

# MASCO CORP /DE/

## FORM 8-K (Current report filing)

Filed 03/02/94 for the Period Ending 03/02/94

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

# MASCO CORP /DE/

## FORM 8-K (Unscheduled Material Events)

Filed 3/2/1994 For Period Ending 3/2/1994

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

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 8-K

### CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

March 2, 1994

Date of Report (Date of earliest event reported)

## MASCO CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

-----  
(State or Other  
Jurisdiction of  
Incorporation)

1-5794

-----  
(Commission File  
Number)

38-1794485

-----  
(IRS Employer  
Identification  
Number)

21001 Van Born Road, Taylor, Michigan

-----  
(Address of Principal Executive Offices)

48180

-----  
(Zip Code)

(313) 274-7400

(Registrant's telephone number, including area code)

**Item 5. Other Events.****RECENT OPERATING RESULTS**

On February 11, 1994 the Registrant announced the following year end results.

	Three Months Ended December 31		Twelve Months Ended December 31	
	1993	1992	1993	1992
	(Amounts in thousands except per share data)			
Net Sales	\$ 1,010,000	\$ 908,000	\$ 3,886,000	\$ 3,525,000
Costs and Expenses:				
Costs of Sales	687,930	616,640	2,621,630	2,381,040
Selling, General and Administrative Expenses	222,740	204,620	860,540	785,420
Other Expense, Net	7,330	15,440	41,230	53,740
	918,000	836,700	3,523,400	3,220,200
Income Before Tax	92,000	71,300	362,600	304,800
Income Taxes	34,400	28,300	141,500	121,700
Net Income	\$ 57,600	\$ 43,000	\$ 221,100	\$ 183,100
Earnings Per Share	\$.38	\$.29	\$1.45	\$1.21
Average Shares Outstanding			152,700	151,700

Net Sales for 1993 were \$3,886 million, a 10 percent increase from 1992. Net income increased 21 percent to \$221 million from \$183 million in 1992, with earnings per share increasing to \$1.45 from \$1.21.

Net sales of \$1,010 million in the fourth quarter of 1993 increased 11 percent from the 1992 fourth quarter. Net income for the quarter increased 34 percent to \$58 million, with earnings per share increasing to \$.38, compared with \$.29 in 1992.

Income in the fourth quarter of 1993 included an \$18 million after-tax gain from the redemption by MascoTech, Inc. of its \$100 million of preferred stock. This gain was principally offset by the Registrant's approximate \$10 million after-tax equity share of MascoTech's loss provision for the disposition of its energy-related businesses, as well as by charges related to certain restructurings of Company operations.

For all of 1993, building and home improvement products achieved sales and operating profit of \$2,188 million and \$412 million, respectively.

Sales of home furnishings products in 1993 were \$1,698 million. Operating profit was \$69 million, a 15 percent increase over 1992 results.

Registrant is filing herewith certain financial information as follows:

(i) audited consolidated financial statements of the Registrant and subsidiaries as of December 31, 1993 and 1992 and for the three years in the period ended December 31, 1993 and (ii) the separate audited consolidated financial statements of the Registrant's 50 percent-or-less owned significant subsidiary, MascoTech, Inc. and subsidiaries, as of December 31, 1993 and 1992 and for the three years in the period ended December 31, 1993.

**FINANCIAL STATEMENTS OF MASCO CORPORATION  
AND SUBSIDIARIES AS OF DECEMBER 31, 1993 AND 1992  
AND FOR THE THREE YEARS ENDED DECEMBER 31, 1993**

## **REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors  
and Shareholders of Masco Corporation:

We have audited the accompanying consolidated balance sheet of Masco Corporation and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Masco Corporation and subsidiaries as of December 31, 1993 and 1992, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles.

### **COOPERS & LYBRAND**

Detroit, Michigan  
February 24, 1994

**MASCO CORPORATION**  
**CONSOLIDATED BALANCE SHEET**

**DECEMBER 31, 1993 AND 1992**

	ASSETS	1993	1992
		-----	-----
Current Assets:			
Cash and cash investments.....		\$ 119,980,000	\$ 45,350,000
Marketable securities.....		4,890,000	8,970,000
Receivables.....		610,120,000	547,840,000
Inventories.....		824,130,000	781,700,000
Prepaid expenses.....		84,700,000	81,680,000
		-----	-----
Total current assets.....		1,643,820,000	1,465,540,000
Equity investments in MascoTech, Inc.....		294,700,000	246,940,000
Other investment in MascoTech, Inc.....		--	130,000,000
Equity investments in other affiliates.....		54,630,000	85,740,000
Property and equipment.....		1,095,170,000	1,030,530,000
Excess of cost over acquired net assets.....		605,170,000	627,300,000
Other assets.....		327,570,000	400,510,000
		-----	-----
Total assets.....		\$4,021,060,000	\$3,986,560,000
		-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Notes payable.....		\$ 33,160,000	\$ 94,810,000
Accounts payable.....		161,220,000	133,210,000
Accrued liabilities.....		296,060,000	263,490,000
		-----	-----
Total current liabilities.....		490,440,000	491,510,000
Long-term debt.....		1,418,290,000	1,487,090,000
Deferred income taxes and other.....		113,900,000	121,080,000
		-----	-----
Total liabilities.....		2,022,630,000	2,099,680,000
		-----	-----
Shareholders' Equity:			
Common shares authorized: 400,000,000;			
issued: 1993 -- 152,850,000; 1992 -- 152,470,000.....		152,850,000	152,470,000
Preferred shares authorized: 1,000,000.....		--	--
Paid-in capital.....		69,880,000	61,370,000
Retained earnings.....		1,805,170,000	1,685,010,000
Cumulative translation adjustments.....		(29,470,000)	(11,970,000)
		-----	-----
Total shareholders' equity.....		1,998,430,000	1,886,880,000
		-----	-----
Total liabilities and shareholders' equity.....		\$4,021,060,000	\$3,986,560,000
		-----	-----

See notes to consolidated financial statements.

**MASCO CORPORATION**

**CONSOLIDATED STATEMENT OF INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991**

	1993	1992	1991
	-----	-----	-----
Net sales.....	\$3,886,000,000	\$3,525,000,000	\$3,141,000,000
Cost of sales.....	2,621,630,000	2,381,040,000	2,206,460,000
	-----	-----	-----
Gross profit.....	1,264,370,000	1,143,960,000	934,540,000
Selling, general and administrative expenses...	860,540,000	785,420,000	686,210,000
	-----	-----	-----
Operating profit.....	403,830,000	358,540,000	248,330,000
	-----	-----	-----
Other income (expense), net:			
Re: MascoTech, Inc.:			
Equity earnings (loss).....	13,160,000	12,570,000	(9,170,000)
Interest and dividend income.....	16,220,000	17,100,000	17,100,000
Gain from redemption of preferred stock...	28,300,000	--	--
Equity earnings (loss), other affiliates....	5,580,000	4,720,000	(3,470,000)
Other, net.....	1,330,000	12,510,000	(28,610,000)
Interest expense.....	(105,820,000)	(100,640,000)	(126,580,000)
	-----	-----	-----
	(41,230,000)	(53,740,000)	(150,730,000)
	-----	-----	-----
Income before income taxes.....	362,600,000	304,800,000	97,600,000
Income taxes.....	141,500,000	121,700,000	52,700,000
	-----	-----	-----
Net income.....	\$ 221,100,000	\$ 183,100,000	\$ 44,900,000
	-----	-----	-----
Earnings per share.....	\$1.45	\$1.21	\$.30
	-----	-----	-----
	-----	-----	-----

See notes to consolidated financial statements.



**MASCO CORPORATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991**

	1993	1992	1991
	-----	-----	-----
CASH FLOWS FROM (FOR):			
Operating Activities:			
Net income.....	\$ 221,100,000	\$ 183,100,000	\$ 44,900,000
Depreciation and amortization.....	115,990,000	114,450,000	102,690,000
Equity (earnings) loss, net.....	(13,800,000)	(13,190,000)	38,090,000
Write-downs of long-term investments.....	--	--	31,800,000
Deferred income taxes and other.....	(8,500,000)	11,620,000	(3,550,000)
Gain from redemption of MascoTech preferred stock, net of tax.....	(17,550,000)	--	--
	-----	-----	-----
Total from earnings.....	297,240,000	295,980,000	213,930,000
(Increase) in receivables.....	(42,520,000)	(52,450,000)	(13,180,000)
(Increase) decrease in inventories.....	(38,840,000)	(35,100,000)	17,560,000
Increase (decrease) in accounts payable and accrued liabilities, net.....	45,050,000	(4,800,000)	25,310,000
	-----	-----	-----
Net cash from operating activities.....	260,930,000	203,630,000	243,620,000
	-----	-----	-----
Investing Activities:			
Capital expenditures.....	(166,540,000)	(117,690,000)	(112,990,000)
Currency translation adjustments.....	(17,500,000)	(27,090,000)	(15,820,000)
Sale of affiliate investments to MascoTech....	87,500,000	--	--
Proceeds from redemption of MascoTech preferred stock.....	100,000,000	--	--
Acquisition of Masco Capital Corp.....	--	--	(49,450,000)
Other, net.....	40,700,000	(63,380,000)	(2,850,000)
	-----	-----	-----
Net cash from (for) investing activities.....	44,160,000	(208,160,000)	(181,110,000)
	-----	-----	-----
Financing Activities:			
Issuance of notes.....	400,000,000	400,000,000	--
Retirement of notes.....	(200,000,000)	(300,000,000)	--
Issuance of Company common stock.....	--	--	63,600,000
Increase in other debt.....	290,770,000	460,470,000	449,690,000
Payment of other debt.....	(622,230,000)	(480,000,000)	(479,660,000)
Cash dividends paid.....	(99,000,000)	(92,690,000)	(85,150,000)
	-----	-----	-----
Net cash (for) financing activities.....	(230,460,000)	(12,220,000)	(51,520,000)
	-----	-----	-----
Cash and Cash Investments:			
Increase (decrease) for the year.....	74,630,000	(16,750,000)	10,990,000
At January 1.....	45,350,000	62,100,000	51,110,000
	-----	-----	-----
At December 31.....	\$ 119,980,000	\$ 45,350,000	\$ 62,100,000
	-----	-----	-----

See notes to consolidated financial statements.

# MASCO CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### ACCOUNTING POLICIES:

**Principles of Consolidation.** The consolidated financial statements include the accounts of Masco Corporation and all majority-owned subsidiaries. All significant intercompany transactions have been eliminated.

**Average Shares Outstanding.** The average number of common shares outstanding in 1993, 1992 and 1991 approximated 152.7 million, 151.7 million and 149.9 million, respectively.

**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.** Accounts and notes receivable are presented net of allowances for doubtful accounts of \$19.1 million at December 31, 1993 and \$16.3 million at December 31, 1992.

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

**Depreciation and Amortization.** Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Annual depreciation rates are as follows: buildings and land improvements, 2 to 10 percent, and machinery and equipment, 5 to 33 percent. Depreciation was \$82.1 million, \$79.4 million and \$70.2 million in 1993, 1992 and 1991, respectively.

The excess of cost over net assets of acquired companies is being amortized using the straight-line method over periods not exceeding 40 years; at December 31, 1993 and 1992, such accumulated amortization totalled \$127.2 million and \$107.3 million, respectively. At each balance sheet date management assesses whether there has been an impairment in the carrying value of excess of cost over net assets of acquired companies primarily by comparing current and projected sales, operating income and annual cash flows with the related annual amortization expense. Purchase costs of patents are being amortized using the straight-line method over their remaining lives. Amortization of intangible assets was \$33.9 million, \$35.1 million and \$32.5 million in 1993, 1992 and 1991, respectively.

**Fair Value of Financial Instruments.** The carrying value of financial instruments reported in the balance sheet for current assets and current liabilities approximates fair value. The fair value of financial instruments that are carried as long-term investments (other than those accounted for by the equity method) was based principally on quoted market prices for those or similar investments or by discounting future cash flows using a discount rate that approximates the risk of the investments. The fair value of the Company's long-term debt instruments was based principally on quoted market prices for the same or similar issues or the current rates offered 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, 1993 was approximately \$230 million and \$1,471 million, as compared with the Company's carrying value of \$200 million and \$1,418 million, respectively. The aggregate market value of the Company's long-term investments and long-term debt at December 31, 1992 was approximately \$530 million and \$1,508 million, as compared with the Company's carrying value of \$537 million and \$1,487 million, respectively.

**Recently Issued Professional Accounting Standards.** Statement of Financial Accounting Standards (SFAS) No. 112, Employers' Accounting for Postemployment Benefits, SFAS No. 114, Accounting by Creditors for Impairment of a Loan and SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, which become effective in 1994 and 1995, will not have a material impact on the Company's financial statements.

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

**INVENTORIES:**

	( IN THOUSANDS )	
	AT DECEMBER 31	
	1993	1992
Finished goods.....	\$312,470	\$300,820
Raw material.....	280,450	243,510
Work in process.....	231,210	237,370
	\$824,130	\$781,700

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 equity and partnership interests:

	AT DECEMBER 31		
	1993	1992	1991
MascoTech, Inc.....	42%	47%	47%
Hans Grohe, a German partnership.....	27%	27%	27%
TriMas Corporation.....	5%	7%	8%
Emco Limited, a Canadian company.....	--	44%	44%
Mechanical Technology Inc.....	--	--	49%

Excluding the partnership interest in Hans Grohe, for which there is no quoted market value, the aggregate market value of the Company's equity investments at December 31, 1993 (which may differ from the amounts that could then have been realized upon disposition), based upon quoted market prices at that date, was \$889 million, as compared with the Company's related aggregate carrying value of \$315 million.

The Company's carrying value in the common stock of MascoTech, Inc. (formerly Masco Industries, Inc.) exceeds its equity in the underlying net book value by approximately \$63 million at December 31, 1993. This excess, substantially all of which resulted from repurchases by MascoTech of its common stock, is being amortized over a period not to exceed 40 years. The Company's carrying value in the common stock of TriMas Corporation exceeds its equity in the underlying net book value by approximately \$8 million at December 31, 1993. The Company's carrying value of its investment in Hans Grohe at December 31, 1993 approximates the Company's equity in the underlying net book value in this affiliate.

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

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

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

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

As part of the Company's efforts to de-emphasize equity investments, in addition to its disposition of its investments in Emco Limited, in July 1992 the Company sold its 49 percent equity interest in Mechanical Technology Inc. at approximate carrying value.

Approximate combined condensed financial data of the above companies, excluding data subsequent to 1991 of Emco Limited and Mechanical Technology Inc. as to which the equity method was discontinued as of January 1, 1992, are summarized in U.S. dollars as follows, in thousands:

	1993	1992	1991
	-----	-----	-----
At December 31:			
Current assets.....	\$ 846,780	\$ 881,200	\$ 1,190,160
Current liabilities.....	(300,650)	(371,350)	(509,770)
	-----	-----	-----
Working capital.....	546,130	509,850	680,390
Property and equipment.....	720,290	755,290	882,530
Other assets.....	882,550	737,660	816,340
Long-term liabilities.....	(1,213,940)	(1,400,950)	(1,810,060)
	-----	-----	-----
Shareholders' equity.....	\$ 935,030	\$ 601,850	\$ 569,200
	-----	-----	-----
Net sales.....	\$ 2,230,330	\$ 2,051,730	\$ 2,706,880
	-----	-----	-----
Income (loss) from continuing operations.....	\$ 119,380	\$ 56,690	\$ (940)
	-----	-----	-----
Net income (loss) attributable to common shareholders.....	\$ 96,090	\$ 50,340	\$ (2,070)
	-----	-----	-----
The Company's net equity in above income (loss).....	\$ 18,740	\$ 17,290	\$ (12,640)
	-----	-----	-----
Cash dividends received by the Company from affiliates.....	\$ 4,940	\$ 4,100	\$ 25,450
	-----	-----	-----

Certain amounts for 1992 and 1991 have been restated to reflect MascoTech's formal plan to divest its energy-related business segment.

Equity in undistributed earnings of affiliates of \$132 million at December 31, 1993, \$118 million at December 31, 1992 and \$105 million at December 31, 1991 are included in consolidated retained earnings.

**OTHER INVESTMENT IN MASCOTECH, INC.:**

	(IN THOUSANDS)	
	AT DECEMBER 31	
	1993	1992
	-----	-----
Convertible debentures, 6%, due 2011.....	--	\$130,000
	-----	-----

In December 1993, following MascoTech's call for redemption, the Company converted the 6% debentures into MascoTech common stock at \$18 per share.

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

**PROPERTY AND EQUIPMENT:**

	( IN THOUSANDS )	
	AT DECEMBER 31	
	1993	1992
Land and improvements.....	\$ 78,670	\$ 77,080
Buildings.....	595,630	574,960
Machinery and equipment.....	1,009,060	901,960
	1,683,360	1,554,000
Less accumulated depreciation.....	588,190	523,470
	\$1,095,170	\$1,030,530

**ACCRUED LIABILITIES:**

	( IN THOUSANDS )	
	AT DECEMBER 31	
	1993	1992
Salaries, wages and commissions.....	\$ 60,910	\$ 61,520
Insurance.....	35,180	31,010
Advertising and sales promotion.....	32,370	26,260
Dividends payable.....	26,260	24,330
Income taxes.....	26,110	17,820
Interest.....	26,070	24,480
Employee retirement plans and other.....	89,160	78,070
	\$296,060	\$263,490

**LONG-TERM DEBT:**

	( IN THOUSANDS )	
	AT DECEMBER 31	
	1993	1992
Notes, 6.25%, due 1995.....	\$ 200,000	\$ 200,000
Notes, 8.75%, due 1996.....	--	200,000
Notes, 9%, due 1996.....	250,000	250,000
Notes, 6.625%, due 1999.....	200,000	200,000
Notes, 9%, due 2001.....	175,000	175,000
Notes, 6.125%, due 2003.....	200,000	--
Notes, 7.125%, due 2013.....	200,000	--
Notes payable to banks.....	--	260,000
Convertible subordinated debentures, 5.25%, due 2012.....	177,930	177,930
Other.....	23,980	28,750
	1,426,910	1,491,680
Less current portion.....	8,620	4,590
	\$1,418,290	\$1,487,090

At December 31, 1993, all of the outstanding notes above are nonredeemable.

In March 1993, the \$200 million of 8.75% notes due 1996 were redeemed at par with borrowings under the Company's bank revolving-credit agreement.

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

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

In June 1992, the Company issued \$200 million of 6.25% notes due June 15, 1995. In September 1992, the Company issued \$200 million of 6.625% notes due September 15, 1999. The proceeds from these financings were used to reduce outstanding bank indebtedness.

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

The notes payable to banks at December 31, 1992 relate to a \$750 million revolving-credit agreement, with any outstanding balance due and payable in November 1995. Interest is payable on borrowings under this agreement based upon various floating rates as selected by the Company.

Certain debt agreements contain limitations on additional borrowings and restrictions on cash dividend payments and common share repurchases. At December 31, 1993, the amount of retained earnings available for cash dividends and common share repurchases approximated \$242 million under the most restrictive of these provisions.

At December 31, 1993, the maturities of long-term debt during the next five years were approximately as follows: 1994-\$8.6 million; 1995-\$204.1 million; 1996-\$256.9 million; 1997-\$1.1 million; and 1998-\$1.0 million.

At December 31, 1993, the Company had shelf registration statements on file with the Securities and Exchange Commission for up to \$200 million of debt securities as well as up to 9.6 million shares of its common stock.

Interest paid was approximately \$104 million, \$121 million and \$127 million in 1993, 1992 and 1991, respectively.

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

**SHAREHOLDERS' EQUITY:**

	(IN THOUSANDS)		
	1993	1992	1991
	-----	-----	-----
Common Shares, \$1 Par Value			
Balance, January 1.....	\$ 152,470	\$ 153,210	\$ 149,960
Shares issued.....	380	1,470	3,250
Shares retired.....	--	(2,210)	--
	-----	-----	-----
Balance, December 31.....	152,850	152,470	153,210
	-----	-----	-----
Paid-In Capital			
Balance, January 1.....	61,370	64,950	--
Common shares issued.....	8,510	25,050	64,950
Common shares retired.....	--	(28,630)	--
	-----	-----	-----
Balance, December 31.....	69,880	61,370	64,950
	-----	-----	-----
Retained Earnings			
Balance, January 1.....	1,685,010	1,596,180	1,638,390
Net income.....	221,100	183,100	44,900
Cash dividends declared.....	(100,940)	(94,270)	(87,110)
	-----	-----	-----
Balance, December 31.....	1,805,170	1,685,010	1,596,180
	-----	-----	-----
Cumulative Translation Adjustments			
Balance, December 31.....	(29,470)	(11,970)	15,120
	-----	-----	-----
Treasury Shares Related to Merger			
Balance, January 1.....	--	(30,550)	(30,550)
Shares repurchased.....	--	(290)	--
Shares retired.....	--	30,840	--
	-----	-----	-----
Balance, December 31.....	--	--	(30,550)
	-----	-----	-----
Shareholders' Equity			
Balance, December 31.....	\$1,998,430	\$1,886,880	\$1,798,910
	-----	-----	-----
	-----	-----	-----

In April 1991, the Company issued 3 million shares of its common stock for approximately \$64 million. The proceeds from this offering were used to reduce outstanding bank indebtedness.

On the basis of amounts paid (declared), cash dividends per share were \$.65 (\$.66) in 1993, \$.61 (\$.62) in 1992 and \$.57 (\$.58) in 1991.

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

**STOCK OPTIONS AND AWARDS:**

For the three years ended December 31, 1993, stock option data pertaining to stock option plans for key employees of the Company and affiliated companies are as follows:

	1993	1992	1991
	-----	-----	-----
Option shares outstanding, January 1.....	6,742,000	7,390,000	3,817,000
Option shares granted.....	298,000	1,212,000	3,735,000
Option price.....	\$27-\$37	\$25-\$30	\$21
Option shares exercised.....	1,210,000	1,860,000	142,000
Option price.....	\$2-\$30	\$2-\$21	\$2-\$18
Option shares cancelled.....	144,000	--	20,000
Option price.....	\$2-\$21	--	\$17-\$21
Option shares outstanding, December 31.....	5,686,000	6,742,000	7,390,000
Option price.....	\$10-\$37	\$2-\$30	\$2-\$25
Option shares exercisable, December 31.....	1,457,000	1,326,000	2,076,000

Pursuant to restricted stock incentive plans, the Company granted long-term incentive awards, net, for 100,000, 267,000 and 36,000 shares of common stock during 1993, 1992 and 1991, respectively, to key employees of the Company and affiliated companies. The unamortized costs of unvested awards under these plans, aggregating approximately \$47 million at December 31, 1993, are being amortized over the ten-year vesting periods.

At December 31, 1993, a combined total of 10,595,000 shares of common stock was available for the granting of stock options and incentive awards under the above plans.

Pursuant to the 1984 Restricted Stock (MascoTech) Incentive Plan, the Company may award to key employees of the Company and affiliated companies, shares of common stock of MascoTech, Inc. held by the Company. No such awards were granted in 1993, 1992 or 1991. At December 31, 1993, there were 4,694,000 of such shares available for granting future awards under this plan.



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

**EMPLOYEE RETIREMENT PLANS:**

The Company sponsors defined-benefit pension plans for most of its employees. In addition, substantially all salaried employees participate in noncontributory profit-sharing plans, to which payments are determined annually by the Directors. Aggregate charges to income under the pension and profit-sharing plans were \$19.2 million in 1993, \$16.9 million in 1992 and \$15.9 million in 1991. At December 31, 1993, the combined assets of the Company's defined-benefit pension plans exceed the combined accumulated benefit obligation.

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

	(IN THOUSANDS)		
	1993	1992	1991
Service cost -- benefits earned during the year....	\$11,800	\$10,850	\$10,590
Interest cost on projected benefit obligation.....	17,240	15,280	14,820
Actual return on assets.....	(28,940)	(12,190)	(25,470)
Net amortization and deferral.....	6,100	(9,810)	6,080
Net periodic pension cost.....	\$ 6,200	\$ 4,130	\$ 6,020

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

	1993	1992	1991
Discount rate for obligations.....	7.25%	8.0%	8.25%
Rate of increase in compensation levels.....	5.0 %	6.0%	5.75%
Expected long-term rate of return on plan assets.....	13.0 %	13.0%	12.75%

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

	1993		1992	
	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS
Actuarial present value of benefit obligations:				
Vested benefit obligation.....	\$ 135,800	\$ 54,130	\$ 115,900	\$33,890
Accumulated benefit obligation.....	\$ 142,110	\$ 62,660	\$ 122,500	\$38,450
Projected benefit obligation.....	\$ 181,850	\$ 68,420	\$ 160,040	\$41,960
Assets at fair value.....	158,630	47,790	150,650	32,190
Projected benefit obligation in excess of plan assets...	(23,220)	(20,630)	(9,390)	(9,770)
Reconciling items:				
Unrecognized net loss.....	22,780	13,720	10,070	2,420
Unrecognized prior service cost.....	8,680	1,240	11,870	2,600
Unrecognized net (asset) obligation at transition...	(12,800)	1,400	(14,890)	2,300
Requirement to recognize minimum liability.....	--	(11,170)	--	(5,060)
Accrued pension cost.....	\$ (4,560)	\$ (15,440)	\$ (2,340)	\$ (7,510)

In January 1993, Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, became effective. 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, 1993, the aggregate

present value of the accumulated postretirement benefit obligation approximated \$10 million pre-tax and is being amortized over 20 years.

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

**SEGMENT INFORMATION:**

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

Building and home improvement -- faucets; plumbing fittings; kitchen and bath cabinets; showertubs, whirlpools and spas; kitchen appliances; builders' hardware; venting and ventilating equipment; and water pumps.

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

Corporate assets consisted primarily of cash, real property and other investments.

Pursuant to a corporate services agreement to provide MascoTech, Inc. with certain corporate staff and administrative services, the Company charges a fee approximating .8 percent of MascoTech net sales. This fee approximated \$11 million in each of 1993, 1992 and 1991 and is included as a reduction of general corporate expense.

	NET SALES			OPERATING PROFIT			ASSETS AT DECEMBER 31 (IN THOUSANDS)		
	1993	1992	1991	1993	1992	1991	1993	1992	1991
The Company's operations by segment were:									
Building and home improvement...	\$2,188,000	\$1,991,000	\$1,711,000	\$412,000	\$368,000	\$ 273,000	\$1,297,000	\$1,262,000	\$1,171,000
Home furnishings products.....	1,698,000	1,534,000	1,430,000	69,000	60,000	38,000	1,886,000	1,778,000	1,661,000
Total.....	\$3,886,000	\$3,525,000	\$3,141,000	\$481,000	\$428,000	\$ 311,000	\$3,183,000	\$3,040,000	\$2,832,000
The Company's operations by geographic area were:									
United States...	\$3,194,000	\$2,895,000	\$2,610,000	\$387,000	\$334,000	\$ 232,000	\$2,638,000	\$2,522,000	\$2,363,000
European Community.....	375,000	378,000	327,000	60,000	64,000	48,000	240,000	245,000	242,000
Other foreign countries.....	317,000	252,000	204,000	34,000	30,000	31,000	305,000	273,000	227,000
Total, as above.....	\$3,886,000	\$3,525,000	\$3,141,000	481,000	428,000	311,000	3,183,000	3,040,000	2,832,000
Other expense, net.....				(41,000)	(54,000)	(151,000)			
General corporate expense, net....				(77,000)	(69,000)	(62,000)			
Income before income taxes(1).....				\$363,000	\$305,000	\$ 98,000			
Equity and other investments in affiliates...							349,000	463,000	448,000
Corporate assets.....							489,000	484,000	506,000
Total assets....							\$4,021,000	\$3,987,000	\$3,786,000

	PROPERTY ADDITIONS			DEPRECIATION AND AMORTIZATION		
	1993	1992	1991	1993	1992	1991
The Company's operations by segment were:						
Building and home improvement...	\$ 80,000	\$ 80,000	\$ 62,000	\$ 48,000	\$ 48,000	\$ 42,000
Home furnishings						

products.....	71,000	35,000	38,000	46,000	45,000	43,000
	-----	-----	-----	-----	-----	-----
Total.....	\$ 151,000	\$ 115,000	\$ 100,000	\$ 94,000	\$ 93,000	\$ 85,000
	-----	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----	-----

(1) Income before income taxes and net income from foreign operations for 1993, 1992 and 1991 were \$92 million and \$55 million, \$88 million and \$54 million, and \$72 million and \$43 million, respectively.

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

**OTHER INCOME (EXPENSE), NET:**

	(IN THOUSANDS)		
	1993	1992	1991
	-----	-----	-----
Re: MascoTech, Inc.:			
Equity earnings (loss).....	\$ 13,160	\$ 12,570	\$ (9,170)
	-----	-----	-----
Interest and dividend income.....	16,220	17,100	17,100
	-----	-----	-----
Gain from redemption of preferred stock....	28,300	--	--
	-----	-----	-----
Equity earnings (loss), other affiliates.....	5,580	4,720	(3,470)
	-----	-----	-----
Other, net:			
Income from cash and marketable securities.....	3,250	4,330	4,100
Other interest income.....	9,800	11,640	14,390
Other items.....	(11,720)	(3,460)	(47,100)
	-----	-----	-----
	1,330	12,510	(28,610)
	-----	-----	-----
Interest expense.....	(105,820)	(100,640)	(126,580)
	-----	-----	-----
	\$ (41,230)	\$ (53,740)	\$ (150,730)
	-----	-----	-----
	-----	-----	-----

Other items in 1991 include write-downs aggregating approximately \$32 million pre-tax in the Company's long-term investments.

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

**INCOME TAXES:**

	(IN THOUSANDS)		
	1993	1992	1991
Income before income taxes:			
Domestic.....	\$270,930	\$216,460	\$ 25,910
Foreign.....	91,670	88,340	71,690
	\$362,600	\$304,800	\$ 97,600
Provision for income taxes:			
Currently payable:			
Federal.....	\$ 96,830	\$ 62,360	\$ 25,690
State and local.....	13,530	12,500	8,660
Foreign.....	39,640	35,220	25,800
Deferred:			
Federal, net.....	(5,570)	12,090	(10,740)
Foreign.....	(2,930)	(470)	3,290
	\$141,500	\$121,700	\$ 52,700
Deferred tax assets at December 31:			
Inventories.....	\$ 12,080		
Earlier recognition of expenses for financial reporting purposes.....	44,570		
Other.....	1,550		
	58,200		
Deferred tax liabilities at December 31:			
Property and equipment.....	145,880		
Other.....	9,240		
	155,120		
Net deferred tax liability at December 31..	\$ 96,920		
Provision for deferred income taxes for temporary differences:			
Accelerated tax deductions, including depreciation.....	\$ 900	\$ 3,990	\$ 8,760
Earlier recognition of gains and losses, net for financial reporting purposes.....	(9,400)	7,630	(16,210)
	\$ (8,500)	\$ 11,620	\$ (7,450)

The effective tax rate differs from the United States federal statutory rate principally due to: equity earnings (1 percent in 1992 and -7 percent in 1991), higher tax rate applicable to foreign earnings (-1 percent in 1993, -2 percent in 1992 and -5 percent in 1991), amortization in excess of tax, net (-1 percent in 1993, -2 percent in 1992 and -6 percent in 1991), dividends-received deduction (1 percent in 1993 and 1992 and 2 percent in 1991), state income tax and other (-2 percent in 1993 and -4 percent in 1992 and 1991), and -1 percent in 1993 to record the effect on deferred tax liabilities caused by the increase in the tax rate from 34 percent to 35 percent.

Income taxes paid were approximately \$135 million, \$97 million and \$54 million in 1993, 1992 and 1991, respectively.

Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which requires the use of an asset and liability method of accounting for income taxes, became effective in January 1993.

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

Deferred income taxes result from temporary differences between the tax basis of assets and liabilities and the related basis as reported in the consolidated financial statements. Prior to 1993, the Company followed the requirements of Statement of Financial Accounting Standards No. 96, Accounting for Income Taxes.

**COMBINED FINANCIAL STATEMENTS (UNAUDITED):**

The following presents the combined financial statements of the Company, MascoTech, Inc. (formerly Masco Industries, Inc.), and TriMas Corporation as one entity, with Masco Corporation as the parent company. Certain amounts for 1992 and 1991 have been restated to reflect MascoTech's formal plan to divest its energy-related business segment. Intercompany transactions have been eliminated. Amounts, except earnings per share, are in thousands.

	AT DECEMBER 31	
	1993	1992
<b>COMBINED BALANCE SHEET</b>		
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash investments.....	\$ 272,950	\$ 186,120
Marketable securities.....	32,680	42,190
Receivables.....	906,500	857,550
Prepaid expenses.....	118,700	104,720
Deferred income taxes.....	41,780	13,990
<b>Inventories:</b>		
Finished goods.....	393,820	414,270
Raw material.....	365,370	351,570
Work in process.....	281,680	298,940
	1,040,870	1,064,780
Total current assets.....	2,413,480	2,269,350
Equity investments in affiliates.....	163,970	124,570
Property and equipment.....	1,747,590	1,712,840
Excess of cost over acquired net assets.....	1,114,740	1,217,010
Net assets of discontinued operations.....	67,510	--
Other assets.....	428,390	537,420
	\$5,935,680	\$5,861,190
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Notes payable.....	\$ 36,310	\$ 159,350
Accounts payable.....	277,070	253,680
Accrued liabilities.....	428,720	403,510
	742,100	816,540
Long-term debt.....	2,445,540	2,600,970
Deferred income taxes and other.....	275,400	315,300
Other interests in combined affiliates.....	474,210	241,500
	3,937,250	3,974,310
Equity of shareholders of Masco Corporation.....	1,998,430	1,886,880
	\$5,935,680	\$5,861,190

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

	YEARS ENDED DECEMBER 31		
	1993	1992	1991
<b>COMBINED STATEMENT OF INCOME</b>			
Net sales.....	\$ 5,901,060	\$ 5,360,330	\$ 4,741,240
Cost of sales.....	(4,169,190)	(3,797,980)	(3,486,760)
Selling, general and administrative expenses.....	(1,112,300)	(1,033,350)	(916,670)
Operating profit.....	619,570	529,000	337,810
Other income (expense), net:			
Interest expense.....	(189,610)	(188,230)	(259,520)
Other, net.....	45,360	45,040	31,150
	(144,250)	(143,190)	(228,370)
Income before income taxes and other interests.....	475,320	385,810	109,440
Income taxes.....	208,930	172,610	68,870
Other interests in combined affiliates.....	45,290	30,100	(4,330)
Net income.....	\$ 221,100	\$ 183,100	\$ 44,900
Earnings per share.....	\$1.45	\$1.21	\$.30



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

	YEARS ENDED DECEMBER 31		
	1993	1992	1991
<b>COMBINED STATEMENT OF CASH FLOWS</b>			
<b>Cash Flows From (For) Operating Activities:</b>			
Net income.....	\$ 221,100	\$ 183,100	\$ 44,900
Depreciation and amortization.....	194,270	191,290	175,740
Equity (earnings) loss, net of dividends.....	(4,840)	(1,140)	18,530
Gain from change in investment.....	(9,490)	(16,700)	--
Write-downs of long-term investments.....	--	--	31,800
Deferred income taxes and other.....	7,590	15,860	1,980
Gain on sales of assets, net.....	--	--	(21,500)
Other interests in net income (loss) of combined affiliates, net.....	45,290	30,100	(4,330)
<b>Total from earnings.....</b>	<b>453,920</b>	<b>402,510</b>	<b>247,120</b>
(Increase) in receivables.....	(52,670)	(75,340)	(5,330)
(Increase) decrease in inventories.....	(49,950)	(36,550)	44,780
Increase (decrease) in accounts payable and accrued liabilities, net.....	37,230	(9,690)	31,330
Discontinued operations, net.....	16,700	830	(3,340)
<b>Net cash from operating activities.....</b>	<b>405,230</b>	<b>281,760</b>	<b>314,560</b>
<b>Cash Flows From (For) Investing Activities:</b>			
Capital expenditures.....	(252,360)	(198,170)	(176,950)
Currency translation adjustments.....	(17,500)	(27,090)	(15,820)
Acquisitions.....	--	--	(50,190)
Proceeds from sale of subsidiaries.....	33,170	--	52,110
Other, net.....	39,730	(45,810)	40,750
<b>Net cash (for) investing activities.....</b>	<b>(196,960)</b>	<b>(271,070)</b>	<b>(150,100)</b>
<b>Cash Flows From (For) Financing Activities:</b>			
Increase in debt.....	862,800	872,140	514,410
Payment of debt.....	(1,087,400)	(915,630)	(602,250)
Issuance of common shares.....	--	85,150	63,600
Issuance of preferred stock.....	209,520	--	--
Cash dividends paid.....	(106,360)	(93,410)	(85,150)
<b>Net cash (for) financing activities.....</b>	<b>(121,440)</b>	<b>(51,750)</b>	<b>(109,390)</b>
<b>Cash and Cash Investments:</b>			
Increase (decrease) for the year.....	86,830	(41,060)	55,070
At January 1.....	186,120	227,180	172,110
<b>At December 31.....</b>	<b>\$ 272,950</b>	<b>\$ 186,120</b>	<b>\$ 227,180</b>

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONCLUDED)

INTERIM FINANCIAL INFORMATION (UNAUDITED):

QUARTERS ENDED	( IN THOUSANDS EXCEPT PER SHARE AMOUNTS )			
	NET SALES	GROSS PROFIT	NET INCOME	EARNINGS PER SHARE
1993				
December 31.....	\$1,010,000	\$ 322,070	\$ 57,600	\$ .38
September 30.....	982,000	319,900	55,700	.36
June 30.....	948,000	309,500	53,300	.35
March 31.....	946,000	312,900	54,500	.36
	-----	-----	-----	-----
	\$3,886,000	\$1,264,370	\$221,100	\$1.45
	-----	-----	-----	-----
1992				
December 31.....	\$ 908,000	\$ 291,360	\$ 43,000	\$ .29
September 30.....	899,000	293,500	50,800	.33
June 30.....	867,000	285,300	48,500	.32
March 31.....	851,000	273,800	40,800	.27
	-----	-----	-----	-----
	\$3,525,000	\$1,143,960	\$183,100	\$1.21
	-----	-----	-----	-----

**FINANCIAL STATEMENTS OF MASCOTECH, INC.  
AND SUBSIDIARIES AS OF  
DECEMBER 31, 1993 AND 1992 AND  
FOR THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 1993**

## REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheet of MascoTech, Inc. and subsidiaries (formerly Masco Industries, Inc.) as of December 31, 1993 and 1992, and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of MascoTech, Inc. and subsidiaries as of December 31, 1993 and 1992, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

### COOPERS & LYBRAND

Detroit, Michigan  
February 24, 1994

MASCOTECH, INC.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1993 AND 1992

	1993	1992
	-----	-----
ASSETS		
Current assets:		
Cash and cash investments.....	\$ 83,200,000	\$ 76,000,000
Receivables.....	238,820,000	272,920,000
Inventories.....	140,040,000	222,280,000
Deferred and refundable income taxes.....	41,780,000	13,990,000
Prepaid expenses and other assets.....	52,000,000	47,250,000
	-----	-----
Total current assets.....	555,840,000	632,440,000
Equity and other investments in affiliates.....	170,510,000	81,460,000
Property and equipment, net.....	490,190,000	537,420,000
Excess of cost over net assets of acquired companies.....	439,760,000	479,400,000
Notes receivable and other assets.....	66,100,000	76,590,000
Net assets of discontinued operations.....	67,510,000	--
	-----	-----
Total assets.....	\$1,789,910,000	\$1,807,310,000
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 95,520,000	\$ 103,620,000
Accrued liabilities.....	103,260,000	117,430,000
Current portion of long-term debt.....	2,830,000	64,430,000
	-----	-----
Total current liabilities.....	201,610,000	285,480,000
Long-term debt.....	788,360,000	1,065,390,000
Deferred income taxes and other long-term liabilities.....	132,310,000	103,040,000
	-----	-----
Total liabilities.....	1,122,280,000	1,453,910,000
	-----	-----
Shareholders' equity:		
Preferred stock, \$1 par: Authorized: 25,000,000; Outstanding: 10.8 million in 1993 (liquidation value-\$216 million) and .8 million in 1992 (liquidation value-\$77.5 million).....	10,800,000	780,000
Common stock, \$1 par: Authorized: 250,000,000; Outstanding: 60,510,000 and 59,520,000.....	60,510,000	59,520,000
Paid-in capital.....	367,290,000	84,390,000
Retained earnings.....	232,120,000	202,660,000
Cumulative translation adjustments.....	(3,090,000)	6,050,000
	-----	-----
Total shareholders' equity.....	667,630,000	353,400,000
	-----	-----
Total liabilities and shareholders' equity.....	\$1,789,910,000	\$1,807,310,000
	-----	-----

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

MASCOTECH, INC.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

	1993	1992	1991
Net sales.....	\$ 1,582,880,000	\$ 1,455,320,000	\$ 1,266,210,000
Cost of sales.....	(1,257,480,000)	(1,159,050,000)	(1,054,520,000)
Gross profit.....	325,400,000	296,270,000	211,690,000
Selling, general and administrative expenses.....	(179,680,000)	(184,430,000)	(168,100,000)
Operating profit.....	145,720,000	111,840,000	43,590,000
Other income (expense), net:			
Interest expense, Masco Corporation.....	(6,990,000)	(7,800,000)	(7,800,000)
Other interest expense.....	(74,370,000)	(78,190,000)	(104,680,000)
Equity and interest income from affiliates.....	21,000,000	15,750,000	29,390,000
Gain from change in investment of equity affiliates.....	9,490,000	16,700,000	--
Gain from disposition of operations.....	--	--	21,500,000
Other, net.....	26,330,000	9,950,000	5,530,000
	(24,540,000)	(43,590,000)	(56,060,000)
Income (loss) from continuing operations before income taxes (credit) and extraordinary loss.....	121,180,000	68,250,000	(12,470,000)
Income taxes (credit).....	50,290,000	29,210,000	(2,120,000)
Income (loss) from continuing operations before extraordinary loss.....	70,890,000	39,040,000	(10,350,000)
Discontinued operations (net of income taxes):			
Income (loss) from operations of discontinued segment.....	2,630,000	(610,000)	1,380,000
Loss on disposition.....	(22,270,000)	--	--
Income (loss) before extraordinary loss.....	51,250,000	38,430,000	(8,970,000)
Extraordinary loss (net of income taxes)....	(3,650,000)	--	--
Net income (loss).....	\$ 47,600,000	\$ 38,430,000	\$ (8,970,000)
Preferred stock dividends.....	\$ 14,930,000	\$ 9,300,000	\$ 9,600,000
Earnings (loss) attributable to common stock.....	\$ 32,670,000	\$ 29,130,000	\$ (18,570,000)

	1993			
	PRIMARY	ASSUMING FULL DILUTION	1992 PRIMARY	1991 PRIMARY
Earnings (loss) per common and common equivalent share:				
Continuing operations.....	\$ .97	\$ .91	\$ .49	\$ (.33)
Discontinued operations:				
Income (loss) from operations of discontinued segment.....	.05	.04	(.01)	.02
Loss on disposition.....	(.39)	*	--	--
Income (loss) before extraordinary loss.....	.63	.63	.48	(.31)
Extraordinary loss.....	(.06)	*	--	--
Earnings (loss) attributable to common stock.....	\$ .57	\$ .57	\$ .48	\$ (.31)

\* Anti-dilutive

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

MASCOTECH, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

	1993	1992	1991
CASH FROM (USED FOR):			
OPERATIONS:			
Net income (loss).....	\$ 47,600,000	\$ 38,430,000	\$ (8,970,000)
Gain, sale of assets.....	--	--	(21,500,000)
Gain from change in investment.....	(9,490,000)	(16,700,000)	--
Depreciation and amortization.....	59,810,000	59,920,000	59,040,000
Equity earnings, net of dividends.....	(12,000,000)	(5,250,000)	(4,460,000)
Deferred taxes.....	15,590,000	3,130,000	3,270,000
(Decrease) in valuation allowance for marketable securities.....	--	--	(13,730,000)
(Increase) decrease in receivables.....	(5,900,000)	(23,930,000)	9,780,000
(Increase) decrease in inventories.....	(2,990,000)	(2,920,000)	25,120,000
(Increase) decrease in prepaid expenses.....	(11,650,000)	4,010,000	(4,470,000)
Decrease in accounts payable and accrued liabilities.....	(5,900,000)	(12,930,000)	(530,000)
Other, net, including extraordinary loss.....	8,180,000	13,540,000	2,950,000
Discontinued operations, net.....	16,700,000	830,000	(3,340,000)
Net cash from operating activities.....	99,950,000	58,130,000	43,160,000
FINANCING:			
Increase in debt.....	--	11,670,000	14,720,000
Payment or repurchase of debt.....	(150,020,000)	(135,490,000)	(122,430,000)
Issuance of preferred stock.....	209,520,000	--	--
Retirement of preferred stock.....	(100,000,000)	--	--
Payment of dividends.....	(16,020,000)	(9,300,000)	(7,280,000)
Other, net.....	3,770,000	(2,240,000)	--
Net cash used for financing activities.....	(52,750,000)	(135,360,000)	(114,990,000)
INVESTMENTS:			
Cash received from redemption of TriMas subordinated debentures.....	--	88,000,000	40,000,000
Cash paid Masco Corporation.....	(87,500,000)	--	--
Cash received from dispositions:			
Energy-related segment.....	93,450,000	--	--
Masco Capital.....	--	--	49,450,000
Other operations.....	--	--	52,110,000
Masco Capital distributions, net.....	--	--	21,220,000
Capital expenditures.....	(59,540,000)	(60,000,000)	(48,630,000)
Decrease in marketable securities, net.....	2,980,000	3,150,000	26,190,000
Other, net.....	10,610,000	4,130,000	7,050,000
Net cash (used for) from investing activities.....	(40,000,000)	35,280,000	147,390,000
CASH AND CASH INVESTMENTS:			
Increase (decrease) for the year.....	7,200,000	(41,950,000)	75,560,000
At January 1.....	76,000,000	117,950,000	42,390,000
At December 31.....	\$ 83,200,000	\$ 76,000,000	\$ 117,950,000

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



# MASCOTECH, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### ACCOUNTING POLICIES:

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

Certain amounts for the years ended December 31, 1992 and 1991 have been reclassified to conform to the presentation adopted in 1993. The statements of income and cash flows for 1993, 1992 and 1991 and related notes have been reclassified to present the Energy-related segment as discontinued operations. In addition, the balance sheet as of December 31, 1993 reflects the Energy-related segment as discontinued operations (see "Discontinued Operations" note). The balance sheet as of December 31, 1992 has not been reclassified for discontinued operations. Effective June 23, 1993 the Company changed its name to MascoTech, Inc. from Masco Industries, Inc.

The Company has a corporate services agreement with Masco Corporation, which at December 31, 1993 owned approximately 42 percent of the Company's Common Stock. Under the terms of the agreement, the Company pays fees to Masco Corporation for various corporate staff support and administrative services, research and development and facilities. Such fees, which are determined principally as a percentage of net sales, including net sales related to discontinued operations, aggregated approximately \$11 million in each of 1993, 1992 and 1991.

**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. At December 31, 1993, the Company has \$33 million on deposit with a German bank that is subject to currency exchange rate fluctuations.

**Receivables.** Receivables are presented net of allowances for doubtful accounts of \$5.1 million and \$7.2 million at December 31, 1993 and 1992, respectively.

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

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

**Depreciation and Amortization.** Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Annual depreciation rates are as follows: buildings and land improvements, 2 1/2 to 10 percent, and machinery and equipment, 6 2/3 to 33 1/3 percent. Deferred financing costs are amortized over the lives of the related debt securities. The excess of cost over net assets of acquired companies is amortized using the straight-line method over the period estimated to be benefitted, not exceeding 40 years. At each balance sheet date management assesses whether there has been a permanent impairment of the excess of cost over net assets of acquired companies by comparing anticipated undiscounted future cash flows from operating activities with the carrying amount of the excess of cost over net assets of acquired companies. The factors considered by 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 excess of cost over net assets of acquired companies at December 31, 1993.

At December 31, 1993 and 1992, accumulated amortization of the excess of cost over net assets of acquired companies and patents was \$98.4 million and \$105.1 million, respectively. Amortization expense was

**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

\$22.2 million, \$22.8 million and \$21.2 million in 1993, 1992 and 1991, respectively, including amortization expense of approximately \$1.6 million in each year related to discontinued operations.

**Income Taxes.** In January, 1993, the Company adopted Statement of Financial Accounting Standards No. 109 ("SFAS No. 109"), "Accounting for Income Taxes." SFAS No. 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, SFAS No. 109 generally allows consideration of all expected future events other than enactments of changes in the tax law or tax rates. Previously, the Company used the SFAS No. 96 asset and liability approach that gave no recognition to future events other than the recovery of assets and settlement of liabilities at their carrying amounts. There was no income statement impact from the adoption of SFAS No. 109 and the required balance sheet reclassification was immaterial. Provision is made for U.S. income taxes on the undistributed earnings of foreign subsidiaries unless such earnings are considered permanently reinvested.

**Earnings (Loss) Per Common Share.** Primary earnings (loss) per common share are based on the weighted average number of shares of common stock and common stock equivalents outstanding (including the dilutive effect of options and warrants, utilizing the treasury stock method) of 57.4 million, 60.9 million and 59.7 million in 1993, 1992 and 1991, respectively, and earnings (loss) after deducting preferred stock dividends of \$14.9 million, \$9.3 million and \$9.6 million in 1993, 1992 and 1991, respectively.

Fully diluted earnings (loss) per common share are only presented when the assumed conversion of convertible debentures is dilutive. Fully diluted earnings per share in 1993 were calculated based on 68.8 million weighted average common shares outstanding. Convertible securities did not have a dilutive effect on earnings (loss) in 1992 or 1991. The shares of Dividend Enhanced Convertible Stock DECSSM (the "DECS") issued in 1993 (see "Shareholders' Equity" note) are common stock equivalents, but are not included in the calculation of primary or fully diluted shares outstanding as such inclusion would be anti-dilutive.

In late 1993, approximately 10.4 million shares were issued as a result of the conversion of the 6% Convertible Subordinated Debentures (see "Shareholders' Equity" note). If such conversion had taken place at the beginning of 1993, the primary earnings per common and common equivalent share amounts would have approximated the amounts presented for earnings per common and common equivalent share, assuming full dilution, for the year ended December 31, 1993.

**Adoption of Statements of Financial Accounting Standards.** The Company expects that the adoption of Statements of Financial Accounting Standards ("SFAS") No. 112 "Employers' Accounting for Postemployment Benefits", SFAS No. 114 "Accounting by Creditors for Impairment of a Loan" and SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" will not have a material impact on the financial position or the results of operations of the Company when adopted in 1994 and 1995.

**SUPPLEMENTARY CASH FLOWS INFORMATION:**

Significant transactions not affecting cash were: in 1993: in addition to the payment by the Company of \$87.5 million, the non-cash portion of the issuance of Company Preferred Stock and warrants in exchange for Company Common Stock, Company Preferred Stock and Masco Corporation's holdings of Emco Limited common stock and convertible debentures (see "Shareholders' Equity" note); conversion of \$187 million of convertible debentures into Company Common Stock (see "Shareholders' Equity" note); and conversion of the Company's TriMas Corporation ("TriMas") convertible preferred stock holdings into TriMas common stock (see "Equity and Other Investments in Affiliates" note); and in 1991: an exchange of certain operating assets (see "Dispositions of Other Operations" note); and the assumption of liabilities of \$18 million in partial exchange for the acquisition of Creative Industries Group (see "Equity and Other Investments in Affiliates" note).

**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

Income taxes paid were \$32 million in 1993 and \$23 million in 1992. Income tax refunds of \$8 million were received in 1991. Interest paid was \$82 million, \$91 million and \$115 million in 1993, 1992 and 1991, respectively.

**DISCONTINUED OPERATIONS:**

In late November, 1993, the Company adopted a formal plan to divest its Energy-related business segment, which consisted of seven business units. Accordingly, the consolidated statements of income and cash flows and related notes have been reclassified to present such Energy-related segment as discontinued operations. During 1993, two such business units were sold for approximately \$93 million, including the sale of one business unit to the Company's equity affiliate, TriMas for \$60 million cash. The expected loss from the planned disposition of the Company's Energy-related segment resulted in a fourth quarter 1993 pre-tax charge of approximately \$41 million (approximately \$22 million after-tax), including a provision for the businesses not yet sold and the deferral of a portion of the gain (approximately \$6 million after-tax) related to the sale of the business to TriMas. The Company expects to sell the remaining business units in privately negotiated transactions in 1994.

Selected financial information for discontinued operations is as follows as at December 31, 1993 and for the period up to the decision to discontinue in 1993 and for the years ended December 31, 1992 and 1991:

	(IN THOUSANDS)		
	1993	1992	1991
Net sales.....	\$191,930	\$201,520	\$200,780
Operating income.....	\$ 5,540	\$ 3,050	\$ 1,070
Other income (expense).....	(480)	(960)	910
Pre-tax income.....	5,060	2,090	1,980
Income taxes.....	2,430	2,700	600
Income (loss) from discontinued operations.....	\$ 2,630	\$ (610)	\$ 1,380

	AT DECEMBER 31, 1993
Receivables.....	\$ 34,890
Inventories.....	39,320
Non-current assets.....	40,690
Current liabilities.....	(14,550)
Other, principally provision for disposition costs.....	(32,840)
Net assets of discontinued operations.....	\$ 67,510

The unusual relationship of income taxes to pre-tax income in 1992 results principally from foreign losses for which no tax benefit was recorded. Operating and pre-tax income include charges of \$6 million in 1991, principally related to the discontinuance of product lines and the cost of restructuring several businesses.

**DISPOSITIONS OF OTHER OPERATIONS:**

In separate transactions from late 1989 to early 1991, the Company divested itself of three subsidiaries and received consideration of approximately \$160 million, of which \$108 million was received in 1990. The remaining \$52 million was received in 1991. In addition, in 1991 the Company disposed of certain equity affiliates, and exchanged operating assets aggregating approximately \$27 million.

These transactions, including the disposition of Masco Capital Corporation (see "Equity and Other Investments in Affiliates" note), resulted in an approximate \$22 million pre-tax gain in 1991.

**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

**INVENTORIES:**

	( IN THOUSANDS )	
	AT DECEMBER 31	
	1993	1992
Finished goods.....	\$ 39,400	\$ 80,220
Work in process.....	38,240	49,970
Raw material.....	62,400	92,090
	-----	-----
	\$140,040	\$222,280
	-----	-----

**EQUITY AND OTHER INVESTMENTS IN AFFILIATES:**

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

	AT DECEMBER 31		
	1993	1992	1991
TriMas Corporation.....	43%	28%	41%
Emco Limited.....	43%	--	--
Titan Wheel International, Inc. ....	21%	47%	20%

The carrying amount of investments in affiliates at December 31, 1993 and 1992 and quoted market values at December 31, 1993 for publicly traded affiliates (which may differ from the amounts that could have been realized upon disposition) are as follows:

	( IN THOUSANDS )		
	1993 QUOTED MARKET VALUE	1993 CARRYING AMOUNT	1992 CARRYING AMOUNT
Common stock:			
TriMas Corporation.....	\$387,830	\$ 40,550	\$ 42,630
Emco Limited.....	65,190	50,470	--
Titan Wheel International, Inc. ....	37,580	15,500	4,130
Common stock holdings.....	490,600	106,520	46,760
Convertible debt:			
Emco Limited.....	33,520	30,700	--
Convertible debt holdings.....	33,520	30,700	--
Investments in publicly traded affiliates.....	\$524,120	137,220	46,760
Other non public affiliates.....		33,290	34,700
Total.....		\$170,510	\$ 81,460

In 1988, the Company transferred several businesses to TriMas, a publicly traded, diversified manufacturer of commercial, industrial and consumer products. In exchange, the Company received \$128 million principal amount of 14% Subordinated Debentures (which were subsequently redeemed resulting in prepayment premium income to the Company of \$9 million in 1992 and \$4 million in 1991), \$70 million (liquidation value) of 10% Convertible Participating Preferred Stock and 9.3 million shares of TriMas common stock.

During the second quarter of 1992, TriMas sold 9.2 million shares of newly issued common stock at \$9.75 per share in a public offering, which reduced the Company's common equity ownership interest in TriMas to

**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

28 percent from 41 percent. As a result, the Company recognized a pre-tax gain of \$16.7 million from the change in the Company's common equity ownership interest in TriMas. In late 1993, the TriMas 10% Convertible Participating Preferred Stock held by the Company was converted at a conversion price of \$9 per share into 7.8 million shares of TriMas common stock, increasing the Company's common equity ownership interest in TriMas to 43 percent.

In 1993, the Company sold a business unit to TriMas for \$60 million cash (see "Discontinued Operations" note).

Included in notes receivable are approximately \$10.7 million of notes which resulted from the sale by the Company of one million shares of its TriMas common stock holdings to members of the Company's executive management group in mid-1989. The notes have an effective interest rate of nine percent, payable at maturity in mid-1994. Ownership and resale of certain of such shares is restricted and subject to the continuing employment of these executives.

TriMas' Board of Directors declared a 100 percent stock distribution (one additional share for every share held) to its shareholders effective July 19, 1993. TriMas share amounts and per share prices have been restated to reflect this distribution.

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

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

During the second quarter of 1991, the Company acquired the remaining 50 percent equity ownership interest of Creative Industries Group, which had sales in 1990 of approximately \$150 million.

In 1991, Masco Capital Corporation ("Masco Capital") sold its principal asset and used the proceeds to repay its outstanding bank borrowings and to make loan repayments and distributions to its shareholders, whereby the Company received approximately \$65 million (including repayment of \$44 million advanced during 1991). In addition, the Company subsequently sold its 50 percent equity ownership interest in Masco Capital to the other shareholder, Masco Corporation, for approximately \$50 million (which resulted in a pre-tax gain of approximately \$5 million) and contingent amounts based on the future value of certain assets held by Masco Capital.

In addition to its equity and other investments in publicly traded affiliates, the Company retains interests in privately held manufacturers of automotive components, including the Company's 50 percent common equity ownership interests in Autostyle, Inc., a manufacturer of reaction injection molded automotive components, and Elbi-Hi Ram, Inc., a manufacturer of electrical and electronic automotive components.

**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

Approximate combined condensed financial data of the Company's equity affiliates (including Emco after date of investment, Creative Industries Group through date of acquisition (second quarter 1991) and Masco Capital through date of disposition) are as follows:

	(IN THOUSANDS)	
	AT DECEMBER 31	
	1993	1992
Current assets.....	\$ 657,680	\$ 261,730
Current liabilities.....	(222,580)	(128,300)
Working capital.....	435,100	133,430
Property and equipment, net.....	349,740	214,760
Excess of cost over net assets of acquired companies...	170,760	113,660
Other assets.....	69,540	33,210
Long-term debt.....	(628,520)	(271,220)
Deferred income taxes and other long-term liabilities.....	(34,950)	(24,900)
Shareholders' equity.....	\$ 361,670	\$ 198,940

	FOR THE YEARS ENDED DECEMBER 31		
	1993	1992	1991
Net sales.....	\$1,412,620	\$655,120	\$684,990
Operating profit.....	\$ 119,780	\$ 77,860	\$ 82,000
Net income before preferred stock dividends...	\$ 57,280	\$ 30,200	\$ 24,300

Equity and interest income from affiliates consists of the following:

	(IN THOUSANDS)		
	FOR THE YEARS ENDED DECEMBER 31		
	1993	1992	1991
The Company's equity in affiliates' earnings available for common shareholders.....	\$ 12,890	\$ 5,250	\$ 4,470
Dividends on TriMas preferred stock.....	5,250	7,000	7,000
Interest income.....	2,860	3,500	17,920
Equity and interest income from affiliates....	\$ 21,000	\$ 15,750	\$ 29,390

**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

**PROPERTY AND EQUIPMENT, NET:**

	(IN THOUSANDS)	
	AT DECEMBER 31	
	1993	1992
	-----	-----
Cost:		
Land and land improvements.....	\$ 33,720	\$ 39,740
Buildings.....	158,750	182,460
Machinery and equipment.....	605,600	669,800
	-----	-----
	798,070	892,000
Less accumulated depreciation.....	307,880	354,580
	-----	-----
	\$490,190	\$537,420
	-----	-----
	-----	-----

Depreciation expense totalled \$48 million, \$46 million and \$47 million in 1993, 1992 and 1991, respectively. These amounts include depreciation expense of approximately \$8 million in each year related to discontinued operations.

**ACCRUED LIABILITIES:**

	(IN THOUSANDS)	
	AT DECEMBER 31	
	1993	1992
	-----	-----
Salaries, wages and commissions.....	\$ 22,970	\$ 23,800
Income taxes.....	5,930	5,370
Interest.....	20,420	20,760
Insurance.....	11,010	12,150
Property, payroll and other taxes.....	9,360	10,340
Other.....	33,570	45,010
	-----	-----
	\$103,260	\$117,430
	-----	-----
	-----	-----

**LONG-TERM DEBT:**

	(IN THOUSANDS)	
	AT DECEMBER 31	
	1993	1992
	-----	-----
Held by Masco Corporation:		
6% Convertible Subordinated Debentures, due 2011.....	--	\$ 130,000
Held by Banks and Others:		
Bank revolving credit agreement, due 1997.....	\$295,000	410,000
10% Senior Subordinated Notes, due		
March, 1995 (noncallable).....	233,150	233,150
10 1/4% Senior Subordinated Notes, due 1997.....	250,000	250,000
6% Convertible Subordinated Debentures, due 2011.....	--	56,890
Bank term loan, due 1996.....	--	31,090
Other.....	13,040	18,690
	-----	-----
	791,190	1,129,820
Less current portion of long-term debt.....	2,830	64,430
	-----	-----
Long-term debt.....	\$788,360	\$1,065,390
	-----	-----
	-----	-----

**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

In 1993, the Company entered into a new \$675 million revolving credit agreement with a group of banks, replacing its prior bank credit agreement (which had consisted of a revolving credit facility and a bank term loan at December 31, 1992). Amounts outstanding under the revolving credit agreement are due in January, 1997; however, under certain circumstances, the due date may be extended to July, 1998. The interest rates applicable to the revolving credit agreement are principally at alternative floating rates provided for in the agreement (approximately four percent at December 31, 1993).

The revolving credit agreement requires the maintenance of a specified level of shareholders' equity, with limitations on the ratio of senior debt to earnings, long-term debt (at December 31, 1993 additional borrowing capacity of approximately \$380 million was available under this agreement), intangible assets and the acquisition of Company Capital Stock. Under the most restrictive of these provisions, \$120 million of retained earnings was available at December 31, 1993 for the payment of cash dividends and the acquisition of Company Capital Stock.

The 6% Convertible Subordinated Debentures were converted into Company Common Stock in late 1993 (see "Shareholders' Equity" note).

The senior subordinated notes contain limitations on the payment of cash dividends and the acquisition of Company Capital Stock. In late 1993, the Company called for redemption, on February 1, 1994, the \$250 million of 10 1/4% Senior Subordinated Notes. During 1992, the Company repurchased, in open-market transactions, approximately \$67 million of its 10% Senior Subordinated Notes at prices approximating face value.

In early 1994, the Company issued, in a public offering, \$345 million of 4 1/2% Convertible Subordinated Debentures due December 15, 2003. These debentures are convertible into Company Common Stock at \$31 per share. The net proceeds were used to redeem the \$250 million of 10 1/4% Subordinated Notes (called in late 1993 for redemption on February 1, 1994) and to reduce other indebtedness. In the fourth quarter of 1993, the Company recognized a \$5.8 million pre-tax extraordinary charge (\$3.7 million after-tax) related to the call premium (1.25%) and unamortized prepaid debenture expense associated with the call for early extinguishment of the \$250 million of 10 1/4% Subordinated Notes. The 10 1/4% Subordinated Notes are classified as non-current as the Company had the intent and the ability to maintain these borrowings on a long-term basis (due to the issuance of the 4 1/2% Convertible Subordinated Debentures). The maturities of long-term debt during the next five years are as follows (in millions): 1994 -- \$3; 1995 -- \$234; 1996 -- \$1; 1997 -- \$303; and 1998 -- \$0.



**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

**SHAREHOLDERS' EQUITY:**

	(IN THOUSANDS)					
	PREFERRED STOCK	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	CUMULATIVE TRANSLATION ADJUSTMENTS	SHAREHOLDERS' EQUITY
	-----	-----	-----	-----	-----	-----
Balance, January 1, 1991.....	\$ 780	\$ 59,450	\$ 83,800	\$192,100	\$19,880	\$ 356,010
Net (loss).....	--	--	--	(8,970)	--	(8,970)
Preferred stock dividends....	--	--	--	(9,600)	--	(9,600)
Adjustment related to sale of foreign operations.....	--	--	--	--	(5,130)	(5,130)
Translation adjustments, net.....	--	--	--	--	(5,620)	(5,620)
	-----	-----	-----	-----	-----	-----
Balance, December 31, 1991.....	780	59,450	83,800	173,530	9,130	326,690
Net income.....	--	--	--	38,430	--	38,430
Preferred stock dividends....	--	--	--	(9,300)	--	(9,300)
Translation adjustments, net.....	--	--	--	--	(3,080)	(3,080)
Exercise of stock options....	--	70	590	--	--	660
	-----	-----	-----	-----	-----	-----
Balance, December 31, 1992.....	780	59,520	84,390	202,660	6,050	353,400
Net income.....	--	--	--	47,600	--	47,600
Preferred stock dividends....	--	--	--	(14,930)	--	(14,930)
Common stock dividends.....	--	--	--	(3,210)	--	(3,210)
Retirement of 12% Preferred.....	(780)	--	(76,720)	--	--	(77,500)
Issuance of 10% Preferred....	1,000	--	99,000	--	--	100,000
Issuance of warrants.....	--	--	70,800	--	--	70,800
Issuance of DECS.....	10,800	--	198,720	--	--	209,520
Retirement of common stock... Retirement of 10% Preferred.....	--	(10,000)	(90,000)	--	--	(100,000)
Conversion of convertible debentures.....	--	10,370	174,120	--	--	184,490
Translation adjustments, net.....	--	--	--	--	(9,140)	(9,140)
Exercise of stock options....	--	620	5,980	--	--	6,600
	-----	-----	-----	-----	-----	-----
Balance, December 31, 1993.....	\$ 10,800	\$ 60,510	\$367,290	\$232,120	\$(3,090)	\$ 667,630
	-----	-----	-----	-----	-----	-----

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

In July, 1993, the Company issued 10.8 million shares of 6% Dividend Enhanced Convertible Stock (DECS) at \$20 per share (\$216 million aggregate liquidation amount) in a public offering (classified as

**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

Convertible Preferred Stock). The net proceeds from this issuance were used to reduce the Company's indebtedness. On July 1, 1997, each of the then outstanding shares of the DECS will convert into one share of Company Common Stock, if not previously redeemed by the Company or converted at the option of the holder, in both cases for Company Common Stock.

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

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

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

The Company's consideration for a 1987 acquisition included two million shares of Company Common Stock which were subject to a stock value guarantee agreement. During the second quarter of 1993, the Company's stock value guarantee obligation was settled, resulting in no material financial impact to the Company.

The Company commenced paying cash dividends on its Common Stock in August, 1993 and declared three and paid two quarterly dividends in 1993, each in the amount of \$.02 per common share.

**STOCK OPTIONS AND AWARDS:**

For the three years ended December 31, 1993, stock option data pertaining to stock option plans for key employees of the Company and affiliated companies are as follows:

	( IN THOUSANDS EXCEPT PER SHARE AMOUNTS )		
	1993	1992	1991
	-----	-----	-----
Options outstanding, January 1.....	4,540	3,770	2,220
Options granted.....	30	900	1,730
Option price per share.....	\$13-26	\$6 1/8-10 3/4	\$4 1/2
Options cancelled.....	--	60	180
Option price per share.....	--	\$4 1/2	\$4 1/2-9 1/8
Options exercised.....	760	70	--
Option price per share.....	\$4 1/2-9 1/8	\$9 1/8	--
	-----	-----	-----
Options outstanding, December 31.....	3,810	4,540	3,770
	-----	-----	-----
Options exercisable, December 31.....	680	880	740
	-----	-----	-----

As of December 31, 1993, options have been granted and are outstanding with exercise prices ranging from \$4 1/2 to \$26 per share, the fair market value at the dates of grant.

Pursuant to restricted stock incentive plans, the Company granted long-term incentive awards, net, for 202,000, 251,000 and 675,000 shares of Company Common Stock during 1993, 1992 and 1991, respectively, to key employees of the Company and affiliated companies. The unamortized costs of incentive awards,

**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

aggregating approximately \$20 million at December 31, 1993, are being amortized over the ten-year vesting periods.

At December 31, 1993 and 1992, a combined total of 5,631,000 and 5,759,000 shares, respectively, of Company Common Stock were available for the granting of options and incentive awards under the above plans.

**EMPLOYEE BENEFIT PLANS:**

Pension and Profit-Sharing Benefits. The Company sponsors defined-benefit pension plans for most of its employees. In addition, substantially all salaried employees participate in noncontributory profit-sharing plans, to which payments are approved annually by the Directors. Aggregate charges to income under these plans were \$10.9 million in 1993, \$10.3 million in 1992 and \$8.3 million in 1991, including approximately \$.9 million in each year related to discontinued operations.

Net periodic pension cost for the Company's defined-benefit pension plans includes the following components for the three years ended December 31, 1993:

	( IN THOUSANDS )		
	1993	1992	1991
	-----	-----	-----
Service cost -- benefits earned during the year....	\$ 4,110	\$ 4,150	\$ 4,140
Interest cost on projected benefit obligations.....	5,540	5,090	4,590
Actual return on assets.....	(7,730)	(3,820)	(5,450)
Net amortization and deferral.....	1,600	(1,800)	430
	-----	-----	-----
Net periodic pension cost.....	\$ 3,520	\$ 3,620	\$ 3,710
	-----	-----	-----

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

	1993	1992	1991
	-----	-----	-----
Discount rate for obligations.....	7.0%	8.25%	8.25%
Rate of increase in compensation levels.....	5.0%	6.0%	6.0%
Expected long-term rate of return on plan assets.....	13.0%	13.0%	13.0%

**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

The funded status of the Company's defined-benefit pension plans at December 31, 1993 and 1992 is as follows:

RECONCILIATION OF FUNDED STATUS	1993		(IN THOUSANDS) 1992	
	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS
	-----	-----	-----	-----
Actuarial present value of benefit obligations:				
Vested benefit obligation.....	\$23,040	\$ 34,280	\$20,780	\$24,160
	-----	-----	-----	-----
Accumulated benefit obligation.....	\$24,450	\$ 38,650	\$22,120	\$31,200
	-----	-----	-----	-----
Projected benefit obligation.....	\$35,270	\$ 39,920	\$32,020	\$33,030
Assets at fair value.....	29,550	26,560	27,530	23,570
	-----	-----	-----	-----
Projected benefit obligation in excess of plan assets.....	(5,720)	(13,360)	(4,490)	(9,460)
Reconciling items:				
Unrecognized net loss.....	7,140	8,810	5,920	5,140
Unrecognized prior service cost.....	460	3,250	1,240	3,400
Unrecognized net (asset) obligation at transition.....	(1,340)	(160)	(1,940)	70
Adjustment required to recognize minimum liability.....	--	(10,840)	--	(6,900)
	-----	-----	-----	-----
(Accrued) prepaid pension cost.....	\$ 540	\$ (12,300)	\$ 730	\$(7,750)
	-----	-----	-----	-----

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

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

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

The incremental cost in 1993 of accounting for postretirement health care and life insurance benefits under SFAS 106 amounted to approximately \$1.7 million.

**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

Postretirement benefit obligations, none of which are funded, are summarized as follows for the year ended December 31:

(IN THOUSANDS)	1993
Accumulated postretirement benefit obligations:	
Retirees.....	\$ 19,400
Fully eligible active plan participants.....	1,400
Other active participants.....	6,400
Total accumulated postretirement benefit obligation.....	27,200
Unrecognized net loss.....	(2,900)
Unamortized transition obligation.....	(22,500)
Accrued postretirement benefits.....	\$ 1,800

The discount rate used in determining the accumulated postretirement benefit obligation was seven percent. The assumed health care cost trend rate in 1993 was 12 percent, decreasing to an ultimate rate in the year 2000 of seven percent. If the assumed medical cost trend rates were increased by one percent, the accumulated postretirement benefit obligation would increase by \$2.6 million and the aggregate of the service and interest cost components of net periodic postretirement benefit cost would increase by \$.2 million.

**SEGMENT INFORMATION:**

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

**Transportation-Related Products:**

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

**Specialty Products:**

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

Other -- Products manufactured principally for the defense industry.

Amounts related to the Company's Energy-related segment have been presented as discontinued operations.

Corporate assets consist primarily of cash and cash investments, equity and other investments in affiliates and notes receivable.

**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

	(IN THOUSANDS)								
	NET SALES			OPERATING PROFIT (B)			ASSETS EMPLOYED AT DECEMBER 31		
	1993	1992	1991	1993	1992	1991	1993	1992	1991
The Company's operations by industry segment are:									
Transportation-Related									
Products (A).....	\$1,195,000	\$1,058,000	\$ 874,000	\$160,000	\$124,000	\$ 74,000	\$ 883,000	\$ 851,000	\$ 808,000
Specialty Products:									
Architectural.....	289,000	291,000	273,000	(4,000)	2,000	(16,000)	313,000	321,000	322,000
Other.....	99,000	106,000	119,000	5,000	3,000	1,000	104,000	109,000	114,000
Total.....	\$1,583,000	\$1,455,000	\$1,266,000	161,000	129,000	59,000	1,300,000	1,281,000	1,244,000
Other expense, net.....				(25,000)	(44,000)	(56,000)			
General corporate expense.....				(15,000)	(17,000)	(15,000)			
Income (loss) from continuing operations before income taxes (credit) and extraordinary loss.....				\$121,000	\$ 68,000	\$(12,000)			
Corporate assets.....							422,000	318,000	449,000
Discontinued operations...							68,000	208,000	210,000
Total assets.....							\$1,790,000	\$1,807,000	\$1,903,000

	PROPERTY ADDITIONS			DEPRECIATION AND AMORTIZATION		
	1993	1992	1991	1993	1992	1991
The Company's operations by industry segment are:						
Transportation-Related Products.....	\$52,000	\$47,000	\$37,000	\$42,000	\$42,000	\$41,000
Specialty Products:						
Architectural.....	5,000	8,000	8,000	12,000	13,000	12,000
Other.....	3,000	5,000	4,000	6,000	5,000	6,000
Total.....	\$60,000	\$60,000	\$49,000	\$60,000	\$60,000	\$59,000

(A) Included within this segment are sales to one customer of \$324 million, \$268 million and \$217 million in 1993, 1992 and 1991, respectively; sales to another customer of \$222 million, \$216 million and \$201 million in 1993, 1992 and 1991, respectively; and sales to a third customer of \$186 million, \$184 million and \$126 million in 1993, 1992 and 1991, respectively.

(B) Included in 1991 operating profit (principally Transportation-Related Products and Architectural Products) are charges of \$27 million to reflect the expenses related to the discontinuance of product lines, and the costs of restructuring several businesses. Other expense, net in 1992 and 1991, includes approximately \$15 million and \$14 million, respectively, to reflect disposition costs related to idle facilities and other long-term assets.

**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

**OTHER INCOME (EXPENSE), NET:**

	(IN THOUSANDS)		
	1993	1992	1991
	-----	-----	-----
Other, net:			
Gains from sales of marketable securities (including the effect of valuation allowances).....	\$11,550	\$ 4,020	\$ 12,010
Interest income.....	9,570	9,260	7,890
Dividend income.....	3,150	1,750	1,910
Other, net.....	2,060	(5,080)	(16,280)
	-----	-----	-----
	\$26,330	\$ 9,950	\$ 5,530
	-----	-----	-----
	-----	-----	-----

Gains realized from sales of marketable securities are determined on a specific identification basis at the time of sale.

**INCOME TAXES:**

	(IN THOUSANDS)		
	1993	1992	1991
	-----	-----	-----
Income (loss) from continuing operations before income taxes (credit) and extraordinary loss:			
Domestic.....	\$105,470	\$ 57,880	\$ (34,780)
Foreign.....	15,710	10,370	22,310
	-----	-----	-----
	\$121,180	\$ 68,250	\$ (12,470)
	-----	-----	-----
Provision for income taxes:			
Federal, current.....	\$ 17,940	\$ 12,750	\$ (19,410)
State and local.....	8,350	5,170	4,560
Foreign.....	8,410	8,160	9,460
Deferred, principally federal.....	15,590	3,130	3,270
	-----	-----	-----
Income taxes (credit) on income (loss) from continuing operations before income taxes (credit) and extraordinary loss.....	\$ 50,290	\$ 29,210	\$ (2,120)
	-----	-----	-----
	-----	-----	-----

**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

The components of the net deferred taxes as at December 31, 1993 were as follows:

	(IN THOUSANDS)
	1993
	-----
Deferred tax assets:	
Charges for restructuring and other costs, net.....	\$ 7,450
Inventory.....	8,430
Other, principally deductions reported in different periods for financial reporting and tax purposes.....	18,330
	-----
	34,210
	-----
Deferred tax liabilities:	
Depreciation and amortization.....	90,350
Other, principally equity in undistributed earnings of affiliates.....	18,450
	-----
	108,800
	-----
Net deferred tax liability.....	\$ 74,590
	-----
	-----

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

	(IN THOUSANDS)		
	1993	1992	1991
	-----	-----	-----
U.S. federal statutory rate.....	35%	34%	34%
Tax (credit) at U.S. federal statutory rate.....	\$42,410	\$23,210	\$(4,240)
State and local taxes, net of federal tax benefit.....	5,430	3,390	3,030
Higher effective foreign tax rate.....	2,910	4,670	1,870
U.S. tax benefit relating to foreign operations....	(90)	(190)	(2,000)
Dividends-received deduction.....	(2,290)	(2,320)	(2,360)
Amortization in excess of tax, net.....	3,820	4,780	4,210
Other, net.....	(1,900)	(4,330)	(2,630)
	-----	-----	-----
Income taxes (credit) on income (loss) from continuing operations before income taxes (credit) and extraordinary loss.....	\$50,290	\$29,210	\$(2,120)
	-----	-----	-----
	-----	-----	-----

Provisions for deferred income taxes by temporary difference components for the years ended December 31, 1992 and 1991 were as follows:

	(IN THOUSANDS)	
	1992	1991
	-----	-----
Accelerated depreciation and amortization.....	\$ 4,060	\$ 550
Marketable securities valuation.....	(970)	4,660
Charges for restructuring and other costs, net.....	(2,350)	(1,300)
Deductions reported in different periods for financial reporting and tax purposes.....	60	(5,770)
Alternative minimum tax.....	680	5,180
Other, net.....	1,650	(50)
	-----	-----
	\$ 3,130	\$ 3,270
	-----	-----
	-----	-----



**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

**FAIR VALUE OF FINANCIAL INSTRUMENTS:**

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

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

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

The carrying amounts and fair values of the Company's financial instruments at December 31, 1993 and 1992 are as follows:

	1993		( IN THOUSANDS ) 1992	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash investments.....	\$ 83,200	\$ 83,200	\$ 76,000	\$ 76,000
Notes receivable and other assets.....	\$ 72,650	\$ 80,220	\$ 60,150	\$ 68,050
Long-term debt:				
Bank debt.....	\$295,000	\$295,000	\$441,090	\$441,090
6% Convertible Subordinated Debentures.....	--	--	\$186,890	\$160,730
10% Senior Subordinated Notes.....	\$233,150	\$243,640	\$233,150	\$237,230
10 1/4% Senior Subordinated Notes...	\$250,000	\$254,380	\$250,000	\$251,880
Other long-term debt.....	\$ 9,120	\$ 9,150	\$ 10,780	\$ 10,780

**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
1993:				
Net sales.....	\$ 392,600	\$373,680	\$ 412,530	\$404,070
Gross profit.....	\$ 76,440	\$ 78,600	\$ 85,610	\$ 84,750
Income from continuing operations before extraordinary loss:				
Income.....	\$ 18,510	\$ 15,000	\$ 21,310	\$ 16,070
Per common and common equivalent share:				
Primary.....	\$.23	\$.17	\$.34	\$.22
Assuming full dilution....	\$.22	\$.17	\$.31	\$.22
Net income (loss):				
Income (loss).....	\$ (6,980)	\$ 15,320	\$ 21,740	\$ 17,520
Income (loss) attributable to common stock.....	\$ (11,660)	\$ 9,900	\$ 19,240	\$ 15,190
Per common and common equivalent share:				
Primary.....	\$(.20)	\$.18	\$.35	\$.25
Assuming full dilution....	\$(.15)	\$.18	\$.32	\$.24
Market price per common share:				
High.....	\$28 1/8	\$22 5/8	\$21	\$17 1/4
Low.....	\$18 3/4	\$19 1/2	\$15 3/4	\$11 3/8
1992:				
Net sales.....	\$ 377,790	\$358,240	\$ 381,470	\$337,820
Gross profit.....	\$ 70,560	\$ 76,320	\$ 79,340	\$ 70,050
Income from continuing operations:				
Income.....	\$ 7,190	\$ 10,300	\$ 13,510	\$ 8,040
Per common and common equivalent share.....	\$.08	\$.13	\$.18	\$.10
Net income:				
Income.....	\$ 8,480	\$ 9,640	\$ 12,020	\$ 8,290
Income attributable to common stock.....	\$ 6,160	\$ 7,310	\$ 9,700	\$ 5,960
Per common and common equivalent share.....	\$.10	\$.12	\$.16	\$.10
Market price per common share:				
High.....	\$12 1/8	\$13 5/8	\$13 7/8	\$11
Low.....	\$8 3/8	\$10 3/8	\$8 5/8	\$4 3/4

Certain amounts presented above have been reclassified to present a segment of the Company's business as discontinued operations (see "Discontinued Operations" note).

Results for the second quarters of 1993 and 1992 include pre-tax income of approximately \$9 million and \$25 million, respectively, as a result of gains associated with the sale of common stock through public offerings by equity affiliates and, in 1992, a prepayment premium related to the redemption of debentures held by the

**MASCOTECH, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

Company. This income was largely offset by costs and expenses related to cost reduction initiatives, the restructuring of certain operations and product lines, adjustments to the carrying value of certain long-term assets, and other costs and expenses.

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

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

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

The 1992 results include the benefit of approximately \$4 million pre-tax income (\$2 million after-tax or \$.04 per common share), primarily in the fourth quarter, resulting from net gains from sales of marketable securities.

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

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

MASCOTECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONCLUDED)

The following supplemental unaudited financial data combine the Company with Masco Capital Corporation (through date of disposition) and TriMas and have been presented for analytical purposes. The Company had a common equity ownership interest in TriMas of approximately 43 percent at December 31, 1993 and 28 percent at December 31, 1992. The interests of the other common shareholders are reflected below as "Equity of other shareholders of TriMas." All significant intercompany transactions have been eliminated.

	( IN THOUSANDS )	
	AT DECEMBER 31	
	1993	1992
Current assets.....	\$ 770,810	\$ 813,570
Current liabilities.....	(252,810)	(334,790)
Working capital.....	518,000	478,780
Property and equipment, net.....	652,420	682,310
Excess of cost over net assets of acquired companies.....	526,260	591,330
Other assets.....	298,290	145,710
Bank and other debt.....	(1,027,250)	(1,243,880)
Deferred income taxes and other long-term liabilities.....	(161,500)	(196,420)
Equity of other shareholders of TriMas.....	(138,590)	(104,430)
Equity of shareholders of MascoTech.....	\$ 667,630	\$ 353,400

	FOR THE YEARS ENDED DECEMBER 31		
	1993	1992	1991
Net sales.....	\$2,022,240	\$ 1,841,570	\$ 1,604,180
Operating profit.....	\$ 215,740	\$ 170,460	\$ 86,260
Income (loss) from continuing operations before extraordinary loss.....	\$ 70,890	\$ 39,040	\$ (10,350)

Item 7. Financial Statements, Pro Forma Financial

-----  
Information and Exhibits.  
-----

- (c) Exhibits. The following Exhibits are filed herewith:
- 23.a Consent of Coopers & Lybrand relating to the financial statements of Masco Corporation and subsidiaries.
  - 23.b Consent of Coopers & Lybrand relating to the financial statements of MascoTech, Inc. and subsidiaries.
  - 99.a Computation of Earnings per Common Share for the three years ended December 31, 1993.
  - 99.b Computation of Ratio of Earnings to Combined Fixed Charges for the five years ended December 31, 1993.
  - 99.c Bylaws of the Company, as amended on May 19, 1993.

## **SIGNATURE**

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

### **MASCO CORPORATION**

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

*Date: March 1, 1994*

## EXHIBIT INDEX

Exhibit No. -----	Description -----
23.a	Consent of Coopers & Lybrand relating to the financial statements of Masco Corporation and subsidiaries.
23.b	Consent of Coopers & Lybrand relating to the financial statements of MascoTech, Inc. and subsidiaries.
99.a	Computation of Earnings per Common Share for the three years ended December 31, 1993.
99.b	Computation of Ratio of Earnings to Combined Fixed Charges for the five years ended December 31, 1993.
99.c	Bylaws of the Company, as amended on May 19, 1993.

**Exhibit 23.a**

**CONSENT OF INDEPENDENT ACCOUNTANTS**

We consent to the incorporation by reference in the prospectuses and prospectus supplements included in the registration statements of Masco Corporation on Form S-3 (Registration Nos. 33-2374, 33-42722 and 33-53330) and Form S-8 (Registration Nos. 2- 54711, 2-95969, 33-28142, and 33-42229) of our report dated February 24, 1994, on our audits of the consolidated financial statements of Masco Corporation and subsidiaries as of December 31, 1993 and 1992 and for each of the three years in the period ended December 31, 1993, which report is included in this Current Report on Form 8-K. We also consent to the reference to our Firm under the caption "Experts" in such prospectuses and prospectus supplements.

*/s/ COOPERS & LYBRAND*

*Detroit, Michigan  
March 1, 1994*



**Exhibit 23.b**

**CONSENT OF INDEPENDENT ACCOUNTANTS**

We consent to the incorporation by reference in the prospectuses and prospectus supplements included in the registration statements of Masco Corporation on Form S-3 (Registration Nos. 33-2374, 33-42722 and 33-53330) and on Form S-8 (Registration Nos. 2- 54711, 2-95969, 33-28142, and 33-42229) of our report dated February 24, 1994, on our audits of the consolidated financial statements of MascoTech, Inc. and subsidiaries as of December 31, 1993 and 1992, and for each of the three years in the period ended December 31, 1993, which report is included in this Current Report on Form 8-K. We also consent to the reference to our Firm under the caption "Experts" in such prospectuses and prospectus supplements.

*/s/ COOPERS & LYBRAND*

*Detroit, Michigan  
March 1, 1994*

**EXHIBIT 99.a**

**MASCO CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**COMPUTATION OF PRIMARY AND FULLY DILUTED PER SHARE EARNINGS  
(INCLUDING EFFECT OF FULL DILUTION)**

	1993	1992	1991
	-----	-----	-----
	(IN THOUSANDS EXCEPT AS INDICATED)		
Shares for computation of primary and fully diluted earnings per share:			
Average number of shares outstanding.....	152,700	151,700	149,900
Common stock equivalents:			
Convertible debentures.....	4,210	4,210	4,210
Stock options.....	1,520	1,210	700
	-----	-----	-----
Total shares.....	158,430	157,120	154,810
	-----	-----	-----
Net income.....	\$221,100	\$183,100	\$ 44,900
Addback of debenture interest, net.....	5,880	5,970	5,970
	-----	-----	-----
Net income, as adjusted.....	\$226,980	\$189,070	\$ 50,870
	-----	-----	-----
Primary and fully diluted earnings per share (in dollar amounts).....	\$1.45	\$1.21	\$.30
	-----	-----	-----

The above dilutive influences are less than 3%.

**EXHIBIT 99.b**

**MASCO CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
(DOLLARS IN THOUSANDS)**

	AT DECEMBER 31				
	1993	1992	1991	1990	1989
<b>EARNINGS BEFORE INCOME TAXES AND FIXED CHARGES:</b>					
Income before income taxes.....	\$362,600	\$304,800	\$ 97,600	\$235,900	\$327,100
(Deduct) add equity in undistributed (earnings) losses of fifty-percent-or-less-owned companies.....	(18,740)	(17,290)	12,640	8,760	(29,060)
Add dividends received from fifty-percent-or-less-owned companies.....	4,940	4,100	25,450	1,780	1,990
Add interest on indebtedness, net.....	104,080	100,490	124,950	125,770	112,830
Add amortization of debt expense.....	2,650	2,710	1,630	1,420	1,460
Add one-third of rentals.....	10,970	10,800	12,530	9,610	8,830
	-----	-----	-----	-----	-----
Earnings before income taxes and fixed charges.....	\$466,500	\$405,610	\$274,800	\$383,240	\$423,150
	-----	-----	-----	-----	-----
<b>FIXED CHARGES:</b>					
Interest on indebtedness.....	\$105,420	\$113,670	\$128,450	\$125,770	\$112,830
Amortization of debt expense.....	2,650	2,710	1,630	1,420	1,460
One-third of rentals.....	10,970	10,800	12,530	9,610	8,830
	-----	-----	-----	-----	-----
	\$119,040	\$127,180	\$142,610	\$136,800	\$123,120
	-----	-----	-----	-----	-----
Ratio of earnings to fixed charges.....	3.9	3.2	1.9	2.8	3.4
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**Exhibit 99.c**

**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 transaction 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 outstanding 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.

## **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.

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 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.

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.

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.

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