, it must be repaid earlier. In this event the Borrower agrees to prepay the participation on the date specified by the Lender.

SECTION 10(5) applies to any cancellation or prepayment under this paragraph.

##### (2) Increased Costs.

(a) Notice of Increased Costs. A Lender may give notice of increased costs to the Borrower if:

(i) either:

(aa) there is a change in a legal or other requirement applicable to the Lender (or its holding company) (including any change relating to taxation or reserve asset, special deposit, cash ratio, liquidity or capital adequacy requirements or any other form of banking or monetary control) or a change in its interpretation or application; or

(bb) the Lender (or its holding company) complies with a direction or request (whether or not having the force of law) of any central bank or other fiscal, monetary or other authority; and

(ii) as a result, any of the following occurs:

(aa) the Lender (or its holding company) incurs an expense;

(bb) the Lender's (or its holding company's) effective return from the Facility or on its overall capital is reduced;

(cc) any amount payable to the Lender (or its holding company) is reduced; or

(dd) the Lender (or its holding company) does not recover an amount which would otherwise have been paid to it.

No account will be taken of tax on the overall net income of a Lender in the country in which it has its principal office or the office through which it is acting for the purposes of this Agreement; and

(iii) the losses, reductions and expenses arising as a result are wholly or partly attributable to the Facility or the arrangements made by a Lender in connection with the Facility.

(b) Payment of Additional Amounts. The Borrower agrees to reimburse each Lender for the losses, reductions and expenses described in paragraph

(a)(ii) which are attributable to the Facility (as certified by the Lender, which certification shall include a calculation of the amount to be reimbursed). No reimbursement will be made for losses, reductions or expenses attributable to the period prior to 30 days prior to the receipt of the notice described in paragraph (a).

(c) Prepayment. If a Lender delivers a notice of increased costs the Borrower may, on giving not less than 5 Business Days prior notice to that Lender, prepay the participation of that Lender in the Loan, together with compensation for such increased costs on the last day of the Interest Period during which the notice is received, and any outstanding Commitment of the Lender will be cancelled on the date of that notice.

(3) Market Disruption.

(a) Notice of Market Disruption. The Agent agrees to give notice of market disruption if:

- (i) the Agent determines, upon consultation with the Reference Banks, that there are no reasonable means to ascertain FIBOR because of circumstances affecting the Frankfurt Interbank Market generally;
  - (ii) Lenders with Commitments exceeding 35% of the Total Commitments, or with participations exceeding 35% of the Loan, notify the Agent that they determine that FIBOR would not reflect fairly the cost to them of funding an amount outstanding under this Agreement;
  - (iii) FIBOR cannot be determined because less than two Reference Banks provide quotations; or
  - (iv) Lenders with Commitments exceeding 35% of the Total Commitments, or with participations exceeding 35% of the Loan, notify the Agent that funds necessary to fund their participation in the Loan are not readily available in the Frankfurt Interbank Market.
- (b) Alternative Interest Rate Arrangements. If the Agent gives a notice of market disruption, the following applies:
- (i) The means of determining the rates of interest applicable under this Agreement will be suspended. Instead the Borrower agrees to pay interest to the Lenders in the manner requested by the Agent. A request by the Agent may specify periods to be used for the computation of interest. It must also specify the rate of interest to apply for a period. This rate will be the rate determined by the Agent to reflect the cost to each Lender of funding for the period plus the applicable Margin. In order to assist the Agent in this determination each Lender agrees to provide to the Agent any information which the Agent may reasonably request. If this information is received by the Agent within any time period specified by the Agent it will be taken into account by the Agent in making its determination.
  - (ii) The Borrower and the Agent will negotiate the terms of an alternative arrangement for determining a rate of interest. The negotiations will be carried on in good faith. Neither party is bound to continue the negotiations after the date 30 days after the Borrower receives the Agent's notice. If agreement is reached and if it is approved by an Instructing Group, the rate of interest will be determined in accordance with the agreement. Sub-paragraph (i) will not apply to the extent that it is expressly excluded by such agreement.
  - (iii) If the circumstances described in paragraph (a) cease to apply, the Agent will notify the Borrower and the Lenders. The Borrower agrees to pay interest to the Lenders in the manner described in sub-paragraph (i) or (ii) for the remainder of the period for which an alternative interest rate arrangement has been made in respect of each affected Advance unless

a different arrangement is agreed by the Agent and the Borrower and approved by an Instructing Group. In this case the Borrower agrees to pay interest to the Lenders in the manner agreed.

(c) Prepayment. If paragraph (b) applies, the Borrower may, on giving not less than 2 Business Days' prior notice to the Agent, and unless there is an agreement under subparagraph (ii), prepay the Loan on the last day of the Interest Period during which the notice is received, and any outstanding Commitments of the Lenders will be cancelled on the date of such notice.

(4) Withholdings.

(a) Notice of Withholding. The Borrower agrees to give notice of withholding or deduction on account of any taxes, duties or charges ("taxes") to the Agent if it is required by law to make a payment under this Agreement net of a withholding or deduction on account of taxes.

(b) Grossing Up. If the Borrower is so required, the Borrower agrees to increase the amount of any payment which is subject to a withholding or deduction on account of taxes. As a result of this increase the person entitled to the payment will be entitled to receive the same amount it would have received if there had been no withholding or deduction on account of taxes.

(c) Payment of Tax. The Borrower will pay to the appropriate authority all amounts withheld or deducted. If a receipt or other evidence of payment can be issued, the Borrower agrees to deliver this to the Agent as soon as practicable.

(d) Prepayment. If the Borrower gives a notice of withholding, the Borrower may, on giving not less than 5 Business Days' prior notice to the Agent, subject to sub-paragraph 4(b) prepay that part of the Loan which is subject (or the interest on which is subject) to the withholding or deduction on account of taxes on the last day of the Interest Period during which the notice is received.

(e) Refund of Tax Credits. If the Borrower makes a payment under this SECTION 10(4) (a "Tax Payment"), the relevant Lender agrees to notify the Borrower if it has obtained a refund of tax or obtained and used a credit against tax on its overall net income (a "Tax Credit") which that Lender is able to identify as directly attributable to that Tax Payment. To the extent that it can in its opinion do so without prejudicing its ability to retain such Tax Credit, the Lender shall reimburse the Borrower such amount as that Lender shall have determined to be the proportion of that Tax Credit as will leave the Lender (after that reimbursement) in no better or worse position in respect of its worldwide tax liabilities than it would have been



in had no Tax Payment been required. Nothing in this paragraph affects the right of any Syndicate Party to arrange its tax affairs as it thinks fit or gives the Borrower or the Guarantor the right to inquire into those tax affairs.

(f) SECTION 10(4) applies, mutatis mutandis, to payments to be made by the Guarantor in respect of the Guarantee.

(5) Prepayment. If the Borrower is obliged to prepay the Loan or any part of it under this SECTION 10 or SECTION 17(2), the Borrower agrees to pay on the date on which payment is due interest accrued on the Loan (or the amount to be repaid) up to that date. If the date on which repayment is due is not the last day of an Interest Period, the Borrower will reimburse each affected Lender for the losses and expenses which that Lender has incurred, or will incur, in liquidating or otherwise utilising amounts taken up by the Lender to fund the Loan or in hedging open positions resulting from the payment (excluding loss of margin for the period after any such repayment).

#### SECTION 11 PAYMENTS

(1) Method, Timing and Currency of Payments. All payments under the Facility must be made in immediately available and freely transferable funds. Each payment must be received by 10 a.m. on the due date. Payments in respect of principal, interest and fees will be made in Deutsche Mark, payments in respect of costs, expenses and indemnities in the currency in which the claim in respect thereof arises.

#### (2) Payments through the Agent

(a) Normal Arrangements. All payments under this Agreement will be made through the Agent. Each payment, if in Deutsche Mark, will be made to the account of the Agent, as notified by the Agent to the Borrower, if in other currency to such account as the Agent may designate. The Agent will pay on to the Lenders an amount received as soon as the Agent has ascertained that it has been received.

(b) Alternative Arrangements. If the Agent determines that it is, or will be, illegal or impossible for it to pay on to a Lender in accordance with paragraph (a), it agrees to notify the Borrower and that Lender. In this case the Borrower and that Lender may agree on alternative arrangements for payments to be made to that Lender. Paragraph (a) will not apply to the extent excluded by those alternative arrangements. The Lender agrees to provide notice of the arrangements to the Agent and will notify the Agent of payments in accordance with SECTION 13(1).

(3) Payments to the Borrower. Each payment by the Agent to the Borrower will be made to the account of the Borrower specified by it in the request for borrowing.

(4) Payments to Lenders. Each payment by the Agent to a Lender will be made to the account of that Lender notified to the Agent for this purpose.

(5) Change of Account. The Borrower or a Lender may change its receiving account by not less than five Business Days' notice to the Agent. The Agent may change its receiving account by not less than five Business Days' notice to each Obligor and the Lenders.

(6) Refunding of Payments by the Agent. If the Agent makes a payment out in the mistaken belief that it has received or will receive an incoming payment on a particular day, the person which received the payment from the Agent agrees to return it. It will also reimburse the Agent for all losses and expenses incurred by the Agent as a result of the payment. This SECTION 11(6) does not affect the rights of the person which received the payment against the person which failed to make the payment to the Agent.

(7) Non-Business Days. If a payment would be due on a non-Business Day the payment obligation will be deferred until the next Business Day. Interest will be adjusted accordingly.

(8) Payment in Full. All payments by any Obligor will be made in full and without set-off, counterclaim, or retention. No payment by any Obligor will be made net of a withholding or deduction, unless this is required by law. In this event SECTION 10(4) applies.

(9) Set-off. After a Termination Event or Potential Termination Event has occurred, any Syndicate Party may set off any obligation which it owes to any Obligor against any obligation which that Obligor owes to that Syndicate Party under this Agreement. The obligation of the Syndicate Party may be in different currency, arise on a separate transaction, provide for a different place of payment, or involve another branch. If its obligation is in different currency, the Syndicate Party may convert the amount owed into the same currency as the obligation of that Obligor using the then current exchange rate. If a Lender so sets off an obligation, that Lender agrees to notify the Agent thereof. The notice will provide details of the amount set off.

(10) Application of Partial Payments. If the Agent receives a payment insufficient to discharge all the amounts then due and payable by the Borrower under this Agreement, the Agent shall apply that payment towards the obligations of the Borrower under this Agreement in the following order:

- (a) first, in or towards payment pro rata of any unpaid costs or expenses due to the Agent in its capacity as such under or in connection with this Agreement;
- (b) secondly, in or towards payment pro rata of any agency fee due but unpaid under SECTION 4;
- (c) thirdly, in or towards payment pro rata of any other accrued fees due but unpaid under SECTION 4;
- (d) fourthly, in or towards payment pro rata of any accrued interest due but unpaid under this Agreement;
- (e) fifthly, in or towards payment pro rata of any principal due but unpaid under this Agreement;
- (f) sixthly, in or towards payment pro rata of any other sums due but unpaid under this Agreement.

The Agent will vary the order set out in paragraphs (d) to (f) inclusive above if requested by all the Lenders. The provisions of this SECTION 11(10) will override any appropriation made by the Borrower.

(11) Currency Indemnity. Where a payment due by any Obligor under or in connection with this Agreement is made in a currency other than the currency owed, to the extent that the amount received, when converted into the currency owed, is less than the amount due that Obligor agrees to reimburse the person entitled to the payment for the difference. For the purposes of the computation of this amount that person will apply to the amount received a rate of exchange prevailing on an established currency market on the date of receipt. If, however, that person is unable to use the amount received to buy the currency owed on the date of receipt, the rate of exchange prevailing on the first date on which that person could buy the currency owed will be used instead. The obligation in this SECTION 11(11) is a separate and independent obligation.

#### SECTION 12 LATE PAYMENT

(1) Default interest. If any Obligor fails to make a payment other than interest on the due date, that Obligor agrees to pay interest on the amount unpaid from its due date for payment. This interest will be computed by reference to successive periods not exceeding six months selected by the Agent. The first of these periods will start on the due date for payment of the unpaid amount. The rate of interest applicable during each of these periods will be a rate per annum equal to 1% plus FIBOR for that period plus the applicable Margin. This interest will be paid in arrear on the last day of each of these periods and on the date of payment of the unpaid amount.

(2) Indemnity. If the Borrower fails to make a payment other than interest on the due date the Borrower agrees to reimburse the person entitled to the payment for the losses and expenses (including loss of profit) that person incurs, or will incur, as a result. The computation of these losses and expenses will take into account any amount received under SECTION 12(1).

(3) Late Interest Payment. If the Borrower fails to pay an amount of interest on the due date the Borrower agrees to pay to the Agent by way of indemnification and in addition to such amount, a lump sum computed on that amount due from the due date up to the date of payment by reference to the sum of (i) 1.6 per cent. per annum and (ii) FIBOR for the period selected by the Agent if SECTION 12(1) were to apply.

#### SECTION 13 SHARING AMONG LENDERS

(1) Notice. If an amount due to a Lender (the "Recipient") under this Agreement is discharged other than by payment through the Agent the Lender agrees to notify the Agent. This may occur because of the exercise of a right of set-off, by virtue of a combination of accounts, because of a voluntary or involuntary payment by the Borrower direct to the Lender or otherwise. The notification will provide details of the amount discharged and will be delivered no later than ten Business Days after the discharge.

(2) Determination by the Agent. Where a Lender has issued a notice under SECTION 13(1) the Agent will determine what payments, if any, are due under SECTION 13(4). This determination will be made on the basis of the information contained in all the notices delivered to the Agent under SECTION 13(1). The determination will be notified to the Borrower and the Lenders.

(3) Litigation. In determining the amount due under SECTION 13(4) no account will be taken of an amount due to a Lender which has declined to participate in legal proceedings which resulted in the payment described in SECTION 13(1). This only applies if that Lender could have joined in the proceedings or could have instituted its own proceedings, but failed to do so.

(4) Payment to the Agent. The Recipient agrees to pay to the Agent an amount equal to the amount discharged, less the amount to be received by the Recipient if the discharge had been made by payment to the Agent. This amount will be paid no later than five Business Days after receipt of a notice from the Agent under SECTION 13(2).

(5) Obligations of the Borrower. Any amount due to the Recipient which would otherwise have been discharged as described in SECTION 13(1) will be treated as not having been discharged to the extent of an amount which is or will be payable under SECTION 13(4) as a result. Accordingly the Borrower agrees to pay this amount to the Recipient as if it had not been discharged. This payment is re-

quired to be made whether or not the Agent has issued a determination under SECTION 13(2).

(6) Distribution. The Agent agrees to distribute to the Lenders the amount received by it under SECTION 13(4) as if that amount had been received from the Borrower in discharge of amounts due under the Agreement.

(7) Recovery. If an amount discharged as described in SECTION 13(1) is recovered or is required to be repaid, each Lender which received the benefit of a payment made under SECTION 13(4) agrees to repay to the Recipient the amount it received. Each of these Lenders will also reimburse the Recipient for any interest or other losses or expenses which the Recipient has incurred in connection with the discharged amount or its recovery or repayment. The rights and obligations of the parties shall be restored to the position before any payment became due under SECTION 13(4).

#### SECTION 14 REPRESENTATIONS AND WARRANTIES

(1) By the Borrower. The Borrower represents and warrants that:

(a) Corporate Existence and Power. The Borrower is a corporation duly incorporated and validly existing, and the Borrower and its Subsidiaries have the power and all material governmental licenses, authorizations, consents and approvals required to own their assets and conduct their businesses, considered as a whole, substantially as now being conducted.

(b) Binding Obligations. This Agreement has been duly authorized, signed and delivered by the Borrower and the obligations of the Borrower under this Agreement are valid and binding obligations of the Borrower in accordance with their terms.

(c) Legality and Contraventions. Its signing and delivery of this Agreement and its exercise of rights and performance of obligations under this Agreement:

(i) do not require any approval, filing, registration or exemption (except for filings under the Securities Exchange Act of 1934);

(ii) do not contravene any provision of its Articles of Association or any law, regulation or order;

(iii) are not prohibited by, and do not constitute a default under, and do not result in an obligation to create Security under, any document or arrangement to which it is a party.

(d) No Termination Event. No Termination Event or Potential Termination Event has occurred and is continuing and none will occur as a result of the exercise of the Borrower's rights or the performance of its obligations under this Agreement.

(e) Accuracy of Information. All information supplied, and to be supplied, on behalf of the Borrower to any Syndicate Party is, and will be, accurate and not misleading in any material respects.

(f) No Breach. Neither the Borrower nor any of its Subsidiaries is in breach of any agreement to which it is a party or which is binding on it or any of its assets which breach has a material adverse effect on the ability of the Borrower to perform any of its obligations under this Agreement.

(g) Financial Statements. Its audited financial statements for the year ended December 31, 1996 give a true and fair view of the results of its operations and financial position. They were prepared in accordance with German law and generally accepted accounting principles consistently applied except to the extent otherwise described in the accompanying notes.

(2) By the Guarantor. The Guarantor represents and warrants that:

(a) Corporate Existence and Power. The Guarantor and its United States Subsidiaries are corporations duly incorporated, validly existing and in good standing under the laws of their respective states of incorporation, and have all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on their businesses, considered as a whole, substantially as now conducted.

(b) Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the Guarantor of this Agreement are within the Guarantor's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official (except filings under the Securities Exchange Act of 1934) and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Guarantor or of any agreement, judgement, injunction, order, decree or other instrument binding upon the Guarantor or result in the creation or imposition of any Lien on any asset of the Guarantor or any of its Subsidiaries.

(c) Binding Effect. This Agreement constitutes a valid and binding agreement of the Guarantor.

(d) Financial statements.

(i) The consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of December 31, 1996 and the related consolidated statements of income and cash flows for the fiscal year then ended, reported on by Coopers & Lybrand L.L.P. and set forth in the Guarantor's 1996 Form 10-K, a copy of which has been delivered to each of the Lenders, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Guarantor and its Consolidated Subsidiaries as of such date and the consolidated results of their operations and their cash flows for such fiscal year.

(ii) The unaudited condensed consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of March 31, 1997 and the related unaudited condensed statements of consolidated income and consolidated cash flows for the three months then ended, set forth in the Guarantor's quarterly report for the Fiscal Quarter ended March 31, 1997 as filed with the Securities and Exchange Commission on Form 10-Q, a copy of which has been delivered to each of the Lenders, fairly present, on a basis consistent with the financial statements referred to in SECTION 14(2)(d)(i), the consolidated financial position of the Guarantor and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such three-months period (subject to normal year-end adjustments).

(iii) There has been no material adverse change since December 31, 1996 in the business or financial position of the Guarantor and its Consolidated Subsidiaries, considered as a whole, as reflected in the financial statements referred to in SECTION 14(2)(d)(i).

(e) Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the Borrower threatened against or affecting, the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which, in the reasonable opinion of the Guarantor, is likely to have a material adverse effect on the business or financial position of the Guarantor and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity of this Agreement.

(f) Compliance with ERISA. Each member of the ERISA Group (i) has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and (ii) is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (x) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (y) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has

resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code, in each case securing an amount greater than US \$ 10,000,000 or (z) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA which could materially adversely affect the business, consolidated financial position or consolidated results of operations of the Guarantor and its Consolidated Subsidiaries.

(g) Environmental Matters. In the ordinary course of its business, the Guarantor conducts appropriate reviews of the effect of Environmental Laws on the business, operations and properties of the Guarantor and its Subsidiaries, in the course of which it identifies and evaluates pertinent liabilities and costs (including, without limitation, capital or operating expenditures required for clean-up or closure of properties presently or previously owned or for the lawful operation of its current facilities, required constraints or changes in operating activities, and evaluation of liabilities to third parties, including employees, together with pertinent costs and expenses). On the basis of this review, the Guarantor has reasonably concluded that Environmental Laws are not likely to have a material adverse effect on the business, financial position or results of operations of the Guarantor and its Consolidated Subsidiaries, considered as a whole.

(h) Taxes. United States Federal income tax returns of the Guarantor and its Subsidiaries have been examined and closed through the Fiscal Year ended December 31, 1993. The Guarantor and its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes shown as due pursuant to such returns or pursuant to any assessment received by the Guarantor or any Subsidiary, except such taxes, if any, as are being contested in good faith and as to which, in the opinion of the Guarantor, adequate reserves have been provided. The charges, accruals and reserves on the books of the Guarantor and its Subsidiaries in respect of taxes or other governmental charges are in the opinion of the Guarantor adequate.

(i) Not an Investment Company. The Guarantor is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended,

(j) Compliance with Laws. The Guarantor complies, and has caused each Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder), except where (i) the necessity of compliance therewith is contested in good faith by appropriate pro-



ceedings, (ii) no officer of the Guarantor is aware that the Guarantor or the relevant Subsidiary has failed to comply therewith or (iii) the Guarantor has reasonably concluded that failure to comply is not likely to have a material adverse effect on the business, financial position or results of operations of the Guarantor and its Consolidated Subsidiaries, taken as a whole.

(3) Repetition. The representations in SECTION 14(1) and SECTION 14(2) (except the representations set forth in SECTION 14(2)(d)(iii), (e), (f) (other than clause (i) thereof), (g) and (j)) will be deemed repeated by the Borrower and the Guarantor, respectively, on the first day of each Interest Period. This repetition will be by reference to the facts on that day. If on that day audited accounts for a period subsequent to December 31, 1996 have been finalised SECTION 14(1)(g) and SECTION 14(2)(d)(i) will be treated as referring to the audited profit and loss accounts and audited balance sheets contained in the then latest audited financial statements of the Borrower or the Guarantor, respectively. If on that day unaudited, condensed quarterly accounts of the Guarantor for a period subsequent to March 31, 1997 have been finalised, SECTION 14(2)(d)(ii) will be treated as referring to the then latest quarterly accounts of the Guarantor.

(4) Survival of representations. Each of the representations made under this Agreement shall survive the making of the Advances.

#### SECTION 15 DELIVERY OF INFORMATION

(1) By the Borrower.

(a) Periodic Reports. The Borrower agrees to deliver each of the following to the Agent as soon as they become available and, in any event, by the latest date indicated:

Document/Information	Latest date
Consolidated audited annual the financial statements of the Borrower	90 days after the end of Borrower's financial year
Half-year consolidated the financial statements of the Borrower's Borrower	60 days after the end of first half of the financial year (except for the first half of 1997 for which the consolidated financial statements shall be delivered within 90 days after the end of such half year)

(b) Other information. The Borrower agrees to deliver to the Agent from time to time such additional information regarding the financial position or business of the Borrower as the Agent may reasonably request.

(c) Termination Events. The Borrower agrees to deliver to the Agent within 15 days after any officer of the Borrower becomes aware of the existence of any Termination Event or Potential Termination Event unless such Termination Event or Potential Termination Event shall have been cured before the end of such 15 day period, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth the details of such Termination Event or Potential Termination Event and the action which the Borrower is taking or proposes to take with respect thereto;

(2) By the Guarantor.

(a) Reports, Documents and Certificates. The Guarantor agrees to deliver to the Agent:

(i) as soon as available and in any event within 90 days after the end of each fiscal year, a consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income and cash flows for such fiscal year, setting forth in each case in comparative form the corresponding figures for the previous fiscal year, all reported on by Coopers & Lybrand L.L.P. or other independent public accountants of nationally recognized standing, whose report shall be without material qualification;

(ii) as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year, a condensed consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of the end of such quarter, the related condensed consolidated statement of income for such quarter and the related condensed consolidated statements of income and cash flows for the portion of such fiscal year ended at the end of such quarter, setting forth in each case in comparative form the corresponding figures to the corresponding periods of the previous fiscal year, all in reasonable detail and certified, to the best of its knowledge (subject to normal year- end adjustments), as to fairness of presentation, and consistency with generally accepted accounting principles (except for changes concurred in by the Guarantor's independent public accountants) by the chief financial officer or the chief accounting officer of the Guarantor.

(iii) simultaneously with the delivery of each set of financial statements referred to in sub-paragraphs (i) and (ii), a certificate of the chief financial officer or the chief accounting officer of the Guarantor (x) setting forth in reasonable detail the calculations required to establish whether the Guarantor was in compliance with the requirements of SECTION 16(2)(a) to (c), inclusive, on the date of such financial statements, (y) stating, to the best of its knowledge, whether any Termination Event or Potential Termination Event exists on the date of such certificate and (z) if any Termination Event or Potential Termination Event then exists, setting forth the details thereof and the action which the Guarantor is taking or proposes to take with respect thereto;

(iv) within 15 days after any officer of the Guarantor becomes aware of the existence of any Termination Event or Potential Termination Event unless such Termination Event or Potential Termination Event shall have been cured before the end of such 15 day period, a certificate of the chief financial officer or the chief accounting officer of the Guarantor setting forth the details of such Termination Event or Potential Termination Event and the action which the Guarantor is taking or proposes to take with respect thereto;

(v) promptly upon the mailing thereof to the shareholders of the Guarantor generally, copies of all financial statements, reports and proxy statements so mailed;

(vi) promptly upon the filing thereof, copies of all reports on Forms 10-K, 10-Q and 8-K and similar regular and periodic reports which the Guarantor shall have filed with the Securities and Exchange Commission;

(vii) if and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of

such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC, (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the chief financial officer or the chief accounting officer of the Guarantor setting forth details as to such occurrence and action, if any, which the Guarantor or applicable member of the ERISA Group is required or proposes to take; provided that no such certificate shall be required unless the aggregate unpaid actual or potential liability of members of the ERISA Group involved in all events referred to in (i) through (vii) above of which officers of the Guarantor have obtained knowledge and have not previously reported under this sub-paragraph (vii) exceeds US \$ 25,000,000;

(viii) immediately after any officer of the Guarantor obtains knowledge of a change or a proposed change in the rating of the Guarantor's outstanding senior unsecured long-term debt securities by Moody's Investor Service, Inc. or Standard & Poor's Rating Group, a certificate of the chief financial officer or chief accounting officer of the Guarantor setting forth the details thereof; and

(b) Other Information. The Guarantor agrees to deliver to the Agent from time to time such additional information regarding the financial position or business of the Guarantor as the Agent may reasonably request.

#### SECTION 16 GENERAL COVENANTS

(1) By the Borrower. The Borrower agrees as follows:

(a) Disposal of Assets. The Borrower and its Subsidiaries, considered as a whole, will not, without the prior approval of an Instructing Group, dispose of the whole or the substantial part of their assets. This does not apply to disposals on commercial terms for full market value and on an arms-length basis.

(b) Maintenance of Representations. It will take all steps necessary to ensure that the representations and warranties in SECTION 14(1) remain true and correct.

(c) Insurance. The Borrower and its Subsidiaries, considered as a whole, will maintain insurances on and in relation to their businesses, assets and operations with reputable insurance companies which are, in

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reasonable opinion of the Borrower, appropriate to insure the Borrower and its Subsidiaries against risks involved in carrying on their businesses, including, in particular, product liability and environmental liability.

(2) By the Guarantor. The Guarantor agrees as follows:

(a) Minimum Consolidated Tangible Net Worth. At no time will Consolidated Tangible Net Worth be less than Minimum Consolidated Tangible Net Worth. "Minimum Consolidated Tangible Net Worth" means US \$ 800,000,000; provided that such amount shall be adjusted at the end of each Fiscal Quarter ending after June 30, 1996 as follows:

(i) increased by 50% of Consolidated Net Income for such Fiscal Quarter; provided that, if Consolidated Net Income for such Fiscal Quarter is a negative number (a "Consolidated Net Loss"), an amount up to 50% of such Consolidated Net Loss shall be applied first to reduce Minimum Consolidated Tangible Net Worth to the extent of offsetting prior increases (if any) in Minimum Consolidated Tangible Net Worth made pursuant to this sub-paragraph (i) during the same fiscal year and second to reduce (but not below zero) any future increase in Minimum Consolidated Tangible Net Worth that would otherwise be made pursuant to this sub-paragraph (i) during the same fiscal year; and

(ii) increased by an amount equal to 50% of all increases in Consolidated Tangible Net Worth during such Fiscal Quarter attributable to sales or issuances of the Guarantor's Equity Securities; provided that an amount up to 50% of all decreases in Consolidated Tangible Net Worth during such Fiscal Quarter attributable to purchases or other retirements of the Guarantor's Equity Securities shall be applied first to offset any increase in Minimum Consolidated Tangible Net Worth that would otherwise be made pursuant to this sub-paragraph (ii) at the end of such Fiscal Quarter, second to reduce Minimum Consolidated Tangible Net Worth to the extent of offsetting prior increases (if any) in Minimum Consolidated Tangible Net Worth made pursuant to this sub-paragraph (ii) and third to reduce (but not below zero) any future increase in Minimum Consolidated Tangible Net Worth that would otherwise be made pursuant to this sub-paragraph (ii).

(b) Limitations on Debt.

(i) It will not at any time, and will not suffer or permit any Consolidated Subsidiary at any time to, create, incur, issue, guarantee or assume any Debt if, immediately after giving effect thereto, the

ratio of (y) Consolidated Debt to (z) the sum of Consolidated Debt and Consolidated Adjusted Net Worth would exceed 57%.

(ii) It will not at any time suffer or permit any Consolidated Subsidiary to create, incur, issue, guarantee or assume any Debt if, immediately after giving effect thereto, the aggregate outstanding amount (determined at that time) of Debt of all Consolidated Subsidiaries (other than Debt owed to the Borrower or one or more other Consolidated Subsidiaries) would exceed 30% of Shareholders' Equity.

(iii) Sub-paragraphs (i) and (ii) shall not prevent (i) the Guarantor from creating, incurring, issuing, guaranteeing or assuming Debt for the purpose of extending, renewing or Refunding (as such term is defined in this subsection) an equal or greater principal amount of Debt then outstanding of the Guarantor or of Debt then outstanding of a Consolidated Subsidiary or (ii) a Consolidated Subsidiary from creating, incurring, issuing, guaranteeing or assuming Debt for the purpose of extending, renewing or Refunding an equal or greater principal amount of Debt then outstanding of such Consolidated Subsidiary, or (iii) the creation, incurrence, issuance, guarantee or assumption of Debt owed to or owned by the Guarantor or a Consolidated Subsidiary. For purposes of this sub-paragraph (iii), Debt is deemed to be for the purpose of "Refunding" other Debt if and to the extent that (x) no later than 5 Domestic Business Days after the refunding Debt is incurred, the Guarantor delivers to the Agent written notice stating that the purpose of such Debt is to refund outstanding Debt and specifying the Debt to be refunded, (y) the proceeds of such refunding Debt are held in the form of cash or High Quality Investments (free of any Lien except a Lien securing the specified Debt to be refunded) until such specified Debt is repaid and (z) such specified Debt to be refunded is repaid within 45 days after the refunding Debt is incurred.

(iv) For purposes of the limitations provided in, and computations under, this SECTION 16(2)(b), (x) when a corporation becomes a Consolidated Subsidiary it shall be deemed to create at such time all the Debt it has outstanding immediately after such time (provided that, if after giving effect to this clause (x), the aggregate outstanding amount of Debt of all Consolidated Subsidiaries (other than Debt owed to the Guarantor or one or more other Consolidated Subsidiaries) would be greater than 30% but less than 60% of Shareholders' Equity, this clause (x) shall not apply at the time such corporation becomes a Consolidated Subsidiary, but such corporation shall be deemed to create on the 15th day after it becomes a Consolidated Subsidiary all the Debt it has

outstanding on such 15th day), (y) the disposition (other than to a Consolidated Subsidiary or the Guarantor) by the Guarantor or a Subsidiary of capital stock of any Consolidated Subsidiary which holds Debt of the Guarantor or any other Consolidated Subsidiary so that the Consolidated Subsidiary ceases to be a Consolidated Subsidiary after such disposition) shall be deemed the creation of such Debt, and (z) the disposition (other than to a Consolidated Subsidiary or the Guarantor) of Debt of the Guarantor or any Consolidated Subsidiary by any Consolidated Subsidiary or the Guarantor shall be deemed the creation of such Debt.

(c) Negative Pledge. Neither the Guarantor nor any Consolidated Subsidiary will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

(i) Liens existing on March 31, 1997 securing Debt outstanding on March 31, 1997 in an aggregate principal amount not exceeding US \$ 30,000,000;

(ii) any Lien existing on any asset of any corporation at the time such corporation becomes a Consolidated Subsidiary and not created in contemplation of such event;

(iii) any Lien on any asset securing Debt incurred or assumed solely for the purpose of financing all or any part of the cost of acquiring such asset (or acquiring a corporation or other entity which owned such asset); provided that such Lien attaches to such asset concurrently with or within 90 days after such acquisition;

(iv) any Lien on any asset of any corporation existing at the time such corporation is merged or consolidated with or into the Guarantor or a Consolidated Subsidiary and not created in contemplation of such event;

(v) any Lien existing on any asset prior to the acquisition thereof by the Guarantor or a Consolidated Subsidiary and not created in contemplation of such acquisition;

(vi) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section; provided that such Debt is not increased and is not secured by any additional assets;

(vii) any Lien in favour of the holder of Debt (or any person or entity acting for or on behalf of such holder) arising pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings so long as the execution or  
other

enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;

(viii) Liens incidental to the normal conduct of its business or the ownership of its assets which (x) do not secure Debt, (y) do not secure any obligation in an amount exceeding US \$ 100,000,000 and (z) do not in the aggregate materially detract from the value of the assets of the Guarantor and its Consolidated Subsidiaries taken as a whole or in the aggregate materially impair the use thereof in the operation of the business of the Guarantor and its Consolidated Subsidiaries taken as a whole; and

(ix) Liens securing Debt which are not otherwise permitted by the foregoing clauses of this subparagraph (c); provided that (y) the aggregate outstanding principal amount of Debt secured by all such Liens on current assets shall not at any time exceed 20% of Consolidated Current Assets and (z) the aggregate outstanding principal amount of Debt secured by all such Liens (including Liens referred to in clause (y) of this proviso) shall not at any time exceed the sum of (A) 20% of Consolidated Current Assets plus (B) 5% of Consolidated Tangible Net Worth.

(d) Consolidations, Mergers and Sale of Assets.

(i) The Guarantor will not directly or indirectly sell, lease, transfer or otherwise dispose of all or substantially all of its assets, or merge or consolidate with any other Person, or acquire any other Person through purchase of assets or capital stock, unless either (y) the Guarantor shall be the continuing or surviving corporation or (z) the successor or acquiring corporation (if other than the Guarantor) shall be a corporation organized under the laws of one of the States of the United States of America and shall assume, by a writing satisfactory in form and substance to the Instructing Group, all of the obligations of the Guarantor under this Agreement, including all covenants herein and therein contained, in which case such successor or acquiring corporation shall succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a party hereto.

(ii) No disposition of assets, merger, consolidation or acquisition referred to in sub-paragraph (i) shall be permitted if, immediately after giving effect thereto, the Guarantor would be in default under any of the terms or provisions of this Agreement.

(e) Compliance with Laws. The Guarantor will comply, and cause each Subsidiary to comply, in all material respects with all applicable laws, ordi-



nances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder) except where (x) the necessity of compliance therewith is contested in good faith by appropriate proceedings, (y) no officer of the Guarantor is aware that the Guarantor or the relevant Subsidiary has failed to comply therewith or (z) the Guarantor has reasonably concluded that failure to comply is not likely to have a material adverse effect on the business, financial position or results of operations of the Guarantor and its Consolidated Subsidiaries, taken as a whole.

(2) Duration of covenants. The obligations of the Borrower and the Guarantor under this SECTION 16 and SECTION 15 will cease to have effect when the Facility has ceased to be available and there are no amounts outstanding under the Facility.

#### SECTION 17 EARLY TERMINATION

(1) Termination Events. Each of the following is a Termination Event:

(a) Non-payment. The Borrower fails to pay when due any principal, or fails to pay within five days of the due date thereof, any other sum payable under this Agreement.

(b) Certain Covenants. The Borrower fails to observe or perform any covenant contained in SECTION 16(1)(a) to (c) or the Guarantor fails to observe or perform any covenant contained in SECTION 16(2)(a) to (d).

(c) Other Covenants. Any of the Obligors fails to observe or perform any other covenant or agreement contained in this Agreement for 30 days after written notice thereof has been given to the Borrower and the Guarantor by the Agent;

(d) Incorrect Statements. Any statement made by any of the Obligors in SECTION 14 or in any document delivered pursuant to this Agreement is incorrect in any material respect when made or deemed to have been repeated; provided that, if any statement deemed to have been made by the Obligor pursuant to SECTION 14(3) shall have been incorrect solely by reason of the existence of a Termination Event or Potential Termination Event of which the Obligor was not aware when such statement was deemed to have been made and which was cured before or promptly after the Obligor became aware thereof, then such statement shall be deemed not to have been incorrect in any material respect.

(e) Cross Default. The Guarantor or any Subsidiary fails to make one or more payments in respect of Material Debt (other than Acquired Debt in an aggregate outstanding principal amount not exceeding

US \$ 50,000,000) when due or within any applicable grace period, and such failure has not been waived.

(f) Default on Other Obligations. The Guarantor or any Consolidated Subsidiary fails to observe or perform any term, covenant or agreement contained in any instrument or agreement (other than this Agreement) by which it is bound relating to Material Debt (other than Acquired Debt in an aggregate outstanding principal amount not exceeding US \$ 50,000,000), or any other event or condition referred to therein shall occur, and the effect of all such failures, events and conditions (each a "default") is to cause the maturity of Material Debt to be accelerated or to permit (any applicable period of grace having expired) the holder or holders of Material Debt (or any Person acting on their behalf) to accelerate the maturity thereof.

(g) Voluntary Insolvency. The Borrower, the Guarantor or any Significant Subsidiary commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property under any such law, or consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it under any such law, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or a resolution shall be adopted by either the shareholders or the board of directors of such corporation to authorize any of the foregoing.

(h) Involuntary Insolvency. An involuntary case or other proceeding is commenced against the Borrower, the Guarantor or any Significant Subsidiary in any court of competent jurisdiction seeking in each case liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property under any such law, and in each case such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Guarantor or any Significant Subsidiary as debtors under the federal bankruptcy laws of the United States as now or hereafter in effect.

(i) ERISA. Any member of the ERISA Group fails to pay when due an amount or amounts aggregating in excess of US \$ 1,000,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Liabilities in excess of US \$ 50,000,000

(collectively, a "Material Plan") is filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC institutes proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under

Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition exists by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there occurs a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of US \$ 50,000,000; provided that no Termination Event shall exist under this sub-clause (j) with respect to any Prior Plan unless it is reasonably likely that one or more members of the ERISA Group is liable with respect to the relevant Unfunded Liabilities or current payment obligation, as the case may be.

(j) Judgement Unsatisfied. A judgement or order for the payment of money in excess of US \$ 10,000,000 shall be rendered against any of the Obligors or any of their respective Subsidiaries and such judgment or order shall continue unsatisfied and unstayed for a period of 45 days.

(k) Change of Ownership of Guarantor. Any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of 30 % or more of the outstanding shares of common stock of the Guarantor; or Continuing Directors shall cease to constitute a majority of the board of directors of the Guarantor.

(l) Change of Ownership of Borrower. The Guarantor ceases to hold, directly or indirectly, the entire voting share capital of the Borrower.

(m) Unlawfulness or Repudiation. It is unlawful for any of the Obligors to comply with, or any of the Obligors repudiates, any of its material obligations under this Agreement.

(n) Change of Business. The Guarantor ceases, or threatens to cease, to conduct, as a major portion of its business, the sale of building products.

(o) Material Adverse Change. There is a change in the financial condition or business of the Guarantor and its Subsidiaries, considered as a whole, which will in any material respect affect the ability of the Guarantor to perform its material obligations under this Agreement.

(2) Consequences of a Termination Event. If a Termination Event occurs the Agent may by notice to the Borrower:

(a) cancel the undrawn Facility; or

(b) demand immediate repayment of the Loan,

or both. The Agent agrees to deliver a notice under this SECTION 17(2) if an Instructing Group instructs the Agent to do so. In the case of cancellation the Lenders will be under no further obligation to make an Advance. In the case of a demand for repayment the Borrower agrees to pay the Lenders in accordance with the notice.

(3) Indemnity. If there is a Termination Event the Borrower agrees to reimburse the Agent and each Lender for the losses and expenses the Agent or that Lender incurs, or will incur, as a result.

#### SECTION 18 THE AGENT AND THE ARRANGER

(1) Appointment. The Agent is appointed as an agent by each Lender. The Agent is not acting as agent of the Borrower or the Guarantor under this Agreement.

(2) Authority. The Agent is authorised to exercise the rights, powers, discretions and duties which are specified by this Agreement. The Agent may also act in a manner reasonably incidental to these matters. The Agent shall be freed from the restrictions of SECTION 181 of the Civil Code (Bürgerliches Gesetzbuch).

(3) Duties. In addition to the obligations of the Agent set out elsewhere in this Agreement the Agent agrees as follows:

(a) Notices. The Agent will notify each Lender of the contents of each notice received from the Borrower or the Guarantor under the terms of this Agreement. If the notice only affects particular Lenders, the Agent may elect to notify only those Lenders.

(b) Other Documents. When the Borrower or the Guarantor delivers to the Agent any other document required to be delivered under this Agreement the Agent will provide a copy to each Lender.

(c) Termination Events. The Agent will notify each Lender of any Termination Event or Potential Termination Event. This obligation will not arise, however, until there is a payment default of which the Agent is aware or until the Agent receives express notice with reasonable supporting evidence of the Termination Event or Potential Termination Event. Until this time the Agent is entitled to assume that there is no Termination Event or Potential Termination Event. The Agent is not required to make inquiries. Information referred to in SECTION 18(11) does not have to be disclosed under this paragraph.

(d) Other Information. The Agent will request the Borrower or the Guarantor, as the case may be, to deliver to the Agent any information reasonably requested by a Lender.

(4) Powers. In addition to the powers of the Agent set out elsewhere in this Agreement the Agent has the following powers:

(a) Professional Advisers. The Agent may instruct professional advisers to provide advice in connection with the Facility.

(b) Authority from Instructing Group. The Agent may take any action which is not inconsistent with this Agreement and which is authorised by an Instructing Group.

(c) Views of Instructing Group. In exercising any of its rights, powers or discretions the Agent may have regard to the views of an Instructing Group. If it exercises those rights, powers or discretions in accordance with those views the Agent will incur no liability.

(d) Proceedings. The Agent may institute legal proceedings against the Obligors or any of them in the name of the Lenders if these proceedings are authorised by an Instructing Group.

(e) Compliance with Law. The Agent may take any action necessary for it to comply with applicable laws.

The Agent is not required to exercise any of these powers and will incur no liability if it fails to do so. In the context of legal proceedings the Agent may decline to take any step until it has received indemnities or security satisfactory to it.

(5) Reliance. The Agent is entitled to rely upon each of the following:

(a) Advice received from professional advisers.

(b) A certificate of fact received from the Borrower or the Guarantor and signed by an Authorised Person.

(c) Any communication or document believed by the Agent to be genuine.

The Agent will not be liable for any of the consequences of relying on these items.

(6) Extent of Agent's Duties.

(a) No Other Duties. The Agent has no obligations or duties other than those expressly set out in this Agreement.

(b) Illegality and Liability. The Agent is not obliged to do anything which is illegal or which may expose it to liability to any person.

(c) Not a Fiduciary. The Agent is not acting as a fiduciary for any purpose in connection with this Agreement.

(7) Responsibility of the Lenders. Each Lender is responsible for its own decision to become involved in the Facility and its decision to take or not take action under the Facility. It shall make its own credit appraisal of the Obligors and the terms of the Facility. Neither the Agent nor the Arranger makes any representation that any information provided to a Lender before or after the date of this Agreement is true. Accordingly each Lender should take whatever action it believes is necessary to verify that information. In addition neither the Agent nor the Arranger is responsible for the legality, validity or adequacy of this Agreement. Each Lender will satisfy itself on these issues.

(8) Limitation of Liability.

(a) Agent. The Agent will not be liable for any action or non-action under or in connection with the Facility unless caused by its gross negligence or wilful misconduct.

(b) Directors, Employees and Agents. No director, employee or agent of the Agent will be liable to a Lender, the Borrower or the Guarantor in relation to the Facility. Each Lender, the Borrower and the Guarantor agree not to seek to impose this liability upon them.

(9) Business of the Agent. Despite its role as agent of the Lenders the Agent may:

(a) participate as a Lender in the Facility,

(b) carry on all types of business with the Borrower and the Guarantor, and

(c) act as agent for other groups of lenders to the Borrower, the Guarantor or other borrowers.

(10) Indemnity. Each Lender agrees to reimburse the Agent for all losses and expenses incurred by the Agent as a result of its appointment as Agent or arising from its activities as Agent. These losses and expenses will take into account amounts reimbursed to the Agent by any Obligor. The liability of each Lender under this SECTION 18(10) will be limited to the share of the total losses and expenses which corresponds to that Lender's share of the Total Commitments or, if an Advance has been made, the Loan. If the losses or expenses are at-

tributable to an activity of the Agent which relates to only some of the Lenders, the Agent may instead notify the Lenders of a different sharing arrangement. In this case the limit of liability of a Lender under this sub-clause will be determined by the Agent. The Lenders are not liable for losses and expenses arising from the gross negligence or wilful misconduct of the Agent.

(11) Information. The Agent is not required to disclose to the Lenders any information which is not received by it in its capacity as Agent.

(12) Resignation. The Agent may resign by giving notice to the Borrower, the Guarantor and the Lenders. The Agent may be removed by notice given by the Instructing Group to the Agent, the Guarantor and the Lenders. In either event the following apply:

(a) Appointment by Instructing Group. An Instructing Group may appoint a new Agent.

(b) Appointment by the Resigning Agent. If an Instructing Group has not appointed a new Agent within 30 days after the resigning Agent's notice, the resigning Agent may appoint a new Agent.

(c) Mode of Appointment. A new Agent will be appointed in consultation with the Borrower, by notice to the Borrower, the Guarantor and the Lenders. A new Agent cannot be appointed without its consent.

(d) Timing of Appointment. If the Agent has resigned, the new Agent will become Agent at a time agreed between the new Agent and the resigning Agent. If no time is agreed, the new Agent will become Agent ten Business Days after the notice referred to in paragraph (c). Any removal or resignation of the Agent will not be effective until a new Agent has been appointed and accepted its appointment.

(e) Effect of Appointment. Upon a new Agent becoming Agent the resigning or removed Agent will cease to be Agent. Accordingly it will be discharged from its obligations and duties as Agent. It will, however, continue to be able to rely on the terms of this SECTION 18 in respect of all matters relating to the period of its appointment. The new Agent will assume the role of Agent. It will have all the rights, powers, discretions and duties of the Agent provided for in this Agreement.

(f) Transition. The resigning or removed Agent and the new Agent agree to co-operate to ensure an orderly transition. The resigning or removed Agent agrees to deliver or make available to the new Agent all records, files and information held by it as Agent. This obligation will not require the resigning or removed Agent to disclose any confidential information.

(13) Arranger. The Arranger has no continuing role in connection with the Facility and is not liable in respect of any matter concerning the Facility.

#### SECTION 19 EVIDENCE AND CERTIFICATES

(1) Evidence of Debt. The Agent will maintain in its books an account showing all liabilities accrued and payments made in relation to the Facility. Details of amounts outstanding recorded in this account will be prima facie evidence of the Borrower's or Guarantor's obligations.

(2) Certificates. Each certificate delivered under this Agreement must contain reasonable detail of the matters being certified. A certificate delivered by the Agent or a Lender will be conclusive unless there is an obvious error.

#### SECTION 20 NOTICES

(1) Nature of Notices. No notice given by any of the Obligors under this Agreement may be withdrawn or revoked. Each notice delivered by any of the Obligors must be unconditional. It must also be signed by an Authorised Person.

(2) Delivery of Notices. A notice under this Agreement will only be effective if it is in writing and is received. Notices may be given by post, telex, fax or (in the case of notices among the Lenders and the Agent) SWIFT. If a notice under SECTION 5(1) is given by fax, a hard copy must also be delivered.

(3) Notices through the Agent. Each notice from any of the Obligors or a Lender will be delivered to the Agent. The Agent agrees to pass on the details of notices received by it to the appropriate recipient as soon as practicable.

(4) Language.

(a) All notices given under this Agreement must be in English.

(b) All other documents delivered under this Agreement may be in English or German.

(5) Address Details. Notices will be delivered to the address of the intended recipient as set out in Schedule 1. The Borrower, the Guarantor or a Lender may change its address details by not less than 5 Business Days' notice to the Agent. The Agent may change its address details by notice to the Borrower, the Guarantor and the Lenders.



## SECTION 21 TRANSFERS AND SUBSTITUTION

- (1) Transfers by the Obligors. No Obligor may transfer or otherwise dispose of any of its rights or obligations under this Agreement.
- (2) Substitution of Lender. If a Lender fails to perform its obligations, or the obligations of a Lender have been suspended or any Lender has demanded compensation under SECTION 10, the Borrower shall have the right, with the consent of the Agent (such consent not to be unreasonably withheld) to substitute such Lender, to assume such Lender's Commitment or, as the case may be, participations in the Advances.
- (3) Transfers by Lenders.
  - (a) General Right. A Lender (the "Existing Lender") may at any time transfer any of its rights and/or obligations under this Agreement to:
    - (i) any other Lender,
    - (ii) any affiliate of the Lender or any other Lender being a bank or other financial institution or,
    - (iii) with the prior consent of the Borrower (such consent not to be unreasonably withheld) to another bank or other financial institution,(in each case the "New Lender"),  
provided that the New Lender shall not be entitled to receive additional amounts pursuant to SECTION 10(2)(b) or SECTION 10(4)(b) if at the time of transfer the Existing Lender had not been entitled to receive such additional amounts.
  - (b) Effectiveness. Any transfer to a New Lender other than a Lender will be effective only if either:
    - (i) the obligations are transferred in accordance with SECTION 21(4); or
    - (ii) the New Lender in form and substance satisfactory to the Agent confirms to the Agent, the Borrower and the Guarantor that it undertakes to be bound by the terms of this Agreement as a Lender. On the transfer becoming effective in this manner the Existing Lender shall be released from its obligations under this Agreement to the extent that they are transferred to the New Lender.
  - (c) Sub-participation. Nothing in this Agreement restricts the ability of a Lender to sub-participate in its rights and obligations under this Agree-

ment another person if that Lender remains liable under this Agreement for its obligations.

(d) Agent's Fee. On each occasion an Existing Lender transfers any of its rights and/or obligations under this Agreement, the New Lender shall, on the date the transfer takes effect, pay to the Agent for its own account a fee of DM 2,000.

(e) Disclosure. A Lender may disclose to a proposed transferee or sub-participant details of this Agreement and any information received by the Lender under or in connection with this Agreement.

(4) Substitution.

(a) Procedure. A substitution of a Lender is effected if:

(i) the Existing Lender and the New Lender deliver to the Agent a duly completed certificate, substantially in the form of Schedule 3 (a "Substitution Certificate"); and

(ii) the Agent executes it.

(b) Authority of Agent. Each Party (other than the Existing Lender and the New Lender) irrevocably authorises the Agent to execute any duly completed Substitution Certificate on its behalf.

(c) Effects of Substitution. To the extent that they are expressed to be the subject of the substitution in the Substitution Certificate:

(i) the Existing Lender and the other Parties (the "existing Parties") will be released from their obligations to each other (the "discharged obligations");

(ii) the New Lender and the existing Parties will assume obligations towards each other which differ from the discharged obligations insofar as they are owed to or assumed by the New Lender instead of the Existing Lender;

(iii) the rights of the Existing Lender against the existing Parties and vice versa (the "discharged rights") will be cancelled; and

(iv) the New Lender and the existing Parties will acquire rights against each other which differ from the discharged rights only insofar as they are exercisable by or against the New Lender instead of the Existing Lender,

all on the date of signing of the Substitution Certificate by the Agent or, if later, the date specified in the Substitution Certificate.

## SECTION 22 WAIVERS AND AMENDMENTS

(1) Authority of the Agent. If authorised by an Instructing Group the Agent may grant waivers and agree amendments with the Obligors. These waivers and amendments will be made on behalf of and be binding on all the Lenders, including those which were not part of the Instructing Group. The Agent is not authorized to grant any waiver or agree any amendment affecting any of the following:

- (a) The amount or method of calculation of interest;
- (b) An alteration of the date for the payment of any sum;
- (c) The definitions of "Commitment Expiry Date" or "Instructing Group";
- (d) SECTIONS 3(1), 5(5)(c) and (d), 9, 11(8) and (9), 13, 18(4)(c), 18(10) and this SECTION 22(1);
- (e) The obligations of the Lenders;
- (f) Any requirement (including the one in this sub-clause) that all the Lenders or a certain proportion of them consent to a matter or deliver a notice.

Waivers or amendments affecting these matters require the consent of all Lenders.

(2) Expenses. The Borrower agrees to reimburse the Agent and each Lender for the expenses they incur as a result of any proposal made by the Borrower to waive or amend a term of this Agreement.

## SECTION 23 MISCELLANEOUS

(1) Exercise of Rights. If the Agent or a Lender does not exercise a right or power when it is able to do so this will not prevent it exercising that right or power. When it does exercise a right or power it may do so again in the same or a different manner. The Agent's and the Lenders' rights and remedies under this Agreement are in addition to any other rights and remedies they may have. Those other rights and remedies are not affected by this Agreement.

(2) Counterparts. There may be several signed copies of this Agreement. There is intended to be a single Agreement and each signed copy is a counterpart of that Agreement.

(3) Entire Agreement. This Agreement constitutes the whole and only agreement between the parties relating to the Facility.

(4) SECTION 8a KStG Confirmation. Each Lender undertakes to the Borrower to confirm in writing substantially in the form as attached in Schedule 5 within the first quarter of a calendar year (commencing in 1998) that any interest paid to such Lender under this Agreement is subject to taxation in Germany (after deduction of related expenses) and that the respective Lender has not made any payment (directly or indirectly) to any entity belonging to the Masco Group (as notified by the Guarantor to the Agent) that would be treated as a "related payment" as such term is construed by the German tax Authorities for the purpose of SECTION 8a KStG.

(5) Introduction of EURO.

(a) In the event that the EURO is introduced as the lawful currency of the Federal Republic of Germany, except as provided in the following sentences, at any time after the official substitution date all payments by an Obligor in respect of the Loan or, as the case may be, the Guarantee will be made in EUROS. If upon the introduction of the EURO an Obligor has the option whether to make payments in respect of the Loan or, as the case may be, the Guarantee in EUROS or in Deutsche Mark, the Obligor will make payments in Deutsche Mark until it has notified the Agent that forthwith payments will be made in EURO.

(b) The parties agree to make such operational and administrative changes as are necessary and appropriate in the circumstances of the above, having regard to market practice existing at the time of the introduction of the EURO as the lawful currency of the Federal Republic of Germany.

(c) The introduction of the EURO as currency and any amendments of this Agreement resulting therefrom will not entitle any party to this Agreement to any legal remedy, including, without limitation, any right of rescission or claim for damages.

#### SECTION 24 LAW AND JURISDICTION

(1) Law. This Agreement is governed by the law of the Federal Republic of Germany.

(2) Submission. The courts of Frankfurt am Main shall have non-exclusive jurisdiction for any proceedings arising under or in connection with this Agreement. This submission to the jurisdiction of the courts in Frankfurt am Main shall not limit the right of any Syndicate Party to take proceedings against any of the Obligors in any other court of competent jurisdiction.

(3) Service of Process. Without prejudice to any other mode of service Masco Corporation irrevocably appoints Masco GmbH, Hinterm Haag 10, 69207 Sandhausen as its agent for service of process relating to any proceedings before the German courts arising under or in connection with this Agreement.

#### SECTION 25 CONFIDENTIALITY

Each Lender agrees that all documentation and other information made available by any of the Obligors to such Lender, whether under the terms of this Agreement or any other loan agreement, shall (except to the extent required by legal or governmental process or otherwise by law, or if such documentation and other information is publicly available or thereafter becomes publicly available other than by action of any Lender, or was theretofore known to such Lender independent of any disclosure thereto by the Obligors) be held in the strictest confidence by such Lender and used solely in connection with the administration of loans from time to time outstanding from such Lender to any of the Obligors; provided that (i) such Lender may disclose such documentation and other information to any other bank to which such Lender sells or proposes to sell its Commitment or participation in the Advances, if such other bank, prior to such disclosure, agrees for the benefit of the Obligors to comply with the provisions of this SECTION 25, (ii) such Lender may disclose the provisions of this Agreement and the amounts, maturities and interest rates of the Advances to any purchaser or potential purchaser of such Lender's Commitment or participation in any Advances and (iii) such Lender may disclose such documentation and other information to the extent required, in such Lender's good faith judgement, to enforce its rights under this Agreement.

**Frankfurt am Main, 9th July, 1997**

**MASCO GMBH**

*By: /s/  
Boch*

**MASCO CORPORATION**

*By: /s/  
Rosowski*

**COMMERZBANK AKTIENGESELLSCHAFT**

(in its capacity as Arranger)

*By: /s/ Stoltenberg  
Kempf*

**COMMERZBANK INTERNATIONAL S.A.**  
(in its capacity as Agent)

*By: /s/  
Kempf*

**COMMERZBANK AKTIENGESELLSCHAFT,  
FILIALE HEIDELBERG**

*By: /s/ Kern  
Mantel*

**BAYERISCHE VEREINSBANK AG  
FILIALE HEIDELBERG**

*By: /s/  
Kempf*

**MORGAN GUARANTY TRUST COMPANY OF NEW YORK  
ZWEIGNIEDERLASSUNG FRANKFURT AM MAIN**

*By: /s/  
Kempf*

**ROYAL BANK OF CANADA EUROPE LIMITED  
ZWEIGNIEDERLASSUNG FRANKFURT AM MAIN**

*By: /s/  
Kempf*

**THE BANK OF TOKYO - MITSUBISHI, LTD.  
DUSSELDORF BRANCH**

*By: /s/  
Stoltenberg*

**THE DAI-ICHI KANGYO BANK, LTD.  
FILIALE DUSSELDORF**

*By: /s/  
Stoltenberg*

**THE FIRST NATIONAL BANK OF CHICAGO  
FRANKFURT AM MAIN BRANCH**

*By: /s/  
Stoltenberg*

Without prejudice to the foregoing execution of the Agreement by the parties hereto, COMMERZBANK INTERNATIONAL S.A. hereby expressly and specifically confirms its agreement with the provisions of SECTION 24(2) hereof for the purposes of Article 1 of the Protocol annexed to the Convention on Jurisdiction and the Enforcement of Judgements in Civil and Commercial Matters signed at Brussels on September 27, 1968.

**COMMERZBANK INTERNATIONAL S.A.**

*/s/Kemp  
f*



**ANNEX**

**INTERPRETATION**

**DEFINITIONS, REFERENCES AND CONSTRUCTION**

**1. DEFINITIONS**

In this Agreement:

"ACQUIRED DEBT" means with respect to any person which becomes a Subsidiary after the date of this Agreement. Debt of such person which was outstanding before such person became a Subsidiary and which was not created in contemplation of such person becoming a Subsidiary, provided that such Debt shall no longer constitute "ACQUIRED DEBT" at any time that is more than six months after such person becomes a Subsidiary

"ADVANCE" means an advance made, or to be made, under SECTION 5.

"ADVANCE DATE" means the date, or proposed date, of an Advance.

"AFFILIATE" means at any date a person (other than a Consolidated Subsidiary) whose earnings or losses (or the appropriate proportionate share thereof) would be included in determining the Consolidated Net Income of the Guarantor and its Consolidated Subsidiaries for a period ending on such date under the equity method of accounting for investments in common stock (and certain other investments).

"AGENT" means Commerzbank International S.A. in its capacity as agent for the Lenders, acting through its office at Luxembourg or any other office which it may notify to the Borrower, the Guarantor and the Lenders. If there is a change of agent in accordance with SECTION 19(12), "Agent" will instead mean the new agent appointed under SECTION 18(12).

"AUTHORISED PERSON" means a person authorised to sign notices on behalf of the Borrower or the Guarantor under this Agreement. In the case of the Borrower, the authorisation is evidenced by a list of "Authorised Persons" duly signed on behalf of the Borrower by one or more Geschäftsführer (as appropriate), which list has been delivered to the Agent. In the case of the Guarantor, the authorisation is constituted by a resolution of the directors of the Guarantor, a certified copy of which has been delivered to the Agent. A person will cease to be an "Authorised Person" upon notice by the Borrower or the Guarantor, as the case may be, to the Agent.

"BENEFIT ARRANGEMENT" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or Multiemployer Plan

and which is maintained or otherwise contributed to by any member of the ERISA Group.

"BUSINESS DAY" means a day on which banks are open for inter-bank payments in Frankfurt am Main and Luxembourg.

"COMMITMENT" means the amount of principal which a Lender has committed to the Facility. Each Lender's initial "Commitment" is set out next to its name in Schedule 1. This may be reduced or cancelled in accordance with this Agreement.

"COMMITMENT EXPIRY DATE" means the date which falls 30 days after the date of this Agreement.

"CONSOLIDATED ADJUSTED NET WORTH" means at any date (i) Shareholders' Equity at such date less (ii) the amount (if any) by which the aggregate amount of all equity and other investments in Affiliates of the Guarantor reflected in such Shareholders' Equity exceeds US \$ 250,000,000.

"CONSOLIDATED CURRENT ASSETS" means at any date the consolidated current assets of the Guarantor and its Consolidated Subsidiaries determined as of such date.

"CONSOLIDATED DEBT" means at any date the Debt of the Guarantor and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"CONSOLIDATED NET INCOME" means, for any period, the consolidated net income of the Guarantor and its Consolidated Subsidiaries for such period (considered as a single accounting period), but excluding the net income or deficit of any person (other than the equity in earnings or losses of an Affiliate previously included in such consolidated net income determined under the equity method of accounting for investments) prior to the effective date on which it becomes a Consolidated Subsidiary or is merged into or consolidated with the Guarantor or a Consolidated Subsidiary.

"CONSOLIDATED SUBSIDIARY" means at any date any Subsidiary the accounts of which would be consolidated with those of the Guarantor in its consolidated financial statements as of such date.

"CONSOLIDATED TANGIBLE NET WORTH" means at any date the aggregate of all assets (excluding treasury stock) which would be shown on a consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of such date; provided that there shall be deducted from the amount of such assets, to the extent otherwise included therein, (i) any reserves on assets of the Guarantor and its Consolidated Subsidiaries where a reserve is proper in accordance with generally accepted accounting principles, including, without limitation, reserves for depreciation, amortization or obsolescence, loss on receivables or inventory

valuations, (ii) any unamortized goodwill, patents, trademarks, trade names or other like in tangible assets of the Guarantor and its Consolidated Subsidiaries, (iii) unamortized debt discount or expense of the Guarantor and its Consolidated Subsidiaries and (iv) any deferred charges or prepaid expenses of the Guarantor and its Consolidated Subsidiaries which are not Consolidated Current Assets; and provided further that there shall also be deducted from such amount (v) Consolidated Total Liabilities at such date.

"CONSOLIDATED TOTAL LIABILITIES" means at any date the aggregate of all liabilities or other items which would appear on the liability side of a consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of such date, except the amount so appearing which constitutes Shareholders' Equity.

"CONTINUING DIRECTOR" means any member of the Guarantor's board of directors who either (i) is a member of such board as of 1st July 1997 or (ii) is thereafter elected to such board, or nominated for election by stockholders, by a vote of at least two-thirds of the directors who are Continuing Directors at the time of such vote; provided that an individual who is so elected or nominated in connection with a merger, consolidation, acquisition or similar transaction shall not be a Continuing Director unless such individual was a Continuing Director prior thereto.

"DEBT" of any person means at any date, without duplication, (i) all obligations of such person for borrowed money, (ii) all obligations of such person evidenced by debentures, notes or other similar instruments, (iii) all obligations of such person to pay the deferred purchase price of property, except trade accounts payable, (iv) all obligations of such person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) all Debt of others secured by a Lien on any asset of such person, whether or not such Debt is assumed by such Person, and (iv) all Debt of others for which such person is contingently liable. In calculating the amount of any Debt at any date for purposes of this Agreement, accrued interest shall be excluded to the extent that it would be properly classified as a current liability for interest under the heading "Accrued liabilities" (and not under the heading "Notes payable") in a balance sheet prepared as of such date in accordance with the accounting principles and practices used in preparing the balance sheet referred to in SECTION 14(2)(d)(i) and the related footnotes thereto.

"DOMESTIC BUSINESS DAY" means each day other than a Saturday, Sunday or public holiday in New York City.

"ENVIRONMENTAL LAWS" means any and all United States federal, state and local statutes, laws, judicial decisions, regulations, ordinances, rules, judgements, orders, decrees, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to the environment, the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, petroleum or

petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean-up or other remediation thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Group" means the Guarantor, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Guarantor or any Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

"FACILITY" means the loan facility provided by this Agreement.

"FIBOR", in relation to any Interest Period or other period in respect of which an interest rate is to be determined pursuant to this Agreement, means:

(a) the interest rate per annum appearing on Telerate Screen page 22000 or any equivalent successor to such page (as determined by the Agent) (the "Telerate Screen") at or about 11:00 a.m. Luxembourg time on the applicable Rate Fixing Day, as being the interest rate offered in the Frankfurt Interbank Market for deposits in Deutsche Mark for delivery on the first day of such Interest Period or such other period and for a period equal to such Interest Period or such other period; and

(b) if such interest rate per does not appear on the Telerate Screen or the Agent determines that no rate for a period of the duration of the relevant Interest Period (or other period selected by the Agent pursuant to the provisions of this Agreement) appears on the Telerate Screen, the arithmetic mean (rounded upwards, if necessary, to four decimal places) of the respective rates of interest per annum, as supplied to the Agent at its request, quoted by the Reference Banks to leading banks in the Frankfurt Interbank Market at or about 11:00 a.m. Luxembourg time on the applicable Rate Fixing Date for the offering of deposits in Deutsche Mark during such Interest Period (or such other period) in an amount comparable to the amount of the Advance to which such Interest Period relates or, upon all Advances having been made, the Loan (or, if in relation to such other period, in an amount comparable to the unpaid sum); provided that:

(i) if any Reference Bank does not supply such quotation by 12 noon on the applicable Rate Fixing Day, the relevant arithmetic mean

shall be determined on the basis of the quotations supplied by the remaining Reference Banks; and

(ii) if fewer than two Reference Banks supply a quotation, SECTION 10(3). shall apply.

"FISCAL QUARTER" means a fiscal quarter of the Guarantor.

"GUARANTEE" means the guarantee contained in SECTION 9.

"GUARANTOR'S 1996 FORM 10-K" means the Guarantor's annual report on Form 10-K for the year ended December 31, 1996, as filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

"GUARANTOR'S EQUITY SECURITIES" means shares of any class of the Guarantor's capital stock or options, warrants or other rights to acquire such shares.

"HIGH QUALITY INVESTMENT" means any investment in (i) direct obligations of the United States of America or any agency thereof, or obligations guaranteed by the United States of America or any agency thereof, (ii) commercial paper rated at least A-1 by S&P and at least P-1 by Moody's or (iii) time deposits with, including certificates of deposit issued by, any bank which was a party to US \$ 750,000,000 Amended and Restated Credit Agreement dated as of November 14, 1996 among the Guarantor, the banks party thereto and the Agent named therein on its effective date or any office located in the United States of America of any bank or trust company which is organized under the laws of the United States of America or any State thereof and has capital, surplus and undivided profits aggregating at least US \$ 500,000,000; provided in each case that such investment matures within six months from the date of acquisition thereof by the Guarantor or a Subsidiary.

"INSTRUCTING GROUP" means Lenders whose Commitments exceed 66% in aggregate, or, if an Advance has been made, Lenders whose participations in the Loan exceed 66% in aggregate.

"INTEREST PERIOD" means each period described in SECTION 6(1).

"INTERNAL REVENUE CODE" means the United States Internal Revenue Code of 1986, as amended, or any successor statute.

"LENDER" means a lender listed in Schedule 1 acting through the office appearing under its name or any other office which it may notify to the Agent. A lender which acquires an interest in this Facility by way of transfer or substitution under SECTION 21 will become a "Lender" and will act through its office notified to the Agent. The expression also includes universal successors to Lenders.

"LIEN" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or similar encumbrance of any kind in respect of such asset; provided that a subordination agreement shall not be deemed to create a Lien. For the purposes of this Agreement, the Guarantor or any Consolidated Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other similar title retention agreement relating to such asset.

"LOAN" means the principal amount borrowed and not repaid under the Facility.

"MARGIN", in relation to any Interest Period or other period in respect of which an interest rate is to be determined pursuant to this Agreement, means the rate determined by the Agent by reference to the credit rating assigned from time to time by Moody's Investor Service, Inc. ("Moody's") to the long-term debt of the Guarantor as at the Rate Fixing Day and shall be:

- (a) 0.325 per cent. per annum if such rating is A2 or higher;
- (b) 0.350 per cent. per annum if such rating is A3;
- (c) 0.375 per cent. per annum if such rating is Baa1, Baa2 or Baa3; or
- (d) 0.600 per cent. per annum if such rating is Ba1 or lower.

provided that a change in rating shall not affect the Margin applicable to a running Interest Period.

"MASCO GROUP" means the Guarantor and its Subsidiaries.

"MATERIAL DEBT" means Debt of the Guarantor and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate outstanding principal amount exceeding US \$ 25,000,000.

"MATERIAL PLAN" has the meaning set forth in SECTION 17(1)(j).

"MULTIEMPLOYER PLAN" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or, pursuant to an applicable collective bargaining agreement, accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"OBLIGOR" at any time means the Borrower or the Guarantor.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"PLAN" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"POTENTIAL TERMINATION EVENT" means any event or circumstance which, with the giving of notice and/or the lapse of time and/or the fulfilment of any other condition, is likely to constitute a Termination Event.

"PRIOR PLAN" means at any time (i) any Plan which at such time is no longer maintained or contributed to by any member of the ERISA Group or (ii) any Multiemployer Plan to which no member of the ERISA Group is at such time any longer making contributions or, pursuant to an applicable collective bargaining agreement, accruing an obligation to make contributions.

"RATE FIXING DAY" means, in relation to any Interest Period or other period for which an interest rate is to be determined pursuant to this Agreement, the second Business Day before the commencement of the Interest Period or such other period.

"REFERENCE BANKS" means, initially, the principal Frankfurt offices of Commerzbank Aktiengesellschaft, Morgan Guaranty Trust Company of New York, Zweigniederlassung Frankfurt am Main and The Bank of Tokyo-Mitsubishi Ltd., Dusseldorf Branch. The Agent, following consultation with the Borrower and the Lenders, may replace a "Reference Bank" with another Lender or an affiliate of a Lender. This replacement will take effect when notice is delivered to the Borrower and the Lenders.

"REPAYMENT DATE" means the date which falls on the fifth anniversary of the date of this Agreement. If the "Repayment Date" date is not a Business Day, the "Repayment Date" will instead be the next Business Day.

"SECURITY" means security of any type created or existing over an asset. "Security" includes also any arrangement providing a creditor with a prior right to an asset, or its proceeds of sale, over other creditors in an insolvency or liquidation.

"SHAREHOLDERS' EQUITY" means at any date the shareholder's equity of the Guarantor.

"SIGNIFICANT SUBSIDIARIES" means any one or more Subsidiaries which, if considered in the aggregate as a single Subsidiary, would be a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X under the Securities

Exchange Act of 1934. For purposes of this Agreement, a type of event shall not be deemed to have occurred with respect to Significant Subsidiaries unless such type of event has occurred with respect to each of the Subsidiaries required to be included to constitute "Significant Subsidiaries" as defined in the preceding sentence.

"SUBSIDIARY", in relation to the Borrower, means a company controlled or majority-owned by the Borrower within the meaning of SECTIONS 16 and 17 of the Stock Corporation Act ("Aktengesetz"), and, in relation to the Guarantor, means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time owned by the Guarantor or by the Guarantor and one or more Subsidiaries or by one or more Subsidiaries.

"SUBSTITUTION CERTIFICATE" means a document substantially in the form set out in Schedule 3.

"SYNDICATE PARTY" means the Agent, the Arranger and any Lender.

"TERMINATION EVENT" has the meaning described in SECTION 17(1).

"TOTAL COMMITMENTS" means the aggregate of the Commitments of all the Lenders.

"UNFUNDED LIABILITIES" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds

(ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"UNITED STATES SUBSIDIARY" means a Subsidiary which is incorporated under the laws of the United States of America or any State thereof.

## 2. CERTAIN REFERENCES

Unless otherwise indicated, a reference in this Agreement to:

"Deutsche Mark" or "DM" is to the lawful currency for the time being of Germany;

"fees" or "expenses" includes any value added tax on those fees or expenses;



"Germany" is to the Federal Republic of Germany;

unless stated otherwise, a "time of day" is to Frankfurt time.

### 3. CONSTRUCTION

In relation to the Guarantor, and unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with United States generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Guarantor's independent public accountants) with the most recent audited consolidated financial statements of the Guarantor and its Consolidated Subsidiaries delivered to the Lenders; provided that, if the Guarantor notifies the Agent that the Guarantor wishes to amend any covenant in SECTION 14(2)(d) to eliminate the effect of any change in United States generally accepted accounting principles on the operation of such covenant (or if the Agent notifies the Guarantor that an Instructing Group wishes to amend SECTION 14(2)(d) for such purpose), then the Guarantor's compliance with such covenant shall be determined on the basis of generally accepted accounting principles in effect immediately before the relevant change in United States generally accepted accounting principles became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Guarantor and the Instructing Group.

**SCHEDULE 1**

**LENDERS AND COMMITMENTS  
ADDRESS DETAILS**

Lender -----	Commitment in DM
----- Commerzbank Aktiengesellschaft Filiale Heidelberg Kurfurstenanlage 47 - 51 69007 Heidelberg Telefax-No.: 06221-901846	100,000,000
Bayerische Vereinsbank AG Filiale Heidelberg Postfach 10 14 46 69004 Heidelberg Telefax-No.: 06221-503-485	50,000,000
Morgan Guaranty Trust Company of New York Zweigniederlassung Frankfurt am Main Borsenstrabe 2 - 4 60313 Frankfurt am Main Telefax-No.: 069-7124-1223	50,000,000
Royal Bank of Canada Europe Limited Zweigniederlassung Frankfurt am Main Lyoner Strabe 15 60528 Frankfurt am Main Telefax-No.: 069-66905-256	50,000,000
The Bank of Tokyo - Mitsubishi, Ltd. Dusseldorf Branch Immermannstrabe 43 40210 Dusseldorf Telefax-No.: 0211-3667-433	50,000,000
The Dai-Ichi Kangyo Bank, Ltd. Filiale Dusseldorf Konigsallee 60 D 40212 Dusseldorf Telefax-No.: 0211-3249-35	50,000,000
The First National Bank of Chicago Frankfurt am Main Branch Hochstrabe 35 - 37 60313 Frankfurt am Main Telefax-No.: 069-299876-80	50,000,000
Total:	----- 400,000,000 =====

-54-

Arranger:

Commerzbank Aktiengesellschaft  
Neue Mainzer Strabe 32 - 36  
60261 Frankfurt am Main  
Telephone-No.: 069-1362-4033  
Telefax-No.: 069-1362-7111

Agent:

Commerzbank International S.A.  
z.H. Herrn Jahns  
11, Rue Notre Dame  
L-2240 Luxembourg  
Telephone-No.: 00352-477 911 262  
Telefax-No.: 00352-477 911 419

Borrower:

Masco GmbH  
Hinterm Haag 10  
69207 Sandhausen  
Telephone-No.: 06224-93090  
Telefax-No.: 06224-52709

Guarantor:

Masco Corporation  
21001 Van Born Road  
Taylor, Michigan 48180  
USA  
Telephone-No.: 001313-3746258  
Telefax-No.: 001313-3746135

**SCHEDULE 2**  
**CONDITIONS PRECEDENT**

1. IN RESPECT OF THE BORROWER:

- (a) A copy of the Articles of Association (Gesellschaftsvertrag) of the Borrower as last filed with the Commercial Register and of the related certificate of the Notary Public pursuant to SECTION 54(1) GmbHG, certified by two Authorized Persons to be correct and up-to-date.
- (b) An extract from the Commercial Register dated not earlier than 1st July, 1997 certified by the Commercial Register.
- (c) A list of Authorized Persons complying with the definition of "Authorized Person".

2. IN RESPECT OF THE GUARANTOR:

A copy of the charter, by-laws and authorizing resolutions of the Guarantor, certified by the corporate secretary of the Guarantor.

3. LEGAL OPINIONS FROM:

- (a) John R. Leekley, General Counsel of the Guarantor;
- (b) Davis Polk & Wardwell, legal advisers in the United States of America to the Agent; and
- (c) Hengeler Mueller Weitzel Wirtz, legal advisers in Germany to the Agent,

all legal opinions to be addressed to the Syndicate Parties and to be in a form satisfactory to the Agent.

### SCHEDULE 3

#### FORM OF SUBSTITUTION CERTIFICATE

To: Commerzbank International S.A.

From: [The Existing Lender] and [The New Lender]

**MASCO GMBH - DM 400,000,000 TERM LOAN FACILITY AGREEMENT DATED 9TH JULY, 1997 (THE "AGREEMENT")**

**We refer to SECTION 21(4) of the Agreement.**

1. We (the "EXISTING LENDER") and (the "NEW LENDER") agree to the New Lender substituting the Existing Lender in respect of all the Existing Lender's rights and obligations referred to in the Schedule in accordance with SECTION 21(4).
2. The specified date for the purposes of SECTION 21(4) is [date of substitution].
3. The office through which the New Lender will be acting and the address for notices of the New Lender for the purposes of SECTION 20(5) are set out in the Schedule.
4. This Substitution Certificate is governed by the laws of the Federal Republic of Germany.

The Existing Lender and the New Lender agree as follows:

1. The New Lender is responsible for its own decision to become involved in the Facility. It should make its own credit appraisal of the Borrower and the Guarantor and the terms of the Facility. The Existing Lender makes no representation that any information provided to the New Lender before or after the date of this certificate is true. Accordingly the New Lender should take whatever action it believes is necessary to verify that information. In addition the Existing Lender is not responsible for the legality, validity or adequacy of the Loan Agreement. The New Lender will satisfy itself on these issues.
2. There is no obligation on the Existing Lender to accept any transfer back of the rights and obligations referred to in this Substitution Certificate. The Existing Lender accepts no obligation to indemnify the New Lender

for any losses incurred as a result of a failure by the Borrower or the Guarantor to perform their obligations or for any other losses.

This Substitution Certificate is to be governed by the law of the Federal Republic of Germany.

**Existing Lender: New Lender:**

[Name of Existing Lender] [Name of New Lender]

By: \_\_\_\_\_ By: \_\_\_\_\_

**Agent (on behalf of the other Lenders, the Borrower and itself)**

**Commerzbank International S.A.**

By: \_\_\_\_\_

Date:

**THE SCHEDULE**

**RIGHTS AND OBLIGATIONS TO BE SUBJECT TO THE SUBSTITUTION**

[Insert details of the rights and obligations of the Existing Lender to be subject to the substitution].

NAME OF NEW LENDER: \_\_\_\_\_

Office through which the New Lender will be acting and address for notices:

Address:

\_\_\_\_\_

Fax Number:

\_\_\_\_\_

Telex Number:

\_\_\_\_\_

Attention:

\_\_\_\_\_

**SCHEDULE 4**

**FORM OF BORROWING NOTICE**

To: Commerzbank International S.A., in its capacity as Agent

From: Masco GmbH

**MASCO GMBH  
DM 400,000,000 TERM LOAN FACILITY**

Dear Sirs,

(1) With reference to SECTION 5(1) of the Credit Agreement, dated 9th July, 1997 (the "Agreement") we herewith give notice of our intention to borrow under the Facility, subject to the following conditions:

(a) Advance Date: [\_\_\_\_\_]

(b) Amount: DM [\_\_\_\_\_] (1)

(c) First Interest Period: [\_\_\_\_\_]

(2) We herewith confirm

(a) that the representations and warranties in SECTION 14 of the Agreement are true on the date of delivery of this notice and on the Advance Date; and

(b) no Termination Event or Potential Termination Event exists on the Advance Date.

We request that the Advance be disbursed to our account No. [\_\_\_\_\_] with [\_\_\_\_\_].

(3) Terms not defined herein shall have the meaning attributed to them in the Agreement.

Yours sincerely

**Masco GmbH**

By: \_\_\_\_\_

(1) DM 50 Mio. or any higher integral multiple of DM 10 Mio.

**SCHEDULE 5**

**FORM OF TAX CONFIRMATION**

[Letterhead of Lender]

Masco GmbH  
[address]

**MASCO GMBH  
DM 400 MIO. TERM LOAN FACILITY**

Dear Sirs,

With reference to SECTION 23(4) of the Facility Agreement, dated 9th July, 1997, entered into in connection with the DM 400 Mio. Term Loan Facility made available to you by a syndicate of banks including our institution, we herewith confirm the following to you with respect to the calendar year

[ ]:

Any interest paid to ourselves in respect of the Facility is subject to taxation in Germany (after deduction of related expenses). We have not made any payments (directly or indirectly) to any entity belonging to the Masco Group (in which respect we have relied on the Schedule of entities belonging to the Masco Group supplied by Masco Corporation to the Agent) that would be treated as a "related payment", as such term is construed by the German tax authorities for the purpose of SECTION 8(a) KStG.

Yours sincerely



**AMENDMENT TO  
CREDIT AGREEMENT**

AMENDMENT dated as of June 12, 1998 to the DEM 400 Million Credit Agreement dated as of July 9, 1997 among MASCO GmbH (the "Borrower"), MASCO CORPORATION (the "Guarantor"), the BANKS party thereto (the "Lenders") and COMMERZBANK INTERNATIONAL S.A.; (the "Agent").

WHEREAS, the parties hereto desire to amend the Credit Agreement with effect from the date hereof (the "Amendment Effective Date") to:

- (i) change the minimum tangible net worth covenant to a minimum net worth covenant and update the minimum amount specified therein,
- (ii) reduce the maximum permitted ratio of (x) Consolidated Debt to (y) the sum of Consolidated Debt and Consolidated Adjusted Net Worth from 57% to 53% and
- (iii) replace the defined term "Shareholders' Equity with the term "Consolidated Net Worth";

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Defined Terms; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall, after this Amendment becomes effective, refer to the Credit Agreement as amended hereby.

SECTION 2. Definitions.

- (a) The definitions of "Consolidated Tangible Net Worth" and "Shareholders' Equity" in the Annex of the Credit Agreement are deleted.
- (b) the following new definition is added to the Annex of the Credit Agreement in the appropriate alphabetical order.

"Consolidated Net Worth" means at any date the consolidated shareholders' equity of the Guarantor and its Consolidated Subsidiaries determined as of such date.

(c) The definitions of "Consolidated Adjusted Net Worth" and "Consolidated Total Liabilities" in the Annex of the Credit Agreement are amended by changing the words "Shareholders' Equity" to Consolidated Net Worth".

SECTION 3. Minimum Consolidated Net Worth. Section 16 (2) (a) of the Credit Agreement is amended to read in full as follows:

Section 16 (2) (a). Minimum Consolidated Net Worth. At no time will Consolidated Net Worth be less than Minimum Consolidated Net Worth. "Minimum Consolidated Net Worth" means US\$ 1,700,000,000 provided that such amount shall be adjusted at the end of each Fiscal Quarter ending after March 31, 1998, as follows:

(i) increased by 50% of Consolidated Net Income for such Fiscal Quarter; provided that, if Consolidated Net Income for such Fiscal Quarter is a negative number (a "Consolidated Net Loss"), an amount up to 50% of such Consolidated Net Loss shall be applied first to reduce Minimum Consolidated Net Worth to the extent of offsetting prior increases (if any) in Minimum Consolidated Net Worth made pursuant to the sub-paragraph (i) during the same fiscal year and second to reduce (but not below zero) any future increase in Minimum Consolidated Net Worth that would otherwise be made pursuant to this sub-paragraph (i) during the same fiscal year; and

(ii) increased by an amount equal to 50% of all increases in Consolidated Net Worth during such Fiscal Quarter attributable to sales or issuances of the Guarantor's Equity Securities: provided that an amount up to 50% of all decreases in Consolidated Net Worth during such Fiscal Quarter attributable to purchases or other retirements of the Guarantor's Equity Securities shall be applied first to offset any increase in Minimum Consolidated Net Worth that would otherwise be made pursuant to this sub-paragraph (ii) at the end of such Fiscal Quarter, second to reduce Minimum Consolidated Net Worth to the extent of offsetting prior increases (if any) in Minimum Consolidated Net Worth made pursuant to this clause (ii) and third to reduce (but not below zero) any future increase in Minimum Consolidated Net Worth that would otherwise be made pursuant to this clause (ii).

SECTION 4. Limitations on Debt. Section 16 (2) (b) of the Credit Agreement is amended as follows:

a) Section 16 (2) (b) (i) is amended to read in full as follows: (i) It will not at any time, and will not suffer or permit any Consolidated Subsidiary at any time to, create, incur, issue, guarantee or assume any

Debt if, immediately after giving effect thereto, the ratio of (y) Consolidated Debt to (z) the sum of Consolidated Debt and Consolidated Adjusted Net Worth would exceed 53%.

b) sub-paragraphs (ii) and (iv) of Section 16 (2)(b) of the Credit Agreement are amended by changing the words "Shareholders' Equity" to "Consolidated Net Worth".

SECTION 5. Negative Pledge. sub-paragraph (ix) of Section 16 (2)(c) of the Credit Agreement is amended by changing "5% of Consolidated Tangible Net Worth" to 3% of "Consolidated Net Worth".

SECTION 6. Financial Statements. Section 14(2) of the Credit Agreement is amended to read as follows:

Section 14(2)(d), Financial statements.

(i) The consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of December 31, 1997 and the related consolidated statements of income and cash flows for the fiscal year then ended, reported on by Coopers & Lybrand L.L.P. and set forth in the Guarantor's 1997 Form 10-K, a copy of which has been delivered to each of the Banks, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Guarantor and its consolidated Subsidiaries as of such date and the consolidated results of their operations and their cash flows for such fiscal year.

(ii) The unaudited condensed consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of March 31, 1998 and the related unaudited condensed statements of consolidated income and consolidated cash flows for the three months then ended, set forth in the Guarantor's quarterly report for the Fiscal Quarter ended March 31, 1998 as filed with the Securities and Exchange Commission on Form 10-Q, a copy of which has been delivered to each of the Lenders, fairly present, on a basis consistent with the financial statements referred to in Section 14 (2) (d) (i), the consolidated financial position of the Guarantor and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such three-months period (subject to normal year-end adjustments).

(iii) There has been no material adverse change since December 31, 1997 in the business or financial position of the Guarantor and its Consolidated Subsidiaries, considered as a whole, as reflected in the financial statements referred to in sub-paragraph (2) (d) (i) of this Clause.

SECTION 7. Representations of Guarantor. The Guarantor represents and warrants that (i) the representations and warranties of the Guarantor set forth in Article 14 of the Credit Agreement will be true on and as of the Amendment Effective Date and (ii) no Default will have occurred and be continuing on such date.

SECTION 8. Law. This Amendment is governed by the law of the Federal Republic of Germany.

SECTION 9. Submission. The courts of Frankfurt am Main shall have non-exclusive jurisdiction for any proceedings arising under or in connection with this Agreement. This submission to the jurisdiction of the courts in Frankfurt am Main shall not limit the right of any Syndicate party to take proceedings against any of the Obligors in any court of competent jurisdiction.

SECTION 10. Service of Process Without prejudice to any other mode of service MASCO CORPORATION irrevocably appoints MASCO GmbH, Hintern Haag 10, 69207 Sandhausen, as its agent for service of process relating to any proceedings before the German courts arising under or in connection with this Agreement.

SECTION 11. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

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

MASCO GMBH

MASCO CORPORATION

By: /s/

By: /s/ Robert B. Rosowski  
Vice President -  
Controller &

Treasurer

**COMMERZBANK INTERNATIONAL S.A.**  
(in its capacity as Agent)

By: /s/

COMMERZBANK INTERNATIONAL  
S.A.  
(on behalf of the Lenders)

/s/

**STOCK REPURCHASE AGREEMENT**

This Agreement is made as of May 1, 1984 between Masco Corporation, a Delaware corporation ("Masco"), and Masco Industries, Inc., a Delaware corporation ("Industries").

WHEREAS, Masco is transferring to Industries certain assets pursuant to the Masco Corporation Corporate Restructuring Plan (the "Plan") dated as of May 1, 1984 and proposes thereafter, pursuant to the Plan, to distribute as a dividend (the "Distribution") in excess of 40% of Industries' Common Stock, \$1.00 par value (the "Common Stock"), to the stockholders of Masco;

WHEREAS, as a result of the Distribution, Industries will become a publicly held corporation and Masco will initially own approximately 50% of the Common Stock;

WHEREAS, employees of the consultants to Masco and Industries and their respective subsidiaries may on the date of the Distribution possess share awards of Common Stock under the Masco Corporation 1984 Restricted Stock (Industries) Incentive Plan (the "Masco Plan") which are forfeitable to Masco upon the occurrence of the events specified therein, Industries has established its own Restricted Stock Incentive Plan and may in the future establish additional plans (the "Industries Plans") under which shares of Common Stock of Industries could be awarded to employees of the consultants to Industries and its subsidiaries and affiliated companies subject to forfeiture to Industries, and Industries may in the future desire to repurchase shares of its outstanding Common Stock; and

WHEREAS, Masco desires to prevent any of the foregoing events, without the concurrence of Masco, from resulting in an increase in Masco's percentage ownership of

the outstanding Common Stock as it exists immediately prior to occurrence of such event;

NOW, THEREFORE, the parties hereby agree as follows:

1. If at any time prior to May 1, 1994, (a) Industries or any of its subsidiaries shall repurchase any Common Stock or (b) any shares of Common Stock, which have been awarded to any employees of or consultants to Industries or its subsidiaries or affiliated companies pursuant to the Industries Plans, or which have been awarded to any employees of or consultants to Industries or its subsidiaries or affiliated companies or Masco or its subsidiaries or affiliated companies pursuant to the Masco Plan, shall be forfeited to Industries or Masco pursuant to the terms thereof, Industries shall offer to Masco the opportunity to sell to Industries on the terms and conditions hereinafter set forth, the number of shares of Common Stock (the "Offered Shares") necessary to prevent any increase in the percentage of outstanding shares of Common Stock owned by Masco immediately prior to such repurchase or forfeiture.

2. Promptly after any forfeiture pursuant to the Masco Plan should Masco desire to sell shares of Common Stock to Industries, Masco shall notify Industries thereof, specifying the number of shares of Common Stock so forfeited. Promptly after any such repurchase by Industries or forfeiture pursuant to the Industries Plans, Industries shall notify Masco thereof in writing, specifying the number of shares of Common Stock so repurchased or forfeited and the number of shares of Common Stock required to be sold by Masco to Industries to prevent the increase in percentage ownership as provided in Paragraph 1. Industries shall thereafter offer Masco the opportunity for 30 days from the date of either of such notices to sell to Industries all (or such lesser number as is

specified by Masco in its acceptance referred to in Paragraph 3) of the Offered Shares for a purchase price (the "Purchase Price") equal to (a) in the case of a repurchase of Common Stock by Industries, the highest repurchase price paid by Industries to a third party during the 30-day period ending on the date of such repurchase or (b) in the case of the forfeiture of shares of Common Stock pursuant to the Industries Plans or the Masco Plan, as the case may be, the fair market value of shares of the Common Stock at the close of trading on the date of such forfeiture.

3. If Masco shall accept Industries' offer within the 30-day period specified in Paragraph 2 above by written notice to Industries, then on the date 5 days after the date of Masco's acceptance, Masco shall deliver to Industries duly executed certificates representing the Offered Shares as to which Industries' offer has been accepted against receipt from Industries of the amount of the Purchase Price for such Offered Shares.

4. This agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

5. This Agreement shall not be assigned by either party, except to a successor to substantially all of the business of a party, without the express written consent of the other party.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

*MASCO CORPORATION*

*MASCO INDUSTRIES, INC.*

*By /s/Wayne B. Lyon  
Manoogian  
Executive Vice President*

*By /s/Richard A.  
President*



September 20, 1985

Mr. Richard G. Mosteller  
Masco Corporation  
21001 Van Born Road  
Taylor, Michigan 48180

Re: Restricted Stock Incentive Plans

Dear Mr. Mosteller:

This will confirm (i) our arrangements regarding reimbursement of costs relating to unvested incentive award shares of Masco Corporation ("Masco") common stock and Masco Industries, Inc. ("Industries") common stock upon transfers of employment and consulting relationships between Masco and Industries, (ii) our arrangements regarding reimbursement upon forfeitures of such shares, and (iii) our prior understandings on the implementation of the Stock Repurchase Agreement dated May 1, 1984 between Masco and Industries with respect to Industries' repurchases of its common stock from Masco following the forfeiture of shares of Industries common stock granted under either Masco's or Industries' restricted stock incentive plan (the "Industries Stock Incentive Plans") and following open market repurchases of such stock by Industries. These procedures have been established in order to attribute the cost of such incentive shares in respect of the employees of consultants to Masco and Industries and to permit Masco, among other things, to achieve its expressed objective of maintaining its equity ownership in Industries at not more than 50% after any forfeiture of Industries incentive award shares. These procedures are not intended to alter the rights of the parties under the Corporate Restructuring Plan or the Stock Repurchase Agreement except as expressly provided herein, and may be terminated by Masco or Industries at any time without cause, effective ten days after notice of termination.

1. Transfers.

If a person changes employment or a consulting relationship from Masco to Industries or from Industries to Masco, the new employer will reimburse the former employer for the cost on the books of the former employer which is associated with unvested shares of Masco common stock or Industries common stock awarded under a Masco or Industries incentive plan, to the extent such shares may continue to vest while the person is engaged by the new employer.

2. Forfeitures By Industries Employees and Consultants.

A. Shares of Industries common stock forfeited by an Industries employee or consultant which were granted pursuant to either of the Industries Stock Incentive Plans are deemed automatically acquired by Industries from the employee or consultant as of the date of the forfeiture notwithstanding any contrary provision in either of the Industries Stock Incentive Plans. Industries waives its right under Paragraph 4.02 of the Corporate Restructuring Plan to require Masco to pay Industries an amount equal to the unamortized cost of Industries shares forfeited by Industries employees which were granted under Masco's Industries Stock Incentive Plan and no amount is payable by Industries to Masco on account of Industries' acquisition of such forfeited shares.

B. Shares of Masco common stock that were granted under the Masco Restricted Stock Incentive Plan are forfeited by Industries employees and consultants to Masco upon termination of employment or the consulting relationship. Masco will reimburse Industries for the cost on Industries' books which is associated with such forfeited Masco shares.

3. Forfeitures By Masco Employees and Consultants.

If Masco's equity ownership in Industries would exceed 50% at the end of any month, shares of Industries common stock forfeited by Masco employees and consultants during such month are deemed automatically acquired by Industries from those employees and consultants (notwithstanding any contrary provision in Masco's Industries Stock Incentive Plan) on the last day of such month to the extent necessary so that Masco's ownership will not exceed 50% as of such date. Industries will reimburse Masco for its loss arising from such forfeiture by paying to Masco an amount equal to the fair market value of such shares (as determined under Paragraph 4 hereof) on the last trading day of such month.

4. Repurchase Of Industries Shares On Account of Forfeitures.

If Masco's equity ownership in Industries would exceed 50% at the end of any month in which forfeited Industries shares are deemed automatically acquired by Industries, Industries is deemed to repurchase from Masco, on the last day of such month, additional shares of Industries common stock to the extent necessary so that Masco's ownership of Industries common stock does not exceed 50% as of the last day of such month. Pursuant to Paragraph 2(b) of the Stock Repurchase Agreement, the price for the Industries shares so repurchased from Masco is the fair market value of such shares at the close of trading on the last trading day of such month (which is determined by the last sale price for Industries shares as reported in the NASDAQ National Market System).

5. Repurchase of Industries Shares On Account Of Open Market Purchases.

If Masco's equity ownership in Industries would exceed 50% at the end of any month in which Industries makes open market purchases of its common stock in connection with awards of shares under its Industries Stock Incentive Plan or in connection with employee stock options, Industries is deemed to repurchase from Masco, on the last day of such month, shares of Industries common stock to the extent necessary so that Masco's ownership of Industries common stock does not exceed 50% as of the day of such month. Notwithstanding Paragraph 2(a) of the Stock Repurchase Agreement, the price for the Industries shares so repurchased from Masco is the weighted average price paid by Industries for its open market share purchases during such month. If Masco's equity ownership of Industries would exceed 50% at the end of any month in which forfeited Industries shares are deemed automatically acquired by Industries and in which Industries makes open market purchases of the types contemplated under Paragraph 5 hereof, shares shall be deemed to be repurchased by Industries first pursuant to paragraph 4. If, after such repurchases pursuant to paragraph 4, Masco's equity ownership would still exceed 50%, shares shall then be deemed to be repurchased by Industries pursuant to this Paragraph 5.

6. Quarterly Settlement. Masco and Industries will effect a quarterly settlement of the amounts required hereunder to be (i) reimbursed upon the transfer of employment or a consulting relationship between Masco and Industries, (ii) reimbursed to Masco upon the forfeiture of Industries shares by Masco employees and consultants, (iii) reimbursed to Industries upon the forfeiture of Masco shares by Industries employees and consultants, and (iv) paid to Masco for any repurchase of Industries shares pursuant to Paragraphs 4 and 5 hereof.

7. Additional Provisions.

A. Appropriate instructions will be given to Industries' transfer agent to reflect Industries' ownership of forfeited Industries shares and repurchase of additional Industries shares.

B. Masco and Industries will promptly notify each other of forfeitures of shares which are subject to these procedures.

C. These procedures are deemed to be effective as of May 1, 1984, notwithstanding the fact that certain reports prepared prior to the date hereof are inconsistent herewith, and this letter supersedes any prior arrangements with respect to such procedures.

Please confirm your agreement with the foregoing procedures.

Sincerely,

*/s/James J. Sigouin*  
*James J. Sigouin*  
*Vice President -*  
*Finance*

Confirmed by  
Masco Corporation:

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

## AMENDMENT TO STOCK REPURCHASE AGREEMENT

AMENDMENT dated as of December 20, 1990 between Masco corporation, a Delaware corporation ("Masco"), and Masco Industries, Inc., a Delaware corporation ("Industries").

WHEREAS, Masco and Industries are parties to a Stock Repurchase Agreement dated as of May 1, 1984 and a related letter agreement dated September 20, 1985; and

WHEREAS, Masco and Industries desire to amend the Stock Repurchase Agreement in connection with the transactions contemplated by the Exchange Agreement dated as of December 18, 1990 between Masco and Industries;

NOW, THEREFORE, the parties agree that Paragraph 1 of the Stock Repurchase Agreement dated as of May 1, 1984 is amended to read as follows:

"1. If at any time prior to May 1, 1994, (a) Industries or any of its subsidiaries shall repurchase any Common Stock or (b) any shares of Common Stock, which have been awarded to any employees of or consultants to Industries or its subsidiaries or affiliated companies pursuant to Masco or its subsidiaries or affiliated companies pursuant to the Masco Plan, shall be forfeited to Industries or Masco pursuant to the terms thereof, and as a result of such repurchase or forfeiture the percentage of outstanding shares of Common Stock owned by Masco would increase to an amount in excess of 49%, Industries shall offer to Masco the opportunity to sell to Industries on the terms and conditions hereinafter set forth, the number of shares of Common Stock (the "Offered Shares") necessary to reduce the percentage of outstanding shares of Common Stock owned by Masco to 49%."

Except as specifically amended hereby, the Stock Repurchase Agreement and related letter agreement referred to above remain in full force and effect.

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

*MASCO CORPORATION*

*MASCO INDUSTRIES, INC.*

*BY/s/Gerald Bright  
Vice President  
Chief  
and Secretary*

*BY/s/ Erwin H. Billig  
President and  
Operating Officer*

**MASCO CORPORATION  
1991 LONG TERM STOCK INCENTIVE PLAN**

(Restated July 10, 1998)

**SECTION 1. PURPOSES**

The purposes of the 1991 Long Term Stock Incentive Plan (the "Plan") are to encourage selected employees of and consultants to Masco Corporation (the "Company") and its Affiliates to acquire a proprietary interest in the Company in order to create an increased incentive to contribute to the Company's future success and prosperity, and enhance the ability of the Company and its Affiliates to attract and retain exceptionally qualified individuals upon whom the sustained progress, growth and profitability of the Company depend, thus enhancing the value of the Company for the benefit of its stockholders.

**SECTION 2. DEFINITIONS**

As used in the Plan, the following terms shall have the meanings set forth below:

- (a) "Affiliate" shall mean any entity in which the Company's direct or indirect equity interest is at least twenty percent, and any other entity in which the Company has a significant direct or indirect equity interest, whether more or less than twenty percent, as determined by the Committee.
- (b) "Award" shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent or Other Stock-Based Award granted under the Plan.
- (c) "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan.
- (d) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.
- (e) "Committee" shall mean a committee of the Company's directors designated by the Board of Directors to administer the Plan and composed of not less than two directors, each of whom is a "non-employee director" within the meaning of Rule 16b-3.
- (f) "Dividend Equivalent" shall mean any right granted under Section 6(e) of the Plan.
- (g) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.
- (h) "Incentive Stock Option" shall mean an Option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code, or any successor provision thereto.
- (i) "Non-Qualified Stock Option" shall mean an Option granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option.
- (j) "Option" shall mean an Incentive Stock Option or a NonQualified Stock Option.
- (k) "Other Stock-Based Award" shall mean any right granted under Section 6(f) of the Plan.
- (l) "Participant" shall mean an employee of or consultant to the Company or any Affiliate designated to be granted an Award under the Plan.
- (m) "Performance Award" shall mean any right granted under Section 6(d) of the Plan.

(n) "Restricted Period" shall mean the period of time during which Awards of Restricted Stock or Restricted Stock Units are subject to restrictions.

(o) "Restricted Stock" shall mean any Share granted under Section 6(c) of the Plan.

(p) "Restricted Stock Unit" shall mean any right granted under Section 6(c) of the Plan that is denominated in Shares.

(q) "Rule 16b-3" shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act, or any successor rule or regulation.

(r) "Section 16" shall mean Section 16 of the Exchange Act, the rules and regulations promulgated by the Securities and Exchange Commission thereunder, or any successor provision, rule or regulation.

(s) "Shares" shall mean the Company's common stock, par value \$1.00 per share, and such other securities or property as may become the subject of Awards, or become subject to Awards, pursuant to an adjustment made under Section 4(c) of the Plan.

(t) "Stock Appreciation Right" shall mean any right granted under Section 6(b) of the Plan.

### SECTION 3. ADMINISTRATION

The Committee shall administer the Plan, and subject to the terms of the Plan and applicable law, the Committee's authority shall include without limitation the power to:

(i) designate Participants;

(ii) determine the types of Awards to be granted;

(iii) determine the number of Shares to be covered by Awards and any payments, rights or other matters to be calculated in connection therewith;

(iv) determine the terms and conditions of Awards and amend the terms and conditions of outstanding Awards;

(v) determine how, whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended;

(vi) determine how, whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee;

(vii) determine the methods or procedures for establishing the fair market value of any property (including, without limitation, any Shares or other securities) transferred, exchanged, given or received with respect to the Plan or any Award;

(viii) prescribe and amend the forms of Award Agreements and other instruments required under or advisable with respect to the Plan;

2

3

- (ix) designate Options granted to key employees of the Company or its subsidiaries as Incentive Stock Options;
- (x) interpret and administer the Plan, Award Agreements, Awards and any contract, document, instrument or agreement relating thereto;
- (xi) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the administration of the Plan;
- (xii) decide all questions and settle all controversies and disputes which may arise in connection with the Plan, Award Agreements and Awards;
- (xiii) delegate to directors of the Company the authority to designate Participants and grant Awards, and to amend Awards granted to Participants;
- (xiv) make any other determination and take any other action that the Committee deems necessary or desirable for the interpretation, application and administration of the Plan, Award Agreements and Awards.

All designations, determinations, interpretations and other decisions under or with respect to the Plan, Award Agreements or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all persons, including the Company, Affiliates, Participants, beneficiaries of Awards and stockholders of the Company.

#### SECTION 4. SHARES AVAILABLE FOR AWARDS

(a) Shares Available. Subject to adjustment as provided in Section 4(c):

(i) Initial Authorization. There shall be 16,000,000 Shares initially available for issuance under the Plan.

(ii) Acquired Shares. In addition to the amount set forth above, up to 16,000,000 Shares acquired by the Company subsequent to the 1997 Annual Meeting of Stockholders as full or partial payment for the exercise price for an Option or any other stock option granted by the Company, or acquired by the Company, in open market transactions or otherwise, in connection with the Plan or any Award here under or any other employee stock option or restricted stock issued by the Company may thereafter be included in the Shares available for Awards. If any Shares covered by an Award or to which an Award relates are forfeited, or if an Award expires, terminates or is cancelled, then the Shares covered by such Award, or to which such Award relates, or the number of Shares otherwise counted against the aggregate number of Shares available under the Plan by reason of such Award, to the extent of any such forfeiture, expiration, termination or cancellation, may thereafter be available for further granting of Awards and included as acquired Shares for purposes of the preceding sentence.

(iii) Shares Under Prior Plans. In addition to the amounts set forth above, shares remaining available for issuance upon any termination of authority to make further awards under both the Company's 1988 Restricted Stock Incentive Plan and its 1988 Stock Option Plan shall thereafter be available for issuance hereunder.

(iv) Accounting for Awards. For purposes of this Section 4,

(A) if an Award (other than a Dividend Equivalent) is denominated in Shares, the number of Shares covered by such Award, or to which such Award relates, shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan

3

4



to the extent determinable on such date and insofar as the number of Shares is not then determinable under procedures adopted by the Committee consistent with the purposes of the Plan; and

(B) Dividend Equivalents and Awards not denominated in Shares shall be counted against the aggregate number of Shares available for granting Awards under the Plan in such amount and at such time as the Committee shall determine under procedures adopted by the Committee consistent with the purposes of the Plan;

provided, however, that Awards that operate in tandem with (whether granted simultaneously with or at a different time from), or that are substituted for, other Awards or restricted stock awards or stock options granted under any other plan of the Company may be counted or not counted under procedures adopted by the Committee in order to avoid double counting. Any Shares that are delivered by the Company or its Affiliates, and any Awards that are granted by, or become obligations of, the Company, through the assumption by the Company of, or in substitution for, outstanding restricted stock awards or stock options previously granted by an acquired company shall not, except in the case of Awards granted to Participants who are directors or officers of the Company for purposes of Section 16, be counted against the Shares available for granting Awards under the Plan.

(v) Sources of Shares Deliverable Under Awards. Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized but unissued Shares or of Shares reacquired by the Company, including but not limited to Shares purchased on the open market.

(b) Individual Stock-Based Awards. Subject to adjustment as provided in Section 4(c), no Participant may receive Options or Stock Appreciation Rights under the Plan in any calendar year that relate to more than 2,000,000 Shares in the aggregate; provided, however, that such number may be increased with respect to any Participant by any Shares available for grant to such Participant in accordance with this Paragraph 4(b) in any prior years that were not granted in such prior year beginning on or after January 1, 1997. No provision of this Paragraph 4(b) shall be construed as limiting the amount of any other stock-based or cash-based Award which may be granted to any Participant.

(c) Adjustments. Upon the occurrence of any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), change in the capital or shares of capital stock, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or extraordinary transaction or event which affects the Shares, then the Committee shall have the authority to make such adjustment, if any, in such manner as it deems appropriate, in (i) the number and type of Shares (or other securities or property) which thereafter may be made the subject of Awards, (ii) outstanding Awards including without limitation the number and type of Shares (or other securities or property) subject thereto, and (iii) the grant, purchase or exercise price with respect to outstanding Awards and, if deemed appropriate, make provision for cash payments to the holders of outstanding Awards; provided, however, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

## SECTION 5. ELIGIBILITY

Any employee of or consultant to the Company or any Affiliate, including any officer of the Company (who may also be a director, any person who serves only as a director of the Company and any consultant to the Company or an Affiliate who is also a director of the Company and who is not rendering services pursuant to a written agreement with the entity in question), as may be selected from time to time by the Committee or by the directors to whom authority may be delegated pursuant to Section 3 hereof in its or their discretion, is eligible to be designated a Participant.

4

5

## SECTION 6. AWARDS

(a) Options. The Committee is authorized to grant Options to Participants.

(i) Committee Determinations. Subject to the terms of the Plan, the Committee shall determine:

(A) the purchase price per Share under each Option, provided, however, that such price shall be not less than 100% of the fair market value of the Shares underlying such Option on the date of grant;

(B) the term of each Option; and

(C) the time or times at which an Option may be exercised, in whole or in part, the method or methods by which and the form or forms (including, without limitation, cash, Shares, other Awards or other property, or any combination thereof, having a fair market value on the exercise date equal to the relevant exercise price) in which payment of the exercise price with respect thereto may be made or deemed to have been made. The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder.

Subject to the terms of the Plan, the Committee may impose such conditions or restrictions on any Option as it deems appropriate.

(ii) Other Terms. Unless otherwise determined by the Committee:

(A) A Participant 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 the number of Shares elected for exercise, such notice to be accompanied by such instruments or documents as may be required by the Committee, and shall tender the purchase price of the Shares elected for exercise.

(B) At the time of exercise of an Option payment in full in cash or in Shares (that have been held by the Participant for at least six months) or any combination thereof, at the option of the Participant, shall be made for all Shares then being purchased.

(C) The Company shall not be obligated to issue any Shares unless and until:

(I) if the class of Shares at the time is listed upon any stock exchange, the Shares 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 Shares 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 the Company's counsel 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 Shares 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 Shares 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 have been actually issued to the Participant pursuant to the Plan.

5

6

(D) If the employment of or consulting arrangement with a Participant terminates for any reason (including termination by reason of the fact that an entity is no longer an Affiliate) other than the Participant's death, the Participant may thereafter exercise the Option as provided below, except that the Committee may terminate the unexercised portion of the Option concurrently with or at any time following termination of the employment or consulting arrangement (including termination of employment upon a change of status from employee to consultant) if it shall determine that the Participant has engaged in any activity detrimental to the interests of the Company or an Affiliate. If such termination is voluntary on the part of the Participant, the Option may be exercised only within ten days after the date of termination. If such termination is involuntary on the part of the Participant, if an employee retires on or after normal retirement date or if the employment or consulting relationship is terminated by reason of permanent and total disability, the Option may be exercised within three months after the date of termination or retirement. For purposes of this Paragraph (D), 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), (ii) in the case of a transfer of employment or the consulting arrangement among the Company and Affiliates, or (iii) by virtue of a change of status from employee to consultant or from consultant to employee, except as provided above.

(E) If a Participant dies at a time when entitled to exercise an Option, then at any time or times within one year after death such Option may be exercised, as to all or any of the Shares which the Participant was entitled to purchase immediately prior to death. 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.

(F) An Option may be exercised only if and to the extent such Option was exercisable at the date of termination of employment or the consulting arrangement, and an Option may not be exercised at a time when the Option would not have been exercisable had the employment or consulting arrangement continued.

(iii) Restoration Options. The Committee may grant a Participant the right to receive a restoration Option with respect to an Option or any other stock option granted by the Company. Unless the Committee shall otherwise determine, a restoration Option shall provide that the underlying option must be exercised while the Participant is an employee of or consultant to the Company or an Affiliate and the number of Shares which are subject to a restoration Option shall not exceed the number of whole Shares exchanged in payment for the exercise of the original option.

(b) Stock Appreciation Rights. The Committee is authorized to grant Stock Appreciation Rights to Participants. Subject to the terms of the Plan, a Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, the excess of (i) the fair market value of one Share on the date of exercise or, if the Committee shall so determine in the case of any such right other than one related to any Incentive Stock Option, at any time during a specified period before or after the date of exercise over

(ii) the grant price of the right as specified by the Committee. Subject to the terms of the Plan, the Committee shall determine the grant price, term, methods of exercise and settlement and any other terms and conditions of any Stock Appreciation Right and may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

(c) Restricted Stock and Restricted Stock Units.

(i) Issuance. The Committee is authorized to grant to Participants Awards of Restricted Stock, which shall consist of Shares, and Restricted Stock Units which shall give the Participant the right to receive cash, other securities, other Awards or other property, in each case subject to the termination of the Restricted Period determined by the Committee.

(ii) Restrictions. The Restricted Period may differ among Participants and may have different

expiration dates with respect to portions of Shares covered by the same Award. Subject to the terms of the Plan, Awards of Restricted Stock and Restricted Stock Units shall have such restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise. Unless the Committee shall otherwise determine, any Shares or other securities distributed with respect to Restricted Stock or which a Participant is otherwise entitled to receive by reason of such Shares shall be subject to the restrictions contained in the applicable Award Agreement. Subject to the aforementioned restrictions and the provisions of the Plan, Participants shall have all of the rights of a stockholder with respect to Shares of Restricted Stock.

(iii) Registration. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate, including, without limitation, book-entry registration or issuance of stock certificates.

(iv) Forfeiture. Except as otherwise determined by the Committee:

(A) If the employment of or consulting arrangement with a Participant terminates for any reason (including termination by reason of the fact that any entity is no longer an Affiliate), 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, all Shares of Restricted Stock theretofore awarded to the Participant which are still subject to restrictions shall upon such termination of employment or the consulting relationship be forfeited and transferred back to the Company. Notwithstanding the foregoing or Paragraph (C) below, if a Participant continues to hold an Award of Restricted Stock following termination of the employment or consulting arrangement (including retirement and termination of employment upon a change of status from employee to consultant), the Shares of Restricted Stock which remain subject to restrictions shall nonetheless be forfeited and transferred back to the Company if the Committee at any time thereafter determines that the Participant has engaged in any activity detrimental to the interests of the Company or an Affiliate. For purposes of this Paragraph (A), a Participant's employment or consulting arrangement shall not be considered terminated (i) in the case of approved sick leave or other bonafide leave of absence (not to exceed one year), (ii) in the case of a transfer of employment or the consulting arrangement among the Company and Affiliates, or (iii) by virtue of a change of status from employee to consultant or from consultant to employee, except as provided above.

(B) If a Participant ceases to be employed or retained by the Company or an Affiliate by reason of death or permanent and total disability or if following retirement a Participant continues to have rights under an Award of Restricted Stock and thereafter dies, the restrictions contained in the Award shall lapse with respect to such Restricted Stock.

(C) If an employee ceases to be employed by the Company or an Affiliate by reason of retirement on or after normal retirement date, the restrictions contained in the Award of Restricted Stock shall continue to lapse in the same manner as though employment had not terminated.

(D) At the expiration of the Restricted Period as to Shares covered by an Award of Restricted Stock, the Company shall deliver the Shares as to which the Restricted Period has expired, as follows:

(1) if an assignment to a trust has been made in accordance with Section 6(g)(iv)(B)(2)(c), 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.

7

8

(d) Performance Awards. The Committee is authorized to grant Performance Awards to Participants. Subject to the terms of the Plan, a Performance Award granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock), other securities, other Awards, or other property and (ii) shall confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, the holder of the Performance Award, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, the amount of any payment or transfer to be made pursuant to any Performance Award and other terms and conditions shall be determined by the Committee.

(e) Dividend Equivalents. The Committee is authorized to grant to Participants Awards under which the holders thereof shall be entitled to receive payments equivalent to dividends or interest with respect to a number of Shares determined by the Committee, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested. Subject to the terms of the Plan, such Awards may have such terms and conditions as the Committee shall determine.

(f) Other Stock-Based Awards. The Committee is authorized to grant to Participants such other Awards that are denominated or payable in, valued in whole or in part by reference to or otherwise based on or related to Shares (including, without limitation, securities convertible into Shares), as are deemed by the Committee to be consistent with the purposes of the Plan, provided, however, that such grants to persons who are subject to Section 16 must comply with the provisions of Rule 16b-3. Subject to the terms of the Plan, the Committee shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 6(f) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, other Awards or other property or any combination thereof, as the Committee shall determine.

(g) General.

(i) No Cash Consideration for Awards. Awards may be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(ii) Awards May Be Granted Separately or Together. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award or any award granted under any other plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under another plan of the Company or any Affiliate, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(iii) Forms of Payment Under Awards. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise, or payment of an Award may be made in such form or forms as the Committee shall determine, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents in respect of installment or deferred payments.

(iv) Limits on Transfer of Awards.

(A) Except as the Committee may otherwise determine, no Award or right under any Award may be sold, encumbered, pledged, alienated, attached, assigned or transferred in any manner and any attempt to do any of the foregoing shall be void and unenforceable against the Company.

(B) Notwithstanding the provisions of Paragraph (A) above:

(1) An Option may be transferred:

(a) to a beneficiary designated by the Participant in writing on a form approved by the Committee;

(b) by will or the applicable laws of descent and distribution to the personal representative, executor or administrator of the Participant's estate; or

(c) to a revocable grantor trust established by the Participant for the sole benefit of the Participant during the Participant's life, 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 such an Award does not meet the criteria of a trust to which an assignment is permitted by the terms hereof, 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 such Options shall revert to and remain solely in the Participant. Notwithstanding a qualified assignment, the Participant, and not the trust to which rights under such an Option may be assigned, for the purpose of determining compensation arising by reason of the Option shall continue to be considered an employee or consultant, as the case may be, of the Company or an Affiliate, but such trust and the Participant shall be bound by all of the terms and conditions of the Award Agreement and this Plan. Shares issued in the name of and delivered to such trust shall be conclusively considered issuance and delivery to the Participant.

(2) A Participant may assign or transfer rights under an Award of Restricted Stock or Restricted Stock Units:

(a) to a beneficiary designated by the Participant in writing on a form approved by the Committee;

(b) by will or the applicable laws of descent and distribution to the personal representative, executor or administrator of the Participant's estate; or

(c) to a revocable grantor trust established by the Participant for the sole benefit of the Participant during the Participant's life, 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 such an Award does not meet the criteria of a trust to which an assignment is permitted by the terms hereof, 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 such Awards shall revert to and remain solely in the Participant. Notwithstanding a qualified assignment, the Participant, and not the trust to which rights under such 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 or an Affiliate, but such trust and the Participant shall be bound by all of the terms and conditions of the Award

Agreement and this Plan. Shares issued in the name of and delivered to such trust shall be conclusively considered issuance and delivery to the Participant.

(3) The Committee shall not permit directors or officers of the Company for purposes of Section 16 to transfer or assign Awards except as permitted under Rule 16b-3.

(C) 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, the personal representatives of the Participant's estate and all persons asserting a claim based on an Award. The delivery by a Participant of a beneficiary designation, or an assignment of rights under an Award as permitted hereunder, 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 on 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.

(v) Share Certificates. All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(vi) Change in Control. (A) Notwithstanding any of the provisions of this Plan or instruments evidencing Awards granted hereunder, upon a Change in Control of the Company (as hereinafter defined) the vesting of all rights of Participants under outstanding Awards shall be accelerated and all restrictions thereon shall terminate in order that Participants may fully realize the benefits thereunder. Such acceleration shall include, without limitation, the immediate exercisability in full of all Options and the termination of restrictions on Restricted Stock and Restricted Stock Units. Further, in addition to the Committee's authority set forth in Section 4(c), the Committee, as constituted before such Change in Control, is authorized, and has sole discretion, as to any Award, either at the time such Award is made hereunder or any time thereafter, to take any one or more of the following actions: (i) provide for the purchase of any such Award, upon the Participant's request, for an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable; (ii) make such adjustment to any such Award then outstanding as the Committee deems appropriate to reflect such Change in Control; and (iii) cause any such Award then outstanding to be assumed, or new rights substituted therefor, by the acquiring or surviving corporation after such Change in Control.

(B) With respect to any Award granted hereunder prior to December 6, 1995, a Change in Control shall occur if:

(1) any "person" or "group of persons" as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, other than pursuant to a transaction or agreement previously approved by the Board of Directors of the Company, 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

10

11

(whether or not such right is exercisable immediately, with the passage of time, or subject to any condition) of voting securities representing 25 percent 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.

(C) Notwithstanding the provisions of subparagraph (B), with respect to Awards granted hereunder on or after December 6, 1995, a Change in Control shall occur only if the event described in this subparagraph (C) shall have occurred. With respect to any other Award granted prior thereto, a Change in Control shall occur if any of the events described in subparagraphs (B) or (C) shall have occurred, unless the holder of any such Award shall have consented to the application of this subparagraph (C) in lieu of the foregoing subparagraph (B). A Change in Control for purposes of this subparagraph (C) shall occur 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 (other than Excluded Directors, as hereinafter defined), 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. For purposes hereof, "Excluded Directors" are directors whose election by the Board or approval by the Board for stockholder election occurred within one year of any "person" or "group of persons", as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 25 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 25 percent or more of such combined voting power.

(D) (1) In the event that subsequent to a Change in Control it is determined that any payment or distribution by the Company to or for the benefit of a Participant, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, other than any payment pursuant to this subparagraph (D) (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then such Participant shall be entitled to receive from the Company, within 15 days following the determination described in (2) below, an additional payment ("Excise Tax Adjustment Payment") in an amount such that after payment by such Participant of all applicable Federal, state and local taxes (computed at the maximum marginal rates and including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Excise Tax Adjustment Payment, such Participant retains an amount of the Excise Tax Adjustment Payment equal to the Excise Tax imposed upon the Payments.

(2) All determinations required to be made under this Section

6(g)(vi)(D), including whether an Excise Tax Adjustment Payment is required and the amount of such Excise Tax Adjustment Payment, shall be made by PricewaterhouseCoopers LLP, or such other national accounting firm as the Company, or, subsequent to a Change in Control, the Company and the Participant jointly, may designate, for purposes of the Excise Tax, which shall provide detailed supporting calculations to the Company and the affected Participant within 15 business days of the date of the applicable Payment. Except as hereinafter provided, any determination by PricewaterhouseCoopers LLP, or such other national accounting firm, shall be binding upon the Company and the Participant. As a result of the uncertainty in the application of Section 4999 of the Code that may exist at the time of the initial determination hereunder, it is possible that (x) certain

11

12



Excise Tax Adjustment Payments will not have been made by the Company which should have been made (an "Underpayment"), or (y) certain Excise Tax Adjustment Payments will have been made which should not have been made (an "Overpayment"), consistent with the calculations required to be made hereunder. In the event of an Underpayment, such Underpayment shall be promptly paid by the Company to or for the benefit of the affected Participant. In the event that the Participant discovers that an Overpayment shall have occurred, the amount thereof shall be promptly repaid to the Company.

(3) This Section 6(g)(vi)(D) shall not apply to any Award (x) that was granted prior to February 17, 1993 and (y) the holder of which is an executive officer of the Company, as determined under the Exchange Act.

(vii) Cash Settlement. Notwithstanding any provision of this Plan or of any Award Agreement to the contrary, any Award outstanding hereunder may at any time be cancelled in the Committee's sole discretion upon payment of the value of such Award to the holder thereof in cash or in another Award hereunder, such value to be determined by the Committee in its sole discretion.

## SECTION 7. AMENDMENT AND TERMINATION

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan:

(a) Amendments to the Plan. The Board of Directors of the Company may amend the Plan and the Board of Directors or the Committee may amend any outstanding Award; provided, however, that (i) no Plan amendment shall be effective until approved by stockholders of the Company insofar as stockholder approval thereof is required in order for the Plan to continue to satisfy the conditions of Rule 16b-3, and (ii) without the consent of affected Participants no amendment of the Plan or of any Award may impair the rights of Participants under outstanding Awards, and (iii) no Option may be amended to reduce its initial exercise price other than in connection with an event described in Section 4(c) hereof.

(b) Waivers. The Committee may waive any conditions or rights under any Award theretofore granted, prospectively or retroactively, without the consent of any Participant.

(c) Adjustments of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(c) hereof) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits to be made available under the Plan.

(d) Correction of Defects, Omissions, and Inconsistencies. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to effectuate the Plan.

## SECTION 8. GENERAL PROVISIONS

(a) No Rights to Awards. No Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards of the same type and the determination of the Committee to grant a waiver or modification of any Award and the terms and conditions thereof need not be the same with respect to each Participant.

12

13

(b) **Withholding.** The Company or any Affiliate shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan the amount (in cash, Shares, other securities, other Awards or other property) of withholding taxes due in respect of an Award, its exercise or any payment or transfer under such Award or under the Plan and to take such other action as may be necessary in the opinion of the Company or Affiliate to satisfy all obligations for the payment of such taxes.

(c) **No Limit on Other Compensation Arrangements.** Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, including the grant of options and other stock-based awards, and such arrangements may be either generally applicable or applicable only in specific cases.

(d) **No Right to Employment.** The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss a Participant from employment, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or other written agreement with the Participant.

(e) **Governing Law.** The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Michigan and applicable Federal law.

(f) **Severability.** If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

(g) **No Trust or Fund Created.** Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(h) **No Fractional Shares.** No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be cancelled, terminated or otherwise eliminated.

(i) **Headings.** Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

## SECTION 9. EFFECTIVE DATE OF THE PLAN

The Plan shall be effective as of the date of its approval by the Company's stockholders.

1  
**EXHIBIT 10.j**

**MASCO CORPORATION**  
**1997 NON-EMPLOYEE DIRECTORS STOCK PLAN**  
(as Amended July 10, 1998)

**SECTION 1. PURPOSE**

The purpose of this Plan is to ensure that the non-employee Directors of Masco Corporation (the "Company") have an equity interest in the Company and thereby have a direct and long term interest in the growth and prosperity of the Company by payment of part of their compensation in the form of common stock of the Company.

**SECTION 2. ADMINISTRATION OF THE PLAN**

This Plan will be administered by the Company's Board of Directors (the "Board"). The Board shall be authorized to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. The Board's interpretation of the terms and provisions of this Plan shall be final and conclusive. The Secretary of the Company shall be authorized to implement the Plan in accordance with its terms and to take such actions of a ministerial nature as shall be necessary to effectuate the intent and purposes thereof. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Michigan and applicable Federal law.

**SECTION 3. ELIGIBILITY**

Participation will be limited to individuals who are Eligible Directors, as hereinafter defined. Eligible Director shall mean any Director of the Company who is not an employee of the Company and who receives a fee for services as a Director.

**SECTION 4. SHARES SUBJECT TO THE PLAN**

(a) Subject to the adjustments set forth below, the aggregate number of shares of Company Common Stock, par value \$1.00 per share ("Shares"), which may be the subject of awards issued under the Plan shall be 1,000,000.

(b) Any Shares to be delivered under the Plan shall be made available from newly issued Shares or from Shares reacquired by the Company, including Shares purchased in the open market.

(c) To the extent a Stock Option award, as hereinafter defined, terminates without having been exercised, or an award of Restricted Stock, as hereinafter defined, is forfeited, the Shares subject to such Stock Option or Restricted Stock award shall again be available for distribution in connection with future awards under the Plan. Shares equal in number to the Shares surrendered to the Company in payment of the option price or withholding taxes (if any) relating to or arising in connection with any Restricted Stock or Stock Option hereunder shall be added to the number of Shares then available for future awards under clause (a) above.

(d) In the event of any merger, reorganization, consolidation, recapitalization, stock split, stock dividend, or other change in corporate structure affecting the Shares, the aggregate number of Shares which may be issued under the Plan, the number of Shares subject to Stock Options to be granted under Section 6(a) hereof and the number of Shares subject to any outstanding award of Restricted Stock or unexercised Stock Option shall be adjusted to avoid enhancement or diminution of the benefits intended to be made available hereunder.

**SECTION 5. DIRECTOR STOCK COMPENSATION**

(a) The compensation of each Eligible Director for the five year period beginning January 1, 1997 shall be payable in part with an award of Restricted Stock determined as set forth below, and in part in cash. Compensation for this purpose means annual retainer fees but does not include supplemental retainer fees for committee positions or fees

for attendance at meetings, which shall be paid in cash. The portion of compensation payable in Restricted Stock during the five year period shall be equal to one-half of the annual compensation paid to Eligible Directors in the year immediately prior to the award multiplied by five, and the balance of compensation, unless otherwise determined by the Board, shall be payable in cash. Each award of Restricted Stock shall vest in twenty percent annual installments (disregarding fractional shares) on January 1 of each of the five consecutive years following the year in which the award is made. Subject to the approval of this Plan by the Company's stockholders, each Eligible Director on February 18, 1997 is awarded as of that date 3,470 Shares of Restricted Stock, based on the closing price of the Shares as reported on the New York Stock Exchange Composite Tape (the "NYSE") on February 18, 1997. Cash shall be paid to an Eligible Director in lieu of a fractional share.

(b) Subject to the approval of this Plan by the Company's stockholders, each Eligible Director who is first elected or appointed to the Board on or after the date of the Company's 1997 annual meeting of stockholders shall receive, as of the date of such election or appointment, an award of Restricted Stock determined in accordance with Section 5(a) for the five year period beginning on January 1 of the year in which such election or appointment occurred; provided, however, that the price of the Shares used in determining the number of Shares of Restricted Stock which shall be issued to such Eligible Director shall be the closing price of the Shares as reported on the NYSE on the date on which such Eligible Director is elected or appointed, and provided, further, that the amount of Restricted Stock awarded to any Eligible Director who begins serving as a Director other than at the beginning of a calendar year shall be prorated to reflect the partial service of the initial year of the Director's term, such proration to be effected in the initial vesting.

(c) Upon the full vesting of any award of Restricted Stock awarded pursuant to Section 5(a) or 5(b), each affected Eligible Director shall be eligible to receive a new award of Restricted Stock, subject to Section 4. The number of Shares subject to such award shall be determined generally in accordance with the provisions of Section 5(b); provided, however, that the Board shall have sole discretion to adjust the amount of compensation then to be paid in the form of Shares and the terms of any such award of Shares. Except as the Board may otherwise determine, any increase or decrease in an Eligible Director's annual compensation during the period when such Director has an outstanding award of Restricted Stock shall be implemented by increasing or decreasing the cash portion of such Director's compensation.

(d) Each Eligible Director shall be entitled to vote and receive dividends on the unvested portion of his or her Restricted Stock, but will not be able to obtain a stock certificate or sell, encumber or otherwise transfer such Restricted Stock except in accordance with the terms of the Company's 1991 Long Term Stock Incentive Plan (the "Long Term Plan"). If an Eligible Director's term is terminated by reason of death or permanent and total disability, the restrictions on the Restricted Stock will lapse and such Eligible Director's rights to the Shares will become vested on the date of such termination. If an Eligible Director's term is terminated for any reason other than death or permanent and total disability, the Restricted Stock that has not vested shall be forfeited and transferred back to the Company; provided, however, that a pro rata portion of the Restricted Stock which would have vested on January 1 of the year following the year of the Eligible Director's termination shall vest on the date of termination, based upon the portion of the year during which the Eligible Director served as a Director of the Company.

## SECTION 6. STOCK OPTION GRANT

(a) Subject to approval of this Plan by the Company's stockholders, each Eligible Director on the date of such approval will be granted on such date a stock option to purchase 8,000 Shares (the "Stock Option"). Thereafter, on the date of each of the Company's subsequent annual stockholders meetings, each person who is or becomes an Eligible Director on that date and whose service on the Board will continue after such date shall be granted a Stock Option, subject to Section 4, effective as of the date of such meeting.

(b) Stock Options granted under this Section 6 shall be non-qualified stock options and shall have the following terms and conditions.

1. Option Price. The option price per Share shall be equal to the closing price of the Shares as reflected on the NYSE on the date of grant (or if there were no sales on such date, the most recent prior date on which there were sales).

2. Term of Option. The term of the Stock Option shall be ten years from the date of grant, subject to earlier termination in the event of termination of service as an Eligible Director. If an Eligible Director's term is terminated for any reason other than death at a time when such Director is entitled to exercise an outstanding Stock Option, then

2

3

at any time or times within three months after termination such Stock Option may be exercised as to all or any of the Shares which the Eligible Director was entitled to purchase at the date of termination. If an Eligible Director dies at a time when such Director is entitled to exercise a Stock Option, then at any time or times within one year after death such Stock Option may be exercised as to all or any of the Shares which the Eligible Director was entitled to purchase immediately prior to such Director's death. Except as so exercised, such Stock Options shall expire at the end of such periods. That portion of the Stock Option not exercisable at the time of such termination shall be forfeited and transferred back to the Company on the date of such termination.

3. **Exercisability.** Subject to clause 2 above, each Stock Option shall vest and become exercisable with respect to twenty percent of the underlying Shares on each of the first five anniversaries of the date of grant, provided that the optionee is an Eligible Director on such date.

4. **Method of Exercise.** A Stock Option may be exercised in whole or in part during the period in which such Stock Option is exercisable by giving written notice of exercise to the Company specifying the number of shares to be purchased, accompanied by payment of the purchase price. Payment of the purchase price shall be made in cash, by delivery of Shares, or by any combination of the foregoing.

5. **Non-Transferability.** Unless otherwise provided by the terms of the Long Term Plan or the Board, (i) Stock Options shall not be transferable by the optionee other than by will or by the laws of descent and distribution, and (ii) during the optionee's lifetime, all Stock Options shall be exercisable only by the optionee or by his or her guardian or legal representative.

6. **Stockholder Rights.** The holder of a Stock Option shall, as such, have none of the rights of a stockholder.

#### Section 7. General

(a) **Plan Amendments.** The Board may amend, suspend or discontinue the Plan as it shall deem advisable or to conform to any change in any law or regulation applicable thereto; provided, that the Board may not, without the authorization and approval of the stockholders of the Company: (a) modify the class of persons who constitute Eligible Directors as defined in the Plan; or

(b) increase the total number of Shares available under the Plan. In addition, without the consent of affected participants, no amendment of the Plan or any award under the Plan may impair the rights of participants under outstanding awards.

(b) **Listing and Registration.** If at any time the Board shall determine, in its discretion, that the listing, registration or qualification of the Shares under the Plan upon any securities exchange or under any state or Federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of any award hereunder, no Shares may be delivered or disposed of unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Board.

(c) **Award Agreements.** Each award of Restricted Stock and Stock Option granted hereunder shall be evidenced by the Eligible Director's written agreement with the Company which shall contain such terms and conditions not inconsistent with the provisions of the Plan as shall be determined by the Board in its discretion.

MASCOTECH, INC.  
1991 LONG TERM STOCK INCENTIVE PLAN

(Restated July 15, 1998)

SECTION 1. PURPOSES

The purposes of the 1991 Long Term Stock Incentive Plan (the "Plan") are to encourage selected employees of and consultants to MascoTech, Inc. (the "Company") and its Affiliates to acquire a proprietary interest in the Company in order to create an increased incentive to contribute to the Company's future success and prosperity, and enhance the ability of the Company and its Affiliates to attract and retain exceptionally qualified individuals upon whom the sustained progress, growth and profitability of the Company depend, thus enhancing the value of the Company for the benefit of its stockholders.

SECTION 2. DEFINITIONS

As used in the Plan, the following terms shall have the meanings set forth below:

- (a) "Affiliate" shall mean any entity in which the Company's direct or indirect equity interest is at least twenty percent, and any other entity in which the Company has a significant direct or indirect equity interest, whether more or less than twenty percent, as determined by the Committee.
- (b) "Award" shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent or Other Stock-Based Award granted under the Plan.
- (c) "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan.
- (d) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.
- (e) "Committee" shall mean a committee of the Company's directors designated by the Board of Directors to administer the Plan and composed of not less than two directors, each of whom is a "non-employee director" within the meaning of Rule 16b-3.
- (f) "Dividend Equivalent" shall mean any right granted under Section 6(e) of the Plan.
- (g) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.
- (h) "Incentive Stock Option" shall mean an Option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code, or any successor provision thereto.
- (i) "Non-Qualified Stock Option" shall mean an Option granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option.
- (j) "Option" shall mean an Incentive Stock Option or a NonQualified Stock Option.
- (k) "Other Stock-Based Award" shall mean any right granted under Section 6(f) of the Plan.
- (l) "Participant" shall mean an employee of or consultant to the Company or any Affiliate designated to be granted an Award under the Plan.
- (m) "Performance Award" shall mean any right granted under Section 6(d) of the Plan.
- (n) "Restricted Period" shall mean the period of time during which Awards of Restricted Stock or Restricted Stock Units are subject to restrictions.

(o) "Restricted Stock" shall mean any Share granted under Section 6(c) of the Plan.

(p) "Restricted Stock Unit" shall mean any right granted under Section 6(c) of the Plan that is denominated in Shares.

(q) "Rule 16b-3" shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act, or any successor rule or regulation.

(r) "Section 16" shall mean Section 16 of the Exchange Act, the rules and regulations promulgated by the Securities and Exchange Commission thereunder, or any successor provision, rule or regulation.

(s) "Shares" shall mean the Company's common stock, par value \$1.00 per share, and such other securities or property as may become the subject of Awards, or become subject to Awards, pursuant to an adjustment made under Section 4(c) of the Plan.

(t) "Stock Appreciation Right" shall mean any right granted under Section 6(b) of the Plan.

### SECTION 3. ADMINISTRATION

The Committee shall administer the Plan, and subject to the terms of the Plan and applicable law, the Committee's authority shall include without limitation the power to:

(i) designate Participants;

(ii) determine the types of Awards to be granted;

(iii) determine the number of Shares to be covered by Awards and any payments, rights or other matters to be calculated in connection therewith;

(iv) determine the terms and conditions of Awards and amend the terms and conditions of outstanding Awards;

(v) determine how, whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended;

(vi) determine how, whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee;

(vii) determine the methods or procedures for establishing the fair market value of any property (including, without limitation, any Shares or other securities) transferred, exchanged, given or received with respect to the Plan or any Award;

(viii) prescribe and amend the forms of Award Agreements and other instruments required under or advisable with respect to the Plan;

(ix) designate Options granted to key employees of the Company or its subsidiaries as Incentive Stock Options;

(x) interpret and administer the Plan, Award Agreements, Awards and any contract, document, instrument or agreement relating thereto;

(xi) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the administration of the Plan;

2

3

- (xii) decide all questions and settle all controversies and disputes which may arise in connection with the Plan, Award Agreements and Awards;
- (xiii) delegate to directors of the Company the authority to designate Participants and grant Awards, and to amend Awards granted to Participants;
- (xiv) make any other determination and take any other action that the Committee deems necessary or desirable for the interpretation, application and administration of the Plan, Award Agreements and Awards.

All designations, determinations, interpretations and other decisions under or with respect to the Plan, Award Agreements or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all persons, including the Company, Affiliates, Participants, beneficiaries of Awards and stockholders of the Company.

#### SECTION 4. SHARES AVAILABLE FOR AWARDS

(a) Shares Available. Subject to adjustment as provided in Section 4(c):

(i) Initial Authorization. There shall be 6,000,000 Shares initially available for issuance under the Plan.

(ii) Acquired Shares. In addition to the amount set forth above, up to 6,000,000 Shares acquired by the Company subsequent to the 1997 Annual Meeting of Stockholders as full or partial payment for the exercise price for an Option or any other stock option granted by the Company, or acquired by the Company, in open market transactions or otherwise, in connection with the Plan or any Award hereunder or any other employee stock option or restricted stock issued by the Company may thereafter be included in the Shares available for Awards. If any Shares covered by an Award or to which an Award relates are forfeited, or if an Award expires, terminates or is cancelled, then the Shares covered by such Award, or to which such Award relates, or the number of Shares otherwise counted against the aggregate number of Shares available under the Plan by reason of such Award, to the extent of any such forfeiture, expiration, termination or cancellation, may thereafter be available for further granting of Awards and included as acquired Shares for purposes of the preceding sentence.

(iii) Shares Under Prior Plans. In addition to the amounts set forth above, shares remaining available for issuance upon any termination of authority to make further awards under both the Company's 1984 Restricted Stock Incentive Plan and its 1984 Stock Option Plan shall thereafter be available for issuance hereunder.

(iv) Accounting for Awards. For purposes of this Section 4,

(A) if an Award (other than a Dividend Equivalent) is denominated in Shares, the number of Shares covered by such Award, or to which such Award relates, shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan to the extent determinable on such date and insofar as the number of Shares is not then determinable under procedures adopted by the Committee consistent with the purposes of the Plan; and

(B) Dividend Equivalents and Awards not denominated in Shares shall be counted against the aggregate number of Shares available for granting Awards under the Plan in such amount and at such time as the Committee shall determine under procedures adopted by the Committee consistent with the purposes of the Plan;

provided, however, that Awards that operate in tandem with (whether granted simultaneously with or at a different time from), or that are substituted for, other Awards or restricted stock awards or stock options granted under any other plan of the Company may be counted or not counted under procedures adopted by the Committee in order to avoid double counting. Any Shares that are delivered by the Company or its Affiliates, and any Awards that are granted by, or become obligations of, the Company, through the assumption by the Company of, or in substitution



for, outstanding restricted stock awards or stock options previously granted by an acquired company shall not, except in the case of Awards granted to Participants who are directors or officers of the Company for purposes of Section 16, be counted against the Shares available for Granting Awards under the Plan.

(v) Sources of Shares Deliverable Under Awards. Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized but unissued Shares or of Shares reacquired by the Company, including but not limited to Shares purchased on the open market.

(b) Individual Stock-Based Awards. Subject to adjustment as provided in Section 4(c), no Participant may receive Options or Stock Appreciation Rights under the Plan in any calendar year that relate to more than 1,000,000 Shares in the aggregate; provided, however, that such number may be increased with respect to any Participant by any Shares available for grant to such Participant in accordance with this Paragraph 4(b) in any prior years that were not granted in such prior year beginning on or after January 1, 1997. No provision of this Paragraph 4(b) shall be construed as limiting the amount of any other stock-based or cash-based Award which may be granted to any Participant.

(c) Adjustments. Upon the occurrence of any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), change in the capital or shares of capital stock, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or extraordinary transaction or event which affects the Shares, then the Committee shall have the authority to make such adjustment, if any, in such manner as it deems appropriate, in (i) the number and type of Shares (or other securities or property) which thereafter may be made the subject of Awards, (ii) outstanding Awards including without limitation the number and type of Shares (or other securities or property) subject thereto, and (iii) the grant, purchase or exercise price with respect to outstanding Awards and, if deemed appropriate, make provision for cash payments to the holders of outstanding Awards; provided, however, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

## SECTION 5. ELIGIBILITY

Any employee of or consultant to the Company or any Affiliate, including any officer of the Company (who may also be a director, any person who serves only as a director of the Company and any consultant to the Company or an Affiliate who is also a director of the Company and who is not rendering services pursuant to a written agreement with the entity in question), as may be selected from time to time by the Committee or by the directors to whom authority may be delegated pursuant to Section 3 hereof in its or their discretion, is eligible to be designated a Participant.

## SECTION 6. AWARDS

(a) Options. The Committee is authorized to grant Options to Participants.

(i) Committee Determinations. Subject to the terms of the Plan, the Committee shall determine:

(A) the purchase price per Share under each Option, provided, however, that such price shall not be less than 100% of the fair market value of the Shares underlying such Option on the date of grant;

(B) the term of each Option; and

(C) the time or times at which an Option may be exercised, in whole or in part, the method or methods by which and the form or forms (including, without limitation, cash, Shares, other Awards or other property, or any combination thereof, having a fair market value on the exercise date equal to the relevant exercise price) in which payment of the exercise price with respect thereto may be made or deemed to have been made. The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder.

4

5

Subject to the terms of the Plan, the Committee may impose such conditions or restrictions on any Option as it deems appropriate.

(ii) Other Terms. Unless otherwise determined by the Committee:

(A) A Participant 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 the number of Shares elected for exercise, such notice to be accompanied by such instruments or documents as may be required by the Committee, and shall tender the purchase price of the Shares elected for exercise.

(B) At the time of exercise of an Option payment in full in cash or in Shares (that have been held by the Participant for at least six months) or any combination thereof, at the option of the Participant, shall be made for all Shares then being purchased.

(C) The Company shall not be obligated to issue any Shares unless and until:

(I) if the class of Shares at the time is listed upon any stock exchange, the Shares 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 Shares 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 the Company's counsel 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 Shares 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 Shares 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 have been actually issued to the Participant pursuant to the Plan.

(D) If the employment of or consulting arrangement with a Participant terminates for any reason (including termination by reason of the fact that an entity is no longer an Affiliate) other than the Participant's death, the Participant may thereafter exercise the Option as provided below, except that the Committee may terminate the unexercised portion of the Option concurrently with or at any time following termination of the employment or consulting arrangement (including termination of employment upon a change of status from employee to consultant) if it shall determine that the Participant has engaged in any activity detrimental to the interests of the Company or an Affiliate. If such termination is voluntary on the part of the Participant, the option may be exercised only within ten days after the date of termination. If such termination is involuntary on the part of the Participant, if an employee retires on or after normal retirement date or if the employment or consulting relationship is terminated by reason of permanent and total disability, the Option may be exercised within three months after the date of termination or retirement. For purposes of this Paragraph (D), 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), (ii) in the case of a transfer of employment or the consulting arrangement among the Company and Affiliates, or (iii) by virtue of a change of status from employee to consultant or from consultant to employee, except as provided above.

(E) If a Participant dies at a time when entitled to exercise an Option, then at any time or times within one year after death such Option may be exercised, as to all or any of the Shares which the Participant was entitled to purchase immediately prior to death. 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.

5

6

(F) An Option may be exercised only if and to the extent such Option was exercisable at the date of termination of employment or the consulting arrangement, and an Option may not be exercised at a time when the Option would not have been exercisable had the employment or consulting arrangement continued.

(iii) Restoration Options. The Committee may grant a Participant the right to receive a restoration Option with respect to an Option or any other option granted by the Company. Unless the Committee shall otherwise determine, a restoration Option shall provide that the underlying option must be exercised while the Participant is an employee of or consultant to the Company or an Affiliate and the number of Shares which are subject to a restoration Option shall not exceed the number of whole Shares exchanged in payment of the original option.

(b) Stock Appreciation Rights. The Committee is authorized to grant Stock Appreciation Rights to Participants. Subject to the terms of the Plan, a Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, the excess of (i) the fair market value of one Share on the date of exercise or, if the Committee shall so determine in the case of any such right other than one related to any Incentive Stock Option, at any time during a specified period before or after the date of exercise over (ii) the grant price of the right as specified by the Committee. Subject to the terms of the Plan, the Committee shall determine the grant price, term, methods of exercise and settlement and any other terms and conditions of any Stock Appreciation Right and may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

(c) Restricted Stock and Restricted Stock Units.

(i) Issuance. The Committee is authorized to grant to Participants Awards of Restricted Stock, which shall consist of Shares, and Restricted Stock Units which shall give the Participant the right to receive cash, other securities, other Awards or other property, in each case subject to the termination of the Restricted Period determined by the Committee.

(ii) Restrictions. The Restricted Period may differ among Participants and may have different expiration dates with respect to portions of Shares covered by the same Award. Subject to the terms of the Plan, Awards of Restricted Stock and Restricted Stock Units shall have such restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise. Unless the Committee shall otherwise determine, any Shares or other securities distributed with respect to Restricted Stock or which a Participant is otherwise entitled to receive by reason of such Shares shall be subject to the restrictions contained in the applicable Award Agreement. Subject to the aforementioned restrictions and the provisions of the Plan, Participants shall have all of the rights of a stockholder with respect to Shares of Restricted Stock.

(iii) Registration. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate, including, without limitation, book-entry registration or issuance of stock certificates.

(iv) Forfeiture. Except as otherwise determined by the Committee:

(A) If the employment of or consulting arrangement with a Participant terminates for any reason (including termination by reason of the fact that any entity is no longer an Affiliate), 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, all Shares of Restricted Stock theretofore awarded to the Participant which are still subject to restrictions shall upon such termination of employment or the consulting relationship be forfeited and transferred back to the Company. Notwithstanding the foregoing or Paragraph (C) below, if a Participant continues to hold an Award of Restricted Stock following termination of the employment or consulting arrangement (including retirement and termination of employment upon a change of status from employee to consultant), the Shares of Restricted Stock which remain subject to restrictions shall nonetheless be forfeited and transferred back to the Company if the Committee at any time thereafter determines that the Participant has engaged in any activity detrimental to the interests of the Company or an Affiliate. For purposes of this Paragraph (A), a Participant's employment or consulting arrangement shall not be considered terminated (i) in the case of approved sick leave

6

7

or other bona fide leave of absence (not to exceed one year), (ii) in the case of a transfer of employment or the consulting arrangement among the Company and Affiliates, or (iii) by virtue of a change of status from employee to consultant or from consultant to employee, except as provided above.

(B) If a Participant ceases to be employed or retained by the Company or an Affiliate by reason of death or permanent and total disability or if following retirement a Participant continues to have rights under an Award of Restricted Stock and thereafter dies, the restrictions contained in the Award shall lapse with respect to such Restricted Stock.

(C) If an employee ceases to be employed by the Company or an Affiliate by reason of retirement on or after normal retirement date, the restrictions contained in the Award of Restricted Stock shall continue to lapse in the same manner as though employment had not terminated.

(D) At the expiration of the Restricted Period as to Shares covered by an Award of Restricted Stock, the Company shall deliver the Shares as to which the Restricted Period has expired, as follows:

(1) if an assignment to a trust has been made in accordance with Section 6(g)(iv)(B)(2)(c), 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.

(d) Performance Awards. The Committee is authorized to grant Performance Awards to Participants. Subject to the terms of the Plan, a Performance Award granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock), other securities, other Awards, or other property and (ii) shall confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, the holder of the Performance Award, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, the amount of any payment or transfer to be made pursuant to any Performance Award and other terms and conditions shall be determined by the Committee.

(e) Dividend Equivalents. The Committee is authorized to grant to Participants Awards under which the holders thereof shall be entitled to receive payments equivalent to dividends or interest with respect to a number of Shares determined by the Committee, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested. Subject to the terms of the Plan, such Awards may have such terms and conditions as the Committee shall determine.

(f) Other Stock-Based Awards. The Committee is authorized to grant to Participants such other Awards that are denominated or payable in, valued in whole or in part by reference to or otherwise based on or related to Shares (including, without limitation, securities convertible into Shares), as are deemed by the Committee to be consistent with the purposes of the Plan, provided, however, that such grants to persons who are subject to Section 16 must comply with the provisions of Rule 16b-3. Subject to the terms of the Plan, the Committee shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 6(f) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, other Awards or other property or any combination thereof, as the Committee shall determine.

(g) General.

(i) No Cash Consideration for Awards. Awards may be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(ii) Awards May Be Granted Separately or Together. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award or any award granted under any other plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under another plan of the Company or any Affiliate, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(iii) Forms of Payment Under Awards. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise, or payment of an Award may be made in such form or forms as the Committee shall determine, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents in respect of installment or deferred payments.

(iv) Limits on Transfer of Awards.

(A) Except as the Committee may otherwise determine, no Award or right under any Award may be sold, encumbered, pledged, alienated, attached, assigned or transferred in any manner and any attempt to do any of the foregoing shall be void and unenforceable against the Company.

(B) Notwithstanding the provisions of Paragraph (A) above:

(1) An Option may be transferred:

(a) to a beneficiary designated by the Participant in writing on a form approved by the Committee;

(b) by will or the applicable laws of descent and distribution to the personal representative, executor or administrator of the Participant's estate; or

(c) to a revocable grantor trust established by the Participant for the sole benefit of the Participant during the Participant's life, 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 such an Award does not meet the criteria of a trust to which an assignment is permitted by the terms hereof, 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 such Options shall revert to and remain solely in the Participant. Notwithstanding a qualified assignment, the Participant, and not the trust to which rights under such an Option may be assigned, for the purpose of determining compensation arising by reason of the Option shall continue to be considered an employee or consultant, as the case may be, of the Company or an Affiliate, but such trust and the Participant shall be bound by all of the terms and conditions of the Award Agreement and this Plan. Shares issued in the name of and delivered to such trust shall be conclusively considered issuance and delivery to the Participant.

(2) A Participant may assign or transfer rights under an Award of Restricted Stock or Restricted Stock Units:

(a) to a beneficiary designated by the Participant in writing on a form approved by the Committee;

8

9

(b) by will or the applicable laws of descent and distribution to the personal representative, executor or administrator of the Participant's estate; or

(c) to a revocable grantor trust established by the Participant for the sole benefit of the Participant during the Participant's life, 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 such an Award does not meet the criteria of a trust to which an assignment is permitted by the terms hereof, 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 such Awards shall revert to and remain solely in the Participant. Notwithstanding a qualified assignment, the Participant, and not the trust to which rights under such 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 or an Affiliate, but such trust and the Participant shall be bound by all of the terms and conditions of the Award Agreement and this Plan. Shares issued in the name of and delivered to such trust shall be conclusively considered issuance and delivery to the Participant.

(3) The Committee shall not permit directors or officers of the Company for purposes of Section 16 to transfer or assign Awards except as permitted under Rule 16b-3.

(C) 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, the personal representatives of the Participant's estate and all persons asserting a claim based on an Award. The delivery by a Participant of a beneficiary designation, or an assignment of rights under an Award as permitted hereunder, 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 on 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.

(v) Share Certificates. All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(vi) Change in Control. (A) Notwithstanding any of the provisions of this Plan or instruments evidencing Awards granted hereunder, upon a Change in Control of the Company (as hereinafter defined) the vesting of all rights of Participants under outstanding Awards shall be accelerated and all restrictions thereon shall terminate in order that Participants may fully realize the benefits thereunder. Such acceleration shall include, without limitation, the immediate exercisability in full of all Options and the termination of restrictions on Restricted Stock and Restricted Stock Units. Further, in addition to the Committee's authority set forth in Section 4(c), the Committee, as constituted before such Change in Control, is authorized, and has sole discretion, as to any Award, either at the time such Award is made hereunder or any time thereafter, to take any one or more of the following actions: (i) provide for the purchase of any such Award, upon the Participant's request, for an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable; (ii) make such adjustment to any such Award then outstanding

as the Committee deems appropriate to reflect such Change in Control; and  
(iii) cause any such Award then outstanding to be assumed, or new rights substituted therefore, by the acquiring or surviving after such Change in Control.

(B) With respect to any Award granted hereunder prior to December 6, 1995, a Change in Control shall occur if:

(1) any "person" or "group of persons" as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, other than pursuant to a transaction or agreement previously approved by the Board of Directors of the Company, 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 percent or more of the combined voting power of all outstanding voting securities of (A) the Company or (B) Masco Corporation, a Delaware corporation ("Masco"); or

(2) during any period of twenty-four consecutive calendar months, the individuals who at the beginning of such period constitute the Company's or Masco'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.

(C) Notwithstanding the provisions of subparagraph (B), with respect to Awards granted hereunder on or after December 6, 1995, a Change in Control shall occur only if the event described in this subparagraph (C) shall have occurred. With respect to any other Award granted prior thereto, a Change in Control shall occur if any of the events described in subparagraphs (B) or (C) shall have occurred, unless the holder of any such Award shall have consented to the application of this subparagraph (C) in lieu of the foregoing subparagraph (B). A Change in Control for purposes of this subparagraph (C) shall occur 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 (other than Excluded Directors, as hereinafter defined), 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. For purposes hereof, "Excluded Directors" are directors whose election by the Board or approval by the Board for stockholder election occurred within one year of any "person" or "group of persons", as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 25 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 25 percent or more of such combined voting power.

(D)(1) In the event that subsequent to a Change in Control it is determined that any payment or distribution by the Company to or for the benefit of a Participant, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, other than any payment pursuant to this subparagraph (D) (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then such Participant shall be entitled to receive from the Company, within 15 days following the determination described in (2) below, an additional payment ("Excise Tax Adjustment Payment") in an amount such that after payment by such Participant of all applicable Federal, state and local taxes (computed at the maximum marginal rates and including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Excise Tax Adjustment Payment, such Participant retains an amount of the Excise Tax Adjustment Payment equal to the Excise Tax imposed upon the Payments.

10

11

(2) All determinations required to be made under this Section

6(g)(vi)(D), including whether an Excise Tax Adjustment Payment is required and the amount of such Excise Tax Adjustment Payment, shall be made by PricewaterhouseCoopers LLP, or such other national accounting firm as the Company, or, subsequent to a Change in Control, the Company and the Participant jointly, may designate, for purposes of the Excise Tax, which shall provide detailed supporting calculations to the Company and the affected Participant within 15 business days of the date of the applicable Payment. Except as hereinafter provided, any determination by PricewaterhouseCoopers LLP, or such other national accounting firm, shall be binding upon the Company and the Participant. As a result of the uncertainty in the application of Section 4999 of the Code that may exist at the time of the initial determination hereunder, it is possible that (x) certain Excise Tax Adjustment Payments will not have been made by the Company which should have been made (an "Underpayment"), or (y) certain Excise Tax Adjustment Payments will have been made which should not have been made (an "Overpayment"), consistent with the calculations required to be made hereunder. In the event of an Underpayment, such Underpayment shall be promptly paid by the Company to or for the benefit of the affected Participant. In the event that the Participant discovers that an Overpayment shall have occurred, the amount thereof shall be promptly repaid to the Company.

(3) This Section 6(g)(vi)(D) shall not apply to any Award (x) that was granted prior to February 17, 1993 and (y) the holder of which is an executive officer of the Company, as determined under the Exchange Act.

(vii) Cash Settlement. Notwithstanding any provision of this Plan or of any Award Agreement to the contrary, any Award outstanding hereunder may at any time be cancelled in the Committee's sole discretion upon payment of the value of such Award to the holder thereof in cash or in another Award hereunder, such value to be determined by the Committee in its sole discretion.

## SECTION 7. AMENDMENT AND TERMINATION

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan:

(a) Amendments to the Plan. The Board of Directors of the Company may amend the Plan and the Board of Directors or the Committee may amend any outstanding Award; provided, however, that (i) no Plan amendment shall be effective until approved by stockholders of the Company insofar as stockholder approval thereof is required in order for the Plan to continue to satisfy the conditions of Rule 16b-3, and (ii) without the consent of affected Participants no amendment of the Plan or of any Award may impair the rights of Participants under outstanding Awards, and (iii) no Option may be amended to reduce its initial exercise price other than in connection with an event described in Section 4(c) hereof.

(b) Waivers. The Committee may waive any conditions or rights under any Award theretofore granted, prospectively or retroactively, without the consent of any Participant.

(c) Adjustments of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(b) hereof) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits to be made available under the Plan.

(d) Correction of Defects, Omissions, and Inconsistencies. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to effectuate the Plan.

11

12



## SECTION 8. GENERAL PROVISIONS

(a) **No Rights to Awards.** No Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards of the same type and the determination of the Committee to grant a waiver or modification of any Award and the terms and conditions thereof need not be the same with respect to each Participant.

(b) **Withholding.** The Company or any Affiliate shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan the amount (in cash, Shares, other securities, other Awards or other property) of withholding taxes due in respect of an Award, its exercise or any payment or transfer under such Award or under the Plan and to take such other action as may be necessary in the opinion of the Company or Affiliate to satisfy all obligations for the payment of such taxes.

(c) **No Limit on Other Compensation Arrangements.** Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, including the grant of options and other stock-based awards, and such arrangements may be either generally applicable or applicable only in specific cases.

(d) **No Right to Employment.** The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss a Participant from employment, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or other written agreement with the Participant.

(e) **Governing Law.** The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Michigan and applicable Federal law.

(f) **Severability.** If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

(g) **No Trust or Fund Created.** Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(h) **No Fractional Shares.** No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be cancelled, terminated or otherwise eliminated.

(i) **Headings.** Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

## SECTION 9. EFFECTIVE DATE OF THE PLAN

The Plan shall be effective as of the date of its approval by the Company's stockholders.

1  
**EXHIBIT 10.q**

**AMENDED AND RESTATED  
SECURITIES PURCHASE AGREEMENT**

THIS AMENDED AND RESTATED SECURITIES PURCHASE AGREEMENT, dated as of November 23, 1993 (hereinafter referred to as "this Agreement"), amends and restates the Securities Purchase Agreement, dated as of March 31, 1993, between MascoTech, Inc., a Delaware corporation (formerly known as Masco Industries, Inc., the "Company"), and Masco Corporation, a Delaware corporation ("Masco").

WHEREAS, the Company desires to have the right to sell to Masco, and Masco is willing to purchase from the Company at its request, from time to time, up to \$200 million principal amount of subordinated debt securities upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, the parties agree as follows:

1. Authorization of Issues of Securities. (a) The Company has authorized the issuance and delivery of separate series of subordinated debt securities ("Securities"), such Securities to have substantially the same terms and provisions as the form of subordinated note attached hereto as Exhibit A.

(b) The Securities shall be issued in separate series with the interest rate on each such series being a rate per annum that is 400 basis points over the average Treasury Rate (as hereinafter defined) for the week preceding the week in which the notice of purchase referred to in Paragraph 2 is given to Masco. "Treasury Rate" means the rate for noncallable direct obligations of the United States ("Treasury Notes") having a remaining maturity of five years, as published in the Federal Reserve Statistical Release H.15(519) (or any successor publication provided by the Board of Governors of the Federal Reserve System) under the heading "Treasury Constant Maturities." If a rate for Treasury Notes having a remaining maturity of five years has not been so published or reported for the preceding week as provided above by 1:00 P.M., New York City time, on the day such notice is given to Masco, then the Treasury Rate shall be calculated by the Company and shall be a yield to maturity (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 1:30 P.M., New York City time, on the date of such notice, of three leading primary United States government securities dealers selected by the Company for the purchase of Treasury Notes with a remaining maturity of five years.

(c) Each issuance of Securities shall constitute a separate and discrete series of securities and may be redeemed pursuant to Section 5.1 of the form of subordinated note attached hereto as Exhibit A without regard to the redemption of any other Securities.

(d) The parties confirm that the Securities constitute "Subordinated Debentures" under the Registration Agreement between them dated as of March 31, 1993.

2. Obligation to Purchase. (a) Subject to the terms and conditions set forth herein, Masco agrees to purchase, at par, at any time or from time to time on or before March 31, 1997, upon the Company's written notice, up to \$200 million aggregate principal amount of Securities (the "Commitment"). The Company's written notice shall specify the principal amount of Securities that Masco is required to purchase (which for each respective issuance of Securities shall be \$10 million or any larger multiple of \$1 million) and the interest rate, as determined in accordance with the provisions of Paragraph 1(b). The interest rate set forth in such notice shall be final and binding in the absence of manifest error.

(b) The Commitment is not revolving in nature, and any Securities repurchased, redeemed or otherwise acquired by the Company shall not restore the Commitment. The Company may reduce or terminate the unused portion of the Commitment at any time by written notice to Masco.

3. Closing. (a) Any closing of a sale of Securities to Masco hereunder shall occur at Masco's offices on the tenth Business Day (as hereinafter defined) after the Company gives Masco the written notice referred to in Paragraph 2. The term "Business Day" shall mean any day, except a Saturday, Sunday or other day on which commercial banks in New York City are authorized by law to close, on which commercial banks are open for international business (including dealings in dollar deposits) in London.

(b) At each closing, provided the Company has paid all commitment fees then due and payable under Paragraph 4 and provided the Company's representations and warranties set forth in Paragraphs 6(b) through 6(f) shall then be true and correct, Masco shall deliver to the Company immediately available funds in an amount equal to the aggregate principal amount of Securities being purchased.

(c) At each closing, the Company shall deliver to Masco one or more certificates for the Securities being issued, registered in the name of Masco (or such other person as Masco may designate prior to the closing) with any such legend that may be appropriate and in such denominations of \$1,000 and any multiple thereof as Masco may specify prior to the closing. The Company's delivery of the certificates representing the Securities being purchased shall automatically be deemed to be a representation by the Company that all of the representations and warranties set forth in Paragraphs 6(b) through 6(f) are true and correct as of the date of closing. The accuracy of such representations and warranties shall be a condition to Masco's obligation to purchase such Securities.

4. Commitment Fee. (a) The Company shall pay Masco a commitment fee for Masco's Commitment hereunder at the rate of 0.125% per annum on the daily average amount by which the Commitment exceeds the principal amount of Securities purchased by Masco hereunder (including Securities previously issued and redeemed).

(b) The commitment fee shall continue to accrue from and including the date hereof to but excluding the date on which the aggregate principal amount of Securities purchased by Masco hereunder (including Securities previously issued and redeemed) equals the Commitment (as may be reduced or terminated by the Company pursuant to Paragraph 2(b)). Such fee shall be computed for the actual number of days elapsed and shall be payable quarterly on the last day of each calendar quarter, and upon fulfillment of the Commitment in its entirety or the earlier termination of the Commitment.

5. Representations of Masco. Masco represents and warrants to the Company that:

(a) Masco is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and is authorized by its certificate of incorporation to carry on its business as now conducted.

(b) The execution, delivery and performance by Masco of this Agreement and the consummation by Masco of the transactions contemplated hereby are within the corporate powers of Masco and have been duly authorized by all necessary corporate action on the part of Masco. This Agreement constitutes a valid and binding agreement of Masco.

(c) The execution, delivery and performance of this Agreement do not result in any violation by Masco of any indenture, mortgage or other agreement or instrument by which Masco or any of its Subsidiaries (as hereinafter defined) is bound.

(d) No authorization, consent or approval of, or registration or filing with, any governmental or public body or regulatory authority is required on the part of Masco which has not been obtained for the purchase by Masco of the Securities contemplated by this Agreement, and such a purchase will not result in any violation by Masco of any of the terms or provisions of its certificate of incorporation or by-laws.

-3-

4

(e) Masco has received such information from the Company as it deems necessary and sufficient in order to make an informed investment decision regarding its commitment to purchase Securities hereunder. Masco is a sophisticated investor, with such knowledge and experience in financial matters that it is capable of evaluating the risks and merits of an investment in the Securities, and is purchasing such Securities for its own account for investment and (subject, to the extent necessary, to the disposition of its property being at all times within its control) not with a view to any distribution or other disposition thereof, and is proceeding on the assumption that it must bear the economic risk of any such investment for an indefinite period since such Securities may not be sold except as set forth below. If Masco decides to dispose of any of the Securities acquired pursuant to this Agreement or any securities issued in exchange or substitution therefor (which it does not presently contemplate), it will not offer, sell or deliver any such securities, directly or indirectly, except in compliance with the Securities Act of 1933.

6. Representations of the Company. The Company represents and warrants to Masco that:

(a) (i) As of the date hereof, the Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

(ii) As of the date hereof, (1) each of the Company's Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and has all corporate powers and all material governmental licenses, authorization, consents and approvals required to carry on its business as now conducted, and (2) all of the outstanding shares of capital stock of each such Subsidiary have been duly authorized and validly issued and are fully paid and non-assessable and are owned directly or indirectly by the Company (except for directors' qualifying shares of certain such Subsidiaries and equity interests in Subsidiaries owned by Persons (as hereinafter defined) other than the Company which individually or in the aggregate are not material to the Company and its Subsidiaries taken as a whole) free and clear of all Liens (as hereinafter defined), except Liens not material to the Company and its Subsidiaries taken as a whole.

(iii) The following terms, as used herein, have the following meanings:

-4-

5

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof. "Subsidiary" means, with respect to any Person, any corporation or other entity of which a majority of the capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

(b) The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated hereby are within the Company's corporate powers and have been duly authorized by all necessary corporate action on the part of the Company. This Agreement constitutes a valid and binding agreement of the Company.

(c) The Securities issuable from time to time pursuant to this Agreement have been duly authorized by all necessary corporate action on the part of the Company and, if and when such Securities are issued pursuant to this Agreement, such Securities will constitute valid and binding obligations of the Company.

(d) Assuming the truth and accuracy of Masco's representations and warranties set forth in Paragraph 5(e), no authorization, consent or approval of, or registration or filing with, any governmental or public body or regulatory authority is required on the part of the Company for the issuance of the Securities pursuant to this Agreement prior to the issuance of Securities hereunder, and such issuance will not result in any violation by the Company of any of the terms or provisions of the certificate of incorporation or bylaws of the Company.

(e) The execution, delivery and performance by the Company of this Agreement and the issuance of Securities pursuant to this Agreement do not result in any violation by the Company of any of the terms or provisions of any indenture, mortgage or other agreement or instrument by which the Company or any of its Subsidiaries is bound.

(f) The Company is not and, after giving effect to any proposed issuance of Securities for which the Company has given written notice, will not be in default with respect to any of the Securities or any other of the Company's securities acquired from the Company by Masco or any of its Subsidiaries; and there is no event which, with the giving of notice or passage of time, would

constitute a default with respect to any of the Securities or any other of the Company's securities acquired from the Company by Masco or any of its Subsidiaries.

7. Opinions of Counsel. Concurrently with the execution hereof,

(a) Masco is delivering to the Company an opinion of John R. Leekley, counsel to Masco, dated the date hereof, to the effect specified in Paragraphs 5(a) through 5(d).

(b) The Company is delivering to Masco an opinion of Dykema Gossett, counsel to the Company, dated the date here of, to the effect specified in Paragraphs 6(a)(i) and 6(b) through 6(d).

8. Miscellaneous. All notices, requests and other communications to either party hereunder shall be in writing (including telex, telecopy or similar writing) and shall be delivered by hand and receipted for by the party to whom such communication shall have been directed or mailed by certified mail return receipt requested to the following address (or to such other address as the party receiving such communication has theretofore advised the other party in the manner provided for herein):

(a) If to Masco, to:

21001 Van Born Road  
Taylor, Michigan 48180  
Telecopy: (313) 374-6430  
Attention: President

with a copy to:

John R. Leekley  
Vice President and  
General Counsel  
Masco Corporation  
21001 Van Born Road  
Taylor, Michigan 48180  
Telecopy: (313) 374-6430

except in the case of notices required under Paragraph 2, in which case each such notice shall be deemed delivered only upon actual receipt, directed to:

Masco Corporation  
21001 Van Born Road  
Taylor, Michigan 48180  
Telecopy: (313) 374-6135 Attention: Robert B. Rosowski Vice President - Controller

(b) If to the Company, to:

21001 Van Born Road  
Taylor, Michigan 48180  
Telecopy: (313) 374-6136  
Attention: President

with a copy to:

Lloyd A. Semple  
Dykema Gossett  
400 Renaissance Center  
Detroit, Michigan 48243  
Telecopy: (313) 568-6915

9. Amendments; No Waivers. This Agreement may not be amended or terminated, nor any condition or term hereof be waived orally, but only by an instrument in writing duly executed by the parties hereto or, in the case of a waiver, by the party otherwise entitled to performance. No failure or delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

10. Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense.

11. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that neither party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party hereto, except that Masco may transfer or assign, in whole or from time to time in part, to one or more of its affiliates, its obligation to purchase all or a portion of the Securities, but no such transfer or assignment will relieve Masco of its obligations hereunder.

12. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Michigan.

13. Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be deemed an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other party hereto.



14. Captions. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

IN WITNESS WHEREOF, the parties hereto here caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

**MASCO CORPORATION**

*By /s/Richard G. Mosteller*

-----  
*Its Senior Vice  
President-Finance*  
-----

**MASCOTECH, INC.**

**By Timothy Wadhams  
Its Vice President - Controller**

-8-  
9

**Exhibit A**

**FORM OF SUBORDINATED NOTE**

[insert appropriate legend]

No. [ ] \$[Principal Amount]

**MASCOTECH, INC.**

\_\_\_% Subordinated Note Due [5 years from original issue date], Series \_\_\_\_

MascoTech, Inc., a Delaware corporation (together with its successors and assigns the "Issuer"), for value received hereby promises to pay to \_\_\_\_\_ or registered assigns the principal sum of \_\_\_\_\_, on the Stated Maturity Date (as hereinafter defined) or any earlier redemption date, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semiannually in arrears, on April 1 and October 1 (unless such day is not a Business Day (as hereinafter defined), in which event on the next succeeding Business Day) (each an "Interest Payment Date") of each year in which this Note remains outstanding, commencing with \_\_\_\_\_, 19\_\_, on the unpaid principal sum hereof outstanding in like coin or currency, at the rates per annum set forth below, by check mailed to the address of the holder as such address shall appear in the Register (as hereinafter defined), from the most recent Interest Payment Date to which interest has been paid on this Note, or if no interest has been paid on this Note, from \_\_\_\_\_, 19\_\_, until payment in full of the principal sum hereof has been made.

The interest rate shall be a rate per annum that is specified on the face hereof (the "Interest Rate"). Further, the Issuer shall pay interest on overdue principal at a rate per annum 1% above the rate borne by this Note at the time the same became overdue (the "Overdue Rate"), and interest on overdue installments of interest, to the extent lawful, at the Overdue Rate. Interest payments on this Note will include interest accrued to but excluding the Interest Payment Dates or the Stated Maturity Date (or any earlier redemption or repayment date), as the case may be. Interest on this Note will be calculated on the basis of a 360 day year of twelve 30-day months.

Notwithstanding anything herein to the contrary, the interest or any amount deemed to be interest payable by the Issuer with respect to this Note shall not exceed the maximum amount permitted by applicable law and, to the extent that any payments in excess of such permitted amount are received by the holder, such excess shall be considered payments in respect of the principal amount of this Note. All sums paid or agreed to be paid to the holder for the use, forbearance or retention of the indebtedness of the Issuer to the holder shall, to the extent permitted by applicable law, be deemed to be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full of the principal so that the interest on account of such indebtedness shall not exceed the maximum amount permitted by applicable law.

This Note is one of a duly authorized issue of subordinated notes designated as the \_\_\_% Subordinated Notes Due \_\_\_\_\_, Series \_\_\_\_ of the Issuer, limited in aggregate principal amount to \$\_\_\_\_\_ (hereinafter called the "Notes").

This Note is transferable and assignable to one or more purchasers (in any multiple of \$10,000), subject to the restrictions on transfer, if any, referred to on the face hereof. The Issuer agrees to issue from time to time replacement Notes in the form hereof to facilitate such transfers and assignments. In addition, after delivery of an indemnity in form and substance satisfactory to the Issuer, the Issuer also agrees to issue replacement Notes for Notes which have been lost, stolen, mutilated or destroyed.

The Issuer shall keep at its principal office a register (the "Register") in which shall be entered the names and addresses of the registered holders of the Notes and particulars of the respective Notes held by them and of all transfers of such Notes. The ownership of the Notes shall be proven by the Register. For the purpose of paying interest and principal on the Notes, the Issuer shall be entitled to rely on the names and addresses in the Register and notwithstanding anything to the contrary contained in this Note, no Event of Default shall occur under Section 4.1(a) or (b) if payment of interest and principal is made in accordance with the names and addresses and particulars contained in the Register.

SECTION 1.1. Certain Terms Defined. The following terms (except as otherwise expressly provided or unless the context otherwise clearly requires) for all purposes of this Note shall have the respective meanings specified below. All accounting terms used herein and not expressly defined shall have the meanings given to them in accordance with generally accepted accounting principles, and the term "generally accepted accounting principles" shall mean such accounting principles which are generally accepted as of the time of any such determination. The terms defined in this Section 1.1 include the plural as well as the singular.

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized by law to close.

"Event of Default" means any event or condition specified as such in Section 4 which shall have continued for the period of time, if any, therein designated.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Senior Indebtedness" means (a) all indebtedness of the Issuer for money borrowed (including without limitation obligations of the Issuer in respect of overdrafts, foreign exchange contracts, swaps, letters of credit, bankers' acceptance, or any loan or advance from a bank whether or not evidenced by promissory notes or other instruments) or incurred in connection with the acquisition of property, whether outstanding on the date of execution of this Note or thereafter created, assumed or incurred, including but not limited to, the Issuer's 6% Convertible Subordinated Debentures due 2011, the Issuer's 10% Senior Subordinated Notes due 1995 and the Issuer's 10-1/4% Senior Subordinated Notes due 1997, except (i) other notes issued pursuant to the Amended and Restated Securities Purchase Agreement between the Issuer and Masco Corporation, a Delaware corporation ("Masco"), dated as of November 23, 1993, all of which notes shall rank pari passu inter sese, (ii) such indebtedness of the Issuer as is by its terms expressly stated to be not superior in right of payment to the Notes or to rank pari passu with the Notes, and (iii) indebtedness of the Issuer to an Affiliate of the Issuer provided that in no event will Masco Corporation or any Affiliate of Masco Corporation (other than the Issuer or Affiliates controlled by the Issuer) be deemed to be an affiliate of the Issuer for purposes of this definition of Senior Indebtedness, (b) any guaranty, endorsement or other contingent obligation of the Issuer in respect of, or to purchase or otherwise acquire, any indebtedness of another for money borrowed or incurred in connection with the acquisition of property, and (c) any deferrals, renewals or extensions of any such Senior Indebtedness, or debentures, notes or other evidences of indebtedness issued in exchange for such Senior Indebtedness. The term "indebtedness of

the Issuer for money borrowed" as used in the foregoing sentence shall mean any obligation of the Issuer for borrowed money, whether or not evidenced by notes or other written obligations, and any indebtedness of the Issuer evidenced by bonds, notes or debentures or other similar instruments. The term "indebtedness of the Issuer incurred in connection with the acquisition of property" as used in the first sentence of this definition shall mean any purchase money obligation (whether or not secured by any lien or other security interest) created or assumed as all or part of the consideration for the acquisition of property whether by purchase, merger, consolidation or otherwise (but not including any account payable or any other obligation created or assumed by the Issuer in the ordinary course of business in connection with the obtaining of materials or services) and any indebtedness arising under a lease of property, equipment or other assets which, pursuant to generally accepted accounting principles then in effect, is classified as a liability on the Issuer's balance sheet.

"Stated Maturity Date" means [the date that is five years from the date of issuance]

"Subsidiary" means, with respect to any Person, any corporation or other entity of which a majority of the capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

SECTION 2.1. Payment of Principal and Interest. No provision of this Note shall alter or impair the obligations of the Issuer, which are absolute and unconditional, to pay the principal of and interest on this Note at the place, times, and rate, and in the currency, herein prescribed.

SECTION 3. Covenants.

SECTION 3.1. Offices for Notices and Transfers, etc. So long as any of the Notes remain outstanding, the Issuer will maintain an office or agency where the Notes may be presented for registration of transfer and for exchange and an office or agency where notices and demands to or upon the Issuer in respect of the Notes may be served. The Issuer will give to the holders of the Notes written notice of any change of location of any such office or agency thereof.

SECTION 3.2. Provision as to Paying Agent. The Issuer shall act as its own paying agent and will, on or not more than seven days before each due date of the principal of or interest on the Notes, set aside, segregate and hold in trust for the benefit of the holders of the Notes of such series a sum sufficient to pay such principal or interest so becoming due.

SECTION 3.3 Subordination of Subsidiary Indebtedness. The Issuer shall obtain an agreement from each of its Subsidiaries, comparable to the letter agreement dated January 29, 1987 between the Issuer and its subsidiaries executed in connection with the sale of convertible subordinated debentures and senior subordinated notes, to the effect that, so long as any Notes are outstanding, all indebtedness of the Issuer to such Subsidiary for money borrowed or incurred in connection with the acquisition of property shall be subordinated and junior in right of payment to the prior payment in full of all such Notes in the same manner and to the same extent as such Notes are subordinated and junior in right of payment to the prior payment in full of all Senior Indebtedness (as defined herein).

SECTION 4. Events of Default and Remedies.

SECTION 4.1. Events of Default. "Event of Default", whenever used herein with respect to any Note means any one of the following events:

- (a) default in the payment of interest upon any Note when it becomes due and payable and continuance of such default for a period of 30 days; or
- (b) default in the payment of all or any part of the principal of any Note as and when the same shall become due and payable either at maturity, upon redemption, by declaration or otherwise; or
- (c) default in the performance, or breach, of any covenant of the Issuer in any Note (other than a covenant, a default in whose performance or whose breach is elsewhere in this Section or elsewhere in the corresponding provision in any such other Note specifically dealt with), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Issuer by the holders of at least 25% in principal amount of the outstanding Notes, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Notes; or
- (d) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Issuer in an involuntary case under any applicable bankruptcy, insolvency or other similar law or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Issuer or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of 90 consecutive days; or

(e) the Issuer shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or of any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due.

If an Event of Default described in clause (a), (b) or (c) occurs and is continuing, then, and in each and every such case, unless the principal of all of the Notes shall have already become due and payable, the holders of not less than 25% in aggregate principal amount of the Notes of this Series then out standing, by notice in writing to the Issuer, may declare the entire principal of all the Notes and the interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. If an Event of Default described in clause (d) or (e) occurs, the principal of and accrued interest on the Notes shall become and be immediately due and payable without any declaration or other act on the part of any holder of Notes.

The foregoing provisions, however, are subject to the condition that if, at any time after the principal of the Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit in trust for the benefit of the holders of the Notes a sum sufficient to pay all matured installments of interest upon all of the Notes and the principal of the Notes (with interest upon such principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest to the date of such payment or deposit) and if any and all Events of Default under this Note other than the non-payment of the principal shall have been cured, waived or otherwise remedied as provided herein, then and in every such case the holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer, may waive all defaults with respect to the Notes and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

SECTION 4.2. Powers and Remedies Cumulative; Delay or Omission Not Waiver of Default. All powers and remedies given by this Section 4 to the holders of Notes shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the holders of the Notes, by judicial proceedings or otherwise, to

enforce the performance or observance of the covenants and agreements contained in this Note and no delay or omission of any holder of any of the Notes to exercise any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, every power and remedy given by this Note or by law to the holders of Notes may be exercised from time to time, and as often as shall be deemed expedient, by the holders of Notes.

**SECTION 4.3. Waiver of Past Defaults by Majority of Holders.** Subject to

Section 4.1, the holders of a majority in aggregate principal amount of the Notes at the time outstanding may on behalf of the holders of all of the Notes waive such default or Event of Default and its consequences except a default in the payment of principal of or interest on any of the Notes. Upon any such waiver the Issuer and the holders of the Notes shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon. Whenever any default or Event of Default shall have been waived as permitted by this Section 4.3, said default or Event of Default shall for all purposes of the Notes be deemed to have been cured and to be not continuing.

**SECTION 5. Redemption.**

**SECTION 5.1. Optional Redemption.** The Notes may be redeemed at the option of the Issuer as a whole, or from time to time in part, at any time prior to maturity, at a price equal to the principal amount of the Notes so redeemed, together in each case with accrued interest to the date fixed for redemption, upon mailing notice of such redemption not less than 30 nor more than 60 days prior to the date fixed for redemption to the holders of Notes at their last addresses as the same appear on the Register. Such mailing shall be by first class mail. The notice if mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the holder receives such notice. In any case, failure to give such notice by mail or any defect in the notices to the holder of any Note designated for redemption shall not affect the validity of the proceedings for the redemption of any other Note.

If less than all of the Notes are to be redeemed, the Issuer will select

(a) by lot or by such other manner as may be prescribed by resolution of the Board of Directors of the Issuer and (b) to the extent Masco, or any Subsidiary thereof, holds Notes, the Issuer shall allow Masco to select, in its sole discretion, the specific Notes then owned by Masco or its Subsidiaries to be redeemed (provided that Masco informs the Issuer no later than the day prior to the date of such redemption of the specific Notes selected for redemption), the Notes or portions thereof (in integral multiples of \$1,000) to be redeemed in a minimum amount of



\$1,000,000 unless less than \$1,000,000 of the Notes remain out standing in which case all of the Notes must be redeemed.

Upon presentation of any Note redeemed in part only, the Issuer shall execute and deliver to the holder thereof, at the expense of the Issuer, a new Note or Notes of authorized denominations, in principal amount equal to the unredeemed portion of the Note so presented.

**SECTION 5.2. Change of Control Put.** (a) The holder of this Note shall have the right, at such holder's option, upon the giving of notice of the occurrence of any event described in clause (b) below, and subject to the terms and provisions hereof, to tender any Note, in whole or in part, without regard to whether the Note is then otherwise redeemable, for cash in an amount equal to the principal amount of such Note plus accrued interest to the date fixed for redemption. Such redemption shall occur on the sixty-fifth day after the date of the notice provided pursuant to clause (c) below (the "Mandatory Redemption Date"). The holder's right to tender shall continue up to the sixtieth day after the date of such notice and shall be exercised by any surrender of such Note to the office or agency to be main tained by the Issuer pursuant to Section 3.1, accompanied by written notice that the holder elects to tender such Note and (if so required by the Issuer) by a written instrument or instruments of transfer in form satisfactory to the Issuer duly executed by the holder or such holder's duly authorized legal representative and transfer tax stamps or funds therefor, if required. All Notes surrendered for redemption shall be cancelled by the Issuer.

(b) The holder's right to tender under clause (a) above shall be triggered upon the occurrence of either of the following events:

(i) Any person or group (an "other entity"), within the meaning of Section 13(d) (3) of the Securities Exchange Act of 1934, shall attain beneficial ownership, within the meaning of Rule 13d-3 adopted under the Securities Exchange Act of 1934, of at least 50% of the voting power for election of the Directors of the Issuer, unless approved in advance by a majority of the Issuer's Continuing Directors has hereinafter defined), or

(ii) The Issuer, directly or indirectly, consolidates or merges with any other entity or sells or leases its properties and assets substantially as an entirety to any other entity, unless approved in advance by a majority of the Issuer's Continuing Directors.

A "Continuing Director" is a Director who is a member of the Board of Directors of the Issuer elected by stockholders prior to the time the other entity acquires in excess of 10% of the voting

power for the election of Directors of the Issuer or a person recommended to succeed a Continuing Director by a majority of the Continuing Directors.

(c) The Issuer shall mail to each holder of Notes at such holder's last address appearing on the Register, as promptly as possible but in any event not more than ten days after learning of an occurrence specified in subclause (b)

(i) above or not more than ten days after an occurrence specified in subclause

(b) (ii) above, a notice stating that the event specified in the notice has occurred and that each holder has the right to tender such holder's Notes for cash pursuant to the terms hereof. Upon demand to the Issuer at any time by any holder of Notes, such notice shall be mailed to each holder of Notes, unless the Issuer can demonstrate to the holder's satisfaction that no event described in clause (b) has occurred.

(d) On or before the sixty-second day after the date of the notice provided pursuant to clause (c) above, the Issuer shall set aside, segregate and hold in trust for the benefit of the holders of the Notes to be redeemed an amount of money sufficient to pay the principal of, and accrued interest on, all the Notes to be redeemed on the Mandatory Redemption Date.

(e) After giving the notice of redemption as provided above, the Notes to be redeemed shall, on the Mandatory Redemption Date, become due and payable at a price equal to the principal amount thereof plus accrued interest and from and after such date (unless the Issuer shall default in the payment of principal and accrued interest thereon) such Notes shall cease to bear interest. Upon surrender of any such Note for redemption in accordance herewith, such Note shall be paid on the Mandatory Redemption Date by the Issuer at a price equal to the principal amount thereof, together with accrued interest to the Mandatory Redemption Date.

If any Note to be redeemed shall not be so paid on the Mandatory Redemption Date, the principal and accrued interest thereon shall, until paid, bear interest from the Mandatory Redemption Date at the Overdue Rate.

(f) Notes may be redeemed in whole or in any integral multiple of \$1,000. Any Note which is to be redeemed only in part shall be surrendered at an office or agency of the Issuer designated for that purpose (with, if the Issuer so requires, due endorsement by, or a written instrument to transfer in form satisfactory to the Issuer duly executed by, the holder thereof or such holder's attorney duly authorized in writing), and the Issuer shall execute and deliver to the holder of such Note without service charge, a new Note or Notes, of any authorized denomination in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal amount.

## SECTION 6. Subordination of Notes.

SECTION 6.1. Agreement to Subordinate. The Issuer covenants and agrees, and each holder of Notes by such holder's acceptance thereof likewise covenants and agrees, that all Notes shall be issued subject to the provisions of this Section; and each Person holding any Note, whether upon original issue or upon transfer or assignment thereof, accepts and agrees to be bound by such provisions. The provisions of this Section are made for the benefit of the holders of Senior Indebtedness, and such holders shall, at any time, be entitled to enforce such provisions against the Issuer or any holders of Notes.

All Notes shall, to the extent and in the manner hereinafter in this Section set forth, be subordinate and junior in right of payment to the prior payment in full of all Senior Indebtedness.

SECTION 6.2. No Payment on Notes if Senior Indebtedness in Default. No payment on account of principal or interest on the Notes shall be made unless full payment of amounts then due for principal, premium, if any, sinking funds and interest on all Senior Indebtedness has been made or duly provided for. No payment on account of principal or interest on the Notes shall be made if, at the time of such payment or immediately after giving effect thereto, (i) there shall exist a default in the payment of principal, premium, if any, sinking funds or interest with respect to any Senior Indebtedness, or (ii) there shall have occurred an event of default (other than a default in the payment of principal, premium, if any, sinking funds or interest) with respect to any Senior Indebtedness, as defined therein or in the instrument under which the same is outstanding, permitting the holders thereof to accelerate the maturity thereof, and such event of default shall not have been cured or waived or shall not have ceased to exist.

SECTION 6.3. Priority of Senior Indebtedness. In the event of any insolvency or bankruptcy proceedings, and any receiver ship, liquidation, reorganization under the Federal Bankruptcy Code or any other similar applicable Federal or state law, or other similar proceedings in connection therewith, relative to the Issuer or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Issuer or assignment for the benefit of creditors or any other marshalling of assets of the Issuer, whether or not involving insolvency or bankruptcy, then the holders of Senior Indebtedness shall be entitled to receive payment in full of all principal of and premium, if any, and interest on all Senior Indebtedness including interest on such Senior Indebtedness after the date of filing of a petition or other action commencing such proceeding before the holders of the Notes are entitled to receive any payment on account of the principal of or interest on the Notes and any payment or distribution of any kind or character which may be payable or deliverable in any such proceedings in respect of the

Notes, except securities which are subordinate and junior in right of payment to the payment of all Senior Indebtedness then outstanding, shall be paid by the person making such payment or distribution directly to the holders of Senior Indebtedness to the extent necessary to make payment in full of all Senior Indebtedness, after giving effect to any concurrent payment or distribution to the holders of Senior Indebtedness. In the event that any payment or distribution of cash, property or securities shall be received by the holders of the Notes in contravention of this Section before all Senior Indebtedness is paid in full, or provision made for the payment thereof, such payment or distribution shall be held in trust for the benefit of and shall be paid over to the holders of such Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture under which any instrument evidencing any of such Senior Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay in full all Senior Indebtedness remaining unpaid, after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness.

In the event that any Note is declared due and payable before its expressed maturity because of the occurrence of an Event of Default (under circumstances when the provisions of the first paragraph of this Section shall not be applicable), the holders of the Senior Indebtedness outstanding at the time the Notes so become due and payable because of such occurrence of such an Event of Default shall be entitled to receive payment in full of all principal of and premium, if any, and interest on all Senior Indebtedness before the holders of the Notes are entitled to receive any payment on account of the principal of or interest on the Notes.

SECTION 6.4. Subrogation of Notes. Subject to the payment in full of all Senior Indebtedness, the holders of the Notes shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of assets of the Issuer made on the Senior Indebtedness until the principal of and interest on the Notes shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of Senior Indebtedness of any cash, property or securities to which the holders of the Notes would be entitled except for the provisions of this Section, and no payment over pursuant to the provisions of this Section to the holders of Senior Indebtedness by holders of the Notes, shall, as between the Issuer, its creditors other than the holders of Senior Indebtedness, and the holders of Notes, be deemed to be a payment by the Issuer to or on account of Senior Indebtedness, and no payments or distributions to the holders of the Notes of cash, property or securities payable or distributable to the holders of the Senior Indebtedness to which the holders of the Notes shall become entitled pursuant to the provisions of this Section, shall, as between the Issuer, its creditors other than the holders of Senior Indebtedness, and the holders of the Notes, be

deemed to be a payment by the Issuer to the holders of or on account of the Notes.

**SECTION 6.5. Issuer Obligation to Pay Unconditional.** The provisions of this

Section are solely for the purpose of defining the relative rights of the holders of Senior Indebtedness on the one hand, and the holders of the Notes on the other hand, and nothing herein shall impair, as between the Issuer and the holders of the Notes, the obligation of the Issuer, which is unconditional and absolute, to pay to the holders thereof the principal thereof and interest thereon in accordance with the terms of the Notes nor shall anything herein prevent the holders of the Notes from exercising all remedies otherwise permitted by applicable law or under the Notes upon default under the Notes, subject to the rights of holders of Senior Indebtedness under the provisions of this Section to receive cash, property or securities otherwise payable or deliverable to the holders of the Notes.

**SECTION 7. Miscellaneous.**

**SECTION 7.1. Modification of Notes.** The Notes may be modified without prior notice to any holder but with the written consent of the holders of a majority in principal amount of the Notes. Subject to Section 4.1 and Section 4.3, the holders of a majority in principal amount of the Notes may waive compliance by the Issuer with any provision of the Notes without prior notice to any holder. However, without the consent of each holder affected, an amendment, supplement or waiver may not (1) reduce the amount of Notes whose holders must consent to an amendment, supplement or waiver, (2) reduce the rate or extend the time for payment for interest on any Notes, (3) reduce the principal amount of or extend the fixed maturity of any Notes or alter the redemption provisions with respect thereto or (4) make any Notes payable in money or property other than as stated in the Notes.

The Issuer will use its best efforts to qualify an indenture with respect to this Note at or prior to the time such qualification is required under the Trust Indenture Act of 1939, as amended, or similar law then in effect.

**SECTION 7.2. Miscellaneous.** This Note shall be deemed to be a contract under the laws of the State of Michigan and for all purposes shall be construed in accordance with the laws of said State, except as may otherwise be required by mandatory provisions of law. The parties hereto, including all guarantors or endorsers, hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Note, except as specifically provided herein, and assent to extensions of the time of payment, or forbearance or other indulgence without notice. The holder of this Note by acceptance of this Note agrees to be bound by the provisions (including the subordination provisions) of this Note

which are expressly binding on such holder. In determining whether the holders of the requisite aggregate principal amount of Notes have concurred in any direction, consent or waiver as provided under the Notes, Notes which are owned by the Issuer or any Subsidiary of the Issuer shall be disregarded and deemed not to be outstanding for the purpose of any such determination. The Section headings herein are for convenience only and shall not affect the construction hereof.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed under its corporate seal.

Dated:

[ Seal ]  
INC.

MASCOTECH,

By:  
Name :

Title:

## AGREEMENT

This Agreement is dated as of November 23, 1993 between MascoTech, Inc., a Delaware corporation (the "Company"), and Masco Corporation, a Delaware corporation ("Masco").

WHEREAS, in addition to certain shares of Company common stock, par value \$1.00 per share (the "Common Stock"), and warrants to purchase Common Stock, Masco holds (i) \$130 million (the "Masco Debentures") of the Company's 6% Convertible Subordinated Debentures Due 2011 (the "Debentures"), which are redeemable at any time by the Company and convertible at any time into Common Stock at \$18 per share of Common Stock, and (ii) the one million outstanding shares of the Company's 10% Exchangeable Preferred Stock (the "Preferred Stock").

WHEREAS, the Company has been contemplating calling for redemption all of the Debentures (including the Masco Debentures), and Masco is willing to refrain from selling or otherwise disposing of Common Stock or other Company securities for a period of time in order to facilitate the call for redemption of all of the Debentures.

WHEREAS, it is in the interest of the Company to repurchase the Preferred Stock for cash in order to reduce its financing costs and such repurchase is not inconsistent with Masco's previously stated intention to reduce its investment in the Company.

WHEREAS, the Company and Masco have entered into a Securities Purchase Agreement dated as of March 31, 1993 (the "Securities Purchase Agreement") pursuant to which Masco has agreed to purchase from the Company at its request on or before March 31, 1995 additional preferred stock or subordinated debt securities for an aggregate purchase price of up to \$200 million, and the parties desire to amend and restate the Securities Purchase Agreement in certain respects.

WHEREAS, the Company and Masco have entered into a Stock Repurchase Agreement dated as of May 1, 1984, as amended (the "Stock Repurchase Agreement"), pursuant to which the Company has agreed to repurchase from Masco, until May 1, 1994, such number of shares of Common Stock as may be necessary to prevent Masco's Common Stock ownership interest in the Company from exceeding 49%, and the parties are agreeable to extending the term thereof.

NOW, THEREFORE, the parties agree as follows:

1. Conversion of Debentures. Masco agrees that (a) on

or before December 31, 1993 it will surrender for conversion the Masco Debentures, and (b)it will not sell or otherwise dispose of any Common Stock, warrants to purchase Common Stock or Debentures (whether now held or acquired on conversion) on or before December 31, 1993. If Masco surrenders the Masco Debentures for conversion prior to December 15, 1993, the Company will pay Masco an amount equal to the interest accrued on the Masco Debentures from the last regular semi-annual interest payment date to the date of conversion.

2. Repurchase of Preferred Stock. The Company shall repurchase the Preferred Stock for \$100 per share, plus an amount equal to accrued and unpaid dividends from October 1, 1993 to the date of repurchase, payable in cash on the date of such repurchase. Such repurchase shall occur as soon as practicable after the execution of this Agreement.

3. Amendment to Securities Purchase Agreement. Concurrently herewith the parties are entering into an Amended and Restated Securities Purchase Agreement. The parties hereby confirm that all securities issuable pursuant to the Amended and Restated Securities Purchase Agreement will be "Registrable Securities" under the Registration Agreement between them dated as of March 31, 1993.

4. Amendment to Stock Repurchase Agreement. The parties hereby amend Paragraph 1 of the Stock Repurchase Agreement by deleting the date "May 1, 1994" and substituting therefor the date "May 1, 2004". Except as otherwise specifically set forth herein, the Stock Repurchase Agreement shall continue in full force and effect.

5. Representations and Warranties. (a) Each party represents and warrants to the other that the following statements are true and correct as of the date hereof and will be true and correct at the time Masco surrenders the Masco Debentures for conversion and at the time of the repurchase of the Preferred Stock:

(i) It is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and is authorized by its certificate of incorporation to carry on its business as now conducted.

(ii) The execution, delivery and performance of this Agreement by such party and the consummation by such party of the transactions contemplated hereby are within the corporate powers of such party and have been duly authorized by all necessary corporate action on its part. This Agreement constitutes a valid and binding agreement of such party.



(iii) No authorization, consent or approval of, or registration or filing with, any governmental or public body or regulatory authority is required and which has not been obtained on the part of such party for the execution, delivery and performance of this Agreement by such party.

(iv) The execution, delivery and performance of this Agreement by such party do not result in any violation by it of any of the terms or provisions of its certificate of incorporation or by-laws or of any indenture, mortgage or other agreement or instrument by which it or any of its Subsidiaries (as hereinafter defined) is bound.

(b) Masco represents and warrants to the Company that Masco has, and at the time of the repurchase of the Preferred Stock will have, unencumbered title to the Preferred Stock, free and clear of any Liens (as hereinafter defined), and delivery by Masco of the Preferred Stock will pass unencumbered title to the Company, free and clear of any Liens .

(c) The Company represents and warrants to Masco that the repurchase of the Preferred Stock from Masco will be effected in compliance with the Delaware General Corporation Law.

6. Legal Opinions. Concurrently with the execution hereof, Masco is delivering to the Company an opinion of John R. Leekley, counsel to Masco, and the Company is delivering to Masco an opinion of Dykema Gossett, counsel to the Company, in each case dated the date hereof and to the effect of certain of the matters specified in Paragraph 5 hereof.

7. Definitions. The following terms, as used herein, have the following meanings:

(a) "Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

(b) "Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

(c) "Subsidiary" means, with respect to any Person, any corporation or other entity of which a majority of the capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

8. Captions. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

WHEREFORE, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

**MASCO CORPORATION**

*By /s/Richard G. Mosteller  
Its Senior Vice President*

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*Finance*

**MASCOTECH, INC.**

*By /s/Timothy  
Wadhams  
Its Vice President*

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*Controller*

**AMENDMENT NO. 1 TO AMENDED AND  
RESTATED SECURITIES PURCHASE AGREEMENT**

This Amendment is made as of October 31, 1996, between Masco Corporation, a Delaware corporation ("Masco"), and MascoTech, Inc., f/k/a Masco Industries, Inc., a Delaware corporation (the "Company" or the "Issuer"), concerning that certain Amended and Restated Securities Purchase Agreement (the "Securities Purchase Agreement"), dated as of November 23, 1993, between Masco and the Company. All capitalized terms not otherwise defined in this Amendment shall have the meanings given them in the Securities Purchase Agreement.

- A. Masco holds 24,824,690 shares of the Common Stock, par value \$1.00 per share, of the Company (the "Tech Common Stock");
- B. Concurrently herewith, the Company has, among other things, repurchased from Masco 17,000,000 shares of Tech Common Stock;
- C. In connection therewith, Masco and the Company desire to amend certain provisions of the Securities Purchase Agreement as set forth herein.

IN CONSIDERATION of the mutual covenants and agreements contained in this Amendment, the parties agree to amend the Securities Purchase Agreement as follows:

- 1. Paragraph 1(b) is hereby amended to read in its entirety as follows:

- (b) The Securities shall be issued in separate series with the interest rate on each such series being a rate per annum that is the higher of: (i) 400 basis points over the average Treasury Rate (as hereinafter defined) for the week preceding the week in which the notice of purchase referred to in Paragraph 2 is given to Masco; or
- (ii) 75 basis points over the Comparable Debt Issuance Rate (as hereinafter defined).

"Treasury Rate" means the rate for noncallable direct obligations of the United States ("Treasury Notes") having a remaining maturity of five years, as published in the Federal Reserve Statistical Release H.15(519) (or any successor publication provided by the Board of Governors of the Federal Reserve System) under the heading "Treasury Constant Maturities." If a rate for Treasury Notes having a remaining maturity of five years has not been so published or reported for the preceding week as provided above by 1:00 P.M., New York City time, on the day such notice is given to Masco, then the Treasury Rate shall be calculated by the

Company and shall be a yield to maturity (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 1:30 P.M., New York City time, on the date of such notice, of three leading primary United States government securities dealers selected by the Company for the purchase of Treasury Notes with a remaining maturity of five years.

The "Comparable Debt Issuance Rate" means a per annum rate of interest determined as follows:

Each of the Company and Masco shall select an investment banker within 3 business days from the date the notice of purchase referred to in Paragraph 2 is given to Masco, and those two investment bankers shall have 3 business days to select a third investment banker. Each of the three investment bankers shall have qualifications with respect to the sale of debt instruments of manufacturing and industrial companies. Each of the three investment bankers shall have 3 business days to determine, in its good faith opinion, the per annum rate of interest that the Company would be required to pay if it were to issue the relevant series of Securities to third party investors in a transaction negotiated at arms'-length and priced as of the date the notice of purchase referred to in Paragraph 2 is given to Masco, and each banker shall set forth its conclusion in a letter addressed to each of Masco and the Company and delivered to each of them by 12:00 noon EST on the 10th day from the date of the notice of purchase given to Masco. The arithmetic mean of the interest rates determined by each of the three investment bankers shall be the Comparable Debt Issuance Rate.

2. Paragraph 2(a) is hereby amended to read in its entirety as follows:

(a) Subject to the terms and conditions set forth herein, Masco agrees to purchase, at par, at any time or from time to time on or before March 31, 2002, upon the Company's written notice, up to \$200 million aggregate principal amount of Securities (the "Commitment"). The Company's written notice shall specify the principal amount of Securities that Masco is required to purchase (which for each respective issuance of Securities shall be \$10 million or any larger multiple of \$1,000,000). The interest rate for such Securities shall be determined in accordance with the provisions of Paragraph 1(b).

3. The first sentence of Paragraph 3(a) is hereby amended to read in its entirety as follows:

(a) Any closing of a sale of Securities to Masco hereunder shall occur at Masco's offices on the 10th Business Day (as hereinafter defined) after the Company gives Masco the written notice referred to in Paragraph 2.

4. Section 5.2(b) of the Form of Subordinated Note attached as Exhibit A to the Securities Purchase Agreement is hereby amended to read in its entirety as follows:

(b) The holder's right to tender under clause (a) above shall be triggered upon the occurrence of either of the following events:

(i) Any person or group (an "other entity"), within the meaning of Section 13 (d) (3) of the Securities Exchange Act of 1934, shall attain beneficial ownership, within the meaning of Rule 13d-3 adopted under the Securities Exchange Act of 1934, or at least 50% of the voting power for election of the Directors of the Issuer, or,

(ii) The Issuer, directly or indirectly, consolidates or merges with any other entity or sells or leases its properties and assets substantially as an entirety to any other entity, provided that this clause shall not apply to a transaction in which the Company is the surviving company in any merger or consolidation and in which the stock issued in such a transaction is less than 40% of the common stock of the Company issued and outstanding after the transaction.

5. A new Section 2 (c) is hereby added to read in its entirety as follows:

(c) The Commitment shall terminate upon the occurrence of either of the following events:

(i) Any person or group (an "other entity"), within the meaning of Section 13 (d) (3) of the Securities Exchange Act of 1934, shall attain beneficial ownership, within the meaning of Rule 13d-3 adopted under the Securities Exchange Act of 1934, or at least 50% of the voting power for election of the Directors of the Issuer,

or,

29

(ii) The Issuer, directly or indirectly, consolidates or merges with any other entity or sells or leases its properties and assets substantially as an entirety to any other entity, provided that this clause shall not apply to a transaction in which the Company is the surviving company in any merger or consolidation and in which the stock issued in such a transaction is less than 40% of the common stock of the Company issued and outstanding after the transaction.

6. All other terms and conditions of the Securities Purchase Agreement are hereby ratified and confirmed and remain in full force and effect.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment as of the date first above written.

**MASCO CORPORATION**

*By: /s/ John R. Leekley  
Name: John R. Leekley  
Title: Senior Vice President  
and  
General Counsel*

**MASCOTECH, INC.**

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

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**EXHIBIT 10.r**  
**REGISTRATION AGREEMENT**

This Agreement is made as of March 31, 1993, between Masco Industries, Inc., a Delaware corporation (the "Company") and Masco Corporation, a Delaware corporation ("Masco").

WHEREAS, Masco currently holds certain Company securities; and

WHEREAS, Masco is acquiring certain Company securities pursuant to a Purchase Agreement (the "Purchase Agreement") and an Exchange Agreement (the "Exchange Agreement"), each with the Company of even date herewith, and may acquire additional Company securities pursuant to a Securities Purchase Agreement (the "Securities Purchase Agreement") with the Company of even date herewith; and

WHEREAS, in connection with the Purchase Agreement, the Exchange Agreement and the Securities Purchase Agreement, the Company has agreed to provide to Masco certain registration rights with respect to certain Company securities as provided herein.

NOW, THEREFORE, the parties agree as follows:

1. Definitions.

"Common Stock" means the Company's Common Stock, par value \$1.00 per share.

"Convertible Debentures" means the Company's 6% Convertible Subordinated Debentures due 2011.

"Preferred Stock" means the Company's 10% Exchangeable Preferred Stock issued pursuant to the Exchange Agreement and the Company's exchangeable preferred stock that may be issued pursuant to the Securities Purchase Agreement.

"Registrable Securities" means (i) the 17,946,498 shares of Common Stock held by Masco as of the date hereof (after giving effect to the Company's acquisition of 10 million shares of Common Stock pursuant to the Exchange Agreement between the Company and Masco of even date herewith) and shares of Common Stock that may be reacquired by Masco pursuant to the Masco Corporation 1984 Restricted Stock (Industries) Plan, (ii) \$130 million principal amount of Convertible Debentures held by Masco, (iii) Preferred Stock, (iv) Subordinated Debentures, (v) Warrants, (vi) Common Stock issuable upon conversion of the Convertible Debentures and upon exercise of the Warrants, and (vii) any securities issued or issuable with respect to, or derived from, the securities referred to in clauses (i) through (vi) by way of stock dividend, stock split or other distribution or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization.

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"Subordinated Debentures" means the Company's subordinated debentures that are issuable upon redemption and exchange of the Preferred Stock and the Company's subordinated debentures that may be issued pursuant to the Securities Purchase Agreement.

"Warrants" means the warrants issued by the Company to purchase 10 million shares of Common Stock, which warrants were issued pursuant to the Purchase Agreement.

2 (a). Registration of Registrable Securities. Whenever the Company shall receive a written request signed by Masco requesting the Company to file a registration statement under the Securities Act of 1933, as in effect at the relevant time, or a comparable statement under any similar Federal statute then in effect (a "Registration Statement"), covering any class or series of Registrable Securities held by Masco, the Company shall promptly prepare and file a Registration Statement covering the Registrable Securities requested to be registered. The registration request may, at the option of Masco, require the Registration Statement to include Registrable Securities held by persons who acquired such Registrable Securities directly from Masco in a private placement (hereinafter referred to, together with Masco, as a "Selling Holder"). The Company shall use its best efforts to cause the Registration Statement to become effective and remain effective for the period required to permit the offering and sale of the Registrable Securities covered thereby, which may be an indefinite period of time if the registration request shall specify a delayed or continuous offering pursuant to Rule 415 of the Securities and Exchange Commission or any successor or comparable provision then in effect ("Shelf Registration").

2(b). Limitations on Registration and Disposition. (i) The Company shall not be obligated to (A) file a Registration Statement with respect to less than \$25 million market value of Registrable Securities (as determined in good faith by Masco at the time of the request), except that if the Company shall have redeemed or exchanged any class or series of Registrable Securities such that Masco holds less than \$25 million market value of such class or series, Masco may request registration of all of any such class or series then held, or (B) make any such filing within 6 months from the effective date of the next preceding filing made pursuant hereto, except Masco may, within the period commencing with the date of issuance of Preferred Stock or Subordinated Debentures issued pursuant to the Securities Purchase Agreement or Subordinated Debentures issued upon redemption and exchange of Preferred Stock and ending six months from such effective date, require the filing of a Registration Statement covering such Preferred Stock or Subordinated Debentures.

(ii) No disposition of Registrable Securities shall be made under a Shelf Registration unless the Selling Holder of such securities shall give the Company five days' prior written notice of such holder's intent to make such disposition.

(iii) The Company may elect to defer, for a period not exceeding a total of 90 days, the preparation of any Registration Statement or the disposition of Registrable Securities pursuant to an effective Shelf Registration if in the Company's good faith judgment pending or prospective business developments (including financing plans) justify a temporary delay or the prospectus contained in an effective Shelf Registration contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements made in the light of the circumstances in which they were made, not misleading.



(iv) The exercise of Warrants or conversion of Convertible Debentures shall not constitute a disposition of Registrable Securities for purposes of clauses

(ii) and (iii) above.

2(c). Registration Procedures. (i) Whenever the Company shall file a Registration Statement pursuant hereto, the Company shall (A) thereafter, for such period of time as shall be required in connection with the transactions contemplated thereby and permitted by applicable rules, regulations and administrative practice, file all post-effective amendments and supplements thereto or to the prospectus contained therein and all filings under the Securities Exchange Act of 1934 that are necessary or appropriate so that neither the Registration Statement nor any related prospectus shall contain any material misstatement or omission relative to the Company or any of its assets or its business or affairs and so that the Registration Statement and such prospectus will otherwise comply with all applicable legal requirements, subject to the provisions of Paragraph 2(b) (iii) above, (B) furnish to the Selling Holders of the registered Registrable Securities such number of copies of the Registration Statement and any related preliminary prospectus, prospectus, post-effective amendment or supplement as such Selling Holders reasonably may request, and (C) take all action that may be necessary under the securities or Blue Sky laws of any state and as reasonably may be requested to permit the public offering and sale of the Registered Securities covered by the Registration Statement; provided, however, that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now qualified or to take any action which would subject it to service of process in suits, other than those arising out of the offering or sale of the Registrable Securities, in any jurisdiction where it is not now subject. In connection with any such Registration Statement, the Company shall deliver to such Selling Holders and any underwriters such indemnities, contribution agreements, opinions of counsel and letters of independent public accountants as are then customarily given to underwriters of registered public offerings and selling security holders. The underwriters and such Selling Holders shall deliver to the Company such indemnities, contribution agreements and opinions as are then customarily given to issuers of registered public offerings.

(ii) Anything in this Agreement to the contrary notwithstanding, the Company shall not be obligated to file a Registration Statement unless the Selling Holders of the Registrable Securities being registered shall have furnished the Company in writing all information with respect to such Selling Holders, the Registrable Securities held by such Selling Holders requested to be so included, the transaction or transactions which such Selling Holders contemplate and each underwriter, if any, who will act for such Selling Holders in connection therewith, that any law, rule or regulation requires to be disclosed therein.

(iii) The Company covenants that it will file the reports required to be filed by it under the Securities Exchange Act of 1934, as in effect from time to time, and the rules and regulations adopted by the Securities and Exchange Commission thereunder, and will deliver to Masco at its request a written statement affirming that it has complied with such requirements.

(iv) Whenever a Registration Statement is requested with respect to Subordinated Debentures, the Company will enter into an indenture on substantially similar terms and conditions (but not materially inconsistent with the terms of such Subordinated Debentures) as those contained in the Indenture dated as of November 1, 1986 between the Company and Morgan Guaranty Trust Company of New York. The trustee designated by the Company to act as trustee under the Indenture shall be a bank or trust company or national banking association which has a combined capital and surplus in excess of \$50,000,000.

(v) The Company will, at its own expense, take whatever action is necessary to cause all Registrable Securities registered pursuant to these registration rights to be listed on a national securities exchange or to be included for quotation in the over-the-counter market as reported by the National Association of Securities Dealers Automated Quotation System or similar organization.

(vi) All expenses (other than fees (including underwriters' discounts and commissions) and expenses of any underwriters and counsel to the Selling Holders) in connection with registrations undertaken pursuant hereto shall be borne by the Company, provided, however, that if Masco withdraws or abandons its request, then Masco shall reimburse the Company for all expenses reasonably incurred by the Company in complying with such request.

(vii) Masco shall be deemed to be the representative of all Selling Holders, with full authority to select a managing underwriter, withdraw or abandon the Registration Statement, and make comparable decisions on behalf of all Selling Holders after reasonable consultation therewith.

(viii) The Company will make available for inspection any Selling Holder, any underwriter participating in any disposition pursuant to a Registration Statement and any attorney, accountant or other professional retained by any Selling Holder or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records") as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any Inspectors in connection with such registration statement. Records which the Company determines, in good faith, to be confidential and which it notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless

(i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in such Registration Statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction. Information obtained as a result of such inspections shall be deemed confidential and shall not be used as the basis for any market transactions in the securities of the Company unless and until such is made generally available to the public. Each Selling Holder of such Registrable Securities will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to the Company and allow the Company, at its expense, to undertake appropriate action to prevent disclosure of the Records deemed confidential.

3 (a). Amendments and Waivers. This Agreement may not be amended or terminated, nor any condition or term hereof be waived orally, but only by an instrument in writing duly executed by the parties hereto or, in the case of a waiver, by the party otherwise entitled to performance.

3 (b). Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the parties hereto, and upon their respective successors and assigns, provided, however, that Masco may not assign any of its rights hereunder.

3 (c). Governing Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Michigan.

3 (d). Paragraph and Other Headings. The paragraph and other headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

**MASCO CORPORATION**

*By /s/ Wayne B.  
Lyon*

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**MASCO INDUSTRIES, INC.**

*By /s/ Timothy  
Wadhams*

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EXHIBIT 12

**MASCO CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

	(THOUSANDS OF DOLLARS)				
	YEAR ENDED DECEMBER 31				
	1998	1997	1996	1995	1994
<b>EARNINGS BEFORE INCOME TAXES AND FIXED CHARGES:</b>					
Income from continuing operations before income taxes.....	\$755,000	\$630,900	\$502,700	\$351,790	\$292,830
Deduct/add equity in undistributed (earnings) loss of fifty-percent-or-less-owned companies.....	(24,070)	(19,470)	(12,310)	(17,770)	106,200
Add interest on indebtedness, net.....	86,230	80,390	74,790	73,400	60,360
Add amortization of debt expense.....	1,230	1,260	1,400	1,930	2,220
Add estimated interest factor for rentals.....	10,000	8,150	6,150	4,970	4,220
Earnings before income taxes and fixed charges...	\$828,390	\$701,230	\$572,730	\$414,320	\$465,830
<b>FIXED CHARGES:</b>					
Interest on indebtedness.....	\$ 90,320	\$ 83,520	\$ 77,250	\$ 76,460	\$ 63,220
Amortization of debt expense.....	1,230	1,260	1,400	1,930	2,220
Estimated interest factor for rentals.....	10,000	8,150	6,150	4,970	4,220
Fixed charges.....	\$101,550	\$ 92,930	\$ 84,800	\$ 83,360	\$ 69,660
Ratio of earnings to fixed charges.....	8.2	7.5	6.8	5.0	6.7

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**EXHIBIT 21**  
**MASCO CORPORATION**  
(A DELAWARE CORPORATION)

Subsidiaries as of March 9, 1999\*

NAME ORGANIZATION -----	JURISDICTION OF INCORPORATION OR
-----	
Alsons Corporation	Michigan
American Metal Products Company	Delaware
A.M.P. Industrial Mexicana S.A. de C.V. (97%)	Mexico
Registers Unique, Inc.	Delaware
American Shower & Bath Corporation	Michigan
Aqua Glass Corporation	Tennessee
Aqua Glass West, Inc.	Delaware
Tombigbee Transport Corporation	Tennessee
Baldwin Hardware Corporation	Pennsylvania
Baldwin Decorative Coatings, Inc.	Delaware
Baldwin Hardware Service Corp.	Delaware
Brass-Craft Manufacturing Company	Michigan
Brass-Craft Holding Company	Michigan
Brass-Craft Canada Ltd.	Canada
Brass-Craft Western Company	Texas
Plumbers Quality Tool Mfg. Co., Inc.	Michigan
Tempered Products, Inc.	Taiwan
Thomas Mfg. Company Inc. of Thomasville	North Carolina
Brugman, L.L.C.	Delaware
Brush Creek Ranch II, Inc.	Missouri
Cal-Style Furniture Mfg. Co.	California
Cobra Products, Inc.	Delaware
Composite Products, Inc.	Delaware
Delta Faucet Services International, Inc.	Delaware
Epic Fine Arts Company	Delaware
Beacon Hill Fine Art Corporation	New York
Morning Star Gallery, Ltd.	New Mexico
The Faucet-Queens Company Acquisition, Inc.	Delaware
Fieldstone Cabinetry, Inc.	Iowa
Flint & Walling Industries, Inc.	Delaware
Franklin Brass Manufacturing Co.	Delaware
Gale Industries, Inc.	Florida
Tri-State Industries, Inc.	Delaware
Gamco Products Company	Delaware
General Accessory Manufacturing Co.	Oklahoma
KraftMaid Cabinetry, Inc.	Ohio
KraftMaid Trucking, Inc.	Ohio
KraftMaid Distribution Centers, Inc.	Delaware
Landex, Inc.	Michigan
Landex of Wisconsin, Inc.	Wisconsin

\*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 trade names or other assumed names in the conduct of their business.

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Liberty Hardware Mfg. Corp.	Florida
The Marvel Group, Inc.	Delaware
Masco A.G. Disposition, Inc.	Kentucky
Masco B.V.	Netherlands
Turad B.V.	Netherlands
Brugman Radiatorenfabriek B.V.	Netherlands
Masco Building Products Corp.	Delaware
Computerized Security Systems, Inc.	Michigan
Computerized Security Systems of Canada, Inc.	Ontario
Weiser Lock Corporation	California
Weiser Lock Mexico S.A. de C.V.	Mexico
Winfield Locks, Inc.	California
Masco Capital Corporation	Delaware
Masco Holdings Limited	Delaware
Masco Chile Limited (99%)	Chile
Masco Corporation of Indiana	Indiana
Damixa A/S	Denmark
KS Beheer B.V.	Netherlands
Damixa Nederland B.V.	Netherlands
N.V. Damixa S.A.	Belgium
Damixa Armaturen GmbH	Germany
Damixa SARL	France
Delta Faucet Company of Tennessee	Delaware
Delta Faucet of Oklahoma, Inc.	Delaware
Delta Faucet Services (Korea)	Korea
Delta Faucet Services (Singapore)	Singapore
Delta Faucet Services (Thailand)	Thailand
Delta International Services, Inc.	Delaware
Hydrotech, Inc.	Michigan
Masco Canada Limited	Ontario
Masco Corporation Limited	United
Kingdom	
Berglen Group Limited	United
Kingdom	
[Gummers]	United
Kingdom	
Heritage Bathrooms, Plc	United
Kingdom	
Kiloheat Limited	United
Kingdom	
Moore Group Limited	United
Kingdom	
Moore Furniture Group Limited	United
Kingdom	
NewTeam Export (Jersey) Limited	Jersey
NewTeam Management Services Ltd.	Jersey
NewTeam Ltd.	United
Kingdom	
Chromeco Ltd.	United
Kingdom	
Harplace Ltd.	United
Kingdom	
Masco Europe, Inc.	Delaware

(Subsidiaries of Masco Corporation of Indiana continued)

Masco GmbH (98%)	Germany
Alfred Reinecke GmbH & Co. KG	Germany
Alma Kuechen Aloys Meyer GmbH & Co. KG	Germany
Dusakabin - Wien Austria	Austria
E. Missel GmbH & Co.	Germany
Gebhardt Flaekttechnik Aktiebolag	Sweden
Gebhardt Ventilatoren GmbH & Co.	Germany
Gebhardt Singapore	Singapore
Gebhardt Ventilatoren A/S	Denmark
Gebhart Venblodores, S.L.	Spain
Hueppe Belgium N.V./S.A.	Belgium
Hueppe GesmbH	Austria
Hueppe GmbH & Co.	Germany
Hueppe Sarl	France
Hueppe Czech Republik	Czech
Republic	
Hueppe Netherlands	Holland
Hueppe Poland	Poland
Hueppe Switzerland	Switzerland
Hueppe Italy	Italy
Intermart Insaat Malzemeleri	
Sanayi ve Ticaret AS	Turkey
Jung Pumpen GesmbH	Austria
Jung Pumpen GmbH&Co.	Germany
Jung Pumpen SARL	France
Jung Pumpen Ltd.	United
Kingdom	
Masco Belgium N.V.	Belgium
Vasco N.V.	Belgium
Thermic N.V.	Belgium
LTV Transport N.V.	Belgium
Vasco GmbH	Denmark
Vasco BC S.C.	France
Vasco Ltd. UK	Great Britain
Vasco B.V.	Netherlands
Vasco Ges.m.b.H	Austria
Vasco sp.z.o.o.	Poland
Masco Mobiliario S.L.	Spain
Alvic S.A.	Spain
Alvinor S.A.	Spain
Cockit S.A.	Spain
Cockit-Madrid S.L.	Spain
Desarollos Modulares (Barcelona) S.A.	Spain
Desarollos Modulares S.A.	Spain
Madetres S.A.	Spain
Ofitres S.A.	Spain
Reser Sl	Spain



continued)

SKS Stakusit-Bautechnik GmbH	Germany
Bauelemente Bertram GmbH	Germany
BBD Bauelemente Bertram Duisburg GmbH	Germany
elket Kunststoff-Technik GmbH&Co.	Germany
SKS Stakusit-STAHL-Kunststoff	Germany
SKS Stakusit POLSKA Sp.Z.0.0.	Poland
SKS Stakusit GmbH	Austria
N.V. Weiser Europe S.A.	Belgium
Rubinetterie Mariani S.P.A.	Italy
Studio Technico Sviluppo E. Recherche S.R.L.	Italy
Weiser Inc.	Canada
Weiser (U.K.) Ltd.	United Kingdom
Masco de Puerto Rico, Inc.	Puerto Rico
Masco International Sales, Inc.	Barbados
Masco International, Inc.	Delaware
Masco IRC, Inc.	Delaware
Masco Japan Ltd.	Delaware
Masco Philippines Inc.	Philippines
Masco of Russia	Russia
Masco Services, Inc.	Delaware
Masco Training 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
Mirolin Industries, Inc.	Ontario
Morgantown Plastics Company	Delaware
Outlet Corp.	Delaware
Peerless Faucet Sales Corporation	Delaware
StarMark, Inc.	South Dakota
SMI Retail Corp.	Delaware
SMI Transportation, Inc.	Delaware
StarMark of Virginia, Inc.	Virginia
Texwood Industries, Inc.	Delaware
Quality Cabinets Inc.	Texas
Quality Doors Inc.	Texas
Vapor Technologies, Inc.	Delaware
Watkins Manufacturing Corporation	California
Hot Spring Spas New Zealand (50%)	New Zealand
W/C Technology Corporation	Delaware
Zenith Products Corporation	Delaware

**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, 333-27765 and 333-36477) and Form S-8 (Registration Nos. 2-95969, 33-28142, 33-42229, 333-30867, 333-64573, and 333-74815) of our report dated February 17, 1999, on our audits of the consolidated financial statements and financial statement schedule of Masco Corporation and subsidiaries as of December 31, 1998 and 1997 and for each of the three years in the period ended December 31, 1998, 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.

**PRICEWATERHOUSECOOPERS LLP**

Detroit, Michigan  
March 25, 1999

**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, 333-27765 and 333-36477) and Form S-8 (Registration Nos. 2-95969, 33-28142, 33-42229, 333-30867, 333-64573 and 333-74815) of our report dated February 19, 1999, on our audits of the consolidated financial statements and financial statement schedule of MascoTech, Inc. and subsidiaries as of December 31, 1998 and 1997 and for each of the three years in the period ended December 31, 1998, 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.

**PRICEWATERHOUSECOOPERS LLP**

Detroit, Michigan  
March 25, 1999

**ARTICLE 5**  
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MASCO CORPORATION'S DECEMBER 31, 1998 FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.  
MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	DEC 31 1998
CASH	541,740
SECURITIES	0
RECEIVABLES	721,630
ALLOWANCES	21,500
INVENTORY	558,990
CURRENT ASSETS	1,862,620
PP&E	1,811,710
DEPRECIATION	647,460
TOTAL ASSETS	5,167,350
CURRENT LIABILITIES	846,580
BONDS	1,391,420
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	339,330
OTHER SE	2,389,250
TOTAL LIABILITY AND EQUITY	5,167,350
SALES	4,345,000
TOTAL REVENUES	4,345,000
CGS	2,793,990
TOTAL COSTS	2,793,990
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	85,260
INCOME PRETAX	755,000
INCOME TAX	279,000
INCOME CONTINUING	476,000
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	476,000
EPS PRIMARY	1.44
EPS DILUTED	1.39

# End of Filing