

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED
December 31, 2005

COMMISSION FILE NUMBER
1-1553

THE BLACK & DECKER CORPORATION
(Exact name of registrant as specified in its charter)

Maryland
(State of Incorporation)

52-0248090
(I.R.S. Employer Identification Number)

Towson, Maryland
(Address of principal executive offices)

21286
(Zip Code)

Registrant's telephone number, including area code:

410-716-3900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, par value \$.50 per share

Name of each exchange on which registered
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of July 1, 2005, was \$7.06 billion.

The number of shares of Common Stock outstanding as of January 27, 2006, was 77,384,681.

The exhibit index as required by Item 601(a) of Regulation S-K is included in Item 15 of Part IV of this report.

Documents Incorporated by Reference: Portions of the registrant's definitive Proxy Statement for the 2006 Annual Meeting of Stockholders are incorporated by reference in Part III of this Report.

PART I

ITEM 1. BUSINESS

(a) General Development of Business

The Black & Decker Corporation (collectively with its subsidiaries, the Corporation), incorporated in Maryland in 1910, is a leading global manufacturer and marketer of power tools and accessories, hardware and home improvement products, and technology-based fastening systems. With products and services marketed in over 100 countries, the Corporation enjoys worldwide recognition of its strong brand names and a superior reputation for quality, design, innovation, and value.

The Corporation is one of the world's leading producers of power tools, power tool accessories, and residential security hardware, and the Corporation's product lines hold leading market share positions in these industries. The Corporation is also a major global supplier of engineered fastening and assembly systems. The Corporation is one of the leading producers of faucets in North America. These assertions are based on total volume of sales of products compared to the total market for those products and are supported by market research studies sponsored by the Corporation as well as independent industry statistics available through various trade organizations and periodicals, internally generated market data, and other sources.

During the fourth quarter of 2004, the Corporation acquired the Porter-Cable and Delta Tools Group from Pentair, Inc. The Porter-Cable and Delta Tools Group (also referred to herein as the "Tools Group") included the Porter-Cable, Delta, DeVilbiss Air Power Company, Oldham Saw, and FLEX businesses. The Corporation sold the FLEX business in November 2005.

During the fourth quarter of 2003, the Corporation completed the acquisition of the Baldwin Hardware Corporation (Baldwin) and Weiser Lock Corporation (Weiser) from Masco Corporation. For additional information about the acquisitions of the Tools Group and Baldwin and Weiser, see Note 2 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report.

In November 2005, the Corporation completed the sale of DOM security hardware. In January 2004, the Corporation completed the sale of two European security hardware businesses, Corbin and NEMEF. The divested businesses are reflected as discontinued operations in the Consolidated Financial Statements included in Item 8 of Part II of this report, and as such, operating results, assets and liabilities, and cash flows of the discontinued European security hardware business have been reported separately from the continuing operations of the Corporation. For additional information about the discontinued European security hardware business, see the discussion in Note 3 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report.

(b) Financial Information About Business Segments

The Corporation operates in three reportable business segments: Power Tools and Accessories, including consumer and professional power tools and accessories, lawn and garden tools, electric cleaning and lighting products, and product service; Hardware and Home Improvement, including security hardware and plumbing products; and Fastening and Assembly Systems. For additional information about these segments, see Note 18 of Notes to Consolidated Financial Statements included in Item 8 of Part II, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of Part II of this report.

(c) Narrative Description of the Business

The following is a brief description of each of the Corporation's reportable business segments.

POWER TOOLS AND ACCESSORIES

The Power Tools and Accessories segment has worldwide responsibility for the manufacture and sale of consumer (home use) and professional corded and cordless electric power tools and equipment, lawn and garden tools, home products, accessories and attachments for power tools, and product service. In addition, the Power Tools and Accessories segment has responsibility for the sale of security hardware to customers in Mexico, Central America, the Caribbean, and South America; for the sale of plumbing products to customers outside of the United States and Canada; and for sales of household products, principally in Europe and Brazil.

Power tools and equipment include drills, screwdrivers, impact wrenches and drivers, hammers, wet/dry vacuums, lights, radiochargers, saws, grinders, band saws, plate joiners, jointers, lathes, dust management systems, routers, planers, sanders, benchtop and stationary machinery, air tools, building instruments, air compressors, generators, laser products, jobsite security systems, and WORKMATE® project centers and related products. Lawn and garden tools include hedge trimmers, string trimmers, lawn mowers, edgers, pruners, shears, shrubbers, blower/vacuums, power sprayers, pressure washers, and related accessories. Home products include stick, canister and hand-held vacuums; flexible flashlights; and wet scrubbers. Power tool accessories include drill bits, hammer bits, router bits, hacksaws and blades, circular saw blades, jig and reciprocating saw blades, screwdriver bits and quick-change systems, bonded and other abrasives, and worksite tool belts and bags. Product service provides replacement parts and repair and maintenance of power tools, equipment, and lawn and garden tools.

Power tools, lawn and garden tools, home products, and accessories are marketed around the world under the BLACK & DECKER name as well as other trademarks and trade names, including, without limitation, BLACK & DECKER; ORANGE AND BLACK COLOR SCHEME; POWERFUL SOLUTIONS; FIRESTORM; GELMAX COMFORT GRIP; MOUSE; BULLSEYE; PIVOT DRIVER; STORMSTATION; WORKMATE; BLACK & DECKER XT; VERSAPAK; SMART DRIVER; QUANTUM PRO; CYCLONE; NAVIGATOR; DRAGSTER; SANDSTORM; PROJECTMATE; PIVOTPLUS; QUICK CLAMP; SIGHT-LINE; CROSSFIRE; CROSSHAIR; 360°; QUATTRO; DECORMATE; LASERCROSS; XTEAM; SHOPMASTER BY DELTA; DEWALT; YELLOW AND BLACK COLOR SCHEME; GUARANTEED TOUGH; XRP; SITELOCK; PORTER-CABLE; GRAY AND BLACK COLOR SCHEME; TIGER SAW; PORTA-BAND; POWERBACK; EASY AIR; JOB BOSS; DELTA; THE DELTA TRIANGLE LOGO; UNISAW; BIESEMEYER; BLACK AND WHITE COLOR SCHEME; DAPC; EMGLO; AFS AUTOMATIC FEED SPOOL; GROOM 'N' EDGE; HEDGE HOG; GRASS HOG; EDGE HOG; LEAF HOG; LAWN HOG; STRIMMER; REFLEX; VAC 'N' MULCH; EXCELL; ALLIGATOR; TRIM 'N' EDGE; HDL; TOUGH TRUCK; FLEX TUBE; DUSTBUSTER; SNAKELIGHT; SCUMBUSTER; STEAMBUSTER; CYCLOPRO; SWEEP & COLLECT; CLICK & GO; B&D; BULLET; QUANTUM PRO; PIRANHA; SCORPION; QUICK CONNECT; PILOT POINT; RAPID LOAD; ROCK CARBIDE; TOUGH CASE; MAX LIFE; RAZOR; OLDHAM; DEWALT SERVICENET; DROP BOX EXPRESS; and GUARANTEED REPAIR COST (GRC).

The composition of the Corporation's sales by product groups for 2005, 2004, and 2003 is included in Note 18 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report. Within each product group shown, there existed no individual product that accounted for greater than 10% of the Corporation's consolidated sales for 2005, 2004, or 2003.

The Corporation's product service program supports its power tools and lawn and garden tools. Replacement parts and product repair services are available through a network of company-operated service centers, which are identified and listed in product information material generally included in product packaging. At December 31, 2005, there were approximately 130 such service centers, of which roughly three-quarters were located in the United States. The remainder was located around the world, primarily in Canada and Asia. These company-operated service centers are supplemented by several hundred authorized service centers operated by independent local owners. The Corporation also operates reconditioning centers in which power tools, lawn and garden tools, and electric cleaning and lighting products are reconditioned and then re-sold through numerous company-operated factory outlets and service centers and various independent distributors.

Most of the Corporation's consumer power tools, lawn and garden tools, and electric cleaning and lighting products sold in the United States carry a two-year warranty, pursuant to which the consumer can return defective products during the two years following the purchase in exchange for a replacement product or repair at no cost to the consumer. Most of the Corporation's professional power tools sold in the United States carry a one-year service warranty and a three-year warranty for manufacturing defects. Products sold outside of the United States generally have varying warranty arrangements, depending upon local market conditions and laws and regulations.

The Corporation's product offerings in the Power Tools and Accessories segment are sold primarily to retailers, wholesalers, distributors, and jobbers, although some discontinued or reconditioned power tools, lawn and garden tools, and electric cleaning and lighting products are sold through company-operated service centers and factory outlets directly to end users. Sales to two of the segment's customers, The Home Depot and Lowe's Home Improvement Warehouse, accounted for greater than 10% of the Corporation's consolidated sales for 2005, 2004, and 2003. For additional information regarding sales to The Home Depot and Lowe's Home Improvement Warehouse, see Note 18 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report.

The principal materials used in the manufacturing of products in the Power Tools and Accessories segment are batteries, copper, aluminum, steel, certain electronic components, engines, and plastics. These materials are used in various forms. For example, aluminum or steel may be used in the form of wire, sheet, bar, and strip stock.

The materials used in the various manufacturing processes are purchased on the open market, and the majority are available through multiple sources and are in adequate supply. The Corporation has experienced no significant work stoppages to date as a result of shortages of materials.

The Corporation has certain long-term commitments for the purchase of various component parts and raw materials and believes that it is unlikely that any of these agreements would be terminated prematurely. Alternate sources of supply at competitive prices are available for most items for which long-term commitments exist. Because the Corporation is a leading producer of power tools and accessories, in a limited number of instances, the magnitude of the Corporation's purchases of certain items is of such significance that a change in the Corporation's established supply relationship may cause disruption in the marketplace and/or a temporary price imbalance. While the Corporation believes that the termination of any of these commitments would not have a material adverse effect on the operating results of the Power Tools and Accessories segment over the long term, the termination of a limited number of these commitments would have an adverse effect over the short term. In this regard, the Corporation defines long term as a period of time in excess of 12 months and short term as a period of time under 12 months.

Principal manufacturing and assembly facilities of the power tools, lawn and garden tools, electric cleaning and lighting products, and accessories businesses in the United States are located in Jackson, Tennessee; Decatur, Arkansas; Shelbyville, Kentucky; and Tampa, Florida. The principal distribution facilities in the United States, other than those located at the manufacturing and assembly facilities listed above, are located in Fort Mill, South Carolina, and Rialto, California.

Principal manufacturing and assembly facilities of the power tools, lawn and garden tools, electric cleaning and lighting products, and accessories businesses outside of the United States are located in Suzhou, China; Taichung, Taiwan; Usti nad Labem, Czech Republic; Buchberg, Germany; Perugia, Italy; Spennymoor, England; Reynosa, Mexico; and Uberaba, Brazil. In addition to the principal facilities described above, the manufacture and assembly of products for the Power Tools and Accessories segment also occurs at the facility of its 50%-owned joint venture located in Shen Zhen, China. The principal distribution facilities outside of the United States, other than those located at the manufacturing facilities listed above, consist of a central-European distribution center in Tongeren, Belgium, and facilities in Aarschot, Belgium; Northampton, England; Dubai, United Arab Emirates; and Brockville, Canada.

For additional information with respect to these and other properties owned or leased by the Corporation, see Item 2, “Properties.”

The Corporation holds various patents and licenses on many of its products and processes in the Power Tools and Accessories segment. Although these patents and licenses are important, the Corporation is not materially dependent on such patents or licenses with respect to its operations.

The Corporation holds various trademarks that are employed in its businesses and operates under various trade names, some of which are stated previously. The Corporation believes that these trademarks and trade names are important to the marketing and distribution of its products.

A significant portion of the Corporation’s sales in the Power Tools and Accessories segment is derived from the do-it-yourself and home modernization markets, which generally are not seasonal in nature. However, sales of certain consumer and professional power tools tend to be higher during the period immediately preceding the Christmas gift-giving season, while the sales of most lawn and garden tools are at their peak during the late winter and early spring period. Most of the Corporation’s other product lines within this segment generally are not seasonal in nature, but are influenced by other general economic trends.

The Corporation is one of the world’s leaders in the manufacturing and marketing of portable power tools, electric lawn and garden tools, and accessories. Worldwide, the markets in which the Corporation sells these products are highly competitive on the basis of price, quality, and after-sale service. A number of competing domestic and foreign companies are strong, well-established manufacturers that compete on a global basis. Some of these companies manufacture products that are competitive with a number of the Corporation’s product lines. Other competitors restrict their operations to fewer categories, and some offer only a narrow range of competitive products. Competition from certain of these manufacturers has been intense in recent years and is expected to continue.

HARDWARE AND HOME IMPROVEMENT

The Hardware and Home Improvement segment has worldwide responsibility for the manufacture and sale of security hardware products (except for the sale of security hardware in Mexico, Central America, the Caribbean, and South America). It also has responsibility for the manufacture of plumbing products and for the sale of plumbing products to customers in the United States and Canada. Security hardware products consist of residential and light commercial door locksets, electronic keyless entry systems, exit devices, keying systems, tubular and mortise door locksets, general hardware, decorative hardware, lamps, and brass ornaments. General hardware includes door hinges, cabinet hinges, door stops, kick plates, and house numbers. Decorative hardware includes cabinet hardware, switchplates, door pulls, and push plates. Plumbing products consist of a variety of conventional and decorative lavatory, kitchen, and tub and shower faucets, bath and kitchen accessories, and replacement parts.

Security hardware products are marketed under a variety of trademarks and trade names, including, without limitation, KWIKSET SECURITY; KWIKSET MAXIMUM SECURITY; KWIKSET ULTRAMAX; SIGNATURES; KWIKSET; BEAUTY OF STRENGTH; BLACK & DECKER; TYLO; POLO; AVALON; ASHFIELD; VENETIAN BRONZE; POWERBOLT; KWIK INSTALL; EZ INSTALL; GEO; SAFE-LOCK BY BLACK & DECKER; BALDWIN; THE ESTATE COLLECTION; THE IMAGES COLLECTION; ARCHETYPES; LIFETIME FINISH; TIMELESS CRAFTSMANSHIP; LOGAN; SPRINGFIELD; HAMILTON; BLAKELY; MANCHESTER; CANTERBURY; MADISON; STONEGATE; EDINBURGH; KENSINGTON; BRISTOL; TREMONT; PEYTON; PASADENA; RICHLAND; WEISER; WEISER LOCK; COLLECTIONS BY/DE WEISER LOCK; PRESTIGE SERIES; WELCOME HOME SERIES; ELEMENTS SERIES; BASICS BY WEISER LOCK; BRILLIANCE LIFETIME ANTI-TARNISH FINISH; POWERBOLT; POWERBOLT KEYLESS ACCESS SYSTEM; WEISERBOLT; and ENTRYSETS. Plumbing products are marketed under the trademarks and trade names PRICE PFISTER; CLASSIC SERIES BY PRICE PFISTER; PRICE PFISTER PROFESSIONAL SERIES; BACH; SOLO; CONTEMPRA; MARIELLE; CARMEL; PARISA; SAVANNAH; CATALINA; GEORGETOWN; TREVISO; AVALON; and ASHFIELD.

The composition of the Corporation's sales by product groups for 2005, 2004, and 2003 is included in Note 18 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report. Within each product group shown, there existed no individual product that accounted for greater than 10% of the Corporation's consolidated sales for 2005, 2004, or 2003.

Most of the Corporation's security hardware products sold in the United States carry a warranty, pursuant to which the consumer can return defective product during the warranty term in exchange for a replacement product at no cost to the consumer. Warranty terms vary by product and range from a 10-year to a lifetime warranty with respect to mechanical operations and from a 5-year to a lifetime warranty with respect to finish. Products sold outside of the United States for residential use generally have similar warranty arrangements. Such arrangements vary, however, depending upon local market conditions and laws and regulations. Most of the Corporation's plumbing products sold in the United States carry a lifetime warranty with respect to function and finish, pursuant to which the consumer can return defective product in exchange for a replacement product or repair at no cost to the consumer.

The Corporation's product offerings in the Hardware and Home Improvement segment are sold primarily to retailers, wholesalers, distributors, and jobbers. Certain security hardware products are sold to commercial, institutional, and industrial customers. Sales to two of the segment's customers, The Home Depot and Lowe's Home Improvement Warehouse, accounted for greater than 10% of the Corporation's consolidated sales for 2005, 2004, and 2003. For additional information regarding sales to The Home Depot and Lowe's Home Improvement Warehouse, see Note 18 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report.

The principal materials used in the manufacturing of products in the Hardware and Home Improvement segment are zamak, brass, plastics, aluminum, steel, and ceramics. The materials used in the various manufacturing processes are purchased on the open market, and the majority is available through multiple sources and is in adequate supply. The Corporation has experienced no significant work stoppages to date as a result of shortages of materials.

The Corporation has certain long-term commitments for the purchase of various finished goods, component parts, and raw materials and believes that it is unlikely that any of these agreements would be terminated prematurely. Alternate sources of supply at competitive prices are available for most items for which long-term commitments exist. Because the Corporation is a leading producer of residential security hardware and faucets, in a limited number of instances, the magnitude of the Corporation's purchases of certain items is of such significance that a change in the Corporation's established supply relationship may cause disruption in the marketplace and/or a temporary price imbalance. While the Corporation believes that the termination of any of these commitments would not have a material adverse effect on the operating results of the Hardware and Home Improvement segment over the long term, the termination of a limited number of these commitments would have an adverse effect over the short term. In this regard, the Corporation defines long term as a period of time in excess of 12 months and short term as a period of time under 12 months.

From time to time, the Corporation enters into commodity hedges on certain raw materials used in the manufacturing process to reduce the risk of market price fluctuations. As of December 31, 2005, no commodity hedges were outstanding.

Principal manufacturing and assembly facilities of the Hardware and Home Improvement segment in the United States are located in Denison, Texas, and Reading, Pennsylvania.

Principal manufacturing and assembly facilities of the Hardware and Home Improvement segment outside of the United States are located in Mexicali and Nogales, Mexico. The principal distribution facilities in the United States, other than those located at the manufacturing and assembly facilities listed above, are located in Mira Loma, California, and Charlotte, North Carolina.

For additional information with respect to these and other properties owned or leased by the Corporation, see Item 2, "Properties."

The Corporation holds various patents and licenses on many of its products and processes in the Hardware and Home Improvement segment. Although these patents and licenses are important, the Corporation is not materially dependent on such patents or licenses with respect to its operations.

The Corporation holds various trademarks that are employed in its businesses and operates under various trade names, some of which are stated above. The Corporation believes that these trademarks and trade names are important to the marketing and distribution of its products.

A significant portion of the Corporation's sales in the Hardware and Home Improvement segment is derived from the do-it-yourself and home modernization markets, which generally are not seasonal in nature, but are influenced by trends in the residential and commercial construction markets and other general economic trends.

The Corporation is one of the world's leading producers of residential security hardware and is one of the leading producers of faucets in North America. Worldwide, the markets in which the Corporation sells these products are highly competitive on the basis of price, quality, and after-sale service. A number of competing domestic and foreign companies are strong, well-established manufacturers that compete on a

global basis. Some of these companies manufacture products that are competitive with a number of the Corporation's product lines. Other competitors restrict their operations to fewer categories, and some offer only a narrow range of competitive products. Competition from certain of these manufacturers has been intense in recent years and is expected to continue.

FASTENING AND ASSEMBLY SYSTEMS

The Corporation's Fastening and Assembly Systems segment has worldwide responsibility for the manufacture and sale of an extensive line of metal and plastic fasteners and engineered fastening systems for commercial applications, including blind riveting, stud welding, assembly systems, specialty screws, prevailing torque nuts and assemblies, insert systems, metal and plastic fasteners, and self-piercing riveting systems. The fastening and assembly systems products are marketed under a variety of trademarks and trade names, including, without limitation, EMHART TEKNOLOGIES; EMHART FASTENING TEKNOLOGIES; EMHART; EMTEK; AUTOSET; DODGE; DRIL-KWICK; F-SERIES; GRIPCO; GRIPCO ASSEMBLIES; HELI-COIL; JACK NUT; KALEI; MASTERFIX; MENTOR; NPR; NUT-FAST; PARKER-KALON; PLASTIFAST; PLASTI-KWICK; POINT & SET; POP; POP-LOK; POPMATIC; POPNUT; POP-SERT; POWERLINK; PROSET; SMARTSET; SPLITFAST; SWS; T-RIVET; TUCKER; ULTRA-GRIP; ULTRASERT; SWAGEFORM; WARREN; WELDFAST; and WELL-NUT. The Fastening and Assembly Systems segment provides platform-management services in addition to the manufacture and sale of the products previously described.

The composition of the Corporation's sales by product groups for 2005, 2004, and 2003 is included in Note 18 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report. Within each product group shown, there existed no individual product that accounted for greater than 10% of the Corporation's consolidated sales for 2005, 2004, or 2003.

The principal markets for these products include the automotive, transportation, electronics, aerospace, machine tool, and appliance industries. Substantial sales are made to automotive manufacturers worldwide.

Products are marketed directly to customers and also through distributors and representatives. These products face competition from many manufacturers in several countries. Product quality, performance, reliability, price, delivery, and technical and application engineering services are the primary competitive factors. There is little seasonal variation in sales.

The Corporation owns a number of United States and foreign patents, trademarks, and license rights relating to the fastening and assembly systems business. While the Corporation considers those patents, trademarks, and license rights to be valuable, it is not materially dependent upon such patents or license rights with respect to its operations.

Principal manufacturing facilities of the Fastening and Assembly Systems segment in the United States are located in Danbury, Connecticut; Montpelier, Indiana; Campbellsville and Hopkinsville, Kentucky; and Chesterfield, Michigan. Principal manufacturing and assembly facilities outside of the United States are located in Birmingham, England; Giessen, Germany; and Toyohashi, Japan. For additional information with respect to these and other properties owned or leased by the Corporation, see Item 2, "Properties."

The raw materials used in the fastening and assembly systems business consist primarily of ferrous and nonferrous metals in the form of wire, bar stock, and strip and sheet metals; plastics; and rubber. These materials are readily available from a number of suppliers.

OTHER INFORMATION

The Corporation's product development program for the Power Tools and Accessories segment is coordinated from the Corporation's headquarters in Towson, Maryland. Additionally, product development activities are performed at facilities in Hampstead, Maryland, and Jackson, Tennessee, in the United States; Maltby and Spennymoor, England; Brockville, Canada; Perugia, Italy; Suzhou, China; Taichung, Taiwan; Buchberg and Idstein, Germany; Mooroolbark, Australia; Uberaba, Brazil; and Reynosa, Mexico.

Product development activities for the Hardware and Home Improvement segment are performed at facilities in Lake Forest, California, and Reading, Pennsylvania.

Product development activities for the Fastening and Assembly Systems segment are performed at facilities in Danbury and Shelton, Connecticut; Montpelier, Indiana; Campbellsville, Kentucky; Chesterfield and Farmington Hills, Michigan; Birmingham, England; Maastricht, Netherlands; Giessen, Germany; and Toyohashi, Japan.

Costs associated with development of new products and changes to existing products are charged to operations as incurred. See Note 1 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report for amounts of expenditures for product development activities.

As of December 31, 2005, the Corporation employed approximately 27,200 persons in its operations worldwide. Approximately 430 employees in the United States are covered by collective bargaining agreements. During 2005, three collective bargaining agreements in the United States were negotiated without material disruption to operations. No agreements are scheduled for negotiation during 2006. Also, the Corporation has government-mandated collective bargaining arrangements or union contracts with employees in other countries. The Corporation's operations have not been affected significantly by work stoppages and, in the opinion of management, employee relations

are good. As more fully described under the caption “Restructuring Actions” in Management’s Discussion and Analysis of Financial Condition and Results of Operations, the Corporation is committed to continuous productivity improvement and continues to evaluate opportunities to reduce fixed costs, simplify or improve processes, and eliminate excess capacity. As a consequence, the Corporation may, from time to time, transfer production from one manufacturing facility to another, outsource certain production, or close certain manufacturing facilities. Such production transfers, outsourcing, and/or facility closures may result in a deterioration of employee relations at the impacted locations or elsewhere in the Corporation.

The Corporation’s operations are subject to foreign, federal, state, and local environmental laws and regulations. Many foreign, federal, state, and local governments also have enacted laws and regulations that govern the labeling and packaging of products and limit the sale of products containing certain materials deemed to be environmentally sensitive. These laws and regulations not only limit the acceptable methods for the discharge of pollutants and the disposal of products and components that contain certain substances, but also require that products be designed in a manner to permit easy recycling or proper disposal of environmentally sensitive components such as nickel cadmium batteries. The Corporation seeks to comply fully with these laws and regulations. Although compliance involves continuing costs, the ongoing costs of compliance with existing environmental laws and regulations have not had, nor are they expected to have, a material adverse effect upon the Corporation’s capital expenditures or financial position.

Pursuant to authority granted under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), the United States Environmental Protection Agency (EPA) has issued a National Priority List (NPL) of sites at which action is to be taken to mitigate the risk of release of hazardous substances into the environment. The Corporation is engaged in continuing activities with regard to various sites on the NPL and other sites covered under analogous state environmental laws. As of December 31, 2005, the Corporation had been identified as a potentially responsible party (PRP) in connection with approximately 24 sites being investigated by federal or state agencies under CERCLA or analogous state environmental laws. The Corporation also is engaged in site investigations and remedial activities to address environmental contamination from past operations at current and former manufacturing facilities in the United States and abroad.

To minimize the Corporation’s potential liability with respect to these sites, management has undertaken, when appropriate, active participation in steering committees established at the sites and has agreed to remediation through consent orders with the appropriate government agencies. Due to uncertainty as to the Corporation’s involvement in some of the sites, uncertainty over the remedial measures to be adopted, and the fact that imposition of joint and several liability with the right of contribution is possible under CERCLA and other laws and regulations, the liability of the Corporation with respect to any site at which remedial measures have not been completed cannot be established with certainty. On the basis of periodic reviews conducted with respect to these sites, however, the Corporation has established appropriate liability accruals. The Corporation’s estimate of the costs associated with environmental exposures is accrued if, in management’s judgment, the likelihood of a loss is probable and the amount of the loss can be reasonably estimated. As of December 31, 2005, the Corporation’s aggregate probable exposure with respect to environmental liabilities, for which accruals have been established in the consolidated financial statements, was \$69.9 million. In the opinion of management, the amount accrued for probable exposure for aggregate environmental liabilities is adequate and, accordingly, the ultimate resolution of these matters is not expected to have a material adverse effect on the Corporation’s consolidated financial statements. As of December 31, 2005, the Corporation had no known probable but inestimable exposures relating to environmental matters that are expected to have a material adverse effect on the Corporation. There can be no assurance, however, that unanticipated events will not require the Corporation to increase the amount it has accrued for any environmental matter or accrue for an environmental matter that has not been previously accrued because it was not considered probable. While it is possible that the increase or establishment of an accrual could have a material adverse effect on the financial results for any particular fiscal quarter or year, in the opinion of management there exists no known potential exposures that would have a material adverse effect on the financial condition or on the financial results of the Corporation beyond any such fiscal quarter or year.

(d) Financial Information About Geographic Areas

Reference is made to Note 18 of Notes to Consolidated Financial Statements, entitled “Business Segments and Geographic Information”, included in Item 8 of Part II of this report.

(e) Available Information

The Corporation files annual, quarterly, and current reports, proxy statements, and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (the Exchange Act). The public may read and copy any materials that the Corporation files with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at

1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including the Corporation, that file electronically with the SEC. The public can obtain any documents that the Corporation files with the SEC at <http://www.sec.gov>.

The Corporation also makes available free of charge on or through its Internet website (<http://www.bdk.com>) the Corporation's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after the Corporation electronically files such material with, or furnishes it to, the SEC.

Black & Decker's Corporate Governance Policies and Procedures Statement is available free of charge on or through its Internet website (<http://www.bdk.com>) or in print by calling (800) 992-3042 or (410) 716-2914. The Statement contains charters of the standing committees of the Board of Directors, the Code of Ethics and Standards of Conduct, and the Code of Ethics for Senior Financial Officers.

In April 2005, the Corporation submitted to the New York Stock Exchange the CEO certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

(f) Executive Officers and Other Senior Officers of the Corporation

The current Executive Officers and Other Senior Officers of the Corporation, their ages, current offices or positions, and their business experience during the past five years are set forth below.

• NOLAN D. ARCHIBALD – 62

Chairman, President, and Chief Executive Officer,
January 1990 – present.

• BRUCE W. BROOKS – 42

Vice President of the Corporation and President –
Construction Tools, Industrial Products Group,
Power Tools and Accessories,
May 2005 – present;

Vice President and General Manager –
Construction Tools, Industrial Products Group,
Power Tools and Accessories,
October 2004 – May 2005;

Vice President Marketing – DEWALT Professional
Products, Power Tools and Accessories Group,
July 2003 – October 2004;

Vice President Marketing –
Black & Decker Consumer Products,
Power Tools and Accessories Group,
July 2000 – July 2003.

• JAMES T. CAUDILL – 38

Vice President of the Corporation and President –
Hardware and Home Improvement,
May 2005 – present;

Vice President and General Manager –
Accessories, Industrial Products Group,
Power Tools and Accessories Group,
October 2004 – May 2005;

Vice President – Accessories, DEWALT Professional
Products, Power Tools and Accessories Group,
November 2001 – October 2004;

Vice President Marketing –
Power Tools and Accessories Group,
November 2000 – November 2001.

• CHARLES E. FENTON – 57

Senior Vice President and General Counsel,
December 1996 – present.

• PAUL A. GUSTAFSON – 63

Executive Vice President of the Corporation and
President – Fastening and Assembly Systems,
December 1996 – present.

• LES H. IRELAND – 41

Vice President of the Corporation and
President – Europe/Middle East/Africa,
Power Tools and Accessories,

January 2005 – present;

Vice President of the Corporation and
Managing Director – Commercial Operations,
Europe, Black & Decker Consumer Group,
Power Tools and Accessories Group,
November 2001 – January 2005;

Vice President of the Corporation and
Vice President and General Manager –
DEWALT Professional Power Tools, North America,
Power Tools and Accessories Group,
January 2001 – November 2001;

Vice President of the Corporation and President –
Accessories, Power Tools and Accessories Group,
September 2000 – January 2001.

• **THOMAS D. KOOS – 42**

Group Vice President of the Corporation and
President – Consumer Products Group,
Power Tools and Accessories,
March 2004 – present;

Vice President of the Corporation and President –
Black & Decker Consumer Products,
Power Tools and Accessories Group,
January 2001 – March 2004;

Vice President of the Corporation and President –
North American Consumer Power Tools,
Power Tools and Accessories Group,
December 2000 – January 2001.

- **BARBARA B. LUCAS – 60**
 Senior Vice President – Public Affairs and
 Corporate Secretary,
 December 1996 – present.
- **MICHAEL D. MANGAN – 49**
 Senior Vice President and Chief Financial Officer,
 January 2000 – present.
- **PAUL F. MCBRIDE – 50**
 Senior Vice President – Human Resources
 and Corporate Initiatives,
 March 2004 – present;

Executive Vice President of the Corporation and
 President – Power Tools and Accessories Group,
 April 1999 – March 2004.
- **CHRISTINA M. MCMULLEN – 50**
 Vice President and Controller,
 April 2000 – present.
- **STEPHEN F. REEVES – 46**
 Vice President of the Corporation and
 Vice President – Global Finance,
 Power Tools and Accessories,
 March 2004 – present;

Vice President of the Corporation and Vice President
 – Finance, Power Tools and Accessories Group,
 April 2000 – March 2004.
- **MARK M. ROTHLEITNER – 47**
 Vice President – Investor Relations and Treasurer,
 January 2000 – present.
- **ROBERT I. ROWAN – 45**
 Vice President of the Corporation and President –
 Power Tools and Accessories, Consumer
 Products Group, Power Tools and Accessories,
 February 2006 – present;

Vice President and General Manager,
 Consumer Power Tools and Accessories,
 Power Tools and Accessories,
 July 2003 – February 2006;

Vice President – Outdoor Products, Consumer
 Products Group, Power Tools and Accessories Group,
 September 2001 – July 2003;

Vice President – Commercial,
 Black & Decker Consumer Products,
 Power Tools and Accessories Group,
 February 1997 – September 2001.
- **EDWARD J. SCANLON – 51**
 Vice President of the Corporation and President –
 Commercial Operations, North and South America,
 Power Tools and Accessories,
 March 2004 – present;

Vice President of the Corporation and President –
 Commercial Operations, North America,
 Power Tools and Accessories Group,
 May 1999 – March 2004.
- **JOHN W. SCHIECH – 47**
 Group Vice President of the Corporation
 and President – Industrial Products Group,
 Power Tools and Accessories,
 March 2004 – present;

Vice President of the Corporation and President –
 DEWALT Professional Products, Power Tools
 and Accessories Group,

January 2001 – March 2004;

Vice President of the Corporation and President –
North American Professional Power Tools,
Power Tools and Accessories Group,
May 1999 – January 2001.

• **ROBERT B. SCHWARZ – 57**

Vice President of the Corporation and Vice President
– Manufacturing, Industrial Products Group,
Power Tools and Accessories,
March 2004 – present;

Vice President of the Corporation and Vice President
– Manufacturing, DEWALT Professional Products,
Power Tools and Accessories Group,
October 2001 – March 2004;

Vice President – Manufacturing, DEWALT Professional
Products, Power Tools and Accessories Group,
December 1995 – October 2001.

• **BHUPINDER (BEN) S. SIHOTA – 47**

Vice President of the Corporation and President –
Asia Pacific Commercial Operations,
Power Tools and Accessories,
February 2006 – present;

President – Asia, Power Tools and Accessories,
September 2000 – February 2006.

(g) Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the Reform Act) provides a safe harbor for forward-looking statements made by or on behalf of the Corporation. The Corporation and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in the Corporation's filings with the Securities and Exchange Commission and in its reports to stockholders. Generally, the inclusion of the words "believe," "expect," "intend," "estimate," "anticipate," "will," and similar expressions identify statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and that are intended to come within the safe harbor protection provided by those sections. All statements addressing operating performance, events, or developments that the Corporation expects or anticipates will occur in the future, including statements relating to sales growth, earnings or earnings per share growth, and market share, as well as statements expressing optimism or pessimism about future operating results,

are forward-looking statements within the meaning of the Reform Act. The forward-looking statements are and will be based upon management's then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. The Corporation undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

By their nature, all forward-looking statements involve risks and uncertainties, including without limitations the risks described under the caption "Risk Factors" that could materially harm the Corporation's business, financial condition, and results of operations. You are cautioned not to place undue reliance on the Corporation's forward-looking statements.

ITEM 1A. RISK FACTORS

Many of the factors that affect our business and operations involve risk and uncertainty. The factors described below are some of the risks that could materially harm our business, financial condition, and results of operations.

- **Our business depends on the strength of the economies in various parts of the world, particularly in the United States and Europe.** We conduct business in various parts of the world, primarily in the United States and Europe and, to a lesser extent, in Mexico, Central America, the Caribbean, South America, Canada, Asia and Australia. As a result of this worldwide exposure, our net revenue and profitability could be harmed as a result of economic conditions in our major markets, including, but not limited to, recession, inflation and deflation, general weakness in retail, automotive and construction markets, and changes in consumer purchasing power.

- **Changes in customer preferences, the inability to maintain mutually beneficial relationships with large customers, and the inability to penetrate new channels of distribution could adversely affect our business.** We have a number of major customers, including two large customers that, in the aggregate, constituted approximately 35% of our consolidated sales in 2005. The loss of either of these large customers, a material negative change in our relationship with these large customers or other major customers, or changes in consumer preferences or loyalties could have an adverse effect on our business. Our major customers are volume purchasers, a few of which are much larger than us and have strong bargaining power with suppliers. This limits our ability to recover cost increases through higher selling prices. Changes in purchasing patterns by major customers could negatively impact manufacturing volumes and inventory levels. Further, our inability to continue to penetrate new channels of distribution may have a negative impact on our future results.

- **The inability to obtain raw materials, component parts, and/or finished goods in a timely and cost-effective manner from suppliers would adversely affect our ability to manufacture and market our products.** We purchase raw materials and component parts from suppliers to be used in the manufacturing of our products. In addition, we purchase certain finished goods from suppliers. In a limited number of circumstances, the magnitude of our purchases of certain items is of such significance that a change in our established supply relationships may cause disruption in the marketplace, a temporary price imbalance, or both. Changes in our relationships with suppliers or increases in the costs of purchased raw materials, component parts or finished goods could result in manufacturing interruptions, delays, inefficiencies or our inability to market products. In addition, our profit margins would decrease if prices of purchased raw materials, component parts, or finished goods increase and we are unable to pass on those increases to our customers.

- **We face significant global competition.** The markets in which we sell products are highly competitive on the basis of price, quality, and after-sale service. A number of competing domestic and foreign companies are strong, well-established manufacturers that compete globally with us. Some of our major customers sell their own "private label" brands that compete directly with our products. Price reductions taken by us in response to customer and competitive pressures, as well as price reductions and promotional actions taken to drive demand that may not result in anticipated sales levels, could also negatively impact our business. Competition has been intense in recent years and is expected to continue. If we are unable to maintain a competitive advantage, loss of market share, revenue, or profitability may result.

- **Low demand for new products and the inability to develop and introduce new products at favorable margins could adversely impact our performance and prospects for future growth.** Our competitive advantage is due in part to our ability to develop and introduce new products in a timely manner at favorable margins. The uncertainties associated with developing and introducing new products, such as market demand and costs of development and production, may impede the successful development and introduction of new products on a consistent basis. Market acceptance of the new products introduced in 2005 and scheduled for introduction in 2006 may not meet sales expectations due to various factors, such as our failure to accurately predict market demand and evolving industry standards, to resolve technical challenges in a timely and cost-effective manner, and to achieve manufacturing efficiencies. Our investments in productive capacity and commitments to fund advertising and product promotions in connection with these new products could be excessive if those expectations are not met.

- **The inability to generate sufficient cash flows to support operations and other activities could prevent future growth and success.** Our inability to generate sufficient cash flows to support capital expansion, business acquisition plans, share repurchases and general operating activities could negatively affect our operations and prevent our expansion into existing and new markets. Our ability to generate cash flows is dependent in part upon obtaining necessary financing at favorable interest rates. Interest rate fluctuations and other capital market conditions may prevent us from doing so.
- **Our success depends on our ability to improve productivity and streamline operations to control or reduce costs.** We are committed to continuous productivity improvement and continue to evaluate opportunities to reduce fixed costs, simplify or improve processes, and eliminate excess capacity. A description of our restructuring activity during the three years ended December 31, 2005, is included in Note 20 of Notes to Consolidated Financial Statements and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 15. The ultimate savings realized from restructuring actions may be mitigated by many factors, including economic weakness, competitive pressures, and decisions to increase costs in areas such as promotion or research and development above levels that were otherwise assumed. Our failure to achieve projected levels of efficiencies and cost reduction measures and to avoid delays in or unanticipated inefficiencies resulting from manufacturing and administrative reorganization actions in progress or contemplated would adversely affect our results of operations.
- **The inability to successfully integrate the operations of acquired businesses or to identify new acquisition opportunities could negatively impact our prospect for future growth and profitability.** We expend significant resources on identifying opportunities to acquire new lines of business and companies that could contribute to our success and expansion into existing and new markets. Our inability to successfully identify acquisition opportunities, integrate the operations of acquired businesses, or realize the anticipated cost savings, synergies and other benefits related to the acquisition of those businesses could have a material adverse effect on our business, financial condition and future growth. Acquisitions may also have a material adverse effect on our operating results due to large write-offs, contingent liabilities, substantial depreciation, or other adverse tax or audit consequences.
- **Failures of our infrastructure could have a material adverse effect on our business.** We are heavily dependent on our infrastructure. Significant problems with our infrastructure, such as manufacturing failures, telephone or information technology (IT) system failure, computer viruses or other third-party tampering with IT systems, could halt or delay manufacturing and hinder our ability to ship in a timely manner or otherwise routinely conduct business. Any of these events could result in the loss of customers, a decrease in revenue, or the incurrence of significant costs to eliminate the problem or failure.
- **Our products could be subject to product liability claims and litigation.** We manufacture products that create exposure to product liability claims and litigation. If our products are not properly manufactured or designed, personal injuries or property damage could result, which could subject us to claims for damages. The costs associated with defending product liability claims and payment of damages could be substantial. Our reputation could also be adversely affected by such claims, whether or not successful.
- **Our products could be recalled.** The Consumer Product Safety Commission or other applicable regulatory bodies may require the recall, repair or replacement of our products if those products are found not to be in compliance with applicable standards or regulations. A recall could increase costs and adversely impact our reputation.
- **We may have additional tax liabilities.** We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities. Although we believe our tax estimates are reasonable, the final outcome of tax audits and any related litigation could be materially different than that which is reflected in historical income tax provisions and accruals. Based on the status of a given tax audit or related litigation, a material effect on our income tax provision or net income may result in the period or periods from initial recognition in our reported financial results to the final closure of that tax audit or settlement of related litigation when the ultimate tax and related cash flow is known with certainty.
- **We are subject to current environmental and other laws and regulations.** We are subject to environmental laws in each jurisdiction in which we conduct business. Some of our products incorporate substances that are regulated in some jurisdictions in which we conduct manufacturing operations. We could be subject to liability if we do not comply with these regulations. In addition, we are currently and may, in the future, be held responsible for remedial investigations and clean-up costs resulting from the discharge of hazardous substances into the environment, including sites that have never been owned or operated by us but at which we have been identified as a potentially responsible party under federal and state environmental laws and regulations. Changes in environmental and other laws and regulations in both domestic and foreign jurisdictions could adversely affect our operations due to increased costs of compliance and potential liability for non-compliance.

• **If our goodwill or indefinite-lived intangible assets become impaired, we may be required to record a significant charge to earnings.** Under United States generally accepted accounting principles, goodwill and indefinite-lived intangible assets are not amortized but are reviewed for impairment on an annual basis or more frequently whenever events or changes in circumstances indicate that their carrying value may not be recoverable. We may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or indefinite-lived intangible assets is determined, resulting in an impact on our results of operations.

• **Changes in accounting may affect our reported earnings.** For many aspects of our business, United States generally accepted accounting principles, including pronouncements, implementation guidelines, and interpretations, are highly complex and require subjective judgments. Changes in these accounting principles, including their interpretation and application, could significantly change our reported earnings, adding significant volatility to our reported results without a comparable underlying change in our cash flows.

• **We are exposed to adverse changes in currency exchange rates, raw material commodity prices or interest rates, both in absolute terms and relative to competitors' risk profiles.** We have a number of manufacturing sites throughout the world and sell our products in more than 100 countries. As a result, we are exposed to movements in the exchange rates of various currencies against the United States dollar and against the currencies of countries in which we have manufacturing facilities. We believe our most significant foreign currency exposures are the euro, pound sterling and Chinese renminbi. A decrease in the value of the euro and pound sterling relative to the U.S. dollar could adversely affect our results of operations. An increase in the value of the Chinese renminbi relative to the U.S. dollar could adversely affect our results of operations.

• **We operate a global business that exposes us to additional risks.** Our sales outside of the United States accounted for approximately 34% of our consolidated net revenue in 2005. We continue to expand into foreign markets. The future growth and profitability of our foreign operations are subject to a variety of risks and uncertainties, such as tariffs, nationalization, exchange controls, interest rate fluctuations, civil unrest, governmental changes, limitations on foreign investment in local business and other political, economic and regulatory risks inherent in conducting business internationally. Over the past several years, such factors have become increasingly important as a result of our higher percentage of manufacturing in China, Mexico and the Czech Republic and purchases of products and components from foreign countries.

• **Catastrophic events may disrupt our business.** Unforeseen events, including war, terrorism and other international conflicts, public health issues, and natural disasters such as earthquakes, hurricanes or other adverse weather and climate conditions, whether occurring in the United States or abroad, could disrupt our operations, disrupt the operations of our suppliers or customers, or result in political or economic instability. These events could reduce demand for our products and make it difficult or impossible for us to manufacture our products, deliver products to customers, or to receive products from suppliers.

The foregoing list is not exhaustive. There can be no assurance that we have correctly identified and appropriately assessed all factors affecting our business or that the publicly available and other information with respect to these matters is complete and correct. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial also may adversely impact our business. Should any risks or uncertainties develop into actual events, these developments could have material adverse effects on our business, financial condition, and results of operations.

ITEM 2. PROPERTIES

The Corporation operates 44 manufacturing facilities around the world, including 24 located outside of the United States in 10 foreign countries. The major properties associated with each business segment are listed in "Narrative Description of the Business" in Item 1(c) of Part I of this report.

The following are the Corporation's major leased facilities:

In the United States: Lake Forest, Mira Loma, and Rialto, California; Charlotte, North Carolina; Jackson, Tennessee; Tampa, Florida; Chesterfield, Michigan; and Towson, Maryland.

Outside of the United States: Tongeren and Aarschot, Belgium; Reynosa and Mexicali, Mexico; Brockville, Canada; Usti nad Labem, Czech Republic; Taichung, Taiwan; and Suzhou, China.

Additional property both owned and leased by the Corporation in Towson, Maryland, is used for administrative offices. Subsidiaries of the Corporation lease certain locations primarily for smaller manufacturing and/or assembly operations, service operations, sales and administrative offices, and for warehousing and distribution centers. The Corporation also owns a manufacturing plant located on leased land in Suzhou, China.

As more fully described in Item 7 of Part II of this report under the caption "Restructuring Actions", during the fourth quarter of 2001, the Corporation commenced actions on a restructuring plan that, among other matters, reduced its manufacturing footprint. Additional actions under that restructuring plan were initiated during the second half of 2003. In addition, during the fourth quarter of 2003, the Cor-

poration commenced actions on a restructuring plan associated with the integration of the acquired Baldwin and Weiser businesses into its security hardware business. In the fourth quarter of 2004, the Corporation approved certain actions under a restructuring plan associated with the integration of the acquired Porter-Cable and Delta Tools Group into its Power Tools and Accessories business. The Corporation continues to evaluate its worldwide manufacturing cost structure to identify opportunities to improve capacity utilization and lower product costs and will take appropriate action as deemed necessary.

Management believes that its owned and leased facilities are suitable and adequate to meet the Corporation's anticipated needs.

ITEM 3. LEGAL PROCEEDINGS

The Corporation is involved in various lawsuits in the ordinary course of business. These lawsuits primarily involve claims for damages arising out of the use of the Corporation's products and allegations of patent and trademark infringement. The Corporation also is involved in litigation and administrative proceedings involving employment matters and commercial disputes. Some of these lawsuits include claims for punitive as well as compensatory damages. The Corporation, using current product sales data and historical trends, actuarially calculates the estimate of its exposure for product liability. The Corporation is insured for product liability claims for amounts in excess of established deductibles and accrues for the estimated liability as described above up to the limits of the deductibles. All other claims and lawsuits are handled on a case-by-case basis.

As previously noted under Item 1(c) of Part I of this report, the Corporation also is party to litigation and administrative proceedings with respect to claims involving the discharge of hazardous substances into the environment. Some of these assert claims for damages and liability for remedial investigations and clean-up costs with respect to sites that have never been owned or operated by the Corporation but at which the Corporation has been identified as a PRP. Others involve current and former manufacturing facilities.

The EPA and the Santa Ana Regional Water Quality Board (the "Water Quality Board") have each initiated administrative proceedings against the Corporation and certain of the Corporation's current or former affiliates alleging that the Corporation and numerous other defendants are responsible to investigate and remediate alleged groundwater contamination in and adjacent to a 160-acre property located in Rialto, California. The cities of Colton and Rialto, as well as the West Valley Water District and the Fontana Water Company, a private company, also have initiated lawsuits against the Corporation and certain of the Corporation's former or current affiliates in the Federal District Court for California, Central District alleging similar claims that the Corporation is liable under CERCLA, the Resource Conservation and Recovery Act, and state law for the discharge or release of hazardous substances into the environment and the contamination caused by those alleged releases. All defendants have cross-claims against one another in the federal litigation. The administrative proceedings and the lawsuits generally allege that West Coast Loading Corporation ("WCLC"), a defunct company that operated in Rialto between 1952 and 1957, and an as yet undefined number of other defendants are responsible for the release of perchlorate and solvents into the groundwater basin that supplies drinking water to the referenced three municipal water suppliers and one private water company in California and that the Corporation and certain of the Corporation's current or former affiliates are liable as a "successor" of WCLC. The Corporation believes that neither the facts nor the law support an allegation that the Corporation is responsible for the contamination and is vigorously contesting these claims.

The Corporation's estimate of costs associated with product liability claims, environmental matters, and other legal proceedings is accrued if, in management's judgment, the likelihood of a loss is probable and the amount of the loss can be reasonably estimated. These accrued liabilities are not discounted.

In the opinion of management, amounts accrued for exposures relating to product liability claims, environmental matters, and other legal proceedings are adequate and, accordingly, the ultimate resolution of these matters is not expected to have a material adverse effect on the Corporation's consolidated financial statements. As of December 31, 2005, the Corporation had no known probable but inestimable exposures relating to product liability claims, environmental matters, or other legal proceedings that are expected to have a material adverse effect on the Corporation. There can be no assurance, however, that unanticipated events will not require the Corporation to increase the amount it has accrued for any matter or accrue for a matter that has not been previously accrued because it was not considered probable. While it is possible that the increase or establishment of an accrual could have a material adverse effect on the financial results for any particular fiscal quarter or year, in the opinion of management there exists no known potential exposures that would have a material adverse effect on the financial condition or on the financial results of the Corporation beyond any such fiscal quarter or year.

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

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Market Information

The Corporation's Common Stock is listed on the New York Stock Exchange.

The following table sets forth, for the periods indicated, the high and low sale prices of the Common Stock as reported in the consolidated reporting system for the New York Stock Exchange Composite Transactions:

QUARTER	2005	2004
January to March	\$89.750 to \$77.180	\$56.590 to \$48.070
April to June	\$91.450 to \$77.850	\$61.500 to \$54.440
July to September	\$93.710 to \$80.030	\$75.200 to \$59.090
October to December	\$89.000 to \$75.700	\$89.640 to \$72.090

(b) Holders of the Corporation's Capital Stock

As of January 27, 2006, there were 11,884 holders of record of the Corporation's Common Stock.

(c) Dividends

The Corporation has paid consecutive quarterly dividends on its Common Stock since 1937. Future dividends will depend upon the Corporation's earnings, financial condition, and other factors. The Credit Facility, as more fully described in Note 8 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report, does not restrict the Corporation's ability to pay regular dividends in the ordinary course of business on the Common Stock.

Quarterly dividends per common share for the most recent two years are as follows:

QUARTER	2005	2004
January to March	\$.28	\$.21
April to June	.28	.21
July to September	.28	.21
October to December	.28	.21
	\$1.12	\$.84

Common Stock:

150,000,000 shares authorized, \$.50 par value, 77,357,370 and 82,095,161 outstanding as of December 31, 2005 and 2004, respectively.

Preferred Stock:

5,000,000 shares authorized, without par value, no shares outstanding as of December 31, 2005 and 2004.

(d) Annual Meeting of Stockholders

The 2006 Annual Meeting of Stockholders of the Corporation is scheduled to be held on April 20, 2006, at 9:00 a.m. at the Sheraton Baltimore North Hotel, 903 Dulaney Valley Road, Towson, Maryland 21204.

(e) Issuer Purchases of Equity Securities

PERIOD (a)	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS(b)	MAXIMUM NUMBER OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS
October 3, 2005 through October 30, 2005	100,000	\$ 81.52	100,000	5,198,795
October 31, 2005 through November 27, 2005	909,300	\$ 82.45	909,300	4,289,495
November 28, 2005 through December 31, 2005	220,700	\$ 84.99	220,700	4,068,795
Total	1,230,000	\$ 82.83	1,230,000	4,068,795

(a) The periods represent the Corporation's monthly fiscal calendar.

(b) All purchases by the Corporation of its common stock were made under the following publicly announced repurchase plan: (1) on February 10, 2005, the Corporation announced it had authorization from its Board of Directors to repurchase 2,500,000 shares, and (2) on October 14, 2005, the Corporation announced it had authorization from its Board of Directors to repurchase an additional 5,000,000 shares. There is no expiration date or current intent to terminate the repurchase plans.

ITEM 6. SELECTED FINANCIAL DATA**FIVE-YEAR SUMMARY**

(MILLIONS OF DOLLARS EXCEPT PER SHARE DATA)	2005	2004	2003(b)	2002 (b)(c)	2001 (b)
Sales	\$6,523.7	\$5,398.4	\$4,482.7	\$4,291.8	\$4,139.9
Net earnings from continuing operations	544.0	441.1	287.2	228.5	101.5
(Loss) earnings from discontinued operations (a)	(.1)	14.9	5.8	1.2	6.5
Net earnings	543.9	456.0	293.0	229.7	108.0
Basic earnings per share:					
Continuing operations	6.87	5.53	3.69	2.85	1.26
Discontinued operations	—	.19	.07	.01	.08
Net earnings per common share - basic	6.87	5.72	3.76	2.86	1.34
Diluted earnings per share:					
Continuing operations	6.69	5.40	3.68	2.83	1.25
Discontinued operations	—	.19	.07	.01	.08
Net earnings per common share - assuming dilution	6.69	5.59	3.75	2.84	1.33
Total assets	5,816.6	5,530.8	4,222.5	4,130.5	4,014.2
Long-term debt	1,030.3	1,200.6	915.6	927.6	1,191.4
Redeemable preferred stock of subsidiary (d)	—	192.2	202.6	208.4	196.5
Cash dividends per common share	1.12	.84	.57	.48	.48

(a) (Loss) earnings from discontinued operations represent the earnings, net of applicable income taxes, of the Corporation's discontinued European security hardware business. Loss from discontinued operations for the year ended December 31, 2005, includes a loss on sale of discontinued operations of \$.1 million. Earnings from discontinued operations for the year ended December 31, 2004, include a gain on sale of discontinued operations of \$12.7 million. That gain was net of a \$24.4 million goodwill impairment charge associated with the DOM security hardware business. The earnings of the discontinued operations do not reflect any expense for interest allocated by or management fees charged by the Corporation. For additional information about the discontinued European security hardware business, see Note 3 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report.

(b) As more fully disclosed in Note 20 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report, under a restructuring program developed by the Corporation in the fourth quarter of 2001, earnings from continuing operations for 2003, 2002, and 2001 include a restructuring charge of \$20.6 million, \$46.6 million, and \$99.7 million before taxes, respectively (\$14.9 million, \$29.2 million, and \$70.6 million after taxes, respectively). Those 2003, 2002, and 2001 pre-tax charges were net of reversals of \$13.2 million, \$11.0 million, and \$4.1 million, respectively, representing reversals of previously provided restructuring reserves as well as the excess proceeds received on the sale of long-lived assets, written down as part of restructuring actions, over their adjusted carrying values. In addition, earnings from continuing operations for 2003 include a restructuring charge of \$11.0 million before taxes (\$7.2 million after taxes) associated with the closure of a manufacturing facility in its Hardware and Home Improvement segment as a result of the acquisition of the Baldwin and Weiser businesses.

(c) As more fully disclosed in Note 1 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report, effective January 1, 2002, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*. Effective January 1, 2002, goodwill is no longer amortized by the Corporation.

(d) As of December 31, 2004, redeemable preferred stock of subsidiary was included in other current liabilities. As of December 31, 2000 through 2003, redeemable preferred stock of subsidiary was included in other long-term liabilities.

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

Overview

The Corporation is a global manufacturer and marketer of power tools and accessories, hardware and home improvement products, and technology-based fastening systems. As more fully described in Note 18 of Notes to Consolidated Financial Statements, the Corporation operates in three reportable business segments – Power Tools and Accessories, Hardware and Home Improvement, and Fastening and Assembly Systems – with these business segments comprising 74%, 16%, and 10%, respectively, of the Corporation's sales in 2005.

The Corporation markets its products and services in over 100 countries. During 2005, approximately 66%, 21%, and 13% of its sales were made to customers in the United States, in Europe (including the United Kingdom), and in other geographic regions, respectively. The Power Tools and Accessories and Hardware and Home Improvement segments are subject to general economic conditions in the countries in which they operate as well as the strength of the retail economies. The Fastening and Assembly Systems segment is also subject to general economic conditions in the countries in which it operates as well as to automotive and industrial demand.

The Corporation reported net earnings of \$543.9 million, or \$6.69 per share on a diluted basis, for the year ended December 31, 2005, compared to net earnings of \$456.0 million, or \$5.59 per share on a diluted basis, for the year ended December 31, 2004. As more fully described in Note 3 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report, net earnings for the year ended December 31, 2005, included a \$.1 million loss on the sale of discontinued operations. Net earnings for the year ended December 31, 2004, included a \$12.7 million gain on the sale of discontinued operations.

The Corporation reported net earnings from continuing operations of \$544.0 million, or \$6.69 per share on a diluted basis, for the year ended December 31, 2005, as compared to net earnings from continuing operations of \$441.1 million, or \$5.40 per share on a diluted basis, for the year ended December 31, 2004.

Total consolidated sales of \$6,523.7 million for the year ended December 31, 2005, increased by 21% over the prior year's level. Of that 21% increase, 7% was attributable to an increase in unit volume of existing businesses, 14% was attributable to sales of acquired businesses, and 1% was attributable to the favorable impact of foreign currency translation, offset by 1% attributable to the negative effect of pricing actions. In this Management's Discussion and Analysis, the Corporation has attempted to differentiate between sales of its "existing" or "legacy" businesses and sales of acquired businesses. That differentiation includes sales of businesses where year-to-year comparability exists in the category of "existing" or "legacy" businesses. For example, the sales of the MasterFix business, acquired in March 2004, are included in acquired businesses for the first three months of 2005 and in "existing" or "legacy" businesses for the final nine months of 2005. In addition, the sales of the Porter-Cable and Delta Tools Group (also referred to herein as the Tools Group), acquired in the fourth quarter of 2004, are included in acquired businesses for the first nine months of 2005 and in "existing" or "legacy" businesses for the final three months of 2005.

Operating income for the year ended December 31, 2005, increased to \$813.1 million, or 12.5% of sales, from \$629.2 million, or 11.7% of sales, in 2004. Due to the ongoing integration of the acquired Porter-Cable and Delta Tools Group into its legacy businesses, the Corporation has been required to use judgment in its determination of the individual profit contributions of the acquired Porter-Cable and Delta Tools Group and of its legacy businesses. The Corporation estimates that operating income as a percentage of sales increased approximately 110 basis points in the Corporation's legacy businesses during the year ended December 31, 2005, as compared to the prior year's level, but that increase was offset by the lower-margin Tools Group. The increase in operating income as a percentage of sales during the year ended December 31, 2005, was due to the positive effects of restructuring and other productivity initiatives, favorable product mix, and the leverage of fixed costs over a higher sales base, which offset higher commodity costs and the negative impact of pricing.

Earnings from continuing operations before income taxes for the year ended December 31, 2005, increased by \$215.0 million over the 2004 level to \$819.3 million. In addition to the improvements in operating income described above, earnings from continuing operations before income taxes for the year ended December 31, 2005, benefited from a favorable \$55.0 million settlement of environmental and product liability coverage litigation with an insurer that is included in other (income) expense in the Consolidated Statement of Earnings.

Consolidated income tax expense of \$275.3 million and \$163.2 million was recognized on the Corporation's earnings from continuing operations before income taxes of \$819.3 million and \$604.3 million for 2005 and 2004, respectively. The Corporation's effective tax rate was 34% for 2005, compared to an effective tax rate of 27% for 2004. The increase in the Corporation's effective tax rate in 2005 was due to the incremental tax expense of \$51.2 million associated with the repatriation of foreign earnings under the American Jobs Creation Act of 2004 and to the tax effects – \$19.2 million – of the \$55.0 million of income recognized upon settlement of environmental and product liability coverage litigation with an insurer.

In the discussion and analysis of financial condition and results of operations that follows, the Corporation generally attempts to list contributing factors in order of significance to the point being addressed.

Sales

The following chart provides an analysis of the consolidated changes in sales for the years ended December 31, 2005, 2004, and 2003.

(DOLLARS IN MILLIONS)	YEAR ENDED DECEMBER 31,		
	2005	2004	2003
Total sales	\$ 6,523.7	\$ 5,398.4	\$ 4,482.7
Unit volume - existing (a)	7 %	10 %	1 %
Unit volume - acquired (b)	14 %	9 %	1 %
Price	(1)%	(2)%	(2)%
Currency	1 %	3 %	4 %
Change in total sales	21 %	20 %	4 %

(a) Represents change in unit volume for businesses where year-to-year comparability exists.

(b) Represents change in unit volume for businesses that were acquired and were not included in prior period results.

Total consolidated sales for the year ended December 31, 2005, were \$6,523.7 million, which represented a 21% increase over 2004 sales of \$5,398.4 million. Excluding the incremental effects of the MasterFix business for the first three months of 2005 and of the Porter-Cable and Delta Tools Group business for the first nine months of 2005, total unit volume increased by 7% during the year ended December 31, 2005. That 7% increase was primarily driven by growth in the Corporation's professional power tools and plumbing products businesses in the United States. Unit volume of acquired businesses contributed 14% to the sales growth for 2005 over the 2004 levels. Pricing actions had a 1% negative effect on sales for 2005, as compared to 2004. The effects of a weaker U.S. dollar compared to other currencies, particularly the Canadian dollar, Brazilian real, and euro, caused the Corporation's consolidated sales for 2005 to increase by 1% over the 2004 levels.

Total consolidated sales for the year ended December 31, 2004, were \$5,398.4 million, which represented a 20% increase over 2003 sales of \$4,482.7 million. Excluding the incremental effects of the MasterFix and Porter-Cable and Delta Tools Group businesses, acquired in 2004, and of the Baldwin and Weiser businesses, acquired in the fourth quarter of 2003, for the first nine months of 2004, total unit volume increased by 10% during the year ended December 31, 2004. That 10% increase was primarily attributable to growth in the Corporation's North American businesses. As compared to the corresponding period in 2003, a double-digit increase in sales volume was experienced by the Corporation's legacy professional power tools and accessories business as well as its plumbing products business in North America. Unit volume of acquired businesses contributed 9% to the sales growth for 2004 over the 2003 levels. Pricing actions had a 2% negative effect on sales for 2004, as compared to 2003. In addition to pricing actions taken in response to competitive conditions, the impact of pricing in non-U.S. markets during 2004 – as a result of the favorable currency effects of U.S. dollar-sourced products – also negatively impacted the comparison to 2003. The effects of a weaker U.S. dollar compared to other currencies, particularly the euro, and to a lesser degree, the pound sterling, caused the Corporation's consolidated sales to increase by 3% over the 2004 levels.

Earnings

The Corporation reported consolidated operating income of \$813.1 million on sales of \$6,523.7 million in 2005, compared to operating income of \$629.2 million on sales of \$5,398.4 million in 2004 and to operating income of \$428.7 million on sales of \$4,482.7 million in 2003.

Consolidated operating income for 2003 included a pre-tax restructuring charge of \$31.6 million. That pre-tax charge was net of reversals of \$13.2 million, representing reversals of previously provided restructuring reserves as well as the excess of proceeds received on the sale of long-lived assets, written down as part of restructuring actions, over their adjusted carrying values.

Consolidated gross margin as a percentage of sales for 2005 was 35.5%, compared to 36.4% for 2004. Due to the ongoing integration of the acquired Porter-Cable and Delta Tools Group into its legacy businesses, the Corporation has been required to use judgment in its determination of the individual profit contributions of the acquired Porter-Cable and Delta Tools Group and of its legacy businesses. The Corporation estimates that the Tools Group acquisition had an approximate 150 basis point negative impact on consolidated gross margin as a percentage of sales for the year ended

December 31, 2005. In addition to favorable product mix, the results of restructuring and other productivity initiatives, the leverage of fixed costs over a higher sales base, and foreign currency effects favorably impacted gross margin as a percentage of sales in the Corporation's legacy businesses. These positive factors were partially offset by increased raw material costs, the negative effects of pricing actions, higher pension expense, and transition costs associated with integration of lockset operations in the Hardware and Home Improvement segment.

Consolidated gross margin as a percentage of sales for 2004 was 36.4%, compared to 35.6% for 2003. The increase in gross margin in 2004 was attributable to the positive effects of restructuring and other productivity initiatives, the leverage of fixed costs over a higher sales base and, in Europe, favorable foreign currency exchange rates. These positive factors were partially offset by the negative effect of pricing actions taken by the Corporation as previously described, by higher raw material and pension costs, and by lower gross margins of the acquired Porter-Cable and Delta Tools Group.

Consolidated selling, general and administrative expenses as a percentage of sales were 23.1% in 2005, compared to 24.8% in 2004 and 25.3% in 2003. Selling, general, and administrative expenses in 2005 increased by \$167.7 million over the 2004 level. The effects of acquired businesses and foreign currency translation accounted for approximately two-thirds of that increase, with the remainder principally resulting from additional sales-related expenses associated with the higher level of sales experienced during 2005. The reduction in selling, general, and administrative expenses as a percentage of sales during 2005 as compared to the 2004 level was principally due to the impact of the Tools Group acquisition – due to the lower expenses of this business – and the leverage of expenses over a higher sales base in the Corporation's legacy businesses.

Consolidated selling, general, and administrative expenses in 2004 increased by \$201.0 million over the 2003 level. The incremental expenses of the acquired businesses and the effects of foreign currency translation accounted for approximately 40% and 20% of that increase, respectively. Higher promotional, marketing, and research and development expenses, particularly in the North American power tools and accessories business, higher transportation and distribution expenses to support the increased sales level, and higher Corporate expenses – driven by expenses related to stock-based compensation and compliance with Section 404 of the Sarbanes-Oxley Act – accounted for much of the remaining increase in selling, general, and administrative expenses in 2004 over the 2003 level.

Consolidated net interest expense (interest expense less interest income) was \$45.4 million in 2005, compared to \$22.1 million in 2004 and \$35.2 million in 2003. The increase in net interest expense in 2005, as compared to 2004, was primarily the result of both higher borrowing levels – associated with the October 2004 issuance of \$300.0 million of 4.75% senior notes – and higher interest rates, including the effects of higher prevailing U.S. interest rates on the Corporation's foreign currency hedging activities. The lower net interest expense in 2004, as compared to 2003, was primarily the result of higher interest income associated with the Corporation's foreign cash investment activities in 2004, coupled with lower borrowing levels.

Other (income) expense was \$(51.6) million in 2005 compared to \$2.8 million in 2004 and \$2.6 million in 2003. As more fully described in Note 21 of Notes to Consolidated Financial Statements, the Corporation received a payment of \$55.0 million in 2005 relating to the settlement of environmental and product liability coverage litigation with an insurer.

Consolidated income tax expense of \$275.3 million, \$163.2 million, and \$103.7 million was recognized on the Corporation's earnings from continuing operations before income taxes of \$819.3 million, \$604.3 million, and \$390.9 million, for 2005, 2004, and 2003, respectively. The Corporation's effective tax rate was 34% for 2005, compared to an effective tax rate of 27% for 2004 and 2003. The increase in the Corporation's effective tax rate in 2005 was due to the incremental tax expense of \$51.2 million associated with the repatriation of foreign earnings under the American Jobs Creation Act of 2004 and to the tax effects – \$19.2 million – of the \$55.0 million of income recognized upon settlement of environmental and product liability coverage litigation with an insurer. A further analysis of taxes on earnings is included in Note 12 of Notes to Consolidated Financial Statements.

The Corporation reported net earnings from continuing operations of \$544.0 million, or \$6.69 per share on a diluted basis, for the year ended December 31, 2005, compared to net earnings from continuing operations of \$441.1 million, or \$5.40 per share on a diluted basis, for the year ended December 31, 2004, and \$287.2 million, or \$3.68 per share on a diluted basis, for the year ended December 31, 2003.

The Corporation reported a net loss of \$.1 million from discontinued operations in 2005, as compared to net earnings from discontinued operations of \$14.9 million in 2004 and \$5.8 million in 2003. As more fully described in Note 3 of Notes to Consolidated Financial Statements, net earnings from discontinued operations for the years ended December 31, 2005 and 2004, included a \$.1 million loss and a \$12.7 million gain, respectively, on sale of discontinued operations. The \$.1 million loss recognized in 2005 related to the sale of the discontinued DOM business. The \$12.7 million

gain recognized during 2004 consisted of a \$37.1 million gain on the sale of two discontinued businesses (NEMEF and Corbin) in early 2004, partially offset by a \$24.4 million goodwill impairment charge associated with the discontinued DOM business.

The Corporation reported net earnings of \$543.9 million, \$456.0 million, and \$293.0 million, or \$6.69, \$5.59, and \$3.75 per share on a diluted basis, for the years ended December 31, 2005, 2004, and 2003, respectively.

Business Segments

As more fully described in Note 18 of Notes to Consolidated Financial Statements, the Corporation operates in three reportable business segments: Power Tools and Accessories, Hardware and Home Improvement, and Fastening and Assembly Systems.

POWER TOOLS AND ACCESSORIES

Segment sales and profit for the Power Tools and Accessories segment, determined on the basis described in Note 18 of Notes to Consolidated Financial Statements, were as follows (in millions of dollars):

YEAR ENDED DECEMBER 31,	2005	2004	2003
Sales to unaffiliated customers	\$4,768.4	\$3,796.0	\$3,322.9
Segment profit	635.1	492.1	371.3

Sales to unaffiliated customers in the Power Tools and Accessories segment during 2005 increased 26% over the 2004 level. The incremental effect of the acquired Porter-Cable and Delta Tools Group business for the first nine months of 2005 accounted for 19 percentage points of the 26% increase in 2005, while sales of the legacy Power Tools and Accessories businesses, including the acquired Porter-Cable and Delta Tools Group for the final three months of 2005, accounted for the remaining 7 percentage points of growth.

Sales in North America increased 36% during 2005 over the prior year's level. Of this increase, 27 percentage points were due to the incremental sales of the acquired Porter-Cable and Delta Tools Group businesses for the first nine months of 2005 and the remaining 9 percentage points were due to the legacy power tools and accessories business. Sales of the Corporation's legacy professional power tools and accessories business in North America increased at a double-digit rate over the 2004 levels. Sales of the Corporation's legacy consumer power tools and accessories business increased at a mid-single-digit rate as a result of higher sales of consumer power tools and accessories, lawn and garden products, and cleaning and lighting products.

Sales in Europe during 2005 increased at a mid-single-digit rate over the 2004 levels due to the incremental effect of the acquired Porter-Cable and Delta Tools Group. Excluding the incremental effect of the acquired Tools Group, sales in Europe increased slightly over the 2004 level. Sales of the Corporation's legacy professional tools and accessories business in Europe during 2005 increased at a low single-digit rate as compared to 2004 as weaker economic conditions in the United Kingdom mitigated growth in other regions. Sales of the Corporation's legacy consumer power tools and accessories businesses in Europe during 2005 approximated sales in the prior year. In November 2005, the Corporation sold the FLEX business, the major European component of the Porter-Cable and Delta Tools Group.

Sales in other geographic areas increased at a double-digit rate during 2005 over the 2004 levels. That increase resulted from a double-digit rate of increase in Latin America and Asia, which was partially offset by a high single-digit rate of decline in Australia.

Segment profit as a percentage of sales for the Power Tools and Accessories segment was 13.3% for 2005, as compared to 13.0% in 2004. That increase in segment profit as a percentage of sales resulted from a reduction in selling, general, and administrative expenses as a percentage of sales partially offset by a lower gross margin as a percentage of sales. The reduction in selling, general, and administrative expenses as a percentage of sales was attributable to both the impact of the Tools Group acquisition – due to the lower expenses of this business – and the leverage of expenses over a higher sales base in the Corporation's legacy businesses. Gross margin as a percentage of sales declined during 2005 as compared to 2004 as the impact of the lower-margin Tools Group offset improvements in gross margin as a percentage of sales in the Corporation's legacy businesses. Gross margin improved in the legacy businesses in 2005 due to favorable product mix, productivity gains, foreign currency effects, restructuring savings, and absorption benefits, which offset the negative effects of pricing actions and raw material inflation. Due to the ongoing integration of the acquired Porter-Cable and Delta Tools Group into its legacy businesses, the Corporation has been required to use judgment in its determination of the individual profit contributions of the acquired Porter-Cable and Delta Tools Group and of its legacy businesses. The Corporation estimates that the Tools Group acquisition had an approximate 60 basis point negative impact on segment profit as a percentage of sales for 2005.

Sales to unaffiliated customers in the Power Tools and Accessories segment during 2004 increased 14% over the 2003 level. Sales of the Porter-Cable and Delta Tools Group businesses acquired early in the fourth

quarter of 2004, accounted for 7 percentage points of the 14% increase in 2004, while sales of the legacy Power Tools and Accessories businesses accounted for the remaining 7 percentage points of growth.

Sales in North America increased at a double-digit rate during 2004 over the prior year's level. Approximately half of this increase was due to the incremental sales of the acquired Porter-Cable and Delta Tools Group businesses. Sales of the Corporation's legacy professional power tools and accessories business in North America increased at a double-digit rate as sales grew in all major channels and product lines. Sales of the Corporation's consumer power tools and accessories business grew at a mid-single-digit rate during 2004, compared to 2003, as increased sales of consumer power tools and lawn and garden products were partially offset by lower sales of accessories and cleaning and lighting products.

Sales in Europe during 2004 increased at a low single-digit rate due to the incremental sales of FLEX, a component of the acquired Porter-Cable and Delta Tools Group business, and a high single-digit rate of increase in sales of the Corporation's legacy European professional power tools and accessories business. These increases were partially offset by a low single-digit rate of decrease in sales of consumer power tools and accessories, largely as a result of lower sales of lawn and garden products.

Sales in other geographic areas increased at a double-digit rate during 2004 over the 2003 levels. Sales of the Corporation's legacy power tools and accessories businesses in other geographic areas during 2004 increased at a high single-digit rate over the prior year's level as sales increased at a high single-digit rate in Central and South America and at a double-digit rate in Asia.

Segment profit as a percentage of sales for the Power Tools and Accessories segment improved from 11.2% in 2003 to 13.0% in 2004. That improvement resulted from an increase in gross margin and a reduction in selling, general, and administrative expenses, both as a percentage of sales. Improvements in gross margin as a percentage of sales were due to the positive effects of restructuring and other productivity initiatives, favorable product mix, and foreign currency effects, partially offset by the negative effects of pricing actions and, to a lesser extent, rising raw material costs. The reduction in selling, general, and administrative expenses as a percentage of sales was principally due to the impact of the Porter-Cable and Delta Tools Group acquisition. The acquisition of the lower-margin Porter-Cable and Delta Tools Group early in the fourth quarter of 2004 had an approximate 40-basis-point negative impact on segment profit as a percentage of sales for the year ended December 31, 2004.

HARDWARE AND HOME IMPROVEMENT

Segment sales and profit for the Hardware and Home Improvement segment, determined on the basis described in Note 18 of Notes to Consolidated Financial Statements, were as follows (in millions of dollars):

YEAR ENDED DECEMBER 31,	2005	2004	2003
Sales to unaffiliated customers	\$1,012.4	\$963.2	\$719.6
Segment profit	143.6	146.3	93.4

Sales to unaffiliated customers in the Hardware and Home Improvement segment increased 5% during 2005 over the 2004 level. During 2005, sales of plumbing products increased at a double-digit rate over the 2004 level due to increased listings at a significant customer and strong sales at other retailers. Sales of security hardware products in 2005 increased slightly over the 2004 level, as a mid-single-digit rate of increase in sales of the Kwikset business in North America was substantially offset by a mid-single-digit rate of decline in sales of the Baldwin and Weiser businesses.

Segment profit as a percentage of sales for the Hardware and Home Improvement segment was 14.2% for 2005 and 15.2% for 2004. The decline in segment profit as a percentage of sales in 2005 was attributable to a decline in gross margin, which was primarily due to the negative effects of pricing actions, higher raw material costs, and transition costs associated with the integration of lockset operations, including the closure of a manufacturing site. Gross margin for 2005 was also negatively impacted by the write-down of property and equipment. Selling, general, and administrative expenses as a percentage of sales decreased slightly in 2005, as compared to the 2004 level, due to the leverage of expenses over a higher sales base, which was partially offset by increased distribution and transportation costs.

Sales to unaffiliated customers in the Hardware and Home Improvement segment increased 34% during 2004 over the 2003 level. During 2004, the impact of the Baldwin and Weiser acquisition accounted for 25 percentage points of the 34% increase, while higher sales of the Price Pfister and Kwikset businesses, coupled with sales growth in the Baldwin and Weiser businesses after the anniversary of the acquisition, accounted for the remaining 9 percentage points. Sales of plumbing products increased at a double-digit rate during 2004, reflecting the expansion of listings at a key retailer that occurred during the third quarter of 2003 as well as higher sales at other retailers. Sales of Kwikset security hardware products increased over the 2003 level at a mid-single-digit rate due to strong retail sales.

Segment profit as a percentage of sales for the Hardware and Home Improvement segment rose to 15.2% for 2004 from 13.0% for 2003. Segment profit as a percentage of sales for 2004 benefited from significant gross margin improvement. That gross margin improvement was primarily driven by volume leverage and productivity improvements, partially offset by the impact of higher raw material costs as well as costs associated with manufacturing rationalization in the security hardware business. The acquisition of Baldwin and Weiser did not have a significant effect on segment profit as a percentage of sales during 2004.

FASTENING AND ASSEMBLY SYSTEMS

Segment sales and profit for the Fastening and Assembly Systems segment, determined on the basis described in Note 18 of Notes to Consolidated Financial Statements, were as follows (in millions of dollars):

YEAR ENDED DECEMBER 31,	2005	2004	2003
Sales to unaffiliated customers	\$659.7	\$617.8	\$558.3
Segment profit	95.0	85.3	83.0

Sales to unaffiliated customers in the Fastening and Assembly Systems segment increased by 7% in 2005 over the 2004 level, with the incremental sales of the MasterFix business for the first three months of 2005 accounting for 1 percentage point of that increase. Sales in the automotive channel in North America increased at a mid-single-digit rate over the level experienced in 2004. Sales in the industrial channel in North America decreased at a low single-digit rate, as compared to 2004. Sales in Europe increased at a double-digit rate, as compared to 2004. Sales in the European industrial business increased at a high single-digit rate of growth – due in part, to incremental sales of the acquired MasterFix business – during 2005 over the 2004 level. Sales in the European automotive business increased at a double-digit rate during 2005 over the 2004 level. Sales in Asia during 2005 increased at a double-digit rate, as compared to 2004.

Segment profit as a percentage of sales for the Fastening and Assembly Systems segment increased from 13.8% in 2004 to 14.4% in 2005. The increase in segment profit as a percentage of sales was attributable to the positive effects of pricing actions and the leverage of expenses over a higher sales base, partially offset by higher commodity costs.

Sales to unaffiliated customers in the Fastening and Assembly Systems segment increased by 11% in 2004 over the 2003 level. During March 2004, the Corporation completed the acquisition of MasterFix, an industrial fastening company with operations in Europe and Asia. Incremental sales of the MasterFix business accounted for 3 percentage points of the 11% increase in 2004. Sales in North America during 2004 increased at a high single-digit rate over the 2003 level, with increases in both the industrial and automotive channels. Sales in Europe during 2004 increased over the 2003 level at a double-digit rate, due largely to the incremental sales of the MasterFix business. The Fastening and Assembly System segment's legacy European industrial business experienced a mid-single-digit rate of growth during 2004 as compared to 2003, while sales in its legacy European automotive business approximated the 2003 level. Sales in the segment's legacy businesses in Asia increased at a double-digit rate in 2004, as compared to 2003.

Segment profit as a percentage of sales for the Fastening and Assembly Systems segment declined from 14.9% in 2003 to 13.8% in 2004, primarily due to significant costs increases in steel and other raw materials. The incremental impact of the MasterFix business did not have a significant effect on segment profit as a percentage of sales of the Fastening and Assembly Systems segment during 2004.

OTHER SEGMENT-RELATED MATTERS

As indicated in the first table of Note 18 of Notes to Consolidated Financial Statements, segment profit (loss) associated with Corporate, Adjustments, and Eliminations was \$(72.6) million, \$(97.7) million, and \$(78.4) million for the years ended December 31, 2005, 2004, and 2003, respectively. Corporate expenses for the year ended December 31, 2005, declined from the prior year's level as the positive effects of increased allocations of Corporate expenses to the reportable business segments to reflect the impact of acquired businesses, lower expenses associated with intercompany eliminations, and a lower level of expenses directly related to the reportable business segments offset the negative effects of increased pension, postretirement benefits, and environmental expenses. Corporate expenses for the year ended December 31, 2004, increased over that experienced in 2003 as the positive effects of lower levels of medical-related expenses and expenses directly related to reportable business segments, coupled with increased allocations of Corporate expenses to the business segments to reflect the impact of acquired businesses, were offset by the negative effects of increased expenses for pensions, postretirement benefits, and stock-based compensation, as well as higher expenses associated with intercompany eliminations and compliance with Section 404 of the Sarbanes-Oxley Act.

As more fully described in Note 18 of Notes to Consolidated Financial Statements, in determining segment profit, expenses relating to pension and other postretirement benefits are based solely upon estimated service costs. Also, as more fully described herein under the caption "Financial Condition", expense recognized by the Corporation in 2005 relating to its pension and other postretirement benefits increased by approximately \$19 million over the 2004 levels. Expense recognized by the Corporation in 2004 relating to its pension and other postretirement benefits increased by approximately \$19 million over the 2003 levels. The adjustment to businesses' postretirement benefit expense booked in consolidation as identified in the second table

included in Note 18 of Notes to Consolidated Financial Statements was expense of \$13.8 million in 2005, as compared to income of \$.8 million and \$15.4 million for 2004 and 2003, respectively. That increase in expense resulted from the higher level of pension and other postretirement benefit expenses in 2005 – exclusive of higher service costs reflected in segment profit of the Corporation’s reportable business segments – not allocated to the reportable business segments.

Income (expenses) directly related to reportable business segments booked in consolidation and, thus, excluded from segment profit for the reportable business segments were \$3.3 million, \$(10.0) million, and \$(15.0) million for the years ended December 31, 2005, 2004, and 2003, respectively. The \$3.3 million of segment-related income excluded from segment profit in 2005 principally related to a reduction in reserves for certain legal matters associated with the Power Tools and Accessories and Hardware and Improvement segments. The \$(10.0) million of segment-related expense excluded from segment profit in 2004 principally related to restructuring-related expenses associated with the Hardware and Home Improvement and Power Tools and Accessories segments. The \$15.0 million of segment-related expenses excluded from segment profit in 2003 principally related to restructuring-related expenses associated with the Power Tools and Accessories segment of approximately \$9.1 million, as well as certain reserves established relating to the Power Tools and Accessories and Hardware and Home Improvement segments.

As indicated in Note 18 of Notes to Consolidated Financial Statements, the determination of segment profit excludes restructuring and exit costs. Of the \$31.6 million pre-tax restructuring charge recognized in 2003, \$21.1 million related to the businesses in the Power Tools and Accessories segment, and \$10.5 million related to the businesses in the Hardware and Home Improvement segment.

DISCONTINUED OPERATIONS

As more fully discussed in Note 3 of Notes to Consolidated Financial Statements, the European security hardware business, consisting of the NEMEF, Corbin, and DOM businesses, has been reflected as discontinued operations in the Consolidated Financial Statements. As such, the operating results, assets and liabilities, and cash flows of the discontinued European security hardware business have been reported separately from the Corporation’s continuing operations. In November 2005, the Corporation completed the sale of the DOM security hardware business for an aggregate price of \$17.2 million net of cash transferred. In January 2004, the Corporation completed the sale of two European security hardware businesses, NEMEF and Corbin, for an aggregate price of \$77.5 million net of cash transferred.

Net (loss) earnings of the discontinued European security hardware business were \$(.1) million (\$— per share on a diluted basis) for the year ended December 31, 2005; \$14.9 million (\$.19 per share on a diluted basis) for the year ended December 31, 2004; and \$5.8 million (\$.07 per share on a diluted basis) for the year ended December 31, 2003. Earnings from discontinued operations include a pre-tax restructuring reversal of \$.6 million for the year ended December 31, 2003.

Restructuring Actions

The Corporation is committed to continuous productivity improvement and continues to evaluate opportunities to reduce fixed costs, simplify or improve processes, and eliminate excess capacity. A tabular summary of restructuring activity during the three years ended December 31, 2005, is included in Note 20 of Notes to Consolidated Financial Statements.

In 2004, the Corporation recognized \$5.4 million of pre-tax restructuring and exit costs related to actions taken in its Power Tools and Accessories segment. The restructuring actions taken in 2004 principally reflected severance benefits. The \$5.4 million charge recognized during 2004 was offset, however, by the reversal of \$4.0 million of severance accruals established as part of previously provided restructuring reserves that were no longer required and \$1.4 million representing the excess of proceeds received on the sale of long-lived assets, written down as part of restructuring actions, over their adjusted carrying values.

During the fourth quarter of 2001, the Corporation formulated a restructuring plan designed to reduce its manufacturing footprint, variable production costs, and selling, general, and administrative expenses. The following discussion excludes the restructuring actions relating to the discontinued European security hardware business. Earnings from discontinued operations include pre-tax restructuring reversals of \$.6 million for the year ended December 31, 2003.

During 2003, the Corporation commenced the final phase of its restructuring plan and recorded a pre-tax restructuring charge associated with that plan of \$20.6 million. That \$20.6 million charge was net of \$9.6 million of reversals of previously provided restructuring reserves that were no longer required and \$3.6 million, representing the excess of proceeds received on the sale of long-lived assets, written down as part of restructuring actions, over their adjusted carrying values. In addition, during the fourth quarter of 2003 the Corporation recorded a pre-tax restructuring charge of \$11.0 million associated with the closure of a manufacturing facility in its Hardware and Home Improvement segment as a result of the acquisition of Baldwin and Weiser.

The \$20.6 million pre-tax restructuring charge recognized in 2003 principally reflected actions relating to the Power Tools and Accessories segment to reduce its manufacturing cost base as well as actions to reduce selling, general, and administrative expenses through the elimination of administrative positions. Actions to reduce the Corporation's manufacturing cost base in the Power Tools and Accessories segment include the closure of one facility in the United States and the transfer of certain additional power tool production from a facility in the United States to a low-cost facility in Mexico. The 2003 restructuring charge provided for actions to reduce selling, general, and administrative expenses, principally in Europe, and to a lesser extent in the United States, principally reducing headcount.

As indicated in Note 20 of Notes to Consolidated Financial Statements, the severance benefits accrual, included in the \$31.6 million pre-tax restructuring charge taken in 2003, related to the elimination of approximately 1,700 positions in high-cost manufacturing locations and in certain administrative positions. The Corporation estimates that, as a result of increases in manufacturing employee headcount in low-cost locations, approximately 1,300 replacement positions were filled, yielding a net total of 400 positions eliminated as a result of the 2003 restructuring actions.

During 2005, the Corporation substantially completed the execution of the restructuring plan that was formulated in the fourth quarter of 2001 and the closure of the manufacturing facility in its Hardware and Home Improvement segment as a result of the acquisition of Baldwin and Weiser.

In addition to the recognition of restructuring and exit costs, the Corporation also recognized related expenses, incremental to the cost of the underlying restructuring actions, that do not qualify as restructuring or exit costs under accounting principles generally accepted in the United States (restructuring-related expenses). Those restructuring-related expenses included items – directly related to the underlying restructuring actions – that benefited on-going operations, such as costs associated with the transfer of equipment. Operating results for the years ended December 31, 2005 and 2004, included approximately \$15 million of restructuring-related expenses in both years.

The Corporation realized benefits of approximately \$22 million and \$70 million in 2005 and 2004, respectively, net of restructuring-related expenses. Those benefits resulted in a reduction in cost of goods sold of approximately \$17 million and \$58 million in 2005 and 2004, respectively, and a reduction in selling, general, and administrative expenses of approximately \$5 million and \$12 million in 2005 and 2004, respectively. The Corporation expects that pre-tax savings associated with the restructuring actions related to the integration of Baldwin and Weiser into its existing security hardware business will benefit 2006 results by approximately \$25 million, net of restructuring-related expenses. The Corporation expects that, of those incremental pre-tax savings in 2006, approximately 85% will benefit gross margin and 15% will be realized through a reduction of selling, general, and administrative expenses.

The Corporation expects that incremental pre-tax savings associated with the integration of the Tools Group will benefit results by approximately \$20 million in 2006, net of integration-related expenses. The Corporation expects that, of those incremental pre-tax savings in 2006, approximately 85% will benefit gross margin and 15% will be realized through a reduction of selling, general, and administrative expenses. Ultimate savings realized from restructuring actions may be mitigated by such factors as economic weakness and competitive pressures, as well as decisions to increase costs in areas such as promotion or research and development above levels that were otherwise assumed.

As previously indicated, the pre-tax restructuring charges recognized in 2004 and 2003, of \$— and \$31.6 million, respectively, were net of reversals in 2004 and 2003 of previously provided restructuring reserves that were no longer required and proceeds received in excess of the adjusted carrying value of long-lived assets in the aggregate of \$5.4 million and \$13.2 million, respectively. Adjustments to the severance component of restructuring reserves previously established related to: (i) actual attrition factors that differed from those initially estimated; (ii) more cost-effective methods of severing employment that became probable, typically based on negotiations with trade unions or local government institutions; and (iii) amendments to the initial plan that were approved by the appropriate level of management, based primarily on changes in market conditions that dictated a modification to the intended course of action. During 2004 and 2003, none of the adjustments to the severance obligations recorded in connection with restructuring actions was individually significant. Adjustments to the asset write-down component of restructuring reserves previously established related to the receipt of proceeds in excess of adjusted carrying values of fixed assets that were disposed of in connection with the restructuring actions. Adjustments to the other charge component of restructuring reserves previously established principally related to settlement of operating lease commitments at amounts less than initially estimated or the Corporation's ability to sublease certain facilities exited as part of the restructuring actions.

Asset write-downs taken as part of the 2003 restructuring charge included land, buildings, and manufacturing equipment. The carrying values of land and buildings to be sold were written down to their estimated fair values, generally based upon third party offers, less disposal costs. The carrying values of manufacturing equipment and furniture and fixtures were written down to their fair value based upon estimated salvage values, which generally were negligible, less disposal cost.

In addition to the previously discussed restructuring actions, prior to the date of the acquisition of Baldwin and Weiser and during the fourth quarter of 2003, the Corporation identified opportunities to restructure these businesses as well as to integrate these businesses into the existing security hardware business included in the Corporation's Hardware and Home Improvement segment. Subsequent to the acquisition, the Corporation approved restructuring actions relating to the acquired businesses of \$3.7 million. These actions principally reflected severance benefits associated with administrative and manufacturing actions related to the acquired businesses, including the closure of an acquired administration and distribution facility. These restructuring actions were completed in 2005.

Also, prior to the date of the acquisition of the Porter-Cable and Delta Tools Group and during the fourth quarter of 2004, the Corporation identified opportunities to restructure these businesses as well as to integrate these businesses into its existing Power Tools and Accessories segment. Subsequent to the acquisition, the Corporation approved restructuring actions relating to the acquired business of \$15.2 million. These actions principally reflected severance costs associated with administrative and manufacturing actions related to the acquired businesses, including the closure of three manufacturing facilities, and lease and other contractual obligations for which no future benefit will be realized. Certain of these restructuring actions commenced in 2004 and the remainder commenced in 2005. The Corporation expects that these restructuring actions will be completed by the end of 2006.

Hedging Activities

The Corporation has a number of manufacturing sites throughout the world and sells its products in more than 100 countries. As a result, it is exposed to movements in the exchange rates of various currencies against the United States dollar and against the currencies of countries in which it manufactures. The major foreign currencies in which foreign currency risks exist are the euro, pound sterling, Canadian dollar, Japanese yen, Chinese renminbi, Australian dollar, Mexican peso, Czech koruna, and Brazilian real. Through its foreign currency activities, the Corporation seeks to reduce the risk that cash flows resulting from the sales of products manufactured in a currency different from that of the selling subsidiary will be affected by changes in exchange rates.

From time to time, currencies may strengthen or weaken in countries in which the Corporation sells or manufactures its product. While the Corporation will take actions to mitigate the impacts of any future currency movements, there is no assurance that such movements will not adversely affect the Corporation.

Assets and liabilities of subsidiaries located outside of the United States are translated at rates of exchange at the balance sheet date as more fully explained in Note 1 of Notes to Consolidated Financial Statements. The resulting translation adjustments are included in the accumulated other comprehensive income (loss) component of stockholders' equity. During 2005, translation adjustments, recorded in the accumulated other comprehensive income (loss) component of stockholders' equity, decreased stockholders' equity by \$89.1 million, compared to an increase of \$95.8 million in 2004.

The materials used in the manufacturing of the Corporation's products, which include certain components and raw materials, are subject to price volatility. These component parts and raw materials are principally subject to market risk associated with changes in the price of aluminum, copper, steel, resins, and zinc. The materials used in the various manufacturing processes are purchased on the open market, and the majority is available through multiple sources. While future movements in prices of raw materials and component parts are uncertain, the Corporation uses a variety of methods, including established supply arrangements, purchase of component parts and raw materials for future delivery, and supplier price commitments, to address this risk. In addition, the Corporation utilizes derivatives to manage its risk to changes in the prices of certain commodities. As of December 31, 2005, no commodity hedges were outstanding.

As more fully described in Note 10 of Notes to Consolidated Financial Statements, the Corporation seeks to issue debt opportunistically, whether at fixed or variable rates, at the lowest possible costs. Based upon its assessment of the future interest rate environment and its desired variable rate debt to total debt ratio, the Corporation may elect to manage its interest rate risk associated with changes in the fair value of its indebtedness, or the cash flows of its indebtedness, through the use of interest rate swap agreements.

In order to meet its goal of fixing or limiting interest costs, the Corporation maintains a portfolio of interest rate hedge instruments. The variable rate debt to total debt ratio, after taking interest rate hedges into account, was 64% at December 31, 2005, compared to 52% at December 31, 2004, and 47% at December 31, 2003. At December 31, 2005, average debt maturity was 4.9 years compared to 8.3 years at December 31, 2004, and 8.8 years at December 31, 2003. At December 31, 2005, average long-term debt maturity was 7.3 years compared to 8.3 years at December 31, 2004, and 8.8 years at December 31, 2003.

INTEREST RATE SENSITIVITY

The following table provides information as of December 31, 2005, about the Corporation's derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, including interest rate swaps and debt obligations. For debt obligations, the table presents principal cash flows and related average interest rates by contractual maturity dates. For interest rate swaps, the table presents notional principal amounts and weighted-average interest rates by contractual maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the interest rate swaps. Weighted-average variable rates are generally based on the London Interbank Offered Rate (LIBOR) as of the reset dates. The cash flows of these instruments are denominated in a variety of currencies. Unless otherwise indicated, the information is presented in U.S. dollar equivalents, which is the Corporation's reporting currency, as of December 31, 2005.

Principal Payments and Interest Rate Detail by Contractual Maturity Dates

(U.S. DOLLARS IN MILLIONS)	2006	2007	2008	2009	2010	THEREAFTER	TOTAL	FAIR VALUE (ASSETS)/ LIABILITIES
LIABILITIES								
Short-term borrowings								
Variable rate (other currencies)	\$566.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 566.9	\$ 566.9
Average interest rate	4.56%						4.56%	
Long-term debt								
Fixed rate (U.S. dollars)	\$155.1	\$150.2	\$.2	\$.1	\$ -	\$850.0	\$1,155.6	\$1,194.3
Average interest rate	7.00%	6.55%	7.00%	7.00%		6.27%	6.41%	
INTEREST RATE DERIVATIVES								
Fixed to Variable Rate Interest								
Rate Swaps (U.S. dollars)	\$125.0	\$ 75.0	\$ -	\$ -	\$ -	\$325.0	\$ 525.0	\$ (5.8)
Average pay rate (a)								
Average receive rate	6.03%	5.22%				5.08%	5.33%	

- (a) The average pay rate is based upon 6-month forward LIBOR, except for \$275.0 million in notional principal amount which matures in 2007 and thereafter and is based upon 3-month forward LIBOR.

FOREIGN CURRENCY EXCHANGE RATE SENSITIVITY

As discussed above, the Corporation is exposed to market risks arising from changes in foreign exchange rates. As of December 31, 2005, the Corporation has hedged a portion of its 2006 estimated foreign currency transactions using forward exchange contracts. The Corporation estimated the effect on 2006 gross profits, based upon a recent estimate of foreign exchange exposures, of a uniform 10% strengthening in the value of the United States dollar. The Corporation estimated that this would have the effects of reducing gross profits for 2006 by approximately \$15 million. The Corporation also estimated the effects on 2006 gross profits, based upon a recent estimate of foreign exchange exposures, of a uniform 10% weakening in the value of the United States dollar. A uniform 10% weakening in the value of the United States dollar would have the effect of increasing gross profits.

In addition to their direct effects, changes in exchange rates also affect sales volumes and foreign currency sales prices as competitors' products become more or less attractive. The sensitivity analysis of the effects of changes in foreign currency exchange rates previously described does not reflect a potential change in sales levels or local currency prices nor does it reflect higher exchange rates, compared to those experienced during 2005, inherent in the foreign exchange hedging portfolio at December 31, 2005.

Critical Accounting Policies

The Corporation's accounting policies are more fully described in Note 1 of Notes to Consolidated Financial Statements. As disclosed in Note 1 of Notes to Consolidated Financial Statements, the preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

The Corporation believes that, of its significant accounting policies, the following may involve a higher degree of judgment, estimation, or complexity than other accounting policies.

As more fully described in Note 1 of Notes to Consolidated Financial Statements, the Corporation performs goodwill impairment tests on at least an annual basis and more frequently in certain circumstances. The Corporation cannot predict the occurrence of certain events that might adversely affect the reported value of goodwill that totaled \$1,115.7 million at December 31, 2005. Such events may include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on the Corporation's customer base, or a material negative change in its relationships with significant customers.

Pension and other postretirement benefits costs and obligations are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, expected return on plan assets, rates of salary increase, health care cost trend rates, mortality rates, and other factors. These assumptions are updated on an annual basis prior to the beginning of each year. The Corporation considers current market conditions, including interest rates, in making these assumptions. The Corporation develops the discount rates by considering the yields available on high-quality fixed income investments with maturities corresponding to the related benefit obligation. The Corporation's discount rate for United States defined benefit pension plans was 5.75% and 6.00% at December 31, 2005 and 2004, respectively. As discussed further in Note 13 of Notes to Consolidated Financial Statements, the Corporation develops the expected return on plan assets by considering various factors, which include its targeted asset allocation percentages, historic returns, and expected future returns. The Corporation's expected long-term rate of return assumption for United States defined benefit plans for 2005 and 2006 is 8.75%.

The Corporation believes that the assumptions used are appropriate; however, differences in actual experience or changes in the assumptions may materially affect the Corporation's financial position or results of operations. In accordance with accounting principles generally accepted in the United States, actual results that differ from the actuarial assumptions are accumulated and, if in excess of a specified corridor, amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. The expected return on plan assets is determined using the expected rate of return and a calculated value of assets referred to as the market-related value of assets. The Corporation's aggregate fair value of plan assets exceeded the market-related value of assets by approximately \$14.7 million as of the 2005 measurement date. Differences between assumed and actual returns are amortized to the market-related value on a straight-line basis over a five-year period. Also, gains and losses resulting from changes in assumptions and from differences between assumptions and actual experience (except those differences being amortized to the market-related value of assets) are amortized over the expected remaining service period of active plan participants or, for retired participants, the average remaining life expectancy, to the extent that such amounts exceed ten percent of

the greater of the market-related value of plan assets or the projected benefit obligation at the beginning of the year. The Corporation expects that its pension and other postretirement benefit costs in 2006 will exceed the costs recognized in 2005 by approximately \$12.0 million. This increase is principally attributable to two factors: the effect of amortization of certain actuarial losses and a reduction in the market-related value of pension plan assets as compared to the prior year.

As more fully described in Item 3 of this report, the Corporation is subject to various legal proceedings and claims, including those with respect to environmental matters, the outcomes of which are subject to significant uncertainty. The Corporation evaluates, among other factors, the degree of probability of an unfavorable outcome, the ability to make a reasonable estimate of the amount of loss, and in certain instances, the ability of other parties to share costs. Also, in accordance with accounting principles generally accepted in the United States when a range of probable loss exists, the Corporation accrues at the low end of the range when no other more likely amount exists. Unanticipated events or changes in these factors may require the Corporation to increase the amount it has accrued for any matter or accrue for a matter that has not been previously accrued because it was not probable.

Further, as indicated in Note 21 of Notes to Consolidated Financial Statements, insurance recoveries for environmental and certain general liability claims have not been recognized until realized. Any insurance recoveries, if realized in future periods, could have a favorable impact on the Corporation's financial condition or results of operations in the periods realized.

The Corporation is also subject to income tax laws in many countries. Judgment is required in assessing the future tax consequences of events that have been recognized in the Corporation's financial statements or tax returns. Additionally, the Corporation is subject to periodic examinations by taxing authorities in many countries. The final outcome of these future tax consequences, tax audits, and changes in regulatory tax laws and rates could materially impact the Corporation's financial statements.

During 2003, the Corporation received notices of proposed adjustments from the United States Internal Revenue Service (IRS) in connection with audits of the tax years 1998 through 2000. The principal adjustment proposed by the IRS consists of the disallowance of a capital loss deduction taken in the Corporation's tax returns and interest on the deficiency. Prior to receiving the notices of proposed adjustments from the IRS, the Corporation filed a petition against the IRS in the Federal District Court of Maryland (the Court) seeking refunds for a carryback of a portion of the aforementioned capital loss deduction. The IRS subsequently filed a counterclaim to the Corporation's petition. In October 2004, the Court granted the Corporation's motion for summary judgment on its complaint against the IRS and dismissed the IRS counter-claim. In its opinion, the Court ruled in the Corporation's favor that the capital losses cannot be disallowed by the IRS. In December 2004, the IRS appealed the Court's decision in favor of the Corporation to the United States Circuit Court of Appeals for the Fourth Circuit (the Fourth Circuit). In February 2006, the Fourth Circuit issued its decision, deciding two of three issues in the Corporation's favor and remanding the third issue for trial in the Court. The Corporation intends to vigorously dispute the position taken by the IRS in this matter. The Corporation has provided adequate reserves in the event that the IRS prevails in its disallowance of the previously described capital loss and the imposition of related interest. Should the IRS prevail in its disallowance of the capital loss deduction and the imposition of related interest, it would result in a cash outflow of approximately \$160 million. If the Corporation prevails, it would result in the Corporation receiving a refund of taxes previously paid of approximately \$50 million, plus interest. The Corporation believes that any such outflow or inflow is unlikely to occur until 2007 or later.

Impact of New Accounting Standards

As more fully described in Note 1 of Notes to Consolidated Financial Statements, the Corporation has not yet adopted Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *Share-Based Payments*, or SFAS No. 151, *Inventory Costs*.

Financial Condition

Operating activities generated cash of \$628.0 million for the year ended December 31, 2005, compared to \$619.1 million of cash generated for the year ended December 31, 2004. Cash flow from operating activities included cash flow from discontinued operations of \$4.7 million and \$3.1 million for the years ended December 31, 2005 and 2004, respectively. The increase in cash provided by operating activities in 2005 over 2004 was primarily the result of increased earnings from continuing operations, including the effect of the \$55.0 million settlement of environmental and product liability coverage litigation with an insurer, which was partially offset by increased cash usage associated with working capital and income taxes. The Corporation will be required to make income tax payments – associated with the repatriation of previously unremitted foreign earnings under the American Jobs Creation Act of 2004 – in the first quarter of 2006. Increases in inventories and receivables (associated with the higher level of sales and to achieve higher service levels) exceeded the increase in accrued liabilities (associated with higher sales and earnings levels) in 2005 as compared to 2004.

As part of its capital management, the Corporation reviews certain working capital metrics. For example, the Corporation evaluates its accounts receivable and inventory levels through the computation of days sales outstanding and inventory turnover ratio, respectively. The number of days sales outstanding as of December 31, 2005, increased slightly from the number of days sales outstanding as of December 31, 2004. Average inventory turns as of December 31, 2005, approximated average inventory turns as of December 31, 2004.

Investing activities for the year ended December 31, 2005 used cash of \$34.6 million compared to \$819.6 million of cash used in 2004. This decrease in cash used was primarily the result of acquisition and divestiture activity. In 2005, cash proceeds from divestiture and acquisition activity totaled \$61.2 million, including \$33.6 million associated with the sale of Flex, \$17.2 million associated with the sale of discontinued operations, and \$10.4 million of cash received during 2005 associated with the preliminary adjustment to the purchase price of the Porter-Cable and Delta Tools Group. In 2004, cash used for acquisition and divestiture activity totaled \$727.1 million, including \$792.0 million, net of cash acquired, for the acquisition of the Porter-Cable and Delta Tools Group and \$12.6 million of cash used for other acquisitions – including the purchase of MasterFix, which was partially offset by \$77.5 million of net proceeds from the sale of two of the discontinued European security hardware businesses. Capital expenditures were \$111.1 million and \$117.8 million in 2005 and 2004, respectively. The Corporation anticipates that its capital spending in 2006 will approximate \$120 million.

Financing activities used cash of \$129.2 million in 2005, compared to cash provided of \$391.9 million in 2004. The increased use of cash for financing activities primarily resulted from the purchase by the Corporation of 6,276,700 shares of its common stock at an aggregate cost of \$525.7 million, the repayment of \$136.0 million of preferred stock of a subsidiary, and the increase of the Corporation's dividend payments, which increased – on a per share basis – from \$.84 during 2004 to \$1.12 during 2005. Dividend payments were \$88.6 million and \$67.5 million in 2005 and 2004, respectively. The increased use of cash for financing activities during 2005 was offset by the increase in short-term borrowings of \$565.6 million associated with the repatriation of foreign earnings under the American Jobs Creation Act of 2004 and \$56.0 million of proceeds received upon the issuance of common stock under employee benefit plans. Cash provided by financing activities in 2004 included \$295.4 million of proceeds, net of discounts and debt issuance costs, received in October 2004 upon the issuance of \$300 million of 4.75% Senior Notes due in 2014. Cash provided by financing activities in 2004 also included \$171.6 million of proceeds received upon the issuance of common stock under employee benefit plans. During the year ended December 31, 2004, the Corporation repurchased 66,100 shares of its common stock at an aggregate cost of \$3.6 million.

The Corporation implemented its share repurchase program based upon the belief that its shares were undervalued and to manage share growth resulting from option exercises. At December 31, 2005, the Corporation had remaining authorization from its Board of Directors to repurchase an additional 4,068,795 shares of its common stock.

Subsequent to December 31, 2005, the Corporation repurchased 1,012,700 shares of its common stock at an aggregate cost of \$84.3 million. After those share repurchases, the Corporation has remaining authorization from its Board of Directors to repurchase an additional 3,056,095 shares of its common stock.

On February 9, 2006, the Corporation announced that its Board of Directors declared a quarterly cash dividend of \$.38 per share of the Corporation's outstanding common stock payable during the first quarter of 2006. The \$.38 dividend represents a 36% increase over the \$.28 quarterly dividend paid by the Corporation since the first quarter of 2005. Future dividends will depend on the Corporation's earnings, financial condition, and other factors.

As discussed further in Note 13 of Notes to Consolidated Financial Statements, in accordance with SFAS No. 87, *Employer's Accounting for Pensions*, the Corporation has recorded a minimum pension liability adjustment at December 31, 2005 as a charge to stockholders' equity of \$337.6 million, net of tax. That charge to stockholders' equity did not impact the Corporation's compliance with covenants under its borrowing agreements or cash flow. The Corporation's expense recognized relating to its pension and other postretirement benefit plans increased by approximately \$19 million in 2005 over the 2004 levels. The Corporation anticipates that the expense recognized relating to its pension and other postretirement benefit plans in 2006 will increase by approximately \$12 million over the 2005 levels. That increase is partially attributable to the amortization of previously unrecognized actuarial losses that gave rise to the minimum liability adjustment. As discussed further in Note 13 of Notes to Consolidated Financial Statements, the Corporation does not anticipate that the funding requirements relating to the pension benefit plans in 2006 will be material.

During 2003, the Corporation received notices of proposed adjustments from the United States Internal Revenue Service (IRS) in connection with audits of the tax years 1998 through 2000. The principal adjustment proposed by the IRS consists of the disallowance of a capital loss deduction taken in the Corporation's tax returns and interest on the deficiency. Prior to receiving the notices of proposed adjustments from the IRS, the Corporation filed a petition against the IRS in the Federal District Court of Maryland (the Court) seeking refunds for a carryback of a portion of the aforementioned capital loss deduction. The IRS subsequently filed a counterclaim to the Corporation's petition. In October 2004, the Court granted the Corporation's motion for summary judgment on its complaint against the IRS and dismissed the IRS counter-claim. In its opinion, the Court ruled in the Corporation's favor that the capital losses cannot be disallowed by the IRS. In December 2004, the IRS appealed the Court's decision in favor of the Corporation to the United States Circuit Court of Appeals for the Fourth Circuit (the Fourth Circuit Court). In February 2006, the Fourth Circuit Court issued its decision, deciding two of three issues in the Corporation's favor and remanding the third issue for trial in the Court. The Corporation intends to vigorously dispute the position taken by the IRS in this matter. The Corporation has provided adequate reserves in the event that the IRS prevails in its disallowance of the previously described capital loss and the imposition of related interest. Should the IRS prevail in its disallowance of the capital loss deduction and the imposition of related interest, it would result in a cash outflow by the Corporation of approximately \$160 million. If the Corporation prevails, it would result in the Corporation receiving a refund of taxes previously paid of approximately \$50 million, plus interest. The Corporation believes that any such outflow or inflow is unlikely to occur until 2007 or later.

The ongoing costs of compliance with existing environmental laws and regulations have not had, and are not expected to have, a material adverse effect on the Corporation's capital expenditures or financial position.

The Corporation will continue to have cash requirements to support seasonal working capital needs and capital expenditures, to pay interest, to service debt, and to complete the restructuring and integration actions previously described. As more fully described in Note 12 of Notes to Consolidated Financial Statements, during 2005 the Corporation repatriated \$888.3 million of previously unremitted foreign earnings under the American Jobs Creation Act of 2004. That repatriation resulted in an increase in the Corporation's short-term borrowing levels and a corresponding increase in cash and cash equivalents. For amounts available at December 31, 2005, under the Corporation's revolving credit facilities and under short-term borrowing facilities, see Note 8 of Notes to Consolidated Financial Statements. In order to meet its cash requirements, the Corporation intends to use its existing cash, cash equivalents, and internally generated funds, and to borrow under its existing and future unsecured revolving credit facilities or under short-term borrowing facilities. The Corporation believes that cash provided from these sources will be adequate to meet its cash requirements over the next 12 months.

The following table provides a summary of the Corporation's contractual obligations by due date (in millions of dollars). The Corporation's short-term borrowings, long-term debt, and lease commitments are more fully described in Notes 8, 9, and 19, respectively, of Notes to Consolidated Financial Statements.

PAYMENTS DUE BY PERIOD

	LESS THAN 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	AFTER 5 YEARS	TOTAL
Short-term borrowings (a) (b)	\$ 566.9	\$ –	\$ –	\$ –	\$ 566.9
Long-term debt	155.1	150.4	.1	850.0	1,155.6
Operating leases	63.2	92.4	40.5	20.2	216.3
Purchase obligations (c)	445.5	6.5	1.5	.6	454.1
Total contractual cash obligations (d)	\$1,230.7	\$249.3	\$42.1	\$870.8	\$2,392.9

- (a) As more fully described in Note 8 of Notes to Consolidated Financial Statements, the Corporation has a \$1.0 billion credit facility that matures in October 2009 and a \$1.0 billion commercial paper program. There was \$467.2 million outstanding under the commercial paper program at December 31, 2005. The Corporation's average borrowing outstanding under these facilities during 2005 was \$213.8 million.
- (b) As described in Note 8 of Notes to Consolidated Financial Statements, certain subsidiaries of the Corporation outside of the United States have uncommitted lines of credit of \$399.0 million at December 31, 2005. These uncommitted lines of credit do not have termination dates and are reviewed periodically.
- (c) The Corporation enters into contractual arrangements that result in its obligation to make future payments, including purchase obligations. The Corporation enters into these arrangements in the ordinary course of business in order to ensure adequate levels of inventories, machinery and equipment, or services. Purchase obligations primarily consist of inventory purchase commitments, including raw materials, components, and sourced products, sponsorship arrangements, and arrangements for other services.
- (d) The Corporation anticipates that funding of its pension and postretirement benefit plans in 2006 will approximate \$31 million. That amount principally represents contributions either required by regulations or laws or, with respect to unfunded plans, necessary to fund current benefits. The Corporation has not presented estimated pension and postretirement funding in the table above as the funding can vary from year to year based upon changes in the fair value of the plan assets and actuarial assumptions.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required under this Item is contained in Item 7 of this report under the caption "Hedging Activities" and in Item 8 of this report in Notes 1 and 10 of Notes to Consolidated Financial Statements, and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements of the Corporation and its subsidiaries are included herein as indicated below:

Consolidated Financial Statements

Consolidated Statement of Earnings – years ended December 31, 2005, 2004, and 2003.

Consolidated Balance Sheet – December 31, 2005 and 2004.

Consolidated Statement of Stockholders' Equity – years ended December 31, 2005, 2004, and 2003.

Consolidated Statement of Cash Flows – years ended December 31, 2005, 2004, and 2003.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF EARNINGS
THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(DOLLARS IN MILLIONS EXCEPT PER SHARE DATA)

YEAR ENDED DECEMBER 31,	2005	2004	2003
SALES	\$6,523.7	\$5,398.4	\$4,482.7
Cost of goods sold	4,206.6	3,432.9	2,887.1
Selling, general, and administrative expenses	1,504.0	1,336.3	1,135.3
Restructuring and exit costs	–	–	31.6
OPERATING INCOME	813.1	629.2	428.7
Interest expense (net of interest income of \$36.5 for 2005, \$35.8 for 2004, and \$25.5 for 2003)	45.4	22.1	35.2
Other (income) expense	(51.6)	2.8	2.6
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	819.3	604.3	390.9
Income taxes	275.3	163.2	103.7
NET EARNINGS FROM CONTINUING OPERATIONS	544.0	441.1	287.2
DISCONTINUED OPERATIONS (NET OF INCOME TAXES):			
Earnings of discontinued operations (net of income taxes of \$.5 for 2005, \$1.0 for 2004, and \$3.5 for 2003)	–	2.2	5.8
(Loss) gain on sale of discontinued operations (net of impairment charge of \$24.4 in 2004)	(1)	12.7	–
NET (LOSS) EARNINGS FROM DISCONTINUED OPERATIONS	(1)	14.9	5.8
NET EARNINGS	\$ 543.9	\$ 456.0	\$ 293.0
BASIC EARNINGS PER COMMON SHARE			
Continuing operations	\$ 6.87	\$ 5.53	\$ 3.69
Discontinued operations	–	.19	.07
NET EARNINGS PER COMMON SHARE– BASIC	\$ 6.87	\$ 5.72	\$ 3.76
DILUTED EARNINGS PER COMMON SHARE			
Continuing operations	\$ 6.69	\$ 5.40	\$ 3.68
Discontinued operations	–	.19	.07
NET EARNINGS PER COMMON SHARE– ASSUMING DILUTION	\$ 6.69	\$ 5.59	\$ 3.75

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET
THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(MILLIONS OF DOLLARS)

DECEMBER 31,	2005	2004
ASSETS		
Cash and cash equivalents	\$ 967.6	\$ 514.4
Trade receivables, less allowances of \$45.1 for 2005 and \$52.1 for 2004	1,130.6	1,046.6
Inventories	1,049.1	981.8
Current assets of discontinued operations	-	70.8
Other current assets	200.1	313.6
TOTAL CURRENT ASSETS	3,347.4	2,927.2
PROPERTY, PLANT, AND EQUIPMENT	668.8	754.6
GOODWILL	1,115.7	1,184.0
OTHER ASSETS	684.7	665.0
	\$5,816.6	\$5,530.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term borrowings	\$ 566.9	\$ 1.1
Current maturities of long-term debt	155.3	.5
Trade accounts payable	466.8	466.9
Current liabilities of discontinued operations	-	29.9
Other current liabilities	1,075.0	1,294.2
TOTAL CURRENT LIABILITIES	2,264.0	1,792.6
LONG-TERM DEBT	1,030.3	1,200.6
DEFERRED INCOME TAXES	188.5	171.1
POSTRETIREMENT BENEFITS	419.0	423.4
OTHER LONG-TERM LIABILITIES	391.2	384.4
STOCKHOLDERS' EQUITY		
Common stock (outstanding: December 31, 2005- 77,357,370 shares; December 31, 2004- 82,095,161 shares)	38.7	41.0
Capital in excess of par value	273.8	699.6
Unearned restricted stock compensation	(20.0)	(12.6)
Retained earnings	1,616.8	1,161.5
Accumulated other comprehensive income (loss)	(385.7)	(330.8)
TOTAL STOCKHOLDERS' EQUITY	1,523.6	1,558.7
	\$5,816.6	\$5,530.8

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(DOLLARS IN MILLIONS EXCEPT PER SHARE DATA)

	OUTSTANDING COMMON SHARES	PAR VALUE	CAPITAL IN EXCESS OF PAR VALUE	UNEARNED RESTRICTED STOCK COMPENSATION	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL STOCKHOLDERS' EQUITY
BALANCE AT DECEMBER 31, 2002	79,604,786	\$39.8	\$ 550.1	\$ –	\$ 524.3	\$(514.6)	\$ 599.6
Comprehensive income (loss):							
Net earnings	–	–	–	–	293.0	–	293.0
Net loss on derivative instruments (net of tax)	–	–	–	–	–	(15.8)	(15.8)
Minimum pension liability adjustment (net of tax)	–	–	–	–	–	(20.2)	(20.2)
Foreign currency translation adjustments, less effect of hedging activities (net of tax)	–	–	–	–	–	98.4	98.4
Comprehensive income	–	–	–	–	293.0	62.4	355.4
Cash dividends on common stock (\$.57 per share)	–	–	–	–	(44.3)	–	(44.3)
Purchase and retirement of common stock	(2,011,570)	(1.0)	(76.5)	–	–	–	(77.5)
Common stock issued under employee benefit plans	340,248	.2	13.1	–	–	–	13.3
BALANCE AT DECEMBER 31, 2003	77,933,464	39.0	486.7	–	773.0	(452.2)	846.5
Comprehensive income (loss):							
Net earnings	–	–	–	–	456.0	–	456.0
Net gain on derivative instruments (net of tax)	–	–	–	–	–	4.9	4.9
Minimum pension liability adjustment (net of tax)	–	–	–	–	–	49.4	49.4
Foreign currency translation adjustments, less effect of hedging activities (net of tax)	–	–	–	–	–	95.8	95.8
Write-off of accumulated foreign currency translation adjustments due to sale of businesses	–	–	–	–	–	(28.7)	(28.7)
Comprehensive income	–	–	–	–	456.0	121.4	577.4
Cash dividends on common stock (\$.84 per share)	–	–	–	–	(67.5)	–	(67.5)
Restricted stock grants	278,296	.1	15.8	(15.9)	–	–	–
Restricted stock amortization, net of forfeitures	(7,950)	–	(.5)	3.3	–	–	2.8
Purchase and retirement of common stock	(66,100)	–	(3.6)	–	–	–	(3.6)
Common stock issued under employee benefit plans	3,957,451	1.9	201.2	–	–	–	203.1
BALANCE AT DECEMBER 31, 2004	82,095,161	41.0	699.6	(12.6)	1,161.5	(330.8)	1,558.7
Comprehensive income (loss):							
Net earnings	–	–	–	–	543.9	–	543.9
Net gain on derivative instruments (net of tax)	–	–	–	–	–	34.8	34.8
Minimum pension liability adjustment (net of tax)	–	–	–	–	–	15.9	15.9
Foreign currency translation adjustments, less effect of hedging activities (net of tax)	–	–	–	–	–	(89.1)	(89.1)
Write-off of accumulated foreign currency translation adjustments due to sale of businesses	–	–	–	–	–	(16.5)	(16.5)
Comprehensive income	–	–	–	–	543.9	(54.9)	489.0

Cash dividends on common stock (\$1.12 per share)	-	-	-	-	(88.6)	-	(88.6)
Restricted stock grants	199,630	.1	16.3	(16.4)	-	-	-
Restricted stock amortization, net of forfeitures	(32,280)	-	(2.2)	9.0	-	-	6.8
Purchase and retirement of common stock	(6,276,700)	(3.1)	(522.6)	-	-	-	(525.7)
Common stock issued under employee benefit plans	1,371,559	.7	82.7	-	-	-	83.4
BALANCE AT DECEMBER 31, 2005	77,357,370	\$38.7	\$ 273.8	\$(20.0)	\$1,616.8	\$(385.7)	\$1,523.6

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(MILLIONS OF DOLLARS)

YEAR ENDED DECEMBER 31,	2005	2004	2003
OPERATING ACTIVITIES			
Net earnings	\$ 543.9	\$ 456.0	\$ 293.0
Adjustments to reconcile net earnings to cash flow from operating activities of continuing operations:			
Earnings of discontinued operations	–	(2.2)	(5.8)
Loss (gain) on sale of discontinued operations (net of impairment charge)	.1	(12.7)	–
Non-cash charges and credits:			
Depreciation and amortization	150.6	142.5	133.4
Restructuring and exit costs	–	–	31.6
Other	.3	(.3)	(8.1)
Changes in selected working capital items (net of effects of businesses acquired or divested):			
Trade receivables	(128.5)	1.3	(6.4)
Inventories	(105.5)	(66.7)	94.2
Trade accounts payable	12.3	(39.9)	21.0
Other current liabilities	81.5	102.8	56.4
Restructuring spending	(13.6)	(25.0)	(40.4)
Other assets and liabilities	82.2	60.2	(7.0)
CASH FLOW FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS	623.3	616.0	561.9
CASH FLOW FROM OPERATING ACTIVITIES OF DISCONTINUED OPERATIONS	4.7	3.1	8.7
CASH FLOW FROM OPERATING ACTIVITIES	628.0	619.1	570.6
INVESTING ACTIVITIES			
Capital expenditures	(111.1)	(117.8)	(102.5)
Proceeds from disposal of assets	12.7	26.0	15.0
Purchase of business, net of cash acquired	10.4	(804.6)	(277.6)
Proceeds from sale of business, net of cash transferred	33.6	–	–
Proceeds from sale of discontinued operations, net of cash transferred	17.2	77.5	–
Investing activities of discontinued operations	(4)	(1.2)	(3.3)
Cash inflow from hedging activities	15.9	7.2	–
Cash outflow from hedging activities	(13.4)	(7.9)	–
Other investing activities, net	.5	1.2	.3
CASH FLOW FROM INVESTING ACTIVITIES	(34.6)	(819.6)	(368.1)
FINANCING ACTIVITIES			
Net increase (decrease) in short-term borrowings	565.6	(3.4)	(4.9)
Repayment of preferred stock of subsidiary	(136.0)	–	–
Proceeds from long-term debt (net of debt issue cost of \$2.4)	–	295.4	–
Payments on long-term debt	(.5)	(.6)	(310.6)
Purchase of common stock	(525.7)	(3.6)	(77.5)
Issuance of common stock	56.0	171.6	11.6
Cash dividends	(88.6)	(67.5)	(44.3)
CASH FLOW FROM FINANCING ACTIVITIES	(129.2)	391.9	(425.7)
Effect of exchange rate changes on cash	(11.0)	14.8	14.3
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	453.2	206.2	(208.9)
Cash and cash equivalents at beginning of year	514.4	308.2	517.1
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 967.6	\$ 514.4	\$ 308.2

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE BLACK & DECKER CORPORATION AND SUBSIDIARIES

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The Consolidated Financial Statements include the accounts of the Corporation and its subsidiaries. Intercompany transactions have been eliminated.

Reclassifications: Certain prior years' amounts in the Consolidated Financial Statements have been reclassified to conform to the presentation used in 2005.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

Revenue Recognition: Revenue from sales of products is recognized when title passes, which occurs either upon shipment or upon delivery based upon contractual terms. The Corporation recognizes customer program costs, including customer incentives such as volume or trade discounts, cooperative advertising and other sales related discounts, as a reduction to sales.

Foreign Currency Translation: The financial statements of subsidiaries located outside of the United States, except those subsidiaries operating in highly inflationary economies, generally are measured using the local currency as the functional currency. Assets, including goodwill, and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date. The resultant translation adjustments are included in accumulated other comprehensive income (loss), a separate component of stockholders' equity. Income and expense items are translated at average monthly rates of exchange. Gains and losses from foreign currency transactions of these subsidiaries are included in net earnings. For subsidiaries operating in highly inflationary economies, gains and losses from balance sheet translation adjustments are included in net earnings.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition.

Concentration of Credit: The Corporation sells products and services to customers in diversified industries and geographic regions and, therefore, has no significant concentrations of credit risk other than with two major customers. As of December 31, 2005, approximately 30% of the Corporation's trade receivables were due from two large home improvement retailers.

The Corporation continuously evaluates the credit-worthiness of its customers and generally does not require collateral.

Inventories: Inventories are stated at the lower of cost or market. The cost of United States inventories is based primarily on the last-in, first-out (LIFO) method; all other inventories are based on the first-in, first-out (FIFO) method.

Property and Depreciation: Property, plant, and equipment is stated at cost. Depreciation is computed generally on the straight-line method for financial reporting purposes.

Goodwill and Other Intangible Assets: Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. The Corporation accounts for goodwill in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*. Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to an annual impairment test, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Other intangible assets continue to be amortized over their estimated useful lives.

The Corporation assesses the fair value of its reporting units for its goodwill impairment tests based upon a discounted cash flow methodology. Those estimated future cash flows – which are based upon historical results and current projections – are discounted at a rate corresponding to a “market” rate. If the carrying amount of the reporting unit exceeds the estimated fair value determined through that discounted cash flow methodology, goodwill impairment may be present. The Corporation would measure the goodwill impairment loss based upon the fair value of the underlying assets and liabilities of the reporting unit, including any unrecognized intangible assets, and estimate the implied fair value of goodwill. An impairment loss would be recognized to the extent that a reporting unit's recorded goodwill exceeded the implied fair value of goodwill.

The Corporation performed its annual impairment test in the fourth quarters of 2005, 2004, and 2003. No impairment was present upon performing these impairment tests. The Corporation cannot predict the occurrence of certain events that might adversely affect the reported value of goodwill. Such events may include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on the Corporation's customer base, or a material negative change in its relationships with significant customers.

Product Development Costs: Costs associated with the development of new products and changes to existing products are charged to operations as incurred. Product development costs were \$133.8 million in 2005, \$118.6 million in 2004, and \$100.4 million in 2003.

Shipping and Handling Costs: Shipping and handling costs represent costs associated with shipping products to customers and handling finished goods. Included in selling, general, and administrative expenses are shipping and handling costs of \$339.2 million in 2005, \$278.1 million in 2004, and \$229.4 million in 2003. Freight charged to customers is recorded as revenue.

Advertising and Promotion: Advertising and promotion expense, which is expensed as incurred, was \$193.6 million in 2005, \$174.9 million in 2004, and \$154.0 million in 2003.

Product Warranties: Most of the Corporation's products in the Power Tools and Accessories segment and Hardware and Home Improvement segment carry a product warranty. That product warranty, in the United States, generally provides that customers can return a defective product during the specified warranty period following purchase in exchange for a replacement product or repair at no cost to the consumer. Product warranty arrangements outside the United States vary depending upon local market conditions and laws and regulations. The Corporation accrues an estimate of its exposure to warranty claims based upon both current and historical product sales data and warranty costs incurred.

Postretirement Benefits: Pension plans, which cover substantially all of the Corporation's employees in North America, Europe, and the United Kingdom, consist primarily of non-contributory defined benefit plans. The defined benefit plans are funded in conformity with the funding requirements of applicable government regulations. Generally, benefits are based on age, years of service, and the level of compensation during the final years of employment. Prior service costs for defined benefit plans generally are amortized over the estimated remaining service periods of employees.

Certain employees are covered by defined contribution plans. The Corporation's contributions to these plans are based on a percentage of employee compensation or employee contributions. These plans are funded on a current basis.

In addition to pension benefits, certain postretirement medical, dental, and life insurance benefits are provided, principally to most United States employees. Retirees in other countries generally are covered by government-sponsored programs.

The Corporation uses the corridor approach in the valuation of defined benefit plans and other postretirement benefits. The corridor approach defers all actuarial gains and losses resulting from variances between actual results and economic estimates or actuarial assumptions. For defined benefit pension plans, these unrecognized gains and losses are amortized when the net gains and losses exceed 10% of the greater of the market-related value of plan assets or the projected benefit obligation at the beginning of the year. For other postretirement benefits, amortization occurs when the net gains and losses exceed 10% of the accumulated postretirement benefit obligation at the beginning of the year. The amount in excess of the corridor is amortized over the average remaining service period to retirement date of active plan participants or, for retired participants, the average remaining life expectancy.

Derivative Financial Instruments: The Corporation is exposed to market risks arising from changes in interest rates. With products and services marketed in over 100 countries and with manufacturing sites in 11 countries, the Corporation also is exposed to risks arising from changes in foreign currency rates. The Corporation uses derivatives principally in the management of interest rate and foreign currency exposure. It does not utilize derivatives that contain leverage features. On the date on which the Corporation enters into a derivative, the derivative is designated as a hedge of the identified exposure. The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. In this documentation, the Corporation specifically identifies the asset, liability, firm commitment, forecasted transaction, or net investment that has been designated as the hedged item and states how the hedging instrument is expected to reduce the risks related to the hedged item. The Corporation measures effectiveness of its hedging relationships both at hedge inception and on an on-going basis.

For each derivative instrument that is designated and qualifies as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings during the period of the change in fair values. For each derivative instrument that is designated and qualifies as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change. For hedged forecasted transactions, hedge accounting is discontinued if the forecasted transaction is no longer probable of occurring, in which case

previously deferred hedging gains or losses would be recorded to earnings immediately. For derivatives that are designated and qualify as hedges of net investments in subsidiaries located outside the United States, the gain or loss (net of tax), is reported in accumulated other comprehensive income (loss) as part of the cumulative translation adjustment to the extent the derivative is effective. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change.

Interest Rate Risk Management: The Corporation has designated each of its outstanding interest rate swap agreements as fair value hedges of the underlying fixed rate obligation. The fair value of the interest rate swap agreements is recorded in other current assets, other assets, other current liabilities, or other long-term liabilities with a corresponding increase or decrease in the fixed rate obligation. The changes in the fair value of the interest rate swap agreements and the underlying fixed rate obligations are recorded as equal and offsetting unrealized gains and losses in interest expense in the Consolidated Statement of Earnings. The Corporation has structured all existing interest rate swap agreements to be 100% effective. As a result, there is no current impact to earnings resulting from hedge ineffectiveness. Gains or losses resulting from the early termination of interest rate swaps are deferred as an increase or decrease to the carrying value of the related debt and amortized as an adjustment to the yield of the related debt instrument over the remaining period originally covered by the swap.

Foreign Currency Management: The fair value of foreign currency-related derivatives are generally included in the Consolidated Balance Sheet in other current assets and other current liabilities. The earnings impact of cash flow hedges relating to forecasted purchases of inventory is reported in cost of goods sold to match the underlying transaction being hedged. Realized and unrealized gains and losses on these instruments are deferred in accumulated other comprehensive income (loss) until the underlying transaction is recognized in earnings.

The earnings impact of cash flow hedges relating to the variability in cash flows associated with foreign currency-denominated assets and liabilities is reported in cost of goods sold, selling, general, and administrative expenses, or other expense (income), depending on the nature of the assets or liabilities being hedged. The amounts deferred in accumulated other comprehensive income (loss) associated with these instruments generally relate to foreign currency spot-rate to forward-rate differentials and are recognized in earnings over the term of the hedge. The discount or premium relating to cash flow hedges associated with foreign currency-denominated assets and liabilities is recognized in net interest expense over the life of the hedge.

Stock-Based Compensation: As described in Note 17, the Corporation has elected to follow the accounting provisions of Accounting Principles Board Opinion (APBO) No. 25, *Accounting for Stock Issued to Employees*, for stock-based compensation and to furnish the pro forma disclosures required under SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*.

A reconciliation of the Corporation's net earnings to pro forma net earnings, and the related pro forma earnings per share amounts, for the years ended December 31, 2005, 2004, and 2003, is provided below. For purposes of pro forma disclosure, stock-based compensation expense is recognized in accordance with the provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*. Further, pro forma stock-based compensation expense is amortized to expense on a straight-line basis over the vesting period.

(DOLLARS IN MILLIONS EXCEPT PER SHARE DATA)	2005	2004	2003
Net earnings	\$543.9	\$456.0	\$293.0
Adjustment to net earnings for:			
Stock-based compensation expense included in net earnings, net of tax	7.8	11.9	2.6
Pro forma stock-based compensation (expense), net of tax	(19.6)	(22.3)	(19.3)
Pro forma net earnings	\$532.1	\$ 445.6	\$ 276.3
Pro forma net earnings per common share— basic	\$ 6.72	\$ 5.59	\$ 3.55
Pro forma net earnings per common share— assuming dilution	\$ 6.54	\$ 5.49	\$ 3.55

New Accounting Pronouncements: In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004) (SFAS No. 123R), *Share-Based Payment*. SFAS No. 123R will require the Corporation to expense share-based payments, including employee stock options, based on their fair value.

SFAS No. 123R permits public companies to adopt its requirements using one of two methods. The first adoption method is a “modified prospective” method in which compensation cost is recognized beginning with the effective date (i) based on the requirements of SFAS No. 123R for all share-based payments granted after the effective date and (ii) based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123R that remain unvested on the effective date. The second adoption method is a “modified retrospective” method, which includes the requirements of the modified prospective method described above, but also permits entities to

restate, based on the amounts previously recognized under SFAS No. 123 for purposes of pro forma disclosures, either (i) all prior periods presented or (ii) prior interim periods in the year of adoption.

The Corporation is required to adopt SFAS No. 123R effective as of January 1, 2006, and plans to utilize the modified retrospective method of adoption, restating all prior periods. As permitted by SFAS No. 123, the Corporation currently accounts for share-based payments to employees under APBO No. 25 using the intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of SFAS No. 123R's fair value method will have a significant impact on the Corporation's results of operations, although it will have no impact on the Corporation's overall financial position. The impact of adoption of SFAS No. 123R cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had the Corporation adopted SFAS No. 123R in prior years, the impact of that adoption would have approximated the impact of SFAS No. 123 as described in the disclosure of pro forma net earnings and pro forma earnings per share in the immediately preceding table. SFAS No. 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as currently presented. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption and, upon adoption in 2006, the Corporation will restate its prior Consolidated Statements of Cash Flows to reflect this classification.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs*. The Corporation is required to adopt the provisions of SFAS No. 151, on a prospective basis, as of January 1, 2006. SFAS No. 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. SFAS No. 151 requires that those items – if abnormal – be recognized as expenses in the period incurred. In addition, SFAS No. 151 requires the allocation of fixed production overheads to the costs of conversions based upon the normal capacity of the production facilities. The Corporation does not believe that the adoption of SFAS No. 151 will have a material impact on its financial position or results of operations.

NOTE 2: ACQUISITIONS

Effective after the close of business on October 2, 2004, the Corporation acquired the Porter-Cable and Delta Tools Group from Pentair, Inc. The Porter-Cable and Delta Tools Group included the Porter-Cable, Delta, DeVilbiss Air Power Company, Oldham Saw and FLEX businesses. The addition of the Porter-Cable and Delta Tools Group to the Corporation's Power Tools and Accessories segment allowed the Corporation to offer customers a broader range of products. The cash purchase price for the transaction was approximately \$783.8 million net of cash acquired of \$8.3 million and including transaction costs of \$5.7 million. That cash purchase price of \$783.8 million included a 2004 payment of \$21.8 million, on a preliminary basis, based upon the estimated increase in the net assets of the Porter-Cable and Delta Tools Group, and a \$10.4 million reduction, received in 2005, representing a preliminary adjustment to the purchase price. The final purchase price is subject to customary adjustments based upon the changes in the net assets of the Porter-Cable and Delta Tools Group through the closing date. The final purchase price has not yet been determined.

This transaction has been accounted for in accordance with SFAS No.141, *Business Combinations*, and accordingly the financial position and results of operations have been included in the Corporation's operations since the date of acquisition.

The purchase price allocation of the acquired businesses based upon independent appraisals and management's estimates at the date of acquisition, in millions of dollars, is as follows:

Accounts receivable	\$ 202.5
Inventories	172.3
Property and equipment	124.6
Goodwill	351.8
Intangible assets	189.4
Other current and long-term assets	44.2
Total assets acquired	1,084.8
Accounts payable and accrued liabilities	225.9
Other liabilities	75.1
Total liabilities	301.0
Fair value of net assets acquired	\$ 783.8

The purchase price allocation resulted in the recognition of \$351.8 million of goodwill primarily related to the anticipated future earnings and cash flows of the Porter-Cable and Delta Tools Group, including the estimated effects of the integration of this business into the Corporation's Power Tools and Accessories segment. The transaction also generated \$189.4 million in intangible assets of which \$122.0 million were indefinite-lived intangible assets related to trade names and \$67.4 million related to finite-lived intangible assets that will be amortized over periods of 10 to 15 years. These intangible assets are reflected in other assets in

the Consolidated Balance Sheet. The Corporation believes that approximately \$325 million of the intangible assets and goodwill recognized will be deductible for income tax purposes.

Prior to the date of the acquisition of the Porter-Cable and Delta Tools Group and during the fourth quarter of 2004, the Corporation identified opportunities to restructure the acquired businesses as well as to integrate these businesses into its existing Power Tools and Accessories segment. Subsequent to the acquisition, the Corporation approved integration actions relating to the acquired businesses. These actions principally reflect severance costs associated with administrative and manufacturing actions related to the acquired businesses, including the closure of three manufacturing facilities, as well as the cost of lease and other contractual obligations for which no future benefit will be realized.

A summary of integration activity relating to the Porter-Cable and Delta Tools Group during 2005, in millions of dollars, is set forth below:

	SEVERANCE BENEFITS	OTHER CHARGES	TOTAL
Integration reserve at December 31, 2004	\$ 8.7	\$ 6.2	\$14.9
Adjustments to previously provided reserves	(.7)	(.3)	(1.0)
Utilization of reserves:			
Cash	(5.8)	(3.4)	(9.2)
Integration reserve at December 31, 2005	\$ 2.2	\$ 2.5	\$ 4.7

Certain of these restructuring actions commenced in 2004 and the remainder commenced in early 2005. The Corporation expects that these restructuring actions will be completed by the end of 2006.

In November 2005, the Corporation completed the sale of the FLEX business of the acquired Porter-Cable and Delta Tools Group. The effect of the sale was not material to the Corporation.

In March 2004, the Corporation acquired MasterFix for \$7.9 million, net of cash acquired. The results of MasterFix, included in the consolidated financial statements from the date of acquisition, were not material.

On September 30, 2003, the Corporation acquired Baldwin Hardware Corporation (Baldwin) and Weiser Lock Corporation (Weiser) from Masco Corporation for \$277.8 million in cash, including transaction costs of \$2.8 million. Baldwin is a leading provider of architectural and decorative products for the home. Weiser is a manufacturer of locksets and decorative exterior hardware and accessories. These additions to the Corporation's security hardware businesses, a component of its Hardware and Home Improvement segment, allowed the Corporation to offer customers a broader range of styles and price points.

The Corporation's acquisition of Baldwin and Weiser has been accounted for in accordance with SFAS No. 141, and accordingly, the financial position and results of operations have been included in the Corporation's operations since the date of acquisition.

NOTE 3: DISCONTINUED OPERATIONS

The Corporation's former European security hardware business is classified as discontinued operations. The European security hardware business consisted of the NEMEF, Corbin, and DOM businesses. In November 2005, the Corporation completed the sale of the DOM security hardware business and received cash proceeds, net of cash transferred, of \$17.2 million. The final purchase price is subject to customary adjustments based upon changes in the net assets of the DOM security hardware business through the closing date. In January 2004, the Corporation completed the sale of the NEMEF and Corbin businesses and received cash proceeds, net of cash transferred, of \$74.6 million. In September 2004, the Corporation received additional cash proceeds of \$2.9 million. These additional cash proceeds reflect the final adjustment to the purchase price for the net assets of the NEMEF and Corbin businesses at the date of closing.

During 2005, the Corporation recognized a \$.1 million loss on the sale of the DOM security hardware business. During 2004, the Corporation recognized a \$12.7 million net gain on the sale of these discontinued operations (the "net gain on sale of discontinued operations"). That net gain consisted of a \$37.1 million gain on the sale of the NEMEF and Corbin businesses, less a \$24.4 million goodwill impairment charge associated with the DOM business. That goodwill impairment charge was determined as the excess of the carrying value of goodwill associated with the DOM business over its implied fair value.

The European security hardware business discussed above is reported as discontinued operations in the consolidated financial statements and all prior periods presented have been adjusted to reflect this presentation. Sales and earnings before income taxes of the discontinued operations for each year, in millions of dollars, were as follows:

	2005	2004	2003
Sales	\$60.1	\$66.2	\$119.3
Earnings before income taxes	.5	3.1	9.3

The results of the discontinued operations do not reflect any expense for interest allocated by or management fees charged by the Corporation.

The major classes of assets and liabilities of discontinued operations in the Consolidated Balance Sheet as of December 31, 2004, in millions of dollars, were as follows:

Trade receivables, less allowances	\$ 9.2
Inventories	11.9
Property, plant, and equipment	16.9
Goodwill	28.1
Other assets	4.7
Total assets	70.8
Trade accounts payable	3.7
Other accrual liabilities	7.4
Postretirement benefits and other long-term liabilities	18.8
Total liabilities	29.9
Net assets	\$40.9

NOTE 4: INVENTORIES

The classification of inventories at the end of each year, in millions of dollars, was as follows:

	2005	2004
FIFO cost		
Raw materials and work-in-process	\$ 257.5	\$267.8
Finished products	774.0	692.8
	1,031.5	960.6
Adjustment to arrive at LIFO inventory value	17.6	21.2
	\$1,049.1	\$981.8

The cost of United States inventories stated under the LIFO method was approximately 58% and 53% of the value of total inventories at December 31, 2005 and 2004, respectively.

NOTE 5: PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at the end of each year, in millions of dollars, consisted of the following:

	2005	2004
Property, plant, and equipment at cost:		
Land and improvements	\$ 44.1	\$ 51.6
Buildings	309.7	299.5
Machinery and equipment	1,348.1	1,410.6
	1,701.9	1,761.7
Less accumulated depreciation	1,033.1	1,007.1
	\$ 668.8	\$ 754.6

NOTE 6: GOODWILL AND OTHER IDENTIFIED INTANGIBLE ASSETS

The changes in the carrying amount of goodwill by reportable business segment, in million of dollars, was as follows:

	POWER TOOLS & ACCESSORIES	HARDWARE & HOME IMPROVEMENT	FASTENING & ASSEMBLY SYSTEMS	TOTAL
Goodwill at January 1, 2004	\$ 25.8	\$458.6	\$287.3	\$ 771.7
Acquisitions	384.4	–	4.1	388.5
Activity associated with prior year acquisition	4.7	4.8	–	9.5
Currency translation adjustment	2.2	.5	11.6	14.3
Balance at December 31, 2004	417.1	463.9	303.0	1,184.0
Activity associated with prior year acquisition	(31.6)	(.3)	–	(31.9)
Sale of business	(15.2)	–	–	(15.2)
Currency translation adjustment	(1.3)	–	(19.9)	(21.2)
Balance at December 31, 2005	\$369.0	\$463.6	\$283.1	\$1,115.7

The carrying amount of acquired intangible assets included in other assets at the end of each year, in million of dollars, was as follows:

	2005	2004
Customer relationships (net of accumulated amortization of \$1.4 in 2005 and \$2 in 2004)	\$ 36.0	\$ 11.6
Technology and patents (net of accumulated amortization of \$2.8 in 2005 and \$9 in 2004)	16.6	18.0
Trademarks and trade names (net of accumulated amortization of \$.4 in 2005)	208.5	202.1
Total intangibles, net	\$261.1	\$231.7

Trademarks and trade names include indefinite-lived assets of \$193.9 million and \$202.1 million at December 31, 2005 and 2004, respectively.

During 2005, the Corporation obtained an independent appraisal that was required to finalize certain aspects of the purchase price allocation related to the acquisition of the Porter-Cable and Delta Tools Group which resulted in an increase in acquired intangible assets and a corresponding reduction in goodwill.

Intangible asset amortization expense in 2005, 2004, and 2003 was \$3.5 million, \$1.0 million, and \$.1 million, respectively. At December 31, 2005, the weighted-average amortization periods were 15 years for customer relationships, 10 years for technology and patents, and 10 years for trademarks and tradenames. The estimated future amortization expense for identifiable intangible assets during each of the next five years is \$5.9 million.

NOTE 7: OTHER CURRENT LIABILITIES

Other current liabilities at the end of each year, in millions of dollars, included the following:

	2005	2004
Trade discounts and allowances	\$ 242.8	\$ 254.4
Redeemable preferred stock of subsidiary	-	192.2
Employee benefits	157.1	154.6
Salaries and wages	121.6	135.6
Advertising and promotion	75.1	57.7
Warranty	57.3	55.2
Income taxes, including deferred taxes	101.0	51.4
Accruals related to restructuring actions	6.5	20.2
All other	313.6	372.9
	\$1,075.0	\$1,294.2

All other at December 31, 2005 and 2004, consisted primarily of accruals for foreign currency derivatives, interest, insurance, and taxes other than income taxes.

The following provides information with respect to the Corporation's warranty accrual, in millions of dollars:

	2005	2004
Warranty reserve at January 1	\$ 55.2	\$ 40.4
Accruals for warranties issued during the period and changes in estimates related to pre-existing warranties	116.4	91.0
Settlements made	(111.2)	(92.2)
Additions due to acquisitions	-	14.4
Reduction due to sale of business	(1.5)	-
Currency translation adjustments	(1.6)	1.6
Warranty reserve at December 31	\$ 57.3	\$ 55.2

In December 2000, a subsidiary of the Corporation issued preferred shares to private investors. The preferred shares were redeemable in December 2005. Holders of the subsidiary's preferred shares were entitled to annual cash dividends of \$10.7 million. The \$10.7 million dividends on those preferred shares were classified as interest expense. The preferred shares were redeemed in December 2005 via a \$136.0 million payment to the private investors and the relinquishment of a liquid asset in the amount of \$50.0 million that was included in other current assets at December 31, 2004. Included in other current liabilities at December 31, 2004, was \$192.2 million related to those preferred shares. The carrying value of the preferred shares included the effect of the fair value of the interest rate swap agreement related to this obligation.

NOTE 8: SHORT-TERM BORROWINGS

Short-term borrowings in the amounts of \$566.9 million and \$1.1 million at December 31, 2005 and 2004, respectively, consisted primarily of borrowings under the terms of the Corporation's commercial paper program, uncommitted lines of credit or other short-term borrowing arrangements. The weighted-average interest rate on short-term borrowings outstanding was 4.56% at December 31, 2005.

In November 2002, the Corporation entered into a \$500 million agreement under which it may issue commercial paper at market rates with maturities of up to 365 days from the date of issue. In September 2004, the Corporation increased the maximum amount authorized for issuance under its commercial paper program from \$500 million to \$1.0 billion. There was \$467.2 million outstanding under this agreement at December 31, 2005.

In April 2001, the Corporation entered into a \$1.0 billion unsecured revolving credit facility that expires in April 2006. In October 2004, the Corporation replaced its \$1.0 billion unsecured revolving credit facility (the Former Credit Facility) that would have expired in April 2006 with a \$1.0 billion unsecured revolving credit facility (the Credit Facility) that expires in October 2009. The amount available for borrowing under the Credit Facility at December 31, 2005 and 2004, was \$532.8 million and \$1.0 billion, respectively.

The average borrowings outstanding under the Corporation's unsecured revolving credit facilities and commercial paper program during 2005 and 2004 were \$213.8 million and \$274.5 million, respectively.

Under the Credit Facility, the Corporation has the option of borrowing at LIBOR plus a specified percentage, or at other variable rates set forth therein. The Credit Facility provides that the interest rate margin over LIBOR, initially set at .375%, will increase (by a maximum amount of .625%) or decrease (by a maximum amount of .115%) based upon changes in the ratings of the Corporation's long-term senior unsecured debt.

In addition to interest payable on the principal amount of indebtedness outstanding from time to time under the Credit Facility, the Corporation is required to pay an annual facility fee, equal to .125%, of the amount of the Credit Facility's commitment, whether used or unused. The Corporation is also required to pay a utilization fee, equal to .125%, applied to the outstanding balance when borrowings under the Credit Facility exceed 50% of the Credit Facility. The Credit Facility provides that both the facility fee and the utilization fee will increase or decrease based upon changes in the ratings of the Corporation's long-term senior unsecured debt.

The Credit Facility includes various customary covenants. Some of the covenants limit the ability of the Corporation and its subsidiaries to pledge assets or incur liens on assets. Other financial covenants require the Corporation to maintain a specified leverage ratio and interest coverage ratio. As of December 31, 2005, the Corporation was in compliance with all terms and conditions of the Credit Facility.

Under the Former Credit Facility, the Corporation had the option of borrowing at LIBOR plus a specified percentage, or at other variable rates set forth therein. The Former Credit Facility provided that the interest rate margin over LIBOR, initially set at .475%, would increase or decrease based upon changes in the ratings of the Corporation's long-term senior unsecured debt. The Former Credit Facility provided for an interest rate margin over LIBOR of .475% during 2004 and 2003. In addition to the interest payable on the principal amount of indebtedness outstanding from time to time under the Former Credit Facility, the Corporation was required to pay an annual facility fee to each bank, equal to .150% and .125%, respectively, of the amount of each bank's commitment, whether used or unused. The Corporation was also required to pay a utilization fee under the Former Credit Facility equal to .125%, applied to the outstanding balance when borrowings exceeded 50% of the facility. The Former Credit Facility provided that both the facility fee and the utilization fee would increase or decrease based upon changes in the ratings of the Corporation's senior unsecured debt.

Under the terms of uncommitted lines of credit at December 31, 2005, certain subsidiaries outside of the United States may borrow up to an additional \$399.0 million on such terms as may be mutually agreed. These arrangements do not have termination dates and are reviewed periodically. No material compensating balances are required or maintained.

NOTE 9: LONG-TERM DEBT

The composition of long-term debt at the end of each year, in millions of dollars, was as follows:

	2005	2004
7.0% notes due 2006	\$ 154.6	\$ 154.6
6.55% notes due 2007	150.0	150.0
7.125% notes due 2011 (including discount of \$1.7 in 2005 and \$2.0 in 2004)	398.3	398.0
4.75% notes due 2014 (including discount of \$2.0 in 2005 and \$2.2 in 2004)	298.0	297.8
7.05% notes due 2028	150.0	150.0
Other loans due through 2009	1.0	1.5
Fair value hedging adjustment	33.7	49.2
Less current maturities of long-term debt	(155.3)	(.5)
	\$1,030.3	\$1,200.6

As more fully described in Note 1, at December 31, 2005 and 2004, the carrying amount of long-term debt and current maturities thereof includes \$33.7 million and \$49.2 million, respectively, relating to outstanding or terminated fixed-to-variable rate interest rate swaps agreements.

Indebtedness of subsidiaries in the aggregate principal amounts of \$867.8 million and \$302.6 million were included in the Consolidated Balance Sheet at December 31, 2005 and 2004, respectively, in short-term borrowings, current maturities of long-term debt, and long-term debt.

Principal payments on long-term debt obligations due over the next five years are as follows: \$155.1 million in 2006, \$150.2 million in 2007, \$.2 million in 2008, and \$.1 million in 2009. There are no principal payments due in 2010. Interest payments on all indebtedness were \$94.3 million in 2005, \$77.2 million in 2004, and \$80.3 million in 2003.

NOTE 10: DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation is exposed to market risks arising from changes in interest rates. With products and services marketed in over 100 countries and with manufacturing sites in 11 countries, the Corporation also is exposed to risks arising from changes in foreign exchange rates.

Credit Exposure: The Corporation is exposed to credit-related losses in the event of non-performance by counterparties to certain derivative financial instruments. The Corporation monitors the creditworthiness of the counterparties and presently does not expect default by any of the counterparties. The Corporation does not obtain collateral in connection with its derivative financial instruments.

The credit exposure that results from interest rate and foreign exchange contracts is the fair value of contracts with a positive fair value as of the reporting date. Some derivatives are not subject to credit exposures. The fair value of all financial instruments is summarized in Note 11.

Interest Rate Risk Management: The Corporation manages its interest rate risk, primarily through the use of interest rate swap agreements, in order to achieve a cost-effective mix of fixed and variable rate indebtedness. It seeks to issue debt opportunistically, whether at fixed or variable rates, at the lowest possible costs. The Corporation may, based upon its assessment of the future interest rate environment, elect to manage its interest rate risk associated with changes in the fair value of its indebtedness, or the future cash flows associated with its indebtedness, through the use of interest rate swaps.

The amounts exchanged by the counterparties to interest rate swap agreements normally are based upon the notional amounts and other terms, generally related to interest rates, of the derivatives. While notional amounts of interest rate swaps form part of the basis for the amounts exchanged by the counterparties, the notional amounts are not themselves exchanged and, therefore, do not represent a measure of the Corporation's exposure as an end user of derivative financial instruments.

The Corporation's portfolio of interest rate swap instruments at December 31, 2005 and 2004, consisted of \$525.0 million notional and \$788.0 million notional amounts of fixed-to-variable rate swaps with a weighted-average fixed rate receipt of 5.33% and 5.59%, respectively. The basis of the variable rate paid is LIBOR.

Credit exposure on the Corporation's interest rate derivatives at December 31, 2005 and 2004, was \$9.2 million and \$32.8 million, respectively. Deferred gains on the early termination of interest rate swaps were \$29.7 million and \$27.8 million at December 31, 2005 and 2004.

Foreign Currency Management: The Corporation enters into various foreign currency contracts in managing its foreign currency exchange risk. Generally, the foreign currency contracts have maturity dates of less than twenty-four months. The contractual amounts of foreign currency derivatives, principally forward exchange contracts and purchased options, generally are exchanged by the counterparties. The Corporation's foreign currency derivatives are designated to, and generally are denominated in the currencies of, the underlying exposures. To minimize the volatility of reported equity, the Corporation may hedge, on a limited basis, a portion of its net investment in subsidiaries located outside the United States through the use of foreign currency forward contracts and purchased foreign currency options.

The Corporation seeks to minimize its foreign currency cash flow risk and hedges its foreign currency transaction exposures (that is, currency exposures related to assets and liabilities) as well as certain forecasted foreign currency exposures. Hedges of forecasted foreign currency exposures principally relate to the cash flow risk relating to the sales of products manufactured or purchased in a currency different from that of the selling subsidiary. The Corporation hedges its foreign currency cash flow risk through the use of forward exchange contracts and, to a small extent, options. Some of the forward exchange contracts involve the exchange of two foreign currencies according to the local needs of the subsidiaries. Some natural hedges also are used to mitigate risks associated with transaction and forecasted exposures. The Corporation also responds to foreign exchange movements through various means, such as pricing actions, changes in cost structure, and changes in hedging strategies.

The following table summarizes the contractual amounts of forward exchange contracts as of December 31, 2005 and 2004, in millions of dollars, including details by major currency as of December 31, 2005. Foreign currency amounts were translated at current rates as of the reporting date. The “Buy” amounts represent the United States dollar equivalent of commitments to purchase currencies, and the “Sell” amounts represent the United States dollar equivalent of commitments to sell currencies.

AS OF DECEMBER 31, 2005	BUY	SELL
United States dollar	\$1,462.9	\$(1,197.7)
Pound sterling	938.9	(661.1)
Euro	412.2	(697.6)
Canadian dollar	—	(122.3)
Australian dollar	32.2	(56.8)
Czech koruna	44.7	(8.5)
Japanese yen	7.1	(43.3)
Swedish krona	42.5	(66.1)
Swiss franc	—	(17.8)
Norwegian krone	.8	(24.1)
Danish krone	2.0	(40.4)
Other	7.2	(18.9)
Total	\$2,950.5	\$(2,954.6)
AS OF DECEMBER 31, 2004		
Total	\$3,130.0	\$(3,139.8)

No options to buy or sell currencies were outstanding at December 31, 2005.

Credit exposure on foreign currency derivatives as of December 31, 2005 and 2004, was \$18.2 million and \$52.2 million, respectively.

Hedge ineffectiveness and the portion of derivative gains and losses excluded from the assessment of hedge effectiveness related to the Corporation’s cash flow hedges that were recorded to earnings during 2005, 2004, and 2003 were not significant.

Amounts deferred in accumulated other comprehensive income (loss) at December 31, 2005, that are expected to be reclassified into earnings during 2006 represent an after-tax gain of \$4.6 million. The amount expected to be reclassified into earnings in the next twelve months includes unrealized gains and losses related to open foreign currency contracts. Accordingly, the amount that is ultimately reclassified into earnings may differ materially.

NOTE 11: FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Significant differences can arise between the fair value and carrying amount of financial instruments that are recognized at historical cost amounts.

The following methods and assumptions were used by the Corporation in estimating fair value disclosures for financial instruments:

- Cash and cash equivalents, trade receivables, certain other current assets, short-term borrowings, and current maturities of long-term debt: The amounts reported in the Consolidated Balance Sheet approximate fair value.
- Long-term debt: Publicly traded debt is valued based on quoted market values. The fair value of other long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Corporation for debt of the same remaining maturities.
- Other current liabilities: The fair value of a subsidiary’s redeemable preferred shares is based on the present value of the cash flows associated with these preferred shares, discounted at current market yields. • Interest rate hedges: The fair value of interest rate hedges reflects the estimated amounts that the Corporation would receive or pay to terminate the contracts at the reporting date.
- Foreign currency contracts: The fair value of forward exchange contracts and options is estimated using prices established by financial institutions for comparable instruments.

The following table sets forth, in millions of dollars, the carrying amounts and fair values of the Corporation’s financial instruments, except for those noted above for which carrying amounts approximate fair values:

ASSETS (LIABILITIES) AS OF DECEMBER 31, 2005	CARRYING AMOUNT	FAIR VALUE
Non-derivatives:		
Long-term debt	\$(1,030.3)	\$(1,039.0)
Derivatives relating to:		
Debt		
Assets	9.2	9.2
Liabilities	(3.4)	(3.4)
Foreign Currency		
Assets	18.2	18.2

Liabilities

(23.9)

(23.9)

ASSETS (LIABILITIES) AS OF DECEMBER 31, 2004	CARRYING AMOUNT	FAIR VALUE
Non-derivatives:		
Other current liabilities	\$ (192.2)	\$ (192.2)
Long-term debt	(1,200.6)	(1,247.6)
Derivatives relating to:		
Other current liabilities		
Assets	5.8	5.8
Debt		
Assets	27.0	27.0
Liabilities	(.3)	(.3)
Foreign Currency		
Assets	52.2	52.2
Liabilities	(61.7)	(61.7)

NOTE 12: INCOME TAXES

Earnings from continuing operations before income taxes for each year, in millions of dollars, were as follows:

	2005	2004	2003
United States	\$416.8	\$308.4	\$189.5
Other countries	402.5	295.9	201.4
	\$819.3	\$604.3	\$390.9

Significant components of income taxes (benefits) from continuing operations for each year, in millions of dollars, were as follows:

	2005	2004	2003
Current:			
United States	\$223.8	\$108.0	\$ 69.0
Other countries	39.8	49.6	23.6
	263.6	157.6	92.6
Deferred:			
United States	7.5	7.0	(6.5)
Other countries	4.2	(1.4)	17.6
	11.7	5.6	11.1
	\$275.3	\$163.2	\$103.7

Income tax expense recorded directly as an adjustment to equity as a result of hedging activities was not significant in 2005, 2004, and 2003. Income tax benefits recorded directly as an adjustment to equity as a result of employee stock options were \$18.2 million, \$31.2 million, and \$1.3 million in 2005, 2004, and 2003, respectively.

Income tax payments were \$165.8 million in 2005, \$89.5 million in 2004, and \$82.0 million in 2003.

Deferred tax (liabilities) assets at the end of each year, in millions of dollars, were composed of the following:

	2005	2004
Deferred tax liabilities:		
Fixed assets	\$ (8.9)	\$ (10.1)
Employee and postretirement benefits	(157.8)	(157.8)
Other	(27.8)	(9.3)
Gross deferred tax liabilities	(194.5)	(177.2)
Deferred tax assets:		
Tax loss carryforwards	116.3	114.6
Tax credit and capital loss carryforwards	50.8	54.0
Postretirement benefits	122.4	112.1
Other	126.6	140.5
Gross deferred tax assets	416.1	421.2
Deferred tax asset valuation allowance	(105.4)	(104.1)
Net deferred tax assets	\$ 116.2	\$ 139.9

Other deferred tax assets principally relate to accrued liabilities that are not currently deductible.

Deferred income taxes are included in the Consolidated Balance Sheet in other current assets, other assets, other current liabilities, and deferred income taxes.

Tax loss carryforwards at December 31, 2005, consisted of net operating losses expiring from 2006 to 2011.

The American Jobs Creation Act of 2004 (the AJCA) introduced a special one-time dividends received deduction on the repatriation of certain foreign earnings to the United States, during a one-year period. The deduction results in an approximate 5.25% federal income tax rate on eligible repatriations of foreign earnings. During the fourth quarter of 2005, the Corporation's Chief Executive Officer and Board of Directors approved a domestic reinvestment plan as required by the AJCA. During the fourth quarter of 2005, the Corporation repatriated \$888.3 million of previously unremitted foreign earnings and recognized \$51.2 million of tax expense related to the repatriation.

At December 31, 2005, unremitted earnings of subsidiaries outside of the United States were approximately \$1.2 billion, on which no United States taxes had been provided. The Corporation's intention is to reinvest these earnings permanently or to repatriate the earnings only when possible to do so at minimal additional tax cost. It is not practicable to estimate the amount of additional taxes that might be payable upon repatriation of foreign earnings.

A reconciliation of income taxes at the federal statutory rate to the Corporation's income taxes for each year, both from continuing operations, in millions of dollars, is as follows:

	2005	2004	2003
Income taxes at federal statutory rate	\$286.8	\$211.5	\$136.8
Taxes associated with repatriation of foreign earnings	51.2	-	-
Lower effective taxes on earnings in other countries	(62.3)	(55.1)	(40.4)
Other— net	(.4)	6.8	7.3
Income taxes	\$275.3	\$163.2	\$103.7

NOTE 13: POSTRETIREMENT BENEFITS

The following table sets forth the funded status of the defined benefit pension and postretirement plans, and amounts recognized in the Consolidated Balance Sheet, in millions of dollars. The Corporation uses a measurement date of September 30 for the majority of its defined benefit pension and postretirement plans. Defined postretirement benefits consist of several unfunded health care plans that provide certain postretirement medical, dental, and life insurance benefits for most United States employees. The post-retirement medical benefits are contributory and include certain cost-sharing features, such as deductibles and co-payments.

	PENSION BENEFITS PLANS IN THE UNITED STATES		PENSION BENEFITS PLANS OUTSIDE OF THE UNITED STATES		OTHER POSTRETIREMENT BENEFITS ALL PLANS	
	2005	2004	2005	2004	2005	2004
CHANGE IN BENEFIT OBLIGATION						
Benefit obligation at beginning of year	\$ 994.8	\$ 942.8	\$ 733.1	\$ 632.6	\$ 144.6	\$ 157.7
Service cost	23.5	17.7	13.7	13.7	.8	.7
Interest cost	57.9	54.7	37.5	35.5	8.4	8.8
Plan participants' contributions	—	—	1.6	1.8	6.9	6.8
Actuarial losses (gains)	23.0	(5.3)	74.9	8.4	(2.1)	(11.2)
Foreign currency exchange rate changes	—	—	(76.1)	55.6	.2	.7
Benefits paid	(62.5)	(61.2)	(29.8)	(27.5)	(21.9)	(21.8)
Acquisitions	—	45.2	—	10.8	—	2.9
Plan amendments	14.7	.6	2.2	2.2	(32.5)	—
Curtailments	(5.7)	.3	—	—	(.6)	—
Benefit obligation at end of year	1,045.7	994.8	757.1	733.1	103.8	144.6
CHANGE IN PLAN ASSETS						
Fair value of plan assets at beginning of year	847.4	785.4	441.1	375.3	—	—
Actual return on plan assets	106.7	97.0	85.2	33.8	—	—
Expenses	(7.5)	(5.4)	(.4)	(.7)	—	—
Benefits paid	(62.5)	(61.2)	(29.4)	(26.8)	(21.9)	(21.8)
Employer contributions	3.9	3.6	15.4	14.0	15.0	15.0
Contributions by plan participants	—	—	1.6	1.8	6.9	6.8
Acquisitions	2.4	28.0	—	10.0	—	—
Effects of currency exchange rates	—	—	(45.1)	33.7	—	—
Fair value of plan assets at end of year	890.4	847.4	468.4	441.1	—	—
Funded status	(155.3)	(147.4)	(288.7)	(292.0)	(103.8)	(144.6)
Unrecognized net actuarial loss	385.4	411.3	276.1	291.9	20.8	24.4
Unrecognized prior service cost	17.7	4.1	11.9	12.3	(35.2)	(5.1)
Contributions subsequent to measurement date	—	—	3.6	3.8	—	—
Prepaid (accrued) benefit cost	\$ 247.8	\$ 268.0	\$ 2.9	\$ 16.0	\$ (118.2)	\$ (125.3)
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET						
Prepaid benefit cost	\$ 44.3	\$ 44.7	\$ —	\$ —	\$ —	\$ —
Accrued benefit cost	(106.0)	(102.6)	(212.8)	(224.4)	(118.2)	(125.3)
Intangible asset	7.3	3.9	12.0	12.5	—	—
Accumulated other comprehensive income	302.2	322.0	203.7	227.9	—	—
Net amount recognized	\$ 247.8	\$ 268.0	\$ 2.9	\$ 16.0	\$ (118.2)	\$ (125.3)
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE BENEFIT OBLIGATIONS AS OF MEASUREMENT DATE						
Discount rate	5.75%	6.00%	4.87%	5.43%	6.00%	6.25%
Rate of compensation increase	3.92%	4.10%	3.86%	3.81%	—	—

The allocation, by asset category, of assets of defined benefit pension plans in the United States at September 30, 2005 and 2004, respectively, were as follows:

PLAN ASSETS AT SEPTEMBER 30	2005	2004
Equity Securities	72%	69%
Fixed Income Securities	26%	28%
Alternative Investments	2%	3%
	100%	100%

At September 30, 2005, the Corporation's targeted allocation, by asset category, of assets of defined benefit pension plans in the United States is equity securities 65% (comprised of 50% U.S. and 15% non-U.S. equities); fixed income securities – 30%; and alternative investments – 5%.

The allocation, by asset category, of assets of defined benefit pension plans outside of the United States at September 30, 2005 and 2004, respectively, were as follows:

PLAN ASSETS AT SEPTEMBER 30	2005	2004
Equity Securities	70%	67%
Fixed Income Securities	22%	25%
Real Estate	7%	7%
Other	1%	1%
	100%	100%

At September 30, 2005, the Corporation's targeted allocation, by asset category, of assets of defined benefit pension plans outside of the United States is equity securities – 68%; fixed income securities – 25%; and real estate – 7%.

To the extent that the actual allocation of plan assets differs from the targeted allocation by more than 5% for any category, plan assets are re-balanced within three months.

The Corporation establishes its estimated long-term return on plan assets considering various factors, which include the targeted asset allocation percentages, historic returns, and expected future returns. Specifically, the factors are considered in the fourth quarter of the year preceding the year for which those assumptions are applied.

The accumulated benefit obligation of certain plans in the United States and outside of the United States exceeded the fair value of plan assets. As required by accounting principles generally accepted in the United States, the Corporation reflected a minimum pension liability of approximately \$505.9 million in the Consolidated Balance Sheet at December 31, 2005.

The accumulated benefit obligation related to all defined benefit pension plans and information related to unfunded and underfunded defined benefit pension plans at the end of each year, in millions of dollars, follows:

	PENSION BENEFITS PLANS IN THE UNITED STATES		PENSION BENEFITS PLANS OUTSIDE OF THE UNITED STATES	
	2005	2004	2005	2004
All defined benefit plans:				
Accumulated benefit obligation	\$ 963.3	\$926.9	\$684.2	\$666.1
Unfunded defined benefit plans:				
Projected benefit obligation	97.2	77.7	109.2	99.8
Accumulated benefit obligation	72.0	73.9	100.0	93.1
Defined benefit plans with an accumulated benefit obligation in excess of the fair value of plan assets:				
Projected benefit obligation	1,003.0	953.7	757.1	733.1
Accumulated benefit obligation	920.7	885.8	684.2	666.1
Fair value of plan assets	818.8	778.0	468.4	441.1

The following table sets forth, in millions of dollars, benefit payments, which reflect expected future service, as appropriate, expected to be paid in the periods indicated.

	PENSION BENEFITS PLANS IN THE UNITED STATES	PENSION BENEFITS PLANS OUTSIDE OF THE UNITED STATES	OTHER POSTRETIREMENT BENEFITS ALL PLANS
2006	\$ 63.1	\$ 27.9	\$10.7
2007	63.4	28.8	10.3
2008	66.0	29.7	10.0
2009	66.9	30.7	10.0
2010	66.8	31.7	9.9

The net periodic cost (benefit) related to the defined benefit pension plans included the following components, in millions of dollars:

	PENSION BENEFITS PLANS IN THE UNITED STATES			PENSION BENEFITS PLANS OUTSIDE OF THE UNITED STATES		
	2005	2004	2003	2005	2004	2003
Service cost	\$ 24.4	\$ 19.0	\$ 16.5	\$ 13.7	\$ 13.7	\$ 13.8
Interest cost	57.9	54.7	58.4	37.5	35.5	27.5
Expected return on plan assets	(80.6)	(82.4)	(87.1)	(34.9)	(35.1)	(31.8)
Amortization of the unrecognized transition obligation	—	—	—	.1	.1	.1
Amortization of prior service cost	1.2	1.2	1.2	1.4	1.4	1.4
Curtailed/settlement loss	—	.3	.9	—	—	.1
Amortization of net actuarial loss	21.3	15.8	7.6	12.0	10.2	4.7
Net periodic cost (benefit)	\$ 24.2	\$ 8.6	\$ (2.5)	\$ 29.8	\$ 25.8	\$ 15.8

**WEIGHTED-AVERAGE ASSUMPTIONS
USED IN DETERMINING NET
PERIODIC (BENEFIT) COST FOR YEAR:**

Discount rate	6.00%	6.00%	6.75%	5.44%	5.44%	5.50%
Expected return on plan assets	8.75%	8.75%	9.00%	7.50%	7.49%	7.75%
Rate of compensation increase	4.00%	4.00%	4.50%	3.85%	3.40%	3.90%

The net periodic cost related to the defined benefit postretirement plans included the following components, in millions of dollars:

	2005	2004	2003
Service cost	\$.8	\$.7	\$.9
Interest cost	8.4	8.8	10.7
Amortization of prior service cost	(1.7)	(1.9)	(2.2)
Amortization of net actuarial loss	.9	1.2	2.0
Curtailed gain	(.6)	—	—
Net periodic cost	\$ 7.8	\$ 8.8	\$ 11.4
Weighted-average discount rate used in determining net periodic cost for year	6.25%	6.25%	7.00%

The health care cost trend rate used to determine the postretirement benefit obligation was 9.25% for 2006. This rate decreases gradually to an ultimate rate of 5.0% in 2011, and remains at that level thereafter. The trend rate is a significant factor in determining the amounts reported. A one-percentage-point change in these assumed health care cost trend rates would have the following effects, in millions of dollars:

ONE-PERCENTAGE-POINT	INCREASE	(DECREASE)
Effect on total of service and interest cost components	\$.5	\$ (.5)
Effect on postretirement benefit obligation	6.0	(5.4)

During the fourth quarter of 2005, the Corporation adopted plan amendments for two of its non-qualified pension plans in the United States to permit certain participants to elect to receive their benefits under the plans in five equal annual installments or in the form of a lump sum payment, depending upon the age of the participant at retirement. Those amendments increased the Corporation's liability for pension benefits by approximately \$13.1 million. This increase in the liability will be amortized as prior service cost over approximately 9 years.

During the fourth quarter of 2005, the Corporation adopted a plan amendment to eliminate the prescription drug benefit previously available to substantially all retirees under the Medicare supplemental plan, which was replaced by a prescription drug benefit under Medicare (Medicare Part D). That amendment reduced the Corporation's liability for postretirement health benefits by approximately \$32.7 million. This reduction in the liability will be amortized as a prior service credit over approximately 10 years.

In 2006, the Corporation expects to make cash contributions of approximately \$20.0 million to its defined benefit pension plans. The amounts principally represent contributions required by funding regulations or laws or those related to unfunded plans necessary to fund current benefits. In addition, the Corporation expects to continue to make contributions in 2006 sufficient to fund benefits paid under its other postretirement benefit plans during that year, net of contributions by plan participants. Such contributions totaled \$15.0 million in 2005.

Expense for defined contribution plans amounted to \$12.7 million, \$11.8 million, and \$10.4 million in 2005, 2004, and 2003, respectively.

NOTE 14: OTHER LIABILITIES

At December 31, 2005 and 2004, other long-term liabilities included a reserve of \$248.3 million and \$239.7 million, respectively, associated with various tax matters in a number of jurisdictions.

NOTE 15: STOCKHOLDERS' EQUITY

The Corporation repurchased 6,276,700, 66,100, and 2,011,570 shares of its common stock during 2005, 2004, and 2003 at an aggregate cost of \$525.7 million, \$3.6 million, and \$77.5 million, respectively.

In 2004, the Corporation adopted a restricted stock plan. A total of 1,000,000 shares of restricted stock were authorized under this plan. As of December 31, 2005, 437,696 shares of common stock were issued and outstanding and 562,304 shares of common stock were reserved for future grants. Under the Plan, eligible employees are awarded restricted shares of the Corporation's common stock. Restrictions on awards generally expire from three to four years after issuance, subject to continuous employment and certain other conditions. Restricted stock awards are recorded at market value on the date of the grant as unearned compensation. Unearned compensation is shown as a reduction of stockholders' equity and is amortized to expense over the restriction period. Expense recognized relating to restricted stock awards was \$6.8 million and \$2.8 million in 2005 and 2004, respectively.

SFAS No. 130, *Reporting Comprehensive Income*, defines comprehensive income as non-stockholder changes in equity. Accumulated other comprehensive income (loss) at the end of each year, in millions of dollars, included the following:

	2005	2004
Foreign currency translation adjustment	\$ (54.7)	\$ 65.9
Net gain (loss) on derivative instruments, net of tax	6.6	(28.2)
Minimum pension liability adjustment, net of tax	(337.6)	(368.5)
	\$(385.7)	\$(330.8)

The Corporation has designated certain intercompany loans and foreign currency derivative contracts as long-term investments in certain foreign subsidiaries and foreign currency derivative contracts. Net translation gains associated with these designated intercompany loans and foreign currency derivative contracts in the amounts of \$6.5 million and \$7.6 million were recorded in the foreign currency translation adjustment in 2005 and 2004, respectively.

Foreign currency translation adjustments are not generally adjusted for income taxes as they relate to indefinite investments in foreign subsidiaries. The minimum pension liability adjustments as of December 31, 2005 and 2004, are net of taxes of \$168.3 million and \$181.4 million, respectively.

NOTE 16: EARNINGS PER SHARE

The computations of basic and diluted earnings per share for each year were as follows:

(AMOUNTS IN MILLIONS EXCEPT PER SHARE DATA)	2005	2004	2003
Numerator:			
Net earnings from continuing operations	\$544.0	\$441.1	\$287.2
Net (loss) earnings from discontinued operations	(.1)	14.9	5.8
Net earnings	\$543.9	\$456.0	\$293.0
Denominator:			
Denominator for basic earnings per share— weighted-average shares	79.2	79.8	77.9
Employee stock options and stock issuable under employee benefit plans	2.1	1.8	.3
Denominator for diluted earnings per share— adjusted weighted-average shares and assumed conversions	81.3	81.6	78.2
Basic earnings per share			
Continuing operations	\$ 6.87	\$ 5.53	\$ 3.69
Discontinued operations	—	.19	.07
Basic earnings per share	\$ 6.87	\$ 5.72	\$ 3.76
Diluted earnings per share			
Continuing operations	\$ 6.69	\$ 5.40	\$ 3.68
Discontinued operations	—	.19	.07
Diluted earnings per share	\$ 6.69	\$ 5.59	\$ 3.75

The following options to purchase shares of common stock were outstanding during each year, but were not included in the computation of diluted earnings per share because the effect would be anti-dilutive. The options indicated below were anti-dilutive because the related exercise price was greater than the average market price of the common shares for the year.

	2005	2004	2003
Number of options (in millions)	–	.6	6.5
Weighted-average exercise price	\$–	\$56.13	\$47.36

NOTE 17: STOCK-BASED COMPENSATION

The Corporation has elected to follow APBO No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for its stock-based compensation. In addition, the Corporation provides pro forma disclosure of stock-based compensation, as measured under the fair value requirements of SFAS No. 123, *Accounting for Stock-Based Compensation*. These pro forma disclosures are provided in Note 1 as required under SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*.

APBO No. 25 requires no recognition of compensation expense for most of the stock-based compensation arrangements provided by the Corporation, namely, broad-based employee stock purchase plans and option grants where the exercise price is equal to the market value at the date of grant. However, APBO No. 25 requires recognition of compensation expense for variable award plans over the vesting periods of such plans, based upon the then-current market values of the underlying stock. In contrast, SFAS No. 123 requires recognition of compensation expense for grants of stock, stock options, and other equity instruments over the vesting periods of such grants, based on the estimated grant-date fair values of those grants.

Under various stock option plans, options to purchase common stock may be granted until 2013. Options generally are granted at fair market value at the date of grant, are exercisable in installments beginning one year from the date of grant, and expire 10 years after the date of grant. The plans permit the issuance of either incentive stock options or non-qualified stock options, which, for certain of the plans, may be accompanied by stock or cash appreciation rights or limited stock appreciation rights. Additionally, certain plans allow for the granting of stock appreciation rights on a stand-alone basis.

As of December 31, 2005, 6,271,898 non-qualified stock options were outstanding under domestic plans.

Under all plans, there were 3,510,642 shares of common stock reserved for future grants as of December 31, 2005. Transactions are summarized as follows:

	STOCK OPTIONS	WEIGHTED- AVERAGE EXERCISE PRICE
Outstanding at December 31, 2002	9,380,414	\$43.92
Granted	1,417,850	39.73
Exercised	321,938	35.08
Forfeited	118,413	45.77
Outstanding at December 31, 2003	10,357,913	43.60
Granted	710,325	62.34
Exercised	3,917,697	43.41
Forfeited	161,627	44.87
Outstanding at December 31, 2004	6,988,914	45.58
Granted	759,275	82.26
Exercised	1,268,653	44.15
Forfeited	207,638	59.19
Outstanding at December 31, 2005	6,271,898	\$49.86
Shares exercisable at December 31, 2003	6,406,323	\$44.83
Shares exercisable at December 31, 2004	3,567,223	\$45.18
Shares exercisable at December 31, 2005	4,218,635	\$44.65

Exercise prices for options outstanding as of December 31, 2005, ranged from \$30.00 to \$91.33. The following table provides certain information with respect to stock options outstanding at December 31, 2005:

RANGE OF EXERCISE PRICES	STOCK OPTIONS OUTSTANDING	WEIGHTED- AVERAGE EXERCISE PRICE	WEIGHTED- AVERAGE REMAINING CONTRACTUAL LIFE
Under \$41.99	1,681,189	\$37.05	6.27
\$41.99-\$58.79	3,285,415	47.25	4.52
Over \$58.79	1,305,294	72.91	8.89
	6,271,898	\$49.86	5.90

The following table provides certain information with respect to stock options exercisable at December 31, 2005:

RANGE OF EXERCISE PRICES	STOCK OPTIONS EXERCISABLE	WEIGHTED- AVERAGE EXERCISE PRICE
Under \$41.99	1,063,614	\$35.48
\$41.99-\$58.79	3,028,780	47.16
Over \$58.79	126,241	61.68
	4,218,635	\$44.65

The weighted-average fair values at date of grant for options granted during 2005, 2004, and 2003 were \$26.12, \$20.46, and \$13.31, respectively, and were estimated using the Black-Scholes option valuation model with the following weighted-average assumptions:

	2005	2004	2003
Expected life in years	5.7	6.0	6.3
Interest rate	4.04%	3.97%	3.88%
Volatility	31.0%	31.9%	32.3%
Dividend yield	1.36%	1.36%	1.21%

The weighted-average fair value at the date of grant for restricted stock granted in 2005 and 2004 was \$77.83 and \$54.43, respectively.

NOTE 18: BUSINESS SEGMENTS AND GEOGRAPHIC INFORMATION

The Corporation has elected to organize its businesses based principally upon products and services. In certain instances where a business does not have a local presence in a particular country or geographic region, however, the Corporation has assigned responsibility for sales of that business's products to one of its other businesses with a presence in that country or region.

The Corporation operates in three reportable business segments: Power Tools and Accessories, Hardware and Home Improvement, and Fastening and Assembly Systems. The Power Tools and Accessories segment has worldwide responsibility for the manufacture and sale of consumer and professional power tools and accessories, electric cleaning and lighting products, and lawn and garden tools, as well as for product service.

In addition, the Power Tools and Accessories segment has responsibility for the sale of security hardware to customers in Mexico, Central America, the Caribbean, and South America; for the sale of plumbing products to customers outside the United States and Canada; and for sales of household products. On October 2, 2004, the Corporation acquired the Porter-Cable and Delta Tools Group from Pentair, Inc. This acquired business is included in the Power Tools and Accessories segment. The Hardware and Home Improvement segment has worldwide responsibility for the manufacture and sale of security hardware (except for the sale of security hardware in Mexico, Central America, the Caribbean, and South America). On September 30, 2003, the Corporation acquired Baldwin Hardware Corporation and Weiser Lock Corporation. These acquired businesses are included in the Hardware and Home Improvement segment. The Hardware and Home Improvement segment also has responsibility for the manufacture of plumbing products and for the sale of plumbing products to customers in the United States and Canada. The Fastening and Assembly Systems segment has worldwide responsibility for the manufacture and sale of fastening and assembly systems.

Sales, segment profit, depreciation and amortization, and capital expenditures set forth in the following tables exclude the results of the discontinued European security hardware business, as more fully described in Note 3.

Business Segments
(MILLIONS OF DOLLARS)

Year Ended December 31, 2005	Reportable Business Segments				Currency Translation Adjustments	Corporate, Adjustments, & Eliminations	Consolidated
	Power Tools & Accessories	Hardware & Home Improvement	Fastening & Assembly Systems	Total			
Sales to unaffiliated customers	\$4,768.4	\$1,012.4	\$659.7	\$6,440.5	\$ 83.2	\$ –	\$6,523.7
Segment profit (loss) (for Consolidated, operating income)	635.1	143.6	95.0	873.7	12.0	(72.6)	813.1
Depreciation and amortization	100.9	25.5	18.7	145.1	2.0	3.5	150.6
Income from equity method investees	21.1	–	–	21.1	–	(1.7)	19.4
Capital expenditures	79.2	12.9	15.6	107.7	1.6	1.8	111.1
Segment assets (for Consolidated, total assets)	2,722.7	630.5	377.1	3,730.3	6.8	2,079.5	5,816.6
Investment in equity method investees	8.9	–	.3	9.2	–	(1.7)	7.5
Year Ended December 31, 2004							
Sales to unaffiliated customers	\$3,796.0	\$ 963.2	\$617.8	\$5,377.0	\$ 21.4	\$ –	\$5,398.4
Segment profit (loss) (for Consolidated, operating income)	492.1	146.3	85.3	723.7	3.2	(97.7)	629.2
Depreciation and amortization	89.0	27.2	17.4	133.6	(.1)	9.0	142.5
Income from equity method investees	15.8	–	–	15.8	–	(1.2)	14.6
Capital expenditures	77.3	25.9	14.0	117.2	(.3)	.9	117.8
Segment assets (for Consolidated, total assets)	2,680.4	603.4	361.3	3,645.1	112.4	1,773.3	5,530.8
Investment in equity method investees	12.5	–	.3	12.8	–	(1.7)	11.1
Year Ended December 31, 2003							
Sales to unaffiliated customers	\$3,322.9	\$ 719.6	\$558.3	\$4,600.8	\$(118.1)	\$ –	\$4,482.7
Segment profit (loss) (for Consolidated, operating income before restructuring and exit costs)	371.3	93.4	83.0	547.7	(9.0)	(78.4)	460.3
Depreciation and amortization	85.5	24.4	16.3	126.2	(3.5)	10.7	133.4
Income from equity method investees	21.3	–	–	21.3	–	(2.1)	19.2
Capital expenditures	73.2	17.1	14.7	105.0	(3.3)	.8	102.5
Segment assets (for Consolidated, total assets)	1,619.8	614.1	337.6	2,571.5	(3.9)	1,654.9	4,222.5
Investment in equity method investees	10.9	–	–	10.9	–	(1.7)	9.2

The profitability measure employed by the Corporation and its chief operating decision maker for making decisions about allocating resources to segments and assessing segment performance is segment profit (for the Corporation on a consolidated basis, operating income before restructuring and exit costs). In general, segments follow the same accounting policies as those described in Note 1, except with respect to foreign currency translation and except as further indicated below. The financial statements of a segment's operating units located outside of the United States, except those units operating in highly inflationary economies, are generally measured using the local currency as the functional currency. For these units located outside of the United States, segment assets and elements of segment profit are translated using budgeted rates of exchange. Budgeted rates of exchange are established annually and, once established, all prior period segment data is restated to reflect the current year's budgeted rates of exchange. The amounts included in the preceding table under the captions "Reportable Business Segments", and "Corporate, Adjustments, & Eliminations" are reflected at the Corporation's budgeted rates of exchange for 2005. The amounts included in the preceding table under the caption "Currency Translation Adjustments" represent the difference between consolidated amounts determined using those budgeted rates of exchange and those determined based upon the rates of exchange applicable under accounting principles generally accepted in the United States.

Segment profit excludes interest income and expense, non-operating income and expense, adjustments to eliminate intercompany profit in inventory, and income tax expense. In addition, segment profit excludes restructuring and exit costs. In determining segment profit, expenses relating to pension and other postretirement benefits are based solely upon estimated service costs. Corporate expenses, as well as certain centrally managed expenses, are allocated to each reportable segment based upon budgeted amounts. While sales and transfers between segments are accounted for at cost plus a reasonable profit, the effects of intersegment sales are excluded from the computation of segment profit. Intercompany profit in inventory is excluded from segment assets and is recognized as a reduction of cost of goods sold by the selling segment when the related inventory is sold to an unaffiliated customer. Because the Corporation compensates the management of its various businesses on, among other factors, segment profit, the Corporation may elect to record certain segment-related expense items of an unusual or non-recurring nature in consolidation rather than reflect such items in segment profit. In addition, certain segment-related items of income or expense may be recorded in consolidation in one period and transferred to the various segments in a later period.

Segment assets exclude assets of discontinued operations, pension and tax assets, intercompany profit in inventory, intercompany receivables, and goodwill associated with the Corporation's acquisition of Emhart Corporation in 1989.

The reconciliation of segment profit to consolidated earnings from continuing operations before income taxes for each year, in millions of dollars, is as follows:

	2005	2004	2003
Segment profit for total reportable business segments	\$873.7	\$723.7	\$547.7
Items excluded from segment profit:			
Adjustment of budgeted foreign exchange rates to actual rates	12.0	3.2	(9.0)
Depreciation of Corporate property	(1.0)	(1.2)	(1.1)
Adjustment to businesses' postretirement benefit expenses booked in consolidation	(13.8)	.8	15.4
Other adjustments booked in consolidation directly related to reportable business segments	3.3	(10.0)	(15.0)
Amounts allocated to businesses in arriving at segment profit in excess of (less than) Corporate center operating expenses, eliminations, and other amounts identified above	(61.1)	(87.3)	(77.7)
Operating income before restructuring and exit costs	813.1	629.2	460.3
Restructuring and exit costs	-	-	31.6
Operating income	813.1	629.2	428.7
Interest expense, net of interest income	45.4	22.1	35.2
Other (income) expense	(51.6)	2.8	2.6
Earnings from continuing operations before income taxes	\$819.3	\$604.3	\$390.9

The reconciliation of segment assets to consolidated total assets at the end of each year, in millions of dollars, is as follows:

	2005	2004	2003
Segment assets for total reportable business segments	\$3,730.3	\$3,645.1	\$2,571.5
Items excluded from segment assets:			
Adjustment of budgeted foreign exchange rates to actual rates	6.8	112.4	(3.9)
Goodwill	616.3	628.6	620.9
Pension assets	45.1	45.1	42.2
Other Corporate assets	1,418.1	1,099.6	991.8
	\$5,816.6	\$5,530.8	\$4,222.5

Other Corporate assets principally consist of cash and cash equivalents, tax assets, property, assets of discontinued operations, and other assets.

Sales to The Home Depot, a customer of the Power Tools and Accessories and Hardware and Home Improvement segments, accounted for \$1,393.9 million, \$969.0 million, and \$779.4 million of the Corporation's consolidated sales for the years ended December 31, 2005, 2004, and 2003, respectively. Sales to Lowe's Home Improvement Warehouse, a customer of the Power Tools and Accessories and Hardware and Home Improvement segments, accounted for \$861.6 million, \$700.1 million, and \$545.3 million of the Corporation's consolidated sales for the years ended December 31, 2005, 2004, and 2003, respectively.

The composition of the Corporation's sales by product group for each year, in millions of dollars, is set forth below:

	2005	2004	2003
Consumer and professional			
power tools and product service	\$3,640.0	\$2,888.0	\$2,360.1
Lawn and garden products	518.2	339.2	313.8
Consumer and professional accessories	458.5	379.1	348.6
Cleaning, lighting and household products	184.7	180.2	179.1
Security hardware	745.1	730.1	526.0
Plumbing products	308.0	259.5	218.7
Fastening and assembly systems	669.2	622.3	536.4
	\$6,523.7	\$5,398.4	\$4,482.7

The Corporation markets its products and services in over 100 countries and has manufacturing sites in 11 countries. Other than in the United States, the Corporation does not conduct business in any country in which its sales in that country exceed 10% of consolidated sales. Sales are attributed to countries based on the location of customers. The composition of the Corporation's sales to unaffiliated customers between those in the United States and those in other locations for each year, in millions of dollars, is set forth below:

	2005	2004	2003
United States	\$4,317.8	\$3,442.6	\$2,836.9
Canada	335.1	249.4	162.6
	4,652.9	3,692.0	2,999.5
North America			
Europe	1,350.2	1,266.5	1,107.2
Other	520.6	439.9	376.0
	\$6,523.7	\$5,398.4	\$4,482.7

The composition of the Corporation's property, plant, and equipment between those in the United States and those in other countries as of the end of each year, in millions of dollars, is set forth below:

	2005	2004	2003
United States	\$328.3	\$380.2	\$340.0
Mexico	120.0	110.7	109.0
Other countries	220.5	263.7	211.2
	\$668.8	\$754.6	\$660.2

NOTE 19: LEASES

The Corporation leases certain service centers, offices, warehouses, manufacturing facilities, and equipment. Generally, the leases carry renewal provisions and require the Corporation to pay maintenance costs. Rental payments may be adjusted for increases in taxes and insurance above specified amounts. Rental expense for 2005, 2004, and 2003 amounted to \$99.7 million, \$92.6 million, and \$85.6 million, respectively. Capital leases were immaterial in amount. Future minimum payments under non-cancelable operating leases with initial or remaining terms of more than one year as of December 31, 2005, in millions of dollars, were as follows:

2006	\$ 63.2
2007	51.5
2008	40.9
2009	26.0
2010	14.5
Thereafter	20.2
	\$216.3

NOTE 20: RESTRUCTURING ACTIONS

A summary of restructuring activity during the three years ended December 31, 2005, in millions of dollars, is set forth below:

	SEVERANCE BENEFITS	WRITE-DOWN TO FAIR VALUE LESS COSTS TO SELL OF CERTAIN LONG-LIVED ASSETS	OTHER CHARGES	TOTAL
Restructuring reserve at December 31, 2002	\$ 41.2	\$ –	\$ 14.8	\$ 56.0
Reserves established in 2003	34.3	9.3	1.2	44.8
Reversal of reserves	(7.4)	–	(2.2)	(9.6)
Proceeds received in excess of the adjusted carrying value of long-lived assets	–	(3.6)	–	(3.6)
Utilization of reserves:				
Cash	(27.1)	–	(13.3)	(40.4)
Non-cash	–	(5.7)	.6	(5.1)
Foreign currency translation	1.6	–	–	1.6
Restructuring reserve at December 31, 2003	42.6	–	1.1	43.7
Reserves established in 2004	5.2	–	.2	5.4
Reversal of reserves	(4.0)	–	–	(4.0)
Proceeds received in excess of the adjusted carrying value of long-lived assets	–	(1.4)	–	(1.4)
Utilization of reserves:				
Cash	(24.9)	–	(.1)	(25.0)
Non-cash	–	1.4	–	1.4
Foreign currency translation	.1	–	–	.1
Restructuring reserve at December 31, 2004	19.0	–	1.2	20.2
Utilization of reserves:				
Cash	(13.6)	–	–	(13.6)
Foreign currency translation	(.1)	–	–	(.1)
Restructuring reserve at December 31, 2005	\$ 5.3	\$ –	\$ 1.2	\$ 6.5

In 2004, the Corporation recognized \$5.4 million of pre-tax restructuring and exit costs related to actions taken in its Power Tools and Accessories segment. The restructuring actions taken in 2004 principally reflected severance benefits. The \$5.4 million charge recognized during 2004 was offset, however, by the reversal of \$4.0 million of severance accruals established as part of previously provided restructuring reserves that were no longer required and \$1.4 million representing the excess of proceeds received on the sale of long-lived assets, written down as part of restructuring actions, over their adjusted carrying values.

During 2003, the Corporation commenced the final phase of its restructuring plan that was formulated in the fourth quarter of 2001 and recorded a pre-tax restructuring charge of \$20.6 million. That \$20.6 million charge was net of \$9.6 million of reversals of previously provided restructuring reserves that were no longer required and \$3.6 million, representing the excess of proceeds received on the sale of long-lived assets, written down as part of restructuring actions, over their adjusted carrying values. The \$20.6 million pre-tax restructuring charge recognized in 2003 principally reflected actions relating to the Power Tools and Accessories segment to reduce its manufacturing cost base as well as actions to reduce selling, general, and administrative expenses through the elimination of administrative positions, principally in Europe. In addition, during the fourth quarter of 2003 the Corporation recorded a pre-tax restructuring charge of \$11.0 million associated with the closure of a manufacturing facility in its Hardware and Home Improvement segment as a result of the acquisition of Baldwin and Weiser.

The principal component of the 2003 restructuring charge related to the elimination of manufacturing positions, primarily in high-cost locations, and of certain administrative positions. As a result, a severance benefit accrual of \$34.3 million, principally related to the Power Tools and Accessories segment in North America and Europe (\$23.0 million) and the Hardware and Home Improvement segment in North America (\$11.3 million), was included in the restructuring charge. The 2003 restructuring actions also resulted in the closure of two manufacturing facilities, transferring production to low-cost facilities, and outsourcing certain manufactured items. As a result, the 2003 restructuring charge also included a \$9.3 million write-down to fair value – less, if applicable, cost to sell – of certain long-lived assets. The write-down to fair value was comprised of \$6.7 million related to the Power Tools and Accessories segment in North America and Europe and \$2.6 million related to the Hardware and Home Improvement segment in North America. The balance of the 2003 restructuring charge, or \$1.2 million, related to the accrual of future expenditures, principally consisting of lease obligations, for which no future benefit would be realized.

The severance benefit accrual, included in the \$31.6 million pre-tax restructuring charge taken in 2003 related to the elimination of approximately 1,700 positions in high-cost manufacturing locations and in certain administrative positions. The Corporation estimates that, as a result of increases in manufacturing employee headcount in low-cost locations, approximately 1,300 replacement positions were filled, yielding a net total of 400 positions eliminated as a result of the 2003 restructuring actions.

During 2005, 2004, and 2003, the Corporation paid severance and other exit costs of \$13.6 million, \$25.0 million, and \$40.4 million, respectively.

Of the remaining \$6.5 million restructuring accrual at December 31, 2005, the Corporation anticipates that these actions will be completed in 2006.

The amounts reflected in the column titled write-down to fair value less costs to sell of certain long-lived assets, as included within this Note, relating to reserves established during the three years ended December 31, 2005, represent adjustments to the carrying value of those long-lived assets.

As of December 31, 2005, the carrying value of facilities to be exited as part of the Corporation's restructuring actions was not significant.

NOTE 21: OTHER (INCOME) EXPENSE

Other (income) expense was \$(51.6) million in 2005, \$2.8 million in 2004, and \$2.6 million in 2003. During 2005, the Corporation received a payment of \$55.0 million relating to the settlement of environmental and product liability coverage litigation with an insurer.

NOTE 22: LITIGATION AND CONTINGENT LIABILITIES

The Corporation is involved in various lawsuits in the ordinary course of business. These lawsuits primarily involve claims for damages arising out of the use of the Corporation's products and allegations of patent and trademark infringement. The Corporation also is involved in litigation and administrative proceedings relating to employment matters and commercial disputes. Some of these lawsuits include claims for punitive as well as compensatory damages. Using current product sales data and historical trends, the Corporation actuarially calculates the estimate of its current exposure for product liability. The Corporation is insured for product liability claims for amounts in excess of established deductibles and accrues for the estimated liability up to the limits of the deductibles. The Corporation accrues for all other claims and lawsuits on a case-by-case basis.

The Corporation also is party to litigation and administrative proceedings with respect to claims involving the discharge of hazardous substances into the environment. Some of these assert claims for damages and liability for remedial investigations and clean-up costs with respect to sites that have never been owned or operated by the Corporation but at which the Corporation has been identified as a potentially responsible party under federal and state environmental laws and regulations. Other matters involve current and former manufacturing facilities.

The EPA and the Santa Ana Regional Water Quality Board (the "Water Quality Board") have each initiated administrative proceedings against the Corporation and certain of the Corporation's current or former affiliates alleging that the Corporation and numerous other defendants are responsible to investigate and remediate alleged groundwater contamination in and adjacent to a 160-acre property located in Rialto, California. The cities of Colton and Rialto, as well as the West Valley Water District and the Fontana Water Company, a private company, also have initiated lawsuits against the Corporation and certain of the Corporation's former or current affiliates in the Federal District Court for California, Central District alleging similar claims that the Corporation is liable under CERCLA, the Resource Conservation and Recovery Act, and state law for the discharge or release of hazardous substances into the environment and the contamination caused by those alleged releases. All defendants have cross-claims against one another in the federal litigation. The administrative proceedings and the lawsuits generally allege that West Coast Loading Corporation ("WCLC"), a defunct company that operated in Rialto between 1952 and 1957, and an as yet undefined number of other defendants are responsible for the release of perchlorate and solvents into the groundwater basin that supplies drinking water to the referenced three municipal water suppliers and one private water company in California and that the Corporation and certain of the Corporation's current or former affiliates are liable as a "successor" of WCLC. The Corporation believes that neither the facts nor the law support an allegation that the Corporation is responsible for the contamination and is vigorously contesting these claims.

For sites never operated by the Corporation, the Corporation makes an assessment of the costs involved based on environmental studies, prior experience at similar sites, and the experience of other named parties. The Corporation also considers the ability of other parties to share costs, the percentage of the Corporation's exposure relative to all other parties, and the effects of inflation on these estimated costs. For matters associated with properties currently operated by the Corporation, the Corporation makes an assessment as to whether an investigation and remediation would be required under applicable federal and state laws. For matters associated with properties previously sold or operated by the Corporation, the Corporation considers any applicable terms of sale and applicable federal and state laws to determine if it has any remaining liability. If it is determined that the Corporation has potential liability for properties currently owned or previously sold, an estimate is made of the total costs of investigation and remediation and other potential costs associated with the site.

As of December 31, 2005, the Corporation's aggregate probable exposure with respect to environmental liabilities, for which accruals have been established in the consolidated financial statements, was \$69.9 million. These accruals are reflected in other current liabilities and other long-term liabilities in the Consolidated Balance Sheet.

On October 27, 2003, the Corporation received notices of proposed adjustments from the United States Internal Revenue Service (IRS) in connection with audits of the tax years 1998 through 2000. The principal adjustment proposed by the IRS consists of the disallowance of a capital loss deduction taken in the Corporation's tax returns and interest on the deficiency. Prior to receiving the notices of proposed adjustments from the IRS, the Corporation filed a petition against the IRS in the Federal District Court of Maryland (the Court) seeking refunds for a carryback of a portion of the aforementioned capital loss deduction. The IRS subsequently filed a counterclaim to the Corporation's petition. In October 2004, the Court granted the Corporation's motion for summary judgment on its complaint against the IRS and dismissed the IRS counter-claim. In its opinion, the Court ruled in the Corporation's favor that the capital losses cannot be disallowed by the IRS. In December 2004, the IRS appealed the Court's decision in favor of the Corporation to the United States Circuit Court of Appeals for the Fourth Circuit (the Fourth Circuit). In February 2006, the Fourth Circuit issued its decision, deciding two of three issues in the Corporation's favor and remanding the third issue for trial in the Court. The Corporation intends to vigorously dispute the position taken by the IRS in this matter. The Corporation has provided adequate reserves in the event that the IRS prevails in its disallowance of the previously described capital loss and the imposition of related interest. Should the IRS prevail in its disallowance of the capital loss deduction and imposition of related interest, it would result in a cash outflow by the Corporation of approximately \$160 million. If the Corporation prevails, it would result in the Corporation receiving a refund of taxes previously paid of approximately \$50 million, plus interest.

The Corporation's estimate of the costs associated with product liability claims, environmental exposures, income tax matters, and other legal proceedings is accrued if, in management's judgment, the likelihood of a loss is probable and the amount of the loss can be reasonably estimated.

These accrued liabilities are not discounted. Insurance recoveries for environmental and certain general liability claims have not been recognized until realized.

In the opinion of management, amounts accrued for exposures relating to product liability claims, environmental matters, income tax matters, and other legal proceedings are adequate and, accordingly, the ultimate resolution of these matters is not expected to have a material adverse effect on the Corporation's consolidated financial statements. As of December 31, 2005, the Corporation had no known probable but inestimable exposures relating to product liability claims, environmental matters, income tax matters, or other legal proceedings that are expected to have a material adverse effect on the Corporation. There can be no assurance, however, that unanticipated events will not require the Corporation to increase the amount it has accrued for any matter or accrue for a matter that has not been previously accrued because it was not considered probable. While it is possible that the increase or establishment of an accrual could have a material adverse effect on the financial results for any particular fiscal quarter or year, in the opinion of management there exists no known potential exposure that would have a material adverse effect on the financial condition or on the financial results of the Corporation beyond any such fiscal quarter or year.

NOTE 23: QUARTERLY RESULTS (UNAUDITED)(DOLLARS IN MILLIONS EXCEPT PER SHARE DATA)
YEAR ENDED DECEMBER 31, 2005

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Sales	\$1,519.3	\$1,698.8	\$1,575.6	\$1,730.0
Gross margin	535.5	599.5	562.1	620.0
Net earnings from continuing operations	147.9	154.0	140.3	101.8
Net earnings	148.7	154.0	140.6	100.6
Net earnings from continuing operations per common share - basic	\$ 1.84	\$ 1.93	\$ 1.77	\$ 1.32
Net earnings per common share—basic	1.85	1.93	1.78	1.30
Net earnings from continuing operations per common share - diluted	\$ 1.79	\$ 1.88	\$ 1.73	\$ 1.28
Net earnings per common share—diluted	1.80	1.88	1.73	1.27

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Sales	\$1,092.9	\$1,297.6	\$1,282.5	\$1,725.4
Gross margin	402.8	487.6	473.3	601.8
Net earnings from continuing operations	74.3	121.8	111.3	133.7
Net earnings	86.6	121.6	112.5	135.3
Net earnings from continuing operations per common share - basic	\$.94	\$ 1.53	\$ 1.38	\$ 1.65
Net earnings per common share—basic	1.10	1.53	1.40	1.67
Net earnings from continuing operations per common share - diluted	\$.93	\$ 1.50	\$ 1.35	\$ 1.60
Net earnings per common share—diluted	1.09	1.50	1.37	1.62

As more fully described in Note 21, net earnings for the first quarter of 2005 included a \$55.0 million (\$35.8 million after-tax) favorable settlement of environmental and product liability coverage litigation with an insurer. As more fully described in Note 3, net earnings for the fourth quarter of 2005 included a \$.1 million loss on the sale of discontinued operations. As more fully described in Note 12, net earnings for the fourth quarter of 2005 included \$51.2 million of incremental tax expense resulting from the repatriation of \$888.3 million foreign earnings associated with the AJCA.

As more fully described in Note 3, net earnings for the first quarter of 2004 included an \$11.7 million net gain on the sale of discontinued operations. Net earnings for the third quarter of 2004 included a \$1.0 million gain on the sale of discontinued operations.

Earnings per common share are computed independently for each of the quarters presented. Therefore, the sum of the quarters may not be equal to the full year earnings per share.

**REPORT OF INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS
TO THE STOCKHOLDERS AND BOARD OF DIRECTORS
OF THE BLACK & DECKER CORPORATION:**

We have audited the accompanying consolidated balance sheet of The Black & Decker Corporation and Subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Black & Decker Corporation and Subsidiaries at December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of The Black & Decker Corporation and Subsidiaries' internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 14, 2006 expressed an unqualified opinion thereon.

/s/ ERNST& YOUNG LLP

Baltimore, Maryland
February 14, 2006

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of Corporation's management, including the Chief Executive Officer and Chief Financial Officer, the Corporation evaluated the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as of December 31, 2005. Based upon that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of Corporation's management, including the Chief Executive Officer and Chief Financial Officer, the Corporation evaluated the effectiveness of the design and operation of its internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2005.

Ernst & Young LLP, the Corporation's independent registered public accounting firm, audited management's assessment of the effectiveness of internal control over financial reporting and, based on that audit, issued the report set forth on the following page.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year ended December 31, 2005, the Corporation implemented the general ledger and sales components of the enterprise resource planning system utilized by the majority of the Power Tools and Accessories segment at the North American Porter-Cable and Delta Tools Group locations, which were previously excluded from management's evaluation of the effectiveness of its internal control over financial reporting. In conjunction with this implementation, the Corporation's management evaluated the effectiveness of the design of internal controls over financial reporting for this system.

There were no other changes in the Corporation's internal controls over financial reporting during the quarterly period ended December 31, 2005, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

**REPORT OF INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING
TO THE STOCKHOLDERS AND BOARD OF DIRECTORS
OF THE BLACK & DECKER CORPORATION:**

We have audited management's assessment, included in Management's Report on Internal Control Over Financial Reporting, that The Black & Decker Corporation maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Black & Decker Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that The Black & Decker Corporation maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, The Black & Decker Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of The Black & Decker Corporation and Subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005, and our report dated February 14, 2006 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Baltimore, Maryland
February 14, 2006

ITEM 9B. OTHER INFORMATION

On February 9, 2006, the Corporation's Board of Directors approved an amended and restated employment agreement between the Corporation and Nolan D. Archibald, the Corporation's chairman, president and chief executive officer. A copy of the employment agreement has been filed as an exhibit to this Annual Report on Form 10-K and is incorporated by reference into the following description.

The employment agreement currently provides for an annual salary for Mr. Archibald of \$1,500,000, his continued participation in all compensation and benefit plans, and the payment of benefits if the Corporation terminates Mr. Archibald's employment without cause or Mr. Archibald terminates his employment for good reason. Under the employment agreement, Mr. Archibald has the right to terminate his employment for good reason upon the occurrence of the following events: (1) failure of the Corporation to perform its obligations under the employment agreement; (2) assignment to Mr. Archibald of any duties inconsistent with his current status as Chairman, President and Chief Executive Officer; (3) upon the occurrence of a change in control (as defined in the employment agreement), Mr. Archibald is not the Chairman, President and Chief Executive Officer of the successor entity; (4) reduction in Mr. Archibald's annual base salary; (5) failure by the Corporation to continue any compensation plan in which Mr. Archibald participates; or (6) failure by the Corporation to continue any material benefit provided to Mr. Archibald.

Upon the termination of Mr. Archibald's employment by the Corporation without cause or by Mr. Archibald with good reason, Mr. Archibald would be entitled to the following benefits: (1) a severance payment equal to (A) three times the sum of Mr. Archibald's annual base salary and the "EAIP maximum payment" plus (B) the "PEP maximum payment;" (2) Mr. Archibald will fully vest in all outstanding stock options, and all shares of restricted stock will become fully vested and no longer subject to forfeiture; (3) reimbursement of all legal fees and expenses incurred by Mr. Archibald as a result of his termination; and (4) life, disability, accident and health insurance benefits for three years following termination substantially similar to those benefits to which Mr. Archibald was entitled immediately prior to termination.

For purposes of the employment agreement, "EAIP maximum payment" means the maximum payment that Mr. Archibald could have received under The Black & Decker Executive Annual Incentive Plan, determined as if Mr. Archibald had remained a participant and all performance goals that would have entitled Mr. Archibald to a maximum payment are met or exceeded. "PEP maximum payment" equals the sum of (1) the value of 150% of the performance shares that are forfeited by Mr. Archibald pursuant to The Black & Decker Performance Equity Plan ("PEP") plus (2) 150% of the product of (a) Mr. Archibald's annual base salary multiplied by (b) the percentage target used to calculate the number of performance shares awarded to Mr. Archibald under the PEP.

Upon the occurrence of a change in control, Mr. Archibald will fully vest in all outstanding stock options, and, under the terms of The Black & Decker Restricted Stock Plan (the "RSP") and the PEP, respectively, all shares of restricted stock previously awarded to Mr. Archibald will become fully vested and no longer subject to forfeiture, and Mr. Archibald will receive the maximum number of performance shares held by him (150% of the target award for each performance period) under the PEP. In connection with a change in control, Mr. Archibald will be entitled to a gross-up payment if he is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code.

If Mr. Archibald notifies the Compensation Committee of the Board of Directors of his expected retirement date, the employment agreement requires the Compensation Committee to establish a vesting schedule with respect to all subsequent awards of stock options and restricted stock that ensures that those stock options and shares of restricted stock will vest on or before Mr. Archibald's expected retirement date. On a date that is 18 months following Mr. Archibald's retirement, the Corporation will pay Mr. Archibald an amount equal to 150% of any performance shares that Mr. Archibald forfeits under the PEP. For purposes of calculating this payment, the value of each performance share will be the closing price per share of the Corporation's common stock on the New York Stock Exchange on or nearest to Mr. Archibald's retirement date.

On February 9, 2006, the Corporation's Board of Directors also approved a revised form of severance benefits agreements between the Corporation and certain key executives, other than Mr. Archibald. A copy of the form of severance benefits agreement has been filed as an exhibit to this Annual Report on Form 10-K and is incorporated by reference into the following description.

The severance benefits agreements provide for the payment of specified benefits if employment terminates under certain circumstances following a change in control. A change in control is deemed to take place whenever: (1) a person, group of persons, or other entity becomes the beneficial owner of securities of the Corporation having 20% or more of the combined voting power of the Corporation's then-outstanding securities; (2) a significant change in the composition of the Corporation's Board of Directors occurs; (3) the Corporation enters into an agreement that would result in a change of control; or (4) the stockholders of the Corporation approve certain types of extraordinary transactions.

The severance benefits agreements provide that each executive will fully vest in all outstanding stock options held by the executive upon the occurrence of a change in control. Upon the occurrence of a change in control, all shares of restricted stock previously awarded to the executive will become fully vested and no longer subject to forfeiture under the terms of the RSP, and the executive will receive the maximum number of performance shares held by him or her (150% of the target award for each performance period) under the terms of the PEP.

Circumstances triggering payment of severance benefits under these agreements include: (1) involuntary termination of employment for reasons other than death, disability, or cause; or (2) voluntary termination by the executive in the event of significant changes in the nature of his or her employment, including reductions in compensation and changes in responsibilities and powers. Benefits under the severance benefits agreements generally include (1) a severance payment equal to (A) three times the sum of the executive's annual base salary and the "maximum participant award" plus (B) 150% of the product of (X) the executive's annual base salary multiplied by (Y) the percentage target used to calculate the number of performance shares most recently awarded to the executive under the PEP; (2) reimbursement of all legal fees and expenses incurred by the executive as a result of his or her termination; (3) a gross-up payment if the executive is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code; and (4) life, disability, accident and health insurance benefits for three years following termination substantially similar to those benefits to which the executive was entitled immediately prior to termination. For purposes of the severance benefits agreement, the "maximum participant award" means the maximum payment that the executive could have received under the applicable annual incentive plan, determined as if the executive had remained a participant and all performance goals that would have entitled the executive to a maximum payment are met or exceeded.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required under this Item with respect to Directors is contained in the Corporation's Proxy Statement for the Annual Meeting of Stockholders to be held April 20, 2006, under the captions "Election of Directors", "Board of Directors", and "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference.

Information required under this Item with respect to Executive Officers of the Corporation is included in Item 1 of Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

Information required under this Item is contained in the Corporation's Proxy Statement for the Annual Meeting of Stockholders to be held April 20, 2006, under the captions "Board of Directors" and "Executive Compensation" and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required under this Item is contained in the Corporation's Proxy Statement for the Annual Meeting of Stockholders to be held April 20, 2006, under the captions "Voting Securities", "Security Ownership of Management", and "Equity Compensation Plan Information" and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required under this Item is contained in the Corporation's Proxy Statement for the Annual Meeting of Stockholders to be held April 20, 2006, under the caption "Executive Compensation" and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required under this Item is contained in the Corporation's Proxy Statement of the Annual Meeting of Stockholders to be held April 20, 2006, under the caption "Ratification of the Selection of the Independent Registered Public Accounting Firm" and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) List of Financial Statements, Financial Statement Schedules, and Exhibits

(1) LIST OF FINANCIAL STATEMENTS

The following consolidated financial statements of the Corporation and its subsidiaries are included in Item 8 of Part II of this report:

Consolidated Statement of Earnings – years ended December 31, 2005, 2004, and 2003.

Consolidated Balance Sheet – December 31, 2005 and 2004.

Consolidated Statement of Stockholders' Equity – years ended December 31, 2005, 2004, and 2003.

Consolidated Statement of Cash Flows – years ended December 31, 2005, 2004, and 2003.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements.

(2) LIST OF FINANCIAL STATEMENT SCHEDULES

The following financial statement schedules of the Corporation and its subsidiaries are included herein:

Schedule II – Valuation and Qualifying Accounts and Reserves.

All other schedules for which provision is made in the applicable accounting regulations of the Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(3) LIST OF EXHIBITS

The following exhibits are either included in this report or incorporated herein by reference as indicated below:

Exhibit 2

Purchase Agreement between the Corporation and Pentair, Inc. dated as of July 16, 2004, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 27, 2004, is incorporated herein by reference.

Exhibit 3(a)

Articles of Restatement of the Charter of the Corporation, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 29, 1997, are incorporated herein by reference.

Exhibit 3(b)

Bylaws of the Corporation, as amended, included in the Corporation's Current Report on Form 8-K filed with the Commission on April 28, 2005, are incorporated herein by reference.

Exhibit 4(a)

Indenture dated as of March 24, 1993, by and between the Corporation and Security Trust Company, National Association, as Trustee, included in the Corporation's Current Report on Form 8-K filed with the Commission on March 26, 1993, is incorporated herein by reference.

Exhibit 4(b)

Indenture dated as of June 26, 1998, by and among Black & Decker Holdings Inc., as Issuer, the Corporation, as Guarantor, and The First National Bank of Chicago, as Trustee, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 28, 1998, is incorporated herein by reference.

Exhibit 4(c)

Credit Agreement, dated as of April 2, 2001, among the Corporation, Black & Decker Holdings, Inc., as Initial Borrowers, the initial lenders named therein, as Initial Lenders, Citibank, N.A., as Administrative Agent, JPMorgan, a division of Chase Securities Inc., as Syndication Agent, and Bank of America, N.A. and Commerzbank AG, as Co-Syndication Agents, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended July 1, 2001, is incorporated herein by reference.

Exhibit 4(d)

Indenture between the Corporation and The Bank of New York, as Trustee, dated as of June 5, 2001, included in the Corporation's Registration Statement on Form S-4 (Reg. No. 333-64790), is incorporated herein by reference.

Exhibit 4(e)

Form of 7.125% Senior Note Due 2011, included in the Corporation's Registration Statement on Form S-4 (Reg. No. 333-64790), is incorporated herein by reference.

Exhibit 4(f)

Indenture, dated as of October 18, 2004, between the Corporation and The Bank of New York, as Trustee, included in the Corporation's Current Report on Form 8-K filed with the Commission on October 20, 2004, is incorporated herein by reference.

Exhibit 4(g)

Form of 4¾% Senior Note due 2014 (included in Exhibit 4.1), included in the Corporation's Current Report on Form 8-K filed with the Commission on October 20, 2004, is incorporated herein by reference.

The Corporation agrees to furnish a copy of any other documents with respect to long-term debt instruments of the Corporation and its subsidiaries upon request.

Exhibit 10(a)

The Black & Decker Corporation Deferred Compensation Plan for Non-Employee Directors.

Exhibit 10(b)

The Black & Decker Non-Employee Directors Stock Plan, as amended and restated.

Exhibit 10(c)

The Black & Decker 1989 Stock Option Plan, as amended, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 30, 1997, is incorporated herein by reference.

Exhibit 10(d)

The Black & Decker 1992 Stock Option Plan, as amended.

Exhibit 10(e)

The Black & Decker 1995 Stock Option Plan for Non-Employee Directors, as amended, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference.

Exhibit 10(f)

The Black & Decker 1996 Stock Option Plan, as amended.

Exhibit 10(g)

The Black & Decker 2003 Stock Option Plan, as amended.

Exhibit 10(h)

The Black & Decker Corporation 2004 Restricted Stock Plan, included as Exhibit B to the Proxy Statement, dated March 16, 2004, for the 2004 Annual Meeting of Stockholders of the Registrant, is incorporated herein by reference.

Exhibit 10(i)

The Black & Decker Performance Equity Plan, as amended.

Exhibit 10(j)

Form of Restricted Share Agreement relating to The Black & Decker Corporation 2004 Restricted Stock Plan, included in the Corporation's Current Report on Form 8-K filed with the Commission on April 28, 2005, is incorporated herein by reference.

Exhibit 10(k)

Form of Nonqualified Stock Option Agreement with executive officers relating to the Corporation's stock option plans, included in the Corporation's Current Report on Form 8-K filed with the Commission on April 28, 2005, is incorporated herein by reference.

Exhibit 10(l)

The Black & Decker Executive Annual Incentive Plan, as amended and restated.

Exhibit 10(m)

The Black & Decker Management Annual Incentive Plan, as amended.

Exhibit 10(n)

The Black & Decker Supplemental Pension Plan, as amended and restated.

Exhibit 10(o)(1)

The Black & Decker Supplemental Retirement Savings Plan, as amended and restated.

Exhibit 10(p)

The Black & Decker Supplemental Executive Retirement Plan, as amended and restated.

Exhibit 10(q)

The Black & Decker Executive Life Insurance Program, as amended, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended April 4, 1993, is incorporated herein by reference.

Exhibit 10(r)

The Black & Decker Executive Salary Continuance Plan, as amended and restated.

Exhibit 10(s)

Description of the Corporation's policy and procedures for relocation of existing employees (individual transfers), included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1991, is incorporated herein by reference.

Exhibit 10(t)

Description of the Corporation's policy and procedures for relocation of new employees, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1991, is incorporated herein by reference.

Exhibit 10(u)

Description of certain incidental benefits provided to executive officers of the Corporation, included in the Corporation's Annual Report on Form 10-K for the

Exhibit 10(v)

Form of Severance Benefits Agreement by and between the Corporation and approximately 17 of its key employees.

Exhibit 10(w)

Amended and Restated Employment Agreement, dated as of February 9, 2006, by and between the Corporation and Nolan D. Archibald.

Exhibit 10(x)

Severance Benefits Agreement, dated February 10, 2006, by and between the Corporation and John W. Schiech.

Exhibit 10(y)

Severance Benefits Agreement, dated February 10, 2006, by and between the Corporation and Charles E. Fenton.

Exhibit 10(z)

Severance Benefits Agreement, dated February 10, 2006, by and between the Corporation and Michael D. Mangan.

Exhibit 10(aa)(1)

Special Deferral Agreement, dated February 7, 2000, by and between the Corporation and Paul A. Gustafson, included in the Corporation's Annual Report for the year ended December 31, 1999, is incorporated herein by reference.

Exhibit 10(aa)(2)

Severance Benefits Agreement, dated February 10, 2006, by and between the Corporation and Paul A. Gustafson.

Exhibit 10(bb)

Severance Benefits Agreement, dated February 10, 2006, by and between the Corporation and Thomas D. Koos.

Exhibit 10(cc)

The Black & Decker Corporation Corporate Governance Policies and Procedures Statement, as amended, included in the Corporation's Current Report on Form 8-K filed with the Commission on December 15, 2004, is incorporated herein by reference.

Items 10(a) through 10(cc) constitute management contracts and compensatory plans and arrangements required to be filed as exhibits under Item 14(c) of this report.

Exhibit 21

List of Subsidiaries.

Exhibit 23

Consent of Independent Registered Public Accounting Firm.

Exhibit 24

Powers of Attorney.

Exhibit 31.1

Chief Executive Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2

Chief Financial Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1

Chief Executive Officer's Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2

Chief Financial Officer's Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

All other items are "not applicable" or "none".

(b) Exhibits

The exhibits required by Item 601 of Regulation S-K are filed herewith.

(c) Financial Statement Schedules and Other Financial Statements

The Financial Statement Schedule required by Regulation S-X is filed herewith.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**THE BLACK & DECKER CORPORATION AND SUBSIDIARIES**

(MILLIONS OF DOLLARS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	OTHER CHARGES ADD (DEDUCT)	BALANCE AT END OF PERIOD
<i>Year Ended December 31, 2005</i>					
Reserve for doubtful accounts and cash discounts	\$52.1	\$87.2	\$92.8(a)	\$(1.4)(b)	\$45.1
<i>Year Ended December 31, 2004</i>					
Reserve for doubtful accounts and cash discounts	\$47.4	\$86.3	\$93.0(a)	\$11.4 (b)	\$52.1
<i>Year Ended December 31, 2003</i>					
Reserve for doubtful accounts and cash discounts	\$46.3	\$70.5	\$74.3(a)	\$ 4.9 (b)	\$47.4

(a) Accounts written off during the year and cash discounts taken by customers.

(b) Primarily includes currency translation adjustments and amounts associated with acquired and divested businesses.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE BLACK & DECKER CORPORATION

DATE: February 14, 2006

By /s/ NOLAN D. ARCHIBALD

Nolan D. Archibald
Chairman, President, and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 14, 2006, by the following persons on behalf of the registrant and in the capacities indicated.

SIGNATURE	TITLE	DATE
Principal Executive Officer <u>/s/ NOLAN D. ARCHIBALD</u> Nolan D. Archibald	Chairman, President, and Chief Executive Officer	<u>February 14, 2006</u>
Principal Financial Officer <u>/s/ MICHAEL D. MANGAN</u> Michael D. Mangan	Senior Vice President and Chief Financial Officer	<u>February 14, 2006</u>
Principal Accounting Officer <u>/s/ CHRISTINA M. MCMULLEN</u> Christina M. McMullen	Vice President and Controller	<u>February 14, 2006</u>

This report has been signed by the following directors, constituting a majority of the Board of Directors, by Nolan D. Archibald, Attorney-in-Fact.

Nolan D. Archibald
Norman R. Augustine
Barbara L. Bowles
M. Anthony Burns
Kim B. Clark

Manuel A. Fernandez
Benjamin H. Griswold, IV
Anthony Luiso
Robert L. Ryan
Mark H. Willes

By /s/ NOLAN D. ARCHIBALD

Nolan D. Archibald
Attorney-in-Fact

DATE: February 14, 2006

**THE BLACK & DECKER CORPORATION
DEFERRED COMPENSATION PLAN
FOR NON-EMPLOYEE DIRECTORS**

1. **Eligibility.**

Each member of the Board of Directors of The Black & Decker Corporation (the "Corporation") who is not an employee of the Corporation or any of the Corporation's subsidiaries is eligible to participate in this Deferred Compensation Plan for Non-Employee Directors (the "Plan").

2. **Administration of Plan.**

The Plan will be administered by the Corporate Governance Committee of the Corporation's Board of Directors (the "Committee"). The Committee shall have full power to interpret and administer the Plan, and the Committee's interpretations and actions shall be binding and conclusive on all persons for all purposes. Neither the Committee nor any person acting on its behalf shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of the Plan unless attributable to willful misconduct or lack of good faith.

3. **Participation.**

- a. An eligible director may elect to defer all or any part of the compensation that would otherwise have been payable currently for services as a member of the Board of Directors (including fees payable for services as a member of a committee of the Board). An election must be executed and filed with the Secretary of the Corporation by the end of the calendar year preceding the calendar year the compensation will be earned. An election to defer all or any part of such compensation for any given calendar year will be irrevocable. A new director may elect to participate in the Plan by executing and filing an election with the Secretary of the Corporation prior to the commencement of the director's term of office.
 - b. An election shall be in writing substantially in the form attached as Exhibit A.
 - c. An election to participate in the Plan shall be effective from the date of the election and for all subsequent years until the calendar year following the year in which the participant files a revised election or a notice of termination.
 - d. A participant may terminate participation in the Plan by executing and filing with the Secretary of the Corporation a notice of termination in such form as prescribed by the Secretary. Any such termination shall be effective at the end of the calendar year in which the notice is given. In the event of termination, the amount already deferred under the Plan and interest or other earnings thereon shall be paid to the participant only as indicated in Section 6 of the Plan. A director who has filed a termination of election may thereafter file an election to participate in the Plan for any calendar year commencing after filing the election.
 - e. A participant may change an existing election as to the manner of distribution by filing with the Secretary of the Corporation an election form choosing any manner of distribution authorized by the Plan at the time the new election form is filed in such form as prescribed by the Secretary. A participant may also change the timing of distribution by filing with the Secretary of the Corporation an election form in such form as prescribed by the Secretary. Any new election form must be filed (1) prior to the termination of the director's service as a director and (2) at least twelve months prior to the date that the first distribution under both the existing election and under the new election would be made. Any new election must extend the deferral period for at least five calendar years from the date of initial
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payment under the existing election. Any new election will take effect 12 months after the date it is filed.

4. **Deferred Cash Compensation Account.**

A general ledger account, hereinafter referred to as the “Deferred Compensation Account,” shall be established for the purpose of reflecting deferred compensation. All deferred compensation otherwise payable to the participant for the calendar year to which the election applies shall be credited to the Deferred Compensation Account, together with interest compounded semi-annually on January 1 and July 1 at a rate equal to the higher of the yield on the Income Fund of The Black & Decker Corporation Retirement Savings Plan or the T. Rowe Price Equity Index Fund during the period then ended. Alternatively, the participant may direct that cash compensation deferred hereunder be deemed invested in common stock of the Corporation, in which case, the participant’s Deferred Compensation Account will be initially credited with the number of shares of common stock of the Corporation required under subsection B.7.b of the Corporate Governance Policies and Procedures Statement and subsequently adjusted for increases and decreases in the value of, and for dividends paid on, the common stock of the Corporation. Title to and beneficial ownership of the Deferred Compensation Account shall remain in the Corporation. The obligation to pay shall be a general unsecured obligation of the Corporation, and the participating director and his designated beneficiaries shall not have any property interest whatsoever in any specific assets of the Corporation. The Corporation may, however, establish a “Rabbi Trust” for individual participants or all participants as a group.

5. **Deferred Stock Compensation Account.**

A stock account, hereinafter referred to as the “Deferred Stock Compensation Account,” shall be established for the purpose of reflecting stock compensation deferred pursuant to Section 8 of The Black & Decker Non-Employee Directors Stock Plan (the “Stock Plan”). The provisions of this Plan shall apply to deferrals under the Stock Plan except that in the event of conflict between the Plan and the Stock Plan, the provisions of the Stock Plan shall control.

6. **Distribution from Plan.**

- a. All compensation deferred under the Plan, plus accumulated interest or other investment adjustments, shall be distributed in a lump sum or in approximately equal annual installments not exceeding ten as specified by the participant at the time of making the election or in an amendment complying with the provisions of Section 3.e of the Plan. Unless a participant files an election to change the timing of distribution in accordance with Section 3.e of the Plan, the first installment, or the lump sum distribution, shall be paid on the first day of the calendar year immediately following the year in which the participant ceases to be a director of the Corporation. Subsequent installments shall be paid on the anniversary of the first installment in each succeeding calendar year until all amounts in the participant’s Deferred Compensation Account have been paid. Distributions of a participant’s Deferred Compensation Account shall be made in cash except to the extent that the participant has directed the Deferred Compensation Account be deferred as common stock of the Corporation, in which case distribution shall be made in shares of common stock of the Corporation under the Stock Plan. Distributions of a participant’s Deferred Stock Compensation Account shall be made in common stock of the Corporation under the Stock Plan.
 - b. Notwithstanding the above, if a participant incurs a severe financial hardship, the Committee may, in its sole discretion, revise the payment schedule to the extent reasonably necessary to eliminate the severe financial hardship. The severe financial hardship must have been caused by an accident or illness of the director, the director’s spouse or dependent (as defined in Section 152(a) of the Internal Revenue Code of 1986, as amended (the “Code”)) of the director, by loss of the director’s property due to casualty, or by another similar extraordinary and unforeseeable event beyond the control of the participant. The Committee may pay to the participant the participant’s Deferred Compensation Account and Deferred Stock Compensation Account as may be necessary to comply with a certificate of divestiture (as defined in Section
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1043(b)(2) of the Code). In the event a participant dies before all deferred amounts are distributed, the remaining balance of the participant's Deferred Compensation Account and Deferred Stock Compensation Account shall be paid in a lump sum on the first day of the calendar year following the year of death to the beneficiaries most recently designated by the director in writing. If no beneficiaries are designated or the designated beneficiaries fail to survive the participant, payment shall be made to the estate of the participant.

7. **Rabbi Trust.**

The Corporation may establish a "Rabbi Trust" for individual participants or all participants as a group. With the consent of a participant, the Trustee of a "Rabbi Trust" established for that participant may be directed to invest the participant's deferred cash compensation in common stock of the Corporation, and, if that is done, (1) neither the Corporation nor the trustee shall have any liability for any decrease in the value of the stock held in the trust and (2) the timing of any distribution from the trust shall be in accordance with the election made under Section 6 of the Plan.

8. **Rights.**

The right of a participant in the Plan to any deferred compensation or interest thereon shall not be subject to assignment, anticipation, alienation, transfer, pledge, or encumbrance except by laws of descent and distribution.

9. **No Trusts.**

Nothing contained in the Plan and no action taken pursuant to the provisions of the Plan shall be construed to create a trust of any kind or an escrow arrangement of any form.

10. **Copies of Plan.**

Copies of the Plan and any and all amendments thereto shall be made available to all members of the Board of Directors during normal business hours at the office of the Secretary of the Corporation.

11. **Compliance.**

It is intended that this Plan comply with Section 409A of the Code and shall be interpreted accordingly. Any provision of this Plan not in conformance with Section 409A of the Code shall be treated as void as of January 1, 2005.

THE BLACK & DECKER CORPORATION
Election to Defer Compensation
under
Deferred Compensation Plan for Non-Employee Directors
And Non-Employee Directors Stock Plan

I acknowledge receiving a copy of the Deferred Compensation Plan for Non-Employee Directors and the Non-Employee Directors Stock Plan.

Pursuant to the terms of the Plans, I elect to defer receiving the following:

____ % of cash retainers to be deferred as ____ cash or ____ stock

____ % of stock retainers

My election will continue in effect until the first day of the calendar year following the year in which I file written notice of termination or of amendment of this election with the Secretary of the Corporation. My election to defer all or part of my compensation for any given calendar year shall be irrevocable.

I also elect that all amounts deferred under the Plans (including amounts previously deferred), together with accumulated interest or other investment adjustments thereon, shall be distributed to me in (specify number, not exceeding ten) approximately equal annual installment(s) commencing on first day of the calendar year immediately following the calendar year in which I cease to be a director of the Corporation, and subsequent installments shall be paid on the anniversary of the first installment in each succeeding calendar year until the entire amount credited to my account shall have been paid.

If I die prior to distribution of the entire amount, I direct that the remaining amount be paid in a lump sum to:

(name)

(relationship)

(street address)

(city, state, zip code)

I understand that my ability to elect to defer these payments and specify their date of distribution under this Plan is conditioned on compliance with the Internal Revenue Code, as amended by the American Jobs Creation Act of 2004. If it is determined that either the Plan or this election is not in compliance with the Internal Revenue Code or IRS Regulations, I understand that this election may be cancelled and the deferred amounts returned to me as taxable income.

(dated)

(signature)

(printed name)

FOR CORPORATION'S USE

Date Received

Corporate Secretary

The Black & Decker Non-Employee Directors Stock Plan

1. **Purpose of the Plan.** Under this Non-Employee Directors Stock Plan of The Black & Decker Corporation, a Maryland corporation (the “Company”), shares of the Company’s Common Stock, par value \$.50 per share (“Common Stock”), will be issued to participants in partial compensation for their service as directors of the Company. This Plan is designed to promote the long-term growth and financial success of the Company by enabling the Company to attract, retain and motivate directors by providing for or increasing their proprietary interest in the Company and by aligning the economic interests of directors with those of the Company’s stockholders.

2. **Definitions.** For purposes of this Plan:

(a) The term “Board” shall mean the Company’s Board of Directors.

(b) The term “Fair Market Value” shall mean as of any date, and unless the Committee shall specify otherwise, the average of the high and low sale price per share of Common Stock as finally reported in the New York Stock Exchange Composite Transactions for the New York Stock Exchange or if shares of Common Stock are not sold on such date, the average of the high and low sale price per share of Common Stock as finally reported in the New York Stock Exchange Composite Transactions for the New York Stock Exchange for the most recent prior date on which shares of Common Stock were sold.

(c) The term “Participant” shall mean any person who on a Payment Date is a member of the Board of Directors of the Company and is not a full-time employee of the Company or a subsidiary of the Company. For purposes of this Section 2(d), unless the Board provides otherwise, a person shall not be considered an employee solely by reason of serving as Chairman of the Board.

(d) The term “Payment Date” shall mean the date on which each directors’ retainer fees are paid by the Company. Unless the Board specifies otherwise, the Payment Date shall be the date of the Annual Meeting of Stockholders of the Company.

(e) “Plan” shall mean The Black & Decker Non-Employee Directors Stock Plan, as approved by the Board on February 12, 1998, and adopted by the stockholders at the 1998 Annual Meeting of Stockholders, as the same may be amended from time to time.

(f) The term “Shares” shall mean shares of Common Stock granted under this Plan.

3. **Effective Date.** This Plan shall become effective upon approval at the 1998 Annual Meeting of Stockholders. Shares may not be issued under this Plan after termination of this Plan by the Board, after issuance of all of the Shares authorized for issuance under this Plan or more than 10 years after the date of stockholder approval of this Plan, whichever is earlier. Notwithstanding the foregoing, however, the 10-year limitation shall not apply with respect to Shares held in a deferred account that were deferred within the 10-year period, it being understood that deferred Shares may be issued after such 10-year period in accordance with valid deferral elections made by Participants.

4. Plan Operation. This Plan is intended to operate in a manner that meets the requirements of a formula plan under Rule 16b-3 (or its successor) adopted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, this Plan is intended to be self-governing and requires no discretionary action by any administrative body with regard to any transaction under this Plan. Subject to the foregoing, this Plan shall be administered by the Corporate Governance Committee of the Board, and all decisions, determinations and interpretations by the Committee regarding this Plan shall be final and binding on all current, future and former Participants. Such Committee may delegate to one or more of its members or to any person or persons such ministerial duties as it may deem advisable. To the extent any provision of this Plan or action taken hereunder fails to so operate under Rule 16b-3, such provision or action shall be deemed null and void and shall be conformed so as to so operate, to the extent permitted by law and deemed advisable by the Board.

5. Stock Subject to Plan. The maximum number of Shares that may be issued hereunder shall be 100,000, subject to adjustments under Section 6.

6. Adjustments. If the outstanding securities of the class then subject to this Plan are increased, decreased or exchanged for or converted into cash, property or a different number or kind of shares or securities, or if cash, property or shares or securities are distributed in respect of such outstanding securities, in either case as a result of a reorganization, merger, consolidation, recapitalization, restructuring, reclassification, dividend (other than a regular quarterly cash dividend) or other distribution, stock split, reverse stock split, spin-off or the like, or if substantially all of the property and assets of the Company are sold, then unless the terms of such transaction shall provide otherwise, the Board shall make an appropriate adjustment in the number and/or type of shares or securities that may thereafter be issued under this Plan.

7. Stock Grants. Commencing on the Effective Date, and on each Payment Date thereafter during the term of this Plan, each Participant shall be granted a number of Shares as specified by the Board to be paid in Shares. In addition, a Participant may elect to receive all or any portion of the directors' annual retainer specified by the Board to be paid in cash in Shares under this Plan. If on any date upon which Shares are to be granted or issued under this Plan the number of Shares remaining available under this Plan is less than the number of Shares required for all grants to be made on such date, then any election to receive all or any portion of the cash portion of the directors' annual retainer in Shares shall be void, and a proportionate amount of such available number of Shares shall be granted to each Participant, and in lieu of the Shares that otherwise would be issuable, the Participants shall be paid an amount in cash equal to (a) the difference between the portion of the directors' annual retainer to be paid in Shares less the number of Shares then issued to the Participant, multiplied by (b) the Fair Market Value on that date.

8. Deferral of Shares. A Participant may elect to defer receipt of all or any portion of the directors' annual retainer under this Plan under and in accordance with rules established for this purpose under the Deferred Compensation Plan for Non-Employee Directors. This deferral shall be denominated in Common Stock as if the Participant had elected to receive such portion of the directors' annual retainer in Shares, and thereafter such deferral shall be valued in Common Stock. This deferral shall be increased by the value of any dividends declared with respect to Common Stock, which value shall be deemed to be reinvested in Common Stock, based on the Fair Market Value on the record date for such dividends. The aggregate number of shares of Common Stock accumulated on behalf of the

Participant under this Plan shall be paid to the Participant in Shares under this Plan in accordance with the election made by the Participant under rules established for this purpose under the Deferred Compensation Plan for Non-Employee Directors. Notwithstanding the foregoing, in the event that the deemed reinvestment of any dividends in Common Stock would cause the Company to exceed the maximum of Shares that may be issued under this Plan, the Common Stock attributable to such dividends shall be paid to the Participant in cash based on the Fair Market Value on the date the Participant's deferral otherwise is paid.

9. Amendment and Termination. The Board may alter, amend, suspend or terminate this Plan, provided that no such action shall deprive any Participant, without his or her consent, of any Shares theretofore issued under this Plan, or deferred under this Plan, and provided further that the provisions of this Plan designating persons eligible to participate in this Plan and specifying the retainer amounts payable to Participants hereunder and the amount and timing of grants under this Plan shall not be amended more than once every six months other than to comport with changes in the Internal Revenue Code of 1986, as amended, the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder, unless such restriction on amendments to this Plan is not necessary in order for the transactions contemplated by this Plan to be exempt under Rule 16b-3 of the Exchange Act.

10. Taxes. The Board may make such provisions or impose such conditions as it may deem appropriate for the withholding or payment by a Participant of any taxes that it determines are necessary or appropriate in connection with any issuance of Shares under this Plan, and a Participant's rights in any Shares are subject to satisfaction of such conditions. The Company and any affiliate of the Company shall not be liable to a Participant or any other persons as to any tax consequence expected, but not realized, by any Participant or other person due to the receipt of any Shares granted hereunder.

11. Compliance with Law. Shares shall not be issued under this Plan unless and until counsel for the Company shall be satisfied that any conditions necessary for such issuance to comply with applicable federal, state or local tax, securities or other laws or rules or applicable securities exchange requirements have been fulfilled.

12. Governing Law; Miscellaneous. This Plan and any rights hereunder shall be interpreted and construed in accordance with the laws of the State of Maryland and applicable federal law. Neither this Plan nor any action taken pursuant thereto shall be construed as giving any Participant any right to be retained in the service of the Company or nominated for reelection to the Board.

THE BLACK & DECKER 1992 STOCK OPTION PLAN

The proper execution of the duties and responsibilities of the executives and other key employees of The Black & Decker Corporation and its subsidiaries is a vital factor in the continued growth and success of the Corporation. Toward this end, it is necessary to attract and retain effective and capable employees to assume positions that contribute materially to the successful operation of the business of the Corporation. It will benefit the Corporation, therefore, to bind the interests of these persons more closely to its own interests by offering them an attractive opportunity to acquire a proprietary interest in the Corporation and thereby provide them with added incentive to remain in its employ and to increase the prosperity, growth, and earnings of the Corporation. This stock option plan will serve these purposes.

ARTICLE 1:00**Definitions**

The following terms wherever used herein shall have the meanings set forth below.

- 1:01 The term “Board of Directors” shall mean the Board of Directors of the Corporation.
- 1:02 The term “Cash Appreciation Right” shall mean a right to receive cash pursuant to Article 11:00 of the Plan.
- 1:03 The term “Change in Control” shall have the meaning provided in Section 10:02 of the Plan.
- 1:04 The term “Code” shall mean the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.
- 1:05 The term “Committee” shall mean the Compensation Committee of the Board of Directors.
- 1:06 The term “Common Stock” shall mean the shares of common stock, par value \$.50 per share, of the Corporation.
- 1:07 The term “Corporation” shall mean The Black & Decker Corporation.
- 1:08 The term “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.
- 1:09 The term “Fair Market Value of a share of Common Stock” shall mean the average of the high and low sale price per share of Common Stock as finally reported in the New York Stock Exchange Composite Transactions for the New York Stock Exchange, or if shares of Common Stock are not sold on such date, the average of the high and low sale price per share of Common Stock as finally reported in the New York Stock Exchange Composite Transactions for the New York Stock Exchange for the most recent prior date on which shares of Common Stock were sold.
- 1:10 The term “Immediate Family Member” shall mean each of (i) the children, step children or grandchildren of the Initial Holder, (ii) the spouse or any parent of the Initial Holder, (iii) any trust solely for the benefit of any such family members, and (iv) any partnership or other entity in which such family members are the only partners or other equity holders.
- 1:11 The term “Incentive Stock Option” shall mean any Option granted pursuant to the Plan that is designated as an Incentive Stock Option and that satisfies the requirements of Section 422(b) of the Code.
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- 1:12 The term “Initial Holder,” with respect to an Option or Right granted under the Plan, shall mean the executive or other key employee of the Corporation granted the Option or Right.
- 1:13 The term “Limited Stock Appreciation Right” shall mean a limited tandem stock appreciation right that entitles the holder to receive cash upon a Change in Control pursuant to Article 10:00 of the Plan.
- 1:14 The term “Nonqualified Stock Option” shall mean any Option granted pursuant to the Plan that is not an Incentive Stock Option.
- 1:15 The term “Option” or “Stock Option” shall mean a right granted pursuant to the Plan to purchase shares of Common Stock, and shall include the terms Incentive Stock Option and Nonqualified Stock Option.
- 1:16 The term “Option Agreement” shall mean the written agreement representing Options granted pursuant to the Plan as contemplated by Article 6:00 of the Plan.
- 1:17 The term “Option Holder” shall mean the Initial Holder so long as he or she holds an Option initially granted to the Initial Holder, and thereafter shall mean the beneficiary or the Immediate Family Member to whom the Option has been transferred in accordance with the terms and conditions provided in Section 6:05.
- 1:18 The term “Plan” shall mean The Black & Decker 1992 Stock Option Plan as approved by the Board of Directors on February 20, 1992, and adopted by the stockholders of the Corporation at the 1992 Annual Meeting of Stockholders, as the same may be amended from time to time.
- 1:19 The term “Rights” shall include Stock Appreciation Rights, Limited Stock Appreciation Rights and Cash Appreciation Rights.
- 1:20 The term “Section 162(m) Regulations” shall mean the regulations adopted pursuant to Section 162(m) of the Code.
- 1:21 The term “Stock Appreciation Right” shall mean a right to receive cash or shares of Common Stock pursuant to Article 8:00 of the Plan.
- 1:22 The term “Stock Appreciation Right Agreement” shall mean the written agreement representing Stock Appreciation Rights granted pursuant to the Plan as contemplated by Article 8:00 of the Plan.
- 1:23 The term “Stock Appreciation Right Base Price” shall mean the base price for determining the value of a Stock Appreciation Right under Section 8:02, which Stock Appreciation Right Base Price shall be established by the Committee at the time of the grant of Stock Appreciation Rights pursuant to the Plan and shall not be less than 90% of the Fair Market Value of a share of Common Stock on the date of grant. If the Committee does not establish a specific Stock Appreciation Right Base Price at the time of grant, the Stock Appreciation Right Base Price shall be equal to the Fair Market Value of a share of Common Stock on the date of grant of the Stock Appreciation Right.
- 1:24 The term “Stock Appreciation Right Holder” shall mean the Initial Holder so long as he or she holds a Stock Appreciation Right initially granted to the Initial Holder, and thereafter shall mean the beneficiary or the Immediate Family Member to whom the Stock Appreciation Right has been transferred in accordance with the terms and conditions provided in Section 8:05.
- 1:25 The term “subsidiary” or “subsidiaries” shall mean a corporation of which capital stock possessing 50% or more of the total combined voting power of all classes of its capital stock entitled to vote generally in the election of directors is owned in the aggregate by the Corporation directly or indirectly through one or more subsidiaries.

ARTICLE 2:00

Effective Date of the Plan

2:01 The Plan shall become effective upon stockholder approval, provided that such approval is received on or before May 31, 1992, and provided further that the Committee may grant Options or Rights pursuant to the Plan prior to stockholder approval if such Options or Rights by their terms are contingent upon subsequent stockholder approval of the Plan.

ARTICLE 3:00

Administration

3:01 The Plan shall be administered by the Committee.

3:02 The Committee may establish, from time to time and at any time, subject to the limitations of the Plan as set forth herein, such rules and regulations and amendments and supplements thereto as it deems necessary to comply with applicable law and regulation and for the proper administration of the Plan.

3:03 The Committee shall from time to time determine the names of those executives and other key employees who, in its opinion, should receive Options or Rights, and shall determine the numbers of shares on which Options should be granted or upon which Rights should be based to each such person and the nature of the Options or Rights to be granted, including without limitation whether the Options or Rights shall be transferable in accordance with the terms and conditions provided in Section 6:12 or Section 8:11.

3:04 Options and Rights shall be granted by the Corporation only upon prior approval of the Committee, and upon the execution of an Option Agreement or Stock Appreciation Right Agreement between the Corporation and the Initial Holder.

3:05 The Committee's interpretation and construction of the provisions of the Plan and the rules and regulations adopted by the Committee shall be final. No member of the Committee or the Board of Directors shall be liable for any action taken or determination made, in respect of the Plan, in good faith.

ARTICLE 4:00

Participation in the Plan

4:01 Participation in the Plan shall be limited to such executives and other key employees of the Corporation and its subsidiaries who at the date of grant of an Option or Right are regular, full-time employees of the Corporation or any of its subsidiaries and who shall be designated by the Committee together with any permitted transferees in accordance with the terms and conditions of the Plan.

4:02 No member of the Board of Directors who is not also an employee shall be eligible to participate in the Plan. No employee who owns beneficially more than 10% of the total combined voting power of all classes of stock of the Corporation shall be eligible to participate in the Plan.

ARTICLE 5:00

Stock Subject to the Plan

- 5:01 There shall be reserved for the granting of Options or Stock Appreciation Rights pursuant to the Plan and for issuance and sale pursuant to such Options or Stock Appreciation Rights 2,400,000 shares of Common Stock. To determine the number of shares of Common Stock available at any time for the granting of Options or Stock Appreciation Rights, there shall be deducted from the total number of reserved shares of Common Stock the number of shares of Common Stock in respect of which Options have been granted pursuant to the Plan that are still outstanding or have been exercised. The shares of Common Stock to be issued upon the exercise of Options or Stock Appreciation Rights granted pursuant to the Plan shall be made available from the authorized and unissued shares of Common Stock. If for any reason shares of Common Stock as to which an Option has been granted cease to be subject to purchase thereunder, then such shares of Common Stock again shall be available for issuance pursuant to the exercise of Options or Stock Appreciation Rights pursuant to the Plan. Except as provided in Section 5:03, however, the aggregate number of shares of Common Stock that may be issued upon the exercise of Options and Stock Appreciation Rights pursuant to the Plan shall not exceed 2,400,000 shares and no more than 2,400,000 Stock Appreciation Rights shall be granted pursuant to the Plan.
- 5:02 Proceeds from the purchase of shares of Common Stock upon the exercise of Options granted pursuant to the Plan shall be used for the general business purposes of the Corporation.
- 5:03 Subject to the provisions of Section 10:01, in the event of reorganization, recapitalization, stock split, stock dividend, combination of shares of Common Stock, merger, consolidation, share exchange, acquisition of property or stock, or any change in the capital structure of the Corporation, the Committee shall make such adjustments as may be appropriate in the number of Options or Stock Appreciation Rights that may be granted to an employee in any calendar year, in the number and kind of shares reserved for purchase by executives or other key employees, in the number, kind and price of shares covered by Options and Stock Appreciation Rights granted pursuant to the Plan but not then exercised, and in the number of Rights, if any, granted pursuant to the Plan but not then exercised.

ARTICLE 6:00

Terms and Conditions of Options

- 6:01 Each Option granted pursuant to the Plan shall be evidenced by an Option Agreement in such form and with such terms and conditions (including, without limitation, noncompete, confidentiality or other similar provisions or provisions relating to transfer) as the Committee from time to time may determine. The right of an Option Holder to exercise his, her or its Option shall at all times be subject to the terms and conditions set forth in the respective Option Agreement.
- 6:02 The exercise price per share for Options shall be established by the Committee at the time of the grant of Options pursuant to the Plan and shall not be less than 90% of the Fair Market Value of a share of Common Stock on the date on which the Option is granted. If the Committee does not establish a specific exercise price per share at the time of grant, the exercise price per share shall be equal to the Fair Market Value of a share of Common Stock on the date of grant of the Options.
- 6:03 Each Option, subject to the other limitations set forth in the Plan, may extend for a period of up to 10 years from the date on which it is granted. The term of each Option shall be determined by the Committee at the time of grant of the Option, provided that if no term is established by the Committee the term of the Option shall be 10 years from the date on which it is granted.

- 6:04 Unless otherwise provided by the Committee, the number of shares of Common Stock subject to each Option shall be divided into four installments of 25% each. The first installment shall be exercisable 12 months after the date the Option was granted, and each succeeding installment shall be exercisable 12 months after the date the immediately preceding installment became exercisable. If an Option Holder does not purchase the full number of shares of Common Stock that he, she or it at any time has become entitled to purchase, the Option Holder may purchase all or any part of those shares of Common Stock at any subsequent time during the term of the Option.
- 6:05 Options shall be nontransferable and nonassignable, except that (i) Options may be transferred by testamentary instrument or by the laws of descent and distribution, and (ii) subject to the terms and conditions of the Option Agreement or any other terms and conditions imposed by the Committee from time to time, Options may be transferred in accordance with the terms and conditions provided in Section 6:12 if the applicable Option Agreement or other action of the Committee expressly provides that the Options are transferable.
- 6:06 Upon voluntary or involuntary termination of an Initial Holder's employment, his or her Option (including any Option transferred in accordance with the terms and conditions provided in Section 6.12) and all rights thereunder shall terminate effective at the close of business on the date the Initial Holder ceases to be a regular, full-time employee of the Corporation or any of its subsidiaries, except (i) to the extent previously exercised, (ii) as provided in Sections 6:07, 6:08, and 6:09, and (iii) in the case of involuntary termination of employment, for a period of 30 days thereafter the Option Holder shall be entitled to exercise that portion of the Option that was exercisable at the close of business on the date the Initial Holder ceased to be a regular, full-time employee of the Corporation or any of its subsidiaries, provided that in no event may any Option be exercised after the expiration of the term of the Option.
- 6:07 In the event an Initial Holder (i) ceases to be an executive or other key employee of the Corporation or any of its subsidiaries due to involuntary termination, (ii) takes a leave of absence from the Corporation or any of its subsidiaries for personal reasons or as a result of entry into the armed forces of the United States, or any of the departments or agencies of the United States government, or (iii) terminates employment by reason of illness, disability, or other special circumstance, the Committee may consider his or her case and may take such action in respect of the related Option Agreement as it may deem appropriate under the circumstances, including accelerating the time previously granted Options may be exercised and extending the time following the Initial Holder's termination of employment during which the Option Holder is entitled to purchase the shares of Common Stock subject to such Options, provided that in no event may any Option be exercised after the expiration of the term of the Option.
- 6:08 If an Initial Holder dies during the term of his or her Option without the Option having been exercised in full, (i) the executor or administrator of his or her estate or the person who inherits the right to exercise the Option by bequest or inheritance in the event the Initial Holder was the Option Holder at the date of death or (ii) the Option Holder in the event the Option had been transferred in accordance with the terms and conditions provided in Section 6:12, shall have the right within three years of the Initial Holder's death to purchase the number of shares of Common Stock that the deceased Initial Holder (or Option Holder, as the case may be) was entitled to purchase at the date of death, after which the Option shall lapse, provided that in no event may any Option be exercised after the expiration of the term of the Option.
- 6:09 If an Initial Holder's employment is terminated without the Option having been exercised in full and (i) the Initial Holder is 62 years of age or older, or (ii) the Initial Holder has been employed by the Corporation or any of its subsidiaries for at least 10 years and the Initial Holder's age plus years of such employment total not less than 55 years, then such Initial Holder (or the Option Holder in the event the Option had been transferred in accordance with the terms and conditions provided in Section 6:12) shall have the right within three years of the Initial Holder's termination of employment

to purchase the number of shares of Common Stock that the Initial Holder (or Option Holder, as the case may be) was entitled to purchase at the date of termination, after which the Option shall lapse, provided that in no event may any Option be exercised after the expiration of the term of the Option.

- 6:10 The granting of an Option pursuant to the Plan shall not constitute or be evidence of any agreement or understanding, express or implied, on the part of the Corporation or any of its subsidiaries to employ the Initial Holder for any specified period.
- 6:11 In addition to the general terms and conditions set forth in this Article 6:00 in respect of Options granted pursuant to the Plan, Incentive Stock Options granted pursuant to the Plan shall be subject to the following additional terms and conditions:
- (a) The aggregate fair market value (determined at the time the Incentive Stock Option is granted) of the shares of Common Stock in respect of which “incentive stock options” are exercisable for the first time by the Option Holder during any calendar year (under all such plans of the Corporation and its subsidiaries) shall not exceed \$100,000;
 - (b) The Option Agreement in respect of an Incentive Stock Option may contain any other terms and conditions specified by the Committee that are not inconsistent with the Plan, except that such terms and conditions must be consistent with the requirements for “incentive stock options” under Section 422 of the Code; and
 - (c) Incentive Stock Options shall not be transferable in accordance with the terms and conditions provided in Section 6:12.
- 6:12 The Committee may provide, in the original grant of a Nonqualified Stock Option or in an amendment or supplement to a previous grant, that some or all of the Nonqualified Stock Options granted under the Plan are transferable by the Initial Holder to an Immediate Family Member of the Initial Holder, provided that (i) the Option Agreement, as it may be amended from time to time, expressly so provides or the Committee otherwise designates the Option as transferable, (ii) the transfer by the Initial Holder is a bona fide gift without consideration, (iii) the transfer is irrevocable, (iv) the Initial Holder and any such transferee provides such documentation or other information concerning the transfer or the transferee as the Committee or any employee of the Corporation acting on behalf of the Committee may from time to time request, and (v) the Initial Holder or the Option Holder complies with all of the terms and conditions (including, without limitation, any further restrictions or limitations) included in the Option Agreement. Any Nonqualified Stock Option transferred in accordance with the terms and conditions provided in this Section 6:12 shall continue to be subject to the same terms and conditions that were applicable to such Nonqualified Stock Option prior to the transfer. Notwithstanding any other provisions of the Plan, the Corporation shall not be required to honor any exercise of an Option by an Immediate Family Member of an Option transferred in accordance with the terms and conditions provided in this Section 6:12 unless and until payment or provision for payment of any applicable withholding taxes has been made.

ARTICLE 7:00

Methods of Exercise of Options

- 7:01 An Option Holder (or other person or persons, if any, entitled to exercise an Option hereunder) desiring to exercise an Option granted pursuant to the Plan as to all or part of the shares of Common Stock covered by the Option shall (i) notify either the Corporation at its principal office at 701 East Joppa Road, Towson, Maryland 21286, or the third party retained by the Corporation to administer the Plan to that effect, specifying the number of shares of Common Stock to be purchased and the

method of payment therefor, and (ii) make payment or provision for payment for the shares of Common Stock so purchased in accordance with this Article 7:00.

7:02 Payment or provision for payment shall be made as follows:

- (a) The Option Holder shall deliver to the Corporation at the address set forth in Section 7:01 United States currency in an amount equal to the aggregate purchase price of the shares of Common Stock as to which such exercise relates; or
- (b) The Option Holder shall tender to the Corporation shares of Common Stock already owned by the Option Holder that, together with any cash tendered therewith, have an aggregate fair market value (determined based on the Fair Market Value of a share of Common Stock on the date the notice set forth in Section 7:01 is received by the Corporation) equal to the aggregate purchase price of the shares of Common Stock as to which such exercise relates; or
- (c) The Option Holder shall deliver irrevocable instructions to a broker to deliver promptly to the Corporation the amount of sale or loan proceeds necessary to pay the aggregate purchase price of the shares of Common Stock as to which such exercise relates and to sell the shares of Common Stock to be issued upon exercise of the Option and deliver the cash proceeds less commissions and brokerage fees to the Option Holder or to deliver the remaining shares of Common Stock to the Option Holder.

Notwithstanding the foregoing provisions, the Committee, in granting Options pursuant to the Plan, may limit the methods in which an Option may be exercised by any person and, in processing any purported exercise of an Option granted pursuant to the Plan, may refuse to recognize the method of exercise selected by the Option Holder (other than the method of exercise set forth in Section 7:02(a)) if, (A) in the opinion of counsel to the Corporation, (i) the Initial Holder or the Option Holder is or within the six months preceding such exercise was subject to reporting under Section 16(a) of the Exchange Act and (ii) there is a substantial likelihood that the method of exercise selected by the Option Holder would subject the Initial Holder or the Option Holder to a substantial risk of liability under Section 16 of the Exchange Act, (B) in the opinion of the Committee, the method of exercise could have an adverse tax or accounting effect to the Corporation, or (C) in the opinion of counsel to the Corporation, the method of exercise selected by the Option Holder would subject the Corporation to a risk of liability under the Exchange Act.

7:03 In addition to the alternative methods of exercise set forth in Section 7:02, holders of Nonqualified Stock Options shall be entitled, at or prior to the time the notice provided for in Section 7:01 is provided to the Corporation, to elect to have the Corporation withhold from the shares of Common Stock to be delivered upon exercise of the Nonqualified Stock Option that number of shares of Common Stock (determined based on the Fair Market Value of a share of Common Stock on the date the notice set forth in Section 7:01 is received by the Corporation) necessary to satisfy any withholding taxes attributable to the exercise of the Nonqualified Stock Option. The maximum number of shares that an Option Holder may elect to have withheld from the shares of Common Stock otherwise deliverable upon exercise shall be the number of shares that have an aggregate fair market value (based on the Fair Market Value of a share of Common Stock on the date of the exercise) equal to the dollar amount of the minimum statutory withholding for federal, state and local taxes, including payroll taxes, payable by the Option Holder. Alternatively, such holder of a Nonqualified Stock Option may elect to deliver previously owned shares of Common Stock (which shares have been held for at least six months) upon exercise of the Nonqualified Stock Option to satisfy any withholding taxes attributable to the exercise of the Nonqualified Stock Option. Notwithstanding the foregoing provisions, the Committee may include in the Option Agreement relating to any such Nonqualified Stock Option provisions limiting or eliminating the Option Holder's ability to pay his or her withholding tax obligation by withholding or delivering shares of Common Stock or, if no such

provisions are included in the Option Agreement but in the opinion of the Committee such withholding or delivery of shares would have an adverse tax or accounting effect to the Corporation, at or prior to exercise of the Nonqualified Stock Option the Committee may so limit or eliminate the Option Holder's ability to pay his or her withholding tax obligation with shares of Common Stock. Notwithstanding the foregoing provisions, a holder of a Nonqualified Stock Option may not elect any of the methods of satisfying his or her withholding tax obligation in respect of any exercise if, in the opinion of counsel to the Corporation, (i) the Initial Holder or the holder of the Nonqualified Stock Option is or within the six months preceding such exercise was subject to reporting under Section 16(a) of the Exchange Act and (ii) there is a substantial likelihood that the election or timing of the election would subject the Initial Holder or the holder of the Nonqualified Stock Option to a substantial risk of liability under Section 16 of the Exchange Act.

- 7:04 An Option Holder at any time may elect in writing to abandon an Option in respect of all or part of the number of shares of Common Stock as to which the Option shall not have been exercised.
- 7:05 An Option Holder shall have none of the rights of a stockholder of the Corporation until the shares of Common Stock covered by the Option are issued upon exercise of the Option.

ARTICLE 8:00

Terms and Conditions of Stock Appreciation Rights

- 8:01 Each Stock Appreciation Right granted pursuant to the Plan shall be evidenced by a Stock Appreciation Right Agreement in such form and with such terms and conditions (including, without limitation, noncompete, confidentiality or other similar provisions or provisions relating to transfer) as the Committee from time to time may determine. Notwithstanding the foregoing provision, Stock Appreciation Rights granted in tandem with a related Option shall be evidenced by the Option Agreement in respect of the related Option. The right of a Stock Appreciation Right Holder to exercise his, her or its Stock Appreciation Right shall at all times be subject to the terms and conditions set forth in the respective Stock Appreciation Right Agreement.
- 8:02 Each Stock Appreciation Right shall entitle the holder, subject to the terms and conditions of the Plan, to receive upon exercise of the Stock Appreciation Right an amount, payable in cash or shares of Common Stock (determined based on the Fair Market Value of a share of Common Stock on the date the notice set forth in Section 9:01 is received by the Corporation), equal to the Fair Market Value of a share of Common Stock on the date of receipt by the Corporation of the notice required by Section 9:01 less the Stock Appreciation Right Base Price. Notwithstanding the foregoing provision, each Stock Appreciation Right that is granted in tandem with a related Option shall entitle the holder, subject to the terms and conditions of the Plan, to surrender to the Corporation for cancellation all or a portion of the related Option, but only to the extent such Stock Appreciation Right and related Option then are exercisable, and to be paid therefor an amount, payable in cash or shares of Common Stock (determined based on the Fair Market Value of a share of Common Stock on the date the notice set forth in Section 9:01 is received by the Corporation), equal to the Fair Market Value of a share of Common Stock on the date of receipt by the Corporation of the notice required by Section 9:01 less the Stock Appreciation Right Base Price.
- 8:03 Each Stock Appreciation Right, subject to the other limitations set forth in the Plan, may extend for a period of up to 10 years from the date on which it is granted. The term of each Stock Appreciation Right shall be determined by the Committee at the time of grant of the Stock Appreciation Right, provided that if no term is established by the Committee the term of the Stock Appreciation Right shall be 10 years from the date on which it is granted.
- 8:04 Unless otherwise provided by the Committee, the number of Stock Appreciation Rights granted

pursuant to each Stock Appreciation Right Agreement shall be divided into four installments of 25% each. The first installment shall be exercisable 12 months after the date the Stock Appreciation Right was granted, and each succeeding installment shall be exercisable 12 months after the date the immediately preceding installment became exercisable. If a Stock Appreciation Right Holder does not exercise the Stock Appreciation Right to the extent that he, she or it at any time has become entitled to exercise the Stock Appreciation Right, the Stock Appreciation Right Holder may exercise all or any part of the Stock Appreciation Right at any subsequent time during the term of the Stock Appreciation Right.

- 8:05 Stock Appreciation Rights shall be nontransferable and nonassignable, except that (i) Stock Appreciation Rights may be transferred by testamentary instrument or by the laws of descent and distribution, and (ii) subject to the terms and conditions of the Stock Appreciation Right Agreement or any other terms and conditions imposed by the Committee from time to time, Stock Appreciation Rights may be transferred in accordance with the terms and conditions provided in Section 8:11 if the applicable Stock Appreciation Right Agreement or other action of the Committee expressly provides that the Stock Appreciation Rights are transferable.
- 8:06 Upon voluntary or involuntary termination of an Initial Holder's employment, his or her Stock Appreciation Rights (including any Stock Appreciation Rights transferred in accordance with the terms and conditions provided in Section 8:11) and all rights thereunder shall terminate effective as of the close of business on the date the Initial Holder ceases to be a regular, full-time employee of the Corporation or any of its subsidiaries, except (i) to the extent previously exercised, (ii) as provided in Sections 8:07, 8:08, and 8:09, and (iii) in the case of involuntary termination of employment, for a period of 30 days thereafter the Stock Appreciation Right Holder shall be entitled to exercise that portion of each Stock Appreciation Right that was exercisable at the close of business on the date the Initial Holder ceased to be a regular, full-time employee of the Corporation or any of its subsidiaries.
- 8:07 In the event an Initial Holder (i) ceases to be an executive or other key employee of the Corporation or any of its subsidiaries due to involuntary termination, (ii) takes a leave of absence from the Corporation or any of its subsidiaries for personal reasons or as a result of entry into the armed forces of the United States, or any of the departments or agencies of the United States government, or (iii) terminates employment by reason of illness, disability, or other special circumstance, the Committee may consider his or her case and may take such action in respect of the related Stock Appreciation Right Agreement as it may deem appropriate under the circumstances, including accelerating the time previously granted Stock Appreciation Rights may be exercised and extending the time following the Initial Holder's termination of employment during which the Stock Appreciation Right Holder is entitled to exercise the Stock Appreciation Rights, provided that in no event may any Stock Appreciation Right be exercised after the expiration of the term of the Stock Appreciation Right.
- 8:08 If an Initial Holder dies during the term of his or her Stock Appreciation Right without the Stock Appreciation Right having been exercised in full, (i) the executor or administrator of the Stock Appreciation Right Holder's estate or the person who inherits the right to exercise the Stock Appreciation Right by bequest or inheritance in the event the Initial Holder was the Stock Appreciation Right Holder at the date of death or (ii) the Stock Appreciation Right Holder in the event the Stock Appreciation Right had been transferred in accordance with the terms and conditions provided in Section 8:11, shall have the right within three years of the Initial Holder's death to exercise the Stock Appreciation Rights that the deceased Initial Holder (or the Stock Appreciation Right Holder, as the case may be) was entitled to purchase at the date of death, after which the Stock Appreciation Right shall lapse, provided that in no event may any Stock Appreciation Right be exercised after the expiration of the term of the Stock Appreciation Right.
- 8:09 If an Initial Holder's employment is terminated without his or her Stock Appreciation Rights having been exercised in full and (i) the Initial Holder is 62 years of age or older, or (ii) the Initial Holder has been employed by the Corporation or any of its subsidiaries for at least 10 years and the Initial

Holder's age plus years of such employment total not less than 55 years, then such Initial Holder (or the Stock Appreciation Right Holder in the event the Stock Appreciation Right had been transferred in accordance with the terms and conditions provided in Section 8:11) shall have the right within three years of the Initial Holder's termination of employment to exercise the Stock Appreciation Rights that the Initial Holder (or Stock Appreciation Right Holder, as the case may be) was entitled to exercise at the date of termination, after which the Stock Appreciation Right shall lapse, provided that in no event may any Stock Appreciation Right be exercised after the expiration of the term of the Stock Appreciation Right.

- 8:10 The granting of a Stock Appreciation Right pursuant to the Plan shall not constitute or be evidence of any agreement or understanding, expressed or implied, on the part of the Corporation or any of its subsidiaries to employ the Initial Holder for any specified period.
- 8:11 The Committee may provide, in the original grant of a Stock Appreciation Right or in an amendment or supplement to a previous grant, that some or all of the Stock Appreciation Rights granted under the Plan are transferable by the Initial Holder to an Immediate Family Member of the Initial Holder, provided that (i) the Stock Appreciation Right Agreement, as it may be amended from time to time, expressly so provides or the Committee otherwise designates the Stock Appreciation Right as transferable, (ii) the transfer by the Initial Holder is a bona fide gift without consideration, (iii) the transfer is irrevocable, (iv) the Initial Holder and any such transferee provides such documentation or other information concerning the transfer or the transferee as the Committee or any employee of the Corporation acting on behalf of the Committee may from time to time request, and (v) the Initial Holder or the Stock Appreciation Right Holder complies with all of the terms and conditions (including, without limitation, any further restrictions or limitations) included in the Stock Appreciation Right Agreement. Any Stock Appreciation Right transferred in accordance with the terms and conditions provided in this Section 8:11 shall continue to be subject to the same terms and conditions that were applicable to such Stock Appreciation Right prior to the transfer. Notwithstanding any other provisions of the Plan, the Corporation shall not be required to honor any exercise of a Stock Appreciation Right by an Immediate Family Member of a Stock Appreciation Right transferred in accordance with the terms and conditions provided in this Section 8:11 unless and until payment or provision for payment of any applicable withholding taxes has been made.

ARTICLE 9:00

Methods of Exercise of Stock Appreciation Rights

- 9:01 A Stock Appreciation Right Holder (or other person or persons, if any, entitled to exercise a Stock Appreciation Right hereunder) desiring to exercise a Stock Appreciation Right granted pursuant to the Plan shall notify the Corporation in writing at its principal office at 701 East Joppa Road, Towson, Maryland 21286, to that effect, specifying the number of Stock Appreciation Rights to be exercised. Such written notice may be given by means of a facsimile transmission. If a facsimile transmission is used, the Stock Appreciation Right Holder should mail the original executed copy of the written notice to the Corporation promptly thereafter.
- 9:02 The Committee in its sole and absolute discretion shall determine whether a Stock Appreciation Right shall be settled upon exercise in cash or in shares of Common Stock. The Committee, in making such a determination, may from time to time adopt general guidelines or determinations as to whether Stock Appreciation Rights shall be settled in cash or in shares of Common Stock.

Limited Stock Appreciation Rights

- 10:01 Notwithstanding any other provision of the Plan, the Committee, in its sole and absolute discretion, may grant Limited Stock Appreciation Rights entitling Option Holders to receive, in connection with a Change in Control (as defined in Section 10:02), a cash payment in cancellation of all of their Options that are outstanding on the date the Change in Control occurs (whether or not such Options are then presently exercisable), which payment shall be equal to the number of shares covered by the cancelled Options multiplied by the excess over the exercise price of the Options of the higher of the (i) Fair Market Value of a share of Common Stock on the date of the Change in Control or (ii) the highest per share price paid for the shares of Common Stock in connection with the Change in Control (with the value of any noncash consideration paid in connection with the Change in Control to be determined by the Committee in its sole and absolute discretion and if the Committee, in its sole and absolute discretion, determines that such valuation will comply with Section 409A of the Code). For purposes of this Section 10:01 as well as the other provisions of this Plan, once an Option or portion of an Option has terminated, lapsed or expired, or has been abandoned, in accordance with the provisions of the Plan, the Option (or the portion of the Option) that has terminated, lapsed or expired, or has been abandoned, shall cease to be outstanding. Limited Stock Appreciation Rights shall not be exercisable at the discretion of the Option Holder but shall automatically be exercised upon a Change in Control.
- 10:02 A “Change in Control” shall mean a change in control of the Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act, whether or not the Corporation is in fact required to comply therewith, provided that, without limitation, such a change in control shall be deemed to have occurred if (A) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its subsidiaries, or a corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation’s then outstanding securities; or (B) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors and any new director (other than a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in clauses (A) or (D) of this Section 10.02) whose election by the Board of Directors or nomination for election by the Corporation’s stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; (C) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; or (D) the stockholders of the Corporation approve a merger, share exchange or consolidation of the Corporation with any other corporation, other than a merger, share exchange or consolidation that would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the combined voting power of the voting securities of the Corporation or such surviving entity outstanding immediately after such merger, share exchange or consolidation, or the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all the Corporation’s assets.
- 10:03 Limited Stock Appreciation Rights shall be nontransferable and nonassignable, except that Limited Stock Appreciation Rights shall automatically be transferred and assigned in tandem with a transfer of

ARTICLE 11:00

Terms and Conditions of Cash Appreciation Rights

- 11:01 Cash Appreciation Rights may be granted concurrently with Options or Stock Appreciation Rights granted pursuant to the Plan in the sole and absolute discretion of the Committee. If Cash Appreciation Rights are granted to an Initial Holder, the number of Cash Appreciation Rights granted to the Initial Holder shall equal the number of shares of Common Stock that may be purchased upon exercise of the related Option or the number of Stock Appreciation Rights granted, as the case may be.
- 11:02 Cash Appreciation Rights shall entitle the Initial Holder or the Option Holder, as the case may be, subject to the terms and conditions of the Plan including but not limited to the limitations set forth in Section 11:03, to receive from the Corporation or the subsidiary employing the Initial Holder upon exercise of all or part of the related Option or Stock Appreciation Right, as the case may be, or in the case of Options granted in tandem with Stock Appreciation Rights upon the surrender of all or part of the related Option granted in exchange for the exercise of Stock Appreciation Rights granted to the Initial Holder pursuant to the Plan, whether or not such exercise or surrender was by the Initial Holder or a permitted transferee, a payment in cash equal to the sum of (i) the increase in income taxes, if any, incurred by the Initial Holder or the Option Holder, as the case may be, as a result of the full or partial exercise of the related Option or Stock Appreciation Right, as the case may be, and (ii) the increase in income taxes, if any, incurred by the Initial Holder or the Option Holder, as the case may be, as a result of receipt of this cash payment.
- 11:03 In no event shall the payment in respect of a Cash Appreciation Right exceed the increase, if any, of the Fair Market Value of a share of Common Stock on the date of exercise of the related Option or Stock Appreciation Right, as the case may be, over the exercise price per share of the related Option or the Stock Appreciation Right Base Price of the related Stock Appreciation Right, as the case may be.
- 11:04 Except as otherwise contemplated in this Article 11:00, Cash Appreciation Rights shall be nontransferable and nonassignable.

ARTICLE 12:00

Amendments and Discontinuance of the Plan

- 12:01 The Board of Directors shall have the right at any time and from time to time to amend, modify, or discontinue the Plan provided that, except as provided in Section 5:03, no such amendment, modification, or discontinuance of the Plan shall (i) revoke or alter the terms of any valid Option, Stock Appreciation Right, Limited Stock Appreciation Right, or Cash Appreciation Right previously granted pursuant to the Plan, (ii) increase the number of shares of Common Stock to be reserved for issuance and sale pursuant to Options or Stock Appreciation Rights granted pursuant to the Plan, (iii) decrease the price determined pursuant to the provisions of Section 6:02 or increase the amount of cash or shares of Common Stock that a Stock Appreciation Right Holder is entitled to receive upon exercise of a Stock Appreciation Right, (iv) change the class of employee to whom Options or Stock Appreciation Rights may be granted pursuant to the Plan, or (v) provide for Options or Stock Appreciation Rights exercisable more than 10 years after the date granted.

ARTICLE 13:00

Plan Subject to Governmental Laws and Regulations

13:01 The Plan and the grant and exercise of Options, Stock Appreciation Rights, Limited Stock Appreciation Rights, and Cash Appreciation Rights pursuant to the Plan shall be subject to all applicable governmental laws and regulations. Notwithstanding any other provision of the Plan to the contrary, the Board of Directors may in its sole and absolute discretion make such changes in the Plan as may be required to conform the Plan to such laws and regulations.

ARTICLE 14:00

Duration of the Plan

14:01 No Option or Stock Appreciation Right shall be granted pursuant to the Plan after the close of business on February 19, 2002.

THE BLACK & DECKER 1996 STOCK OPTION PLAN

The proper execution of the duties and responsibilities of the executives and other key employees of The Black & Decker Corporation and its subsidiaries is a vital factor in the continued growth and success of the Corporation. Toward this end, it is necessary to attract and retain effective and capable employees to assume positions that contribute materially to the successful operation of the business of the Corporation. It will benefit the Corporation, therefore, to bind the interests of these persons more closely to its own interests by offering them an attractive opportunity to acquire a proprietary interest in the Corporation and thereby provide them with added incentive to remain in its employ and to increase the prosperity, growth, and earnings of the Corporation. This stock option plan will serve these purposes.

ARTICLE 1:00**Definitions**

The following terms wherever used herein shall have the meanings set forth below.

- 1:01 The term “Board of Directors” shall mean the Board of Directors of the Corporation.
- 1:02 The term “Change in Control” shall have the meaning provided in Section 10:02 of the Plan.
- 1:03 The term “Code” shall mean the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.
- 1:04 The term “Committee” shall mean the Compensation Committee of the Board of Directors.
- 1:05 The term “Common Stock” shall mean the shares of common stock, par value \$.50 per share, of the Corporation.
- 1:06 The term “Corporation” shall mean The Black & Decker Corporation.
- 1:07 The term “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.
- 1:08 The term “Fair Market Value of a share of Common Stock” shall mean the average of the high and low sale price per share of Common Stock as finally reported in the New York Stock Exchange Composite Transactions for the New York Stock Exchange, or if shares of Common Stock are not sold on such date, the average of the high and low sale price per share of Common Stock as finally reported in the New York Stock Exchange Composite Transactions for the New York Stock Exchange for the most recent prior date on which shares of Common Stock were sold.
- 1:09 The term “Immediate Family Member” shall mean each of (i) the children, step children or grandchildren of the Initial Holder, (ii) the spouse or any parent of the Initial Holder, (iii) any trust solely for the benefit of any such family members, and (iv) any partnership or other entity in which such family members are the only partners or other equity holders.
- 1:10 The term “Incentive Stock Option” shall mean any Option granted pursuant to the Plan that is designated as an Incentive Stock Option and that satisfies the requirements of Section 422(b) of the Code.
- 1:11 The term “Initial Holder,” with respect to an Option or Right granted under the Plan, shall mean the executive or other key employee of the Corporation granted the Option or Right.
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- 1:12 The term “Limited Stock Appreciation Right” shall mean a limited tandem stock appreciation right that entitles the holder to receive cash upon a Change in Control pursuant to Article 10:00 of the Plan.
- 1:13 The term “Nonqualified Stock Option” shall mean any Option granted pursuant to the Plan that is not an Incentive Stock Option.
- 1:14 The term “Option” or “Stock Option” shall mean a right granted pursuant to the Plan to purchase shares of Common Stock, and shall include the terms Incentive Stock Option and Nonqualified Stock Option.
- 1:15 The term “Option Agreement” shall mean the written agreement representing Options granted pursuant to the Plan as contemplated by Article 6:00 of the Plan.
- 1:16 The term “Option Holder” shall mean the Initial Holder so long as he or she holds an Option initially granted to the Initial Holder, and thereafter shall mean the beneficiary or the Immediate Family Member to whom the Option has been transferred in accordance with Section 6:05.
- 1:17 The term “Plan” shall mean The Black & Decker 1996 Stock Option Plan as approved by the Board of Directors on February 14, 1996, and adopted by the stockholders of the Corporation at the 1996 Annual Meeting of Stockholders, as the same may be amended from time to time.
- 1:18 The term “Rights” shall include Stock Appreciation Rights and Limited Stock Appreciation Rights.
- 1:19 The term “Section 162(m) Regulations” shall mean the regulations adopted pursuant to Section 162(m) of the Code.
- 1:20 The term “Stock Appreciation Right” shall mean a right to receive cash or shares of Common Stock pursuant to Article 8:00 of the Plan.
- 1:21 The term “Stock Appreciation Right Agreement” shall mean the written agreement representing Stock Appreciation Rights granted pursuant to the Plan as contemplated by Article 8:00 of the Plan.
- 1:22 The term “Stock Appreciation Right Base Price” shall mean the base price for determining the value of a Stock Appreciation Right under Section 8:02, which Stock Appreciation Right Base Price shall be established by the Committee at the time of the grant of Stock Appreciation Rights pursuant to the Plan and shall not be less than the Fair Market Value of a share of Common Stock on the date of grant. If the Committee does not establish a specific Stock Appreciation Right Base Price at the time of grant, the Stock Appreciation Right Base Price shall be equal to the Fair Market Value of a share of Common Stock on the date of grant of the Stock Appreciation Right.
- 1:23 The term “Stock Appreciation Right Holder” shall mean the Initial Holder so long as he or she holds a Stock Appreciation Right initially granted to the Initial Holder, and thereafter shall mean the beneficiary or the Immediate Family Member to whom the Stock Appreciation Right has been transferred in accordance with Section 8:05.
- 1:24 The term “subsidiary” or “subsidiaries” shall mean a corporation of which capital stock possessing 50% or more of the total combined voting power of all classes of its capital stock entitled to vote generally in the election of directors is owned in the aggregate by the Corporation directly or indirectly through one or more subsidiaries.

ARTICLE 2:00

Effective Date of the Plan

2:01 The Plan shall become effective upon stockholder approval, provided that such approval is received on or before May 31, 1996, and provided further that the Committee may grant Options or Rights pursuant to the Plan prior to stockholder approval if such Options or Rights by their terms are contingent upon subsequent stockholder approval of the Plan.

ARTICLE 3:00

Administration

3:01 The Plan shall be administered by the Committee.

3:02 The Committee may establish, from time to time and at any time, subject to the limitations of the Plan as set forth herein, such rules and regulations and amendments and supplements thereto as it deems necessary to comply with applicable law and regulation and for the proper administration of the Plan.

3:03 The Committee shall from time to time determine the names of those executives and other key employees who, in its opinion, should receive Options or Rights, and shall determine the numbers of shares on which Options should be granted or upon which Rights should be based to each such person and the nature of the Options or Rights to be granted, including without limitation whether the Options or Rights shall be transferable in accordance with the terms and conditions provided in Section 6:12 or Section 8:11.

3:04 Options and Rights shall be granted by the Corporation only upon the prior approval of the Committee and upon the execution of an Option Agreement or Stock Appreciation Right Agreement between the Corporation and the Initial Holder.

3:05 The Committee's interpretation and construction of the provisions of the Plan and the rules and regulations adopted by the Committee shall be final. No member of the Committee or the Board of Directors shall be liable for any action taken or determination made, in respect of the Plan, in good faith.

ARTICLE 4:00

Participation in the Plan

4:01 Participation in the Plan shall be limited to such executives and other key employees of the Corporation and its subsidiaries who at the date of grant of an Option or Right are regular, full-time employees of the Corporation or any of its subsidiaries and who shall be designated by the Committee together with any permitted transferees in accordance with the terms and conditions of the Plan.

4:02 No member of the Board of Directors who is not also an employee shall be eligible to participate in the Plan. No employee who owns beneficially more than 10% of the total combined voting power of all classes of stock of the Corporation shall be eligible to participate in the Plan.

4:03 No employee may be granted, in any calendar year, Options or Stock Appreciation Rights exceeding 500,000 in the aggregate under the Plan.

ARTICLE 5:00

Stock Subject to the Plan

- 5:01 There shall be reserved for the granting of Options or Stock Appreciation Rights pursuant to the Plan and for issuance and sale pursuant to such Options or Stock Appreciation Rights 10,400,000 shares of Common Stock. To determine the number of shares of Common Stock available at any time for the granting of Options or Stock Appreciation Rights, there shall be deducted from the total number of reserved shares of Common Stock the number of shares of Common Stock in respect of which Options have been granted pursuant to the Plan that are still outstanding or have been exercised. The shares of Common Stock to be issued upon the exercise of Options or Stock Appreciation Rights granted pursuant to the Plan shall be made available from the authorized and unissued shares of Common Stock. If for any reason shares of Common Stock as to which an Option has been granted cease to be subject to purchase thereunder, then such shares of Common Stock again shall be available for issuance pursuant to the exercise of Options or Stock Appreciation Rights pursuant to the Plan. Except as provided in Section 5:03, however, the aggregate number of shares of Common Stock that may be issued upon the exercise of Options and Stock Appreciation Rights pursuant to the Plan shall not exceed 10,400,000 shares and no more than 10,400,000 Stock Appreciation Rights shall be granted pursuant to the Plan.
- 5:02 Proceeds from the purchase of shares of Common Stock upon the exercise of Options granted pursuant to the Plan shall be used for the general business purposes of the Corporation.
- 5:03 Subject to the provisions of Section 10:01, in the event of reorganization, recapitalization, stock split, stock dividend, combination of shares of Common Stock, merger, consolidation, share exchange, acquisition of property or stock, or any change in the capital structure of the Corporation, the Committee shall make such adjustments as may be appropriate in the number of Options or Stock Appreciation Rights that may be granted to an employee in any calendar year, in the number and kind of shares reserved for purchase by executives or other key employees, in the number, kind and price of shares covered by Options and Stock Appreciation Rights granted pursuant to the Plan but not then exercised, and in the number of Rights, if any, granted pursuant to the Plan but not then exercised.

ARTICLE 6:00

Terms and Conditions of Options

- 6:01 Each Option granted pursuant to the Plan shall be evidenced by an Option Agreement in such form and with such terms and conditions (including, without limitation, noncompete, confidentiality or other similar provisions or provisions relating to transfer) as the Committee from time to time may determine. The right of an Option Holder to exercise his, her or its Option shall at all times be subject to the terms and conditions set forth in the respective Option Agreement.
- 6:02 The exercise price per share for Options shall be established by the Committee at the time of the grant of Options pursuant to the Plan and shall not be less than the Fair Market Value of a share of Common Stock on the date on which the Option is granted. If the Committee does not establish a specific exercise price per share at the time of grant, the exercise price per share shall be equal to the Fair Market Value of a share of Common Stock on the date of grant of the Options.
- 6:03 Each Option, subject to the other limitations set forth in the Plan, may extend for a period of up to 10 years from the date on which it is granted. The term of each Option shall be determined by the Committee at the time of grant of the Option, provided that if no term is established by the Committee the term of the Option shall be 10 years from the date on which it is granted.

- 6:04 Unless otherwise provided by the Committee, the number of shares of Common Stock subject to each Option shall be divided into four installments of 25% each. The first installment shall be exercisable 12 months after the date the Option was granted, and each succeeding installment shall be exercisable 12 months after the date the immediately preceding installment became exercisable. If an Option Holder does not purchase the full number of shares of Common Stock that he, she or it at any time has become entitled to purchase, the Option Holder may purchase all or any part of those shares of Common Stock at any subsequent time during the term of the Option.
- 6:05 Options shall be nontransferable and nonassignable, except that (i) Options may be transferred by testamentary instrument or by the laws of descent and distribution, and (ii) subject to the terms and conditions of the Option Agreement or any other terms and conditions imposed by the Committee from time to time, Options may be transferred in accordance with the terms and conditions provided in Section 6:12 if the applicable Option Agreement or other action of the Committee expressly provides that the Options are transferable.
- 6:06 Upon voluntary or involuntary termination of an Initial Holder's employment, his or her Option (including any Option transferred in accordance with the terms and conditions provided in Section 6:12) and all rights thereunder shall terminate effective at the close of business on the date the Initial Holder ceases to be a regular, full-time employee of the Corporation or any of its subsidiaries, except (i) to the extent previously exercised, (ii) as provided in Sections 6:07, 6:08, and 6:09, and (iii) in the case of involuntary termination of employment, for a period of 30 days thereafter the Option Holder shall be entitled to exercise that portion of the Option that was exercisable at the close of business on the date the Initial Holder ceased to be a regular, full-time employee of the Corporation or any of its subsidiaries, provided that in no event may any Option be exercised after the expiration of the term of the Option.
- 6:07 In the event an Initial Holder (i) ceases to be an executive or other key employee of the Corporation or any of its subsidiaries due to involuntary termination, (ii) takes a leave of absence from the Corporation or any of its subsidiaries for personal reasons or as a result of entry into the armed forces of the United States, or any of the departments or agencies of the United States government, or (iii) terminates employment by reason of illness, disability, or other special circumstance, the Committee may consider his or her case and may take such action in respect of the related Option Agreement as it may deem appropriate under the circumstances, including accelerating the time previously granted Options may be exercised and extending the time following the Initial Holder's termination of employment during which the Option Holder is entitled to purchase the shares of Common Stock subject to such Options, provided that in no event may any Option be exercised after the expiration of the term of the Option.
- 6:08 If an Initial Holder dies during the term of his or her Option without the Option having been exercised in full, (i) the executor or administrator of his or her estate or the person who inherits the right to exercise the Option by bequest or inheritance in the event the Initial Holder was the Option Holder at the date of death or (ii) the Option Holder in the event the Option had been transferred in accordance with the terms and conditions provided in Section 6:12, shall have the right within three years of the Initial Holder's death to purchase the number of shares of Common Stock that the deceased Initial Holder (or Option Holder, as the case may be) was entitled to purchase at the date of death, after which the Option shall lapse, provided that in no event may any Option be exercised after the expiration of the term of the Option.
- 6:09 If an Initial Holder's employment is terminated without his or her Option having been exercised in full and (i) the Initial Holder is 62 years of age or older, or (ii) the Initial Holder has been employed by the Corporation or any of its subsidiaries for at least 10 years and the Initial Holder's age plus years of such employment total not less than 55 years, then such Initial Holder (or the Option Holder in the event the Option had been transferred in accordance with the terms and conditions provided in Section 6:12) shall have the right within three years of the Initial Holder's termination of employment to purchase the number of shares of Common Stock that the Initial Holder (or Option Holder, as the case may be) was entitled to purchase at the date of termination, after which the

Option shall lapse, provided that in no event may any Option be exercised after the expiration of the term of the Option.

- 6:10 The granting of an Option pursuant to the Plan shall not constitute or be evidence of any agreement or understanding, express or implied, on the part of the Corporation or any of its subsidiaries to employ the Initial Holder for any specified period.
- 6:11 In addition to the general terms and conditions set forth in this Article 6:00 in respect of Options granted pursuant to the Plan, Incentive Stock Options granted pursuant to the Plan shall be subject to the following additional terms and conditions:
- (a) The aggregate fair market value (determined at the time the Incentive Stock Option is granted) of the shares of Common Stock in respect of which “incentive stock options” are exercisable for the first time by the Option Holder during any calendar year (under all such plans of the Corporation and its subsidiaries) shall not exceed \$100,000;
 - (b) The Option Agreement in respect of an Incentive Stock Option may contain any other terms and conditions specified by the Board of Directors that are not inconsistent with the Plan, except that such terms and conditions must be consistent with the requirements for “incentive stock options” under Section 422 of the Code; and
 - (c) Incentive Stock Options shall not be transferable in accordance with the terms and conditions provided in Section 6:12.
- 6:12 The Committee may provide, in the original grant of a Nonqualified Stock Option or in an amendment or supplement to a previous grant, that some or all of the Nonqualified Stock Options granted under the Plan are transferable by the Initial Holder to an Immediate Family Member of the Initial Holder, provided that (i) the Option Agreement, as it may be amended from time to time, expressly so provides or the Committee otherwise designates the Option as transferable, (ii) the transfer by the Initial Holder is a bona fide gift without consideration, (iii) the transfer is irrevocable, (iv) the Initial Holder and any such transferee provides such documentation or other information concerning the transfer or the transferee as the Committee or any employee of the Corporation acting on behalf of the Committee may from time to time request, and (v) the Initial Holder or the Option Holder complies with all of the terms and conditions (including, without limitation, any further restrictions or limitations) included in the Option Agreement. Any Nonqualified Stock Option transferred in accordance with the terms and conditions provided in this Section 6:12 shall continue to be subject to the same terms and conditions that were applicable to such Nonqualified Stock Option prior to the transfer. Notwithstanding any other provisions of the Plan, the Corporation shall not be required to honor any exercise of an Option by an Immediate Family Member of an Option transferred in accordance with the terms and conditions provided in this Section 6:12 unless and until payment or provision for payment of any applicable withholding taxes has been made.

ARTICLE 7:00

Methods of Exercise of Options

- 7:01 An Option Holder (or other person or persons, if any, entitled to exercise an Option hereunder) desiring to exercise an Option granted pursuant to the Plan as to all or part of the shares of Common Stock covered by the Option shall (i) notify either the Corporation at its principal office at 701 East Joppa Road, Towson, Maryland 21286, or the third party retained by the Corporation to administer the Plan to that effect, specifying the number of shares of Common Stock to be purchased and the method of payment therefor, and (ii) make payment or provision for payment for the shares of Common Stock so purchased in accordance with this Article 7:00.
- 7:02 Payment or provision for payment shall be made as follows:

- (a) The Option Holder shall deliver to the Corporation at the address set forth in Section 7:01 United States currency in an amount equal to the aggregate purchase price of the shares of Common Stock as to which such exercise relates; or
- (b) The Option Holder shall tender to the Corporation shares of Common Stock already owned by the Option Holder that, together with any cash tendered therewith, have an aggregate fair market value (determined based on the Fair Market Value of a share of Common Stock on the date the notice set forth in Section 7:01 is received by the Corporation) equal to the aggregate purchase price of the shares of Common Stock as to which such exercise relates; or
- (c) The Option Holder shall deliver irrevocable instructions to a broker to deliver promptly to the Corporation the amount of sale or loan proceeds necessary to pay the aggregate purchase price of the shares of Common Stock as to which such exercise relates and to sell the shares of Common Stock to be issued upon exercise of the Option and deliver the cash proceeds less commissions and brokerage fees to the Option Holder or to deliver the remaining shares of Common Stock to the Option Holder.

Notwithstanding the foregoing provisions, the Committee, in granting Options pursuant to the Plan, may limit the methods in which an Option may be exercised by any person and, in processing any purported exercise of an Option granted pursuant to the Plan, may refuse to recognize the method of exercise selected by the Option Holder (other than the method of exercise set forth in Section 7:02(a)) if, (A) in the opinion of counsel to the Corporation, (i) the Initial Holder or the Option Holder is or within the six months preceding such exercise was subject to reporting under Section 16(a) of the Exchange Act and (ii) there is a substantial likelihood that the method of exercise selected by the Option Holder would subject the Initial Holder or the Option Holder to a substantial risk of liability under Section 16 of the Exchange Act, (B) in the opinion of the Committee, the method of exercise could have an adverse tax or accounting effect to the Corporation, or (C) in the opinion of counsel to the Corporation, the method of exercise selected by the Option Holder would subject the Corporation to a risk of liability under the Exchange Act.

7:03 In addition to the alternative methods of exercise set forth in Section 7:02, holders of Nonqualified Stock Options shall be entitled, at or prior to the time the notice provided for in Section 7:01 is provided to the Corporation, to elect to have the Corporation withhold from the shares of Common Stock to be delivered upon exercise of the Nonqualified Stock Option that number of shares of Common Stock (determined based on the Fair Market Value of a share of Common Stock on the date the notice set forth in Section 7:01 is received by the Corporation) necessary to satisfy any withholding taxes attributable to the exercise of the Nonqualified Stock Option. The maximum number of shares that an Option Holder may elect to have withheld from the shares of Common Stock otherwise deliverable upon exercise shall be the number of shares that have an aggregate fair market value (based on the Fair Market Value of a share of Common Stock on the date of exercise) equal to the dollar amount of the minimum statutory withholding for federal, state, and local taxes, including payroll taxes, payable by the Option Holder. Alternatively, such holder of a Nonqualified Stock Option may elect to deliver previously owned shares of Common Stock (which shares have been held for at least six months) upon exercise of the Nonqualified Stock Option to satisfy any withholding taxes attributable to the exercise of the Nonqualified Stock Option. Notwithstanding the foregoing provisions, the Committee may include in the Option Agreement relating to any such Nonqualified Stock Option provisions limiting or eliminating the Option Holder's ability to pay his or her withholding tax obligation by withholding or delivering shares of Common Stock or, if no such provisions are included in the Option Agreement but in the opinion of the Committee such withholding or delivery of shares could have an adverse tax or accounting effect to the Corporation, at or prior to exercise of the Nonqualified Stock Option the Committee may so limit or eliminate the Option Holder's ability to pay his or her withholding tax obligation with shares of Common Stock. Notwithstanding the foregoing provisions, a holder of a Nonqualified Stock Option may not elect any of the methods of satisfying his or her withholding tax obligation in respect of any exercise if, in

the opinion of counsel to the Corporation, (i) the Initial Holder or the holder of the Nonqualified Stock Option is or within the six months preceding such exercise was subject to reporting under Section 16(a) of the Exchange Act and (ii) there is a substantial likelihood that the election or timing of the election would subject the Initial Holder or the holder of the Nonqualified Stock Option to a substantial risk of liability under Section 16 of the Exchange Act.

- 7:04 An Option Holder at any time may elect in writing to abandon an Option in respect of all or part of the number of shares of Common Stock as to which the Option shall not have been exercised.
- 7:05 An Option Holder shall have none of the rights of a stockholder of the Corporation until the shares of Common Stock covered by the Option are issued upon exercise of the Option.

ARTICLE 8:00

Terms and Conditions of Stock Appreciation Rights

- 8:01 Each Stock Appreciation Right granted pursuant to the Plan shall be evidenced by a Stock Appreciation Right Agreement in such form and with such terms and conditions (including, without limitation, noncompete, confidentiality or other similar provisions or provisions relating to transfer) as the Committee from time to time may determine. Notwithstanding the foregoing provision, Stock Appreciation Rights granted in tandem with a related Option shall be evidenced by the Option Agreement in respect of the related Option. The right of a Stock Appreciation Right Holder to exercise his, her or its Stock Appreciation Right shall at all times be subject to the terms and conditions set forth in the respective Stock Appreciation Right Agreement.
- 8:02 Each Stock Appreciation Right shall entitle the holder, subject to the terms and conditions of the Plan, to receive upon exercise of the Stock Appreciation Right an amount, payable in cash or shares of Common Stock (determined based on the Fair Market Value of a share of Common Stock on the date the notice set forth in Section 9:01 is received by the Corporation), equal to the Fair Market Value of a share of Common Stock on the date of receipt by the Corporation of the notice required by Section 9:01 less the Stock Appreciation Right Base Price. Notwithstanding the foregoing provision, each Stock Appreciation Right that is granted in tandem with a related Option shall entitle the holder, subject to the terms and conditions of the Plan, to surrender to the Corporation for cancellation all or a portion of the related Option, but only to the extent such Stock Appreciation Right and related Option then are exercisable, and to be paid therefor an amount, payable in cash or shares of Common Stock (determined based on the Fair Market Value of a share of Common Stock on the date the notice set forth in Section 9:01 is received by the Corporation), equal to the Fair Market Value of a share of Common Stock on the date of receipt by the Corporation of the notice required by Section 9:01 less the Stock Appreciation Right Base Price.
- 8:03 Each Stock Appreciation Right, subject to the other limitations set forth in the Plan, may extend for a period of up to 10 years from the date on which it is granted. The term of each Stock Appreciation Right shall be determined by the Committee at the time of grant of the Stock Appreciation Right, provided that if no term is established by the Committee the term of the Stock Appreciation Right shall be 10 years from the date on which it is granted.
- 8:04 Unless otherwise provided by the Committee, the number of Stock Appreciation Rights granted pursuant to each Stock Appreciation Right Agreement shall be divided into four installments of 25% each. The first installment shall be exercisable 12 months after the date the Stock Appreciation Right was granted, and each succeeding installment shall be exercisable 12 months after the date the immediately preceding installment became exercisable. If a Stock Appreciation Right Holder does not exercise the Stock Appreciation Right to the extent that he, she or it at any time has become entitled to exercise the Stock Appreciation Right, the Stock Appreciation Right Holder may exercise all or any part of the Stock Appreciation Right at any subsequent time during the term of the Stock Appreciation Right.

- 8:05 Stock Appreciation Rights shall be nontransferable and nonassignable, except that (i) Stock Appreciation Rights may be transferred by testamentary instrument or by the laws of descent and distribution, and (ii) subject to the terms and conditions of the Stock Appreciation Right Agreement or any other terms and conditions imposed by the Committee from time to time, Stock Appreciation Rights may be transferred in accordance with the terms and conditions provided in Section 8:11 if the applicable Stock Appreciation Right Agreement or other action of the Committee expressly provides that the Stock Appreciation Rights are transferable.
- 8:06 Upon voluntary or involuntary termination of an Initial Holder's employment, his or her Stock Appreciation Rights (including any Stock Appreciation Rights transferred in accordance with the terms and conditions provided in Section 8:11) and all rights thereunder shall terminate effective as of the close of business on the date the Initial Holder ceases to be a regular, full-time employee of the Corporation or any of its subsidiaries, except (i) to the extent previously exercised, (ii) as provided in Sections 8:07, 8:08, and 8:09, and (iii) in the case of involuntary termination of employment, for a period of 30 days thereafter the Stock Appreciation Right Holder shall be entitled to exercise that portion of each Stock Appreciation Right that was exercisable at the close of business on the date the Initial Holder ceased to be a regular, full-time employee of the Corporation or any of its subsidiaries.
- 8:07 In the event an Initial Holder (i) ceases to be an executive or other key employee of the Corporation or any of its subsidiaries due to involuntary termination, (ii) takes a leave of absence from the Corporation or any of its subsidiaries for personal reasons or as a result of entry into the armed forces of the United States, or any of the departments or agencies of the United States government, or (iii) terminates employment by reason of illness, disability, or other special circumstance, the Committee may consider his or her case and may take such action in respect of the related Stock Appreciation Right Agreement as it may deem appropriate under the circumstances, including accelerating the time previously granted Stock Appreciation Rights may be exercised and extending the time following the Initial Holder's termination of employment during which the Stock Appreciation Right Holder is entitled to exercise the Stock Appreciation Rights, provided that in no event may any Stock Appreciation Right be exercised after the expiration of the term of the Stock Appreciation Right.
- 8:08 If an Initial Holder dies during the term of his or her Stock Appreciation Right without the Stock Appreciation Right having been exercised in full, (i) the executor or administrator of his or her estate or the person who inherits the right to exercise the Stock Appreciation Right by bequest or inheritance in the event the Initial Holder was the Stock Appreciation Right Holder at the date of death or (ii) the Stock Appreciation Right Holder in the event the Stock Appreciation Right had been transferred in accordance with the terms and conditions provided in Section 8:11, shall have the right within three years of the Initial Holder's death to exercise the Stock Appreciation Rights that the Initial Holder (or Stock Appreciation Right Holder, as the case may be) was entitled to purchase at the date of death, after which the Stock Appreciation Right shall lapse, provided that in no event may any Stock Appreciation Right be exercised after the expiration of the term of the Stock Appreciation Right.
- 8:09 If an Initial Holder's employment is terminated without his or her Stock Appreciation Right having been exercised in full and (i) the Initial Holder is 62 years of age or older, or (ii) the Initial Holder has been employed by the Corporation or any of its subsidiaries for at least 10 years and the Initial Holder's age plus years of such employment total not less than 55 years, then such Initial Holder (or the Stock Appreciation Right Holder in the event the Stock Appreciation Right had been transferred in accordance with the terms and conditions provided in Section 8:11) shall have the right within three years of the Initial Holder's termination of employment to exercise the Stock Appreciation Rights that the Initial Holder (or Stock Appreciation Right Holder, as the case may be) was entitled to exercise at the date of termination, after which the Stock Appreciation Right shall lapse, provided that in no event may any Stock Appreciation Right be exercised after the expiration of the term of the Stock Appreciation Right.

- 8:10 The granting of a Stock Appreciation Right pursuant to the Plan shall not constitute or be evidence of any agreement or understanding, expressed or implied, on the part of the Corporation or any of its subsidiaries to employ the Initial Holder for any specified period.
- 8:11 The Committee may provide, in the original grant of a Stock Appreciation Right or in an amendment or supplement to a previous grant, that some or all of the Stock Appreciation Rights granted under the Plan are transferable by the Initial Holder to an Immediate Family Member of the Initial Holder, provided that (i) the Stock Appreciation Right Agreement, as it may be amended from time to time, expressly so provides or the Committee otherwise designates the Stock Appreciation Right as transferable, (ii) the transfer by the Initial Holder is a bona fide gift without consideration, (iii) the transfer is irrevocable, (iv) the Initial Holder and any such transferee provides such documentation or other information concerning the transfer or the transferee as the Committee or any employee of the Corporation acting on behalf of the Committee may from time to time request, and (v) the Initial Holder or the Stock Appreciation Right Holder complies with all of the terms and conditions (including, without limitation, any further restrictions or limitations) included in the Stock Appreciation Right Agreement. Any Stock Appreciation Right transferred in accordance with the terms and conditions provided in this Section 8:11 shall continue to be subject to the same terms and conditions that were applicable to such Stock Appreciation Right prior to the transfer. Notwithstanding any other provisions of the Plan, the Corporation shall not be required to honor any exercise of a Stock Appreciation Right by an Immediate Family Member of a Stock Appreciation Right transferred in accordance with the terms and conditions provided in this Section 8:11 unless and until payment or provision for payment of any applicable withholding taxes has been made.

ARTICLE 9:00

Methods of Exercise of Stock Appreciation Rights

- 9:01 A Stock Appreciation Right Holder (or other person or persons, if any, entitled to exercise a Stock Appreciation Right hereunder) desiring to exercise a Stock Appreciation Right granted pursuant to the Plan shall notify the Corporation in writing at its principal office at 701 East Joppa Road, Towson, Maryland 21286, to that effect, specifying the number of Stock Appreciation Rights to be exercised. Such written notice may be given by means of a facsimile transmission. If a facsimile transmission is used, the Stock Appreciation Right Holder should mail the original executed copy of the written notice to the Corporation promptly thereafter.
- 9:02 The Committee in its sole and absolute discretion shall determine whether a Stock Appreciation Right shall be settled upon exercise in cash or in shares of Common Stock. The Committee, in making such a determination, may from time to time adopt general guidelines or determinations as to whether Stock Appreciation Rights shall be settled in cash or in shares of Common Stock.

ARTICLE 10:00

Limited Stock Appreciation Rights

- 10:01 Notwithstanding any other provision of the Plan, the Committee, in its sole and absolute discretion, may grant Limited Stock Appreciation Rights entitling Option Holders to receive, in connection with a Change in Control (as defined in Section 10:02), a cash payment in cancellation of all of their Options that are outstanding on the date the Change in Control occurs (whether or not such Options are then presently exercisable), which payment shall be equal to the number of shares covered by the cancelled Options multiplied by the excess over the exercise price of the Options of the higher of the (i) Fair Market Value of a share of Common Stock on the date of the Change in Control or (ii) the highest per share price paid for the shares of Common Stock in connection with the Change in Control (with the value of any noncash consideration paid in connection with the Change in Control to be determined by the Committee in its sole and absolute discretion and if the Committee, in its sole and absolute discretion, determines that such valuation will comply with Section 409A of the

Code). For purposes of this Section 10:01 as well as the other provisions of this Plan, once an Option or portion of an Option has terminated, lapsed or expired, or has been abandoned, in accordance with the provisions of the Plan, the Option (or the portion of the Option) that has terminated, lapsed or expired, or has been abandoned, shall cease to be outstanding. Limited Stock Appreciation Rights shall not be exercisable at the discretion of the Option Holder but shall automatically be exercised upon a Change in Control.

- 10:02 A "Change in Control" shall mean a change in control of the Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act, whether or not the Corporation is in fact required to comply therewith, provided that, without limitation, such a change in control shall be deemed to have occurred if (A) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its subsidiaries, or a corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities; or (B) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors and any new director (other than a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in clauses (A) or (D) of this Section 10.02) whose election by the Board of Directors or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; (C) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; or (D) the stockholders of the Corporation approve a merger, share exchange or consolidation of the Corporation with any other corporation, other than a merger, share exchange or consolidation that would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the combined voting power of the voting securities of the Corporation or such surviving entity outstanding immediately after such merger, share exchange or consolidation, or the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all the Corporation's assets.
- 10:03 Limited Stock Appreciation Rights shall be nontransferable and nonassignable, except that Limited Stock Appreciation Rights shall automatically be transferred and assigned in tandem with a transfer of the related Options in accordance with Section 6:05.

ARTICLE 11:00

Amendments and Discontinuance of the Plan

- 11:01 The Board of Directors shall have the right at any time and from time to time to amend, modify, or discontinue the Plan provided that, except as provided in Section 5:03, no such amendment, modification, or discontinuance of the Plan shall (i) revoke or alter the terms of any valid Option, Stock Appreciation Right, or Limited Stock Appreciation Right previously granted pursuant to the Plan, (ii) increase the number of shares of Common Stock to be reserved for issuance and sale pursuant to Options or Stock Appreciation Rights granted pursuant to the Plan, (iii) decrease the price determined pursuant to the provisions of Section 6:02 or increase the amount of cash or shares of Common Stock that a Stock Appreciation Right Holder is entitled to receive upon exercise of a Stock Appreciation Right, (iv) change the class of employee to whom Options or Stock Appreciation Rights may be granted pursuant to the Plan, or (v) provide for Options or Stock Appreciation Rights exercisable more than 10 years after the date granted. If an amendment would (i) materially increase

the benefits accruing to participants under the Plan, (ii) materially increase the aggregate number of securities that may be issued under the Plan, or (iii) materially modify the requirements as to eligibility for participation in the Plan, then to the extent required by applicable law or deemed necessary or advisable by the Committee or the Board of Directors, the amendment shall be subject to stockholder approval.

ARTICLE 12:00

Plan Subject to Governmental Laws and Regulations

12:01 The Plan and the grant and exercise of Options, Stock Appreciation Rights, and Limited Stock Appreciation Rights pursuant to the Plan shall be subject to all applicable governmental laws and regulations. Notwithstanding any other provision of the Plan to the contrary, the Board of Directors may in its sole and absolute discretion make such changes in the Plan as may be required to conform the Plan to such laws and regulations.

ARTICLE 13:00

Duration of the Plan

13:01 No Option or Stock Appreciation Right shall be granted pursuant to the Plan after the close of business on February 13, 2006.

THE BLACK & DECKER 2003 STOCK OPTION PLAN

The proper execution of the duties and responsibilities of the executives and other key employees of The Black & Decker Corporation and its subsidiaries is a vital factor in the continued growth and success of the Corporation. Toward this end, it is necessary to attract and retain effective and capable employees to assume positions that contribute materially to the successful operation of the business of the Corporation. It will benefit the Corporation, therefore, to bind the interests of these persons more closely to its own interests by offering them an attractive opportunity to acquire a proprietary interest in the Corporation and thereby provide them with added incentive to remain in its employ and to increase the prosperity, growth, and earnings of the Corporation. This stock option plan will serve these purposes.

ARTICLE 1:00**Definitions**

The following terms wherever used herein shall have the meanings set forth below.

- 1:01 The term "Board of Directors" shall mean the Board of Directors of the Corporation.
- 1:02 The term "Change in Control" shall have the meaning provided in Section 10:02 of the Plan.
- 1:03 The term "Code" shall mean the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.
- 1:04 The term "Committee" shall mean the Compensation Committee of the Board of Directors.
- 1:05 The term "Common Stock" shall mean the shares of common stock, par value \$.50 per share, of the Corporation.
- 1:06 The term "Corporation" shall mean The Black & Decker Corporation.
- 1:07 The term "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.
- 1:08 The term "Fair Market Value of a share of Common Stock" shall mean the average of the high and low sale price per share of Common Stock as finally reported in the New York Stock Exchange Composite Transactions for the New York Stock Exchange, or if shares of Common Stock are not sold on such date, the average of the high and low sale price per share of Common Stock as finally reported in the New York Stock Exchange Composite Transactions for the New York Stock Exchange for the most recent prior date on which shares of Common Stock were sold.
- 1:09 The term "Immediate Family Member" shall mean each of (i) the children, step children or grandchildren of the Initial Holder, (ii) the spouse or any parent of the Initial Holder, (iii) any trust solely for the benefit of any such family members, and (iv) any partnership or other entity in which such family members are the only partners or other equity holders.
- 1:10 The term "Incentive Stock Option" shall mean any Option granted pursuant to the Plan that is designated as an Incentive Stock Option and that satisfies the requirements of Section 422(b) of the Code.
- 1:11 The term "Initial Holder," with respect to an Option or Right granted under the Plan, shall mean the executive or other key employee of the Corporation granted the Option or Right.
- 1:12 The term "Limited Stock Appreciation Right" shall mean a limited tandem stock appreciation right that entitles the holder to receive cash upon a Change in Control pursuant to Article 10:00 of the Plan.
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- 1:13 The term “Non-Qualified Stock Option” shall mean any Option granted pursuant to the Plan that is not an Incentive Stock Option.
- 1:14 The term “Option” or “Stock Option” shall mean a right granted pursuant to the Plan to purchase shares of Common Stock, and shall include the terms Incentive Stock Option and Non-Qualified Stock Option.
- 1:15 The term “Option Agreement” shall mean the written agreement representing Options granted pursuant to the Plan as contemplated by Article 6:00 of the Plan.
- 1:16 The term “Option Holder” shall mean the Initial Holder so long as he or she holds an Option initially granted to the Initial Holder, and thereafter shall mean the beneficiary or the Immediate Family Member to whom the Option has been transferred in accordance with Section 6:05 of the Plan.
- 1:17 The term “Plan” shall mean The Black & Decker 2003 Stock Option Plan as approved by the Board of Directors on February 13, 2003, and adopted by the stockholders of the Corporation at the 2003 Annual Meeting of Stockholders, as the same may be amended from time to time.
- 1:18 The term “Rights” shall include Stock Appreciation Rights and Limited Stock Appreciation Rights.
- 1:19 The term “Section 162(m) Regulations” shall mean the regulations adopted pursuant to Section 162(m) of the Code.
- 1:20 The term “Stock Appreciation Right” shall mean a right to receive cash or shares of Common Stock pursuant to Article 8:00 of the Plan.
- 1:21 The term “Stock Appreciation Right Agreement” shall mean the written agreement representing Stock Appreciation Rights granted pursuant to the Plan as contemplated by Article 8:00 of the Plan.
- 1:22 The term “Stock Appreciation Right Base Price” shall mean the base price for determining the value of a Stock Appreciation Right under Section 8:02 of the Plan, which Stock Appreciation Right Base Price shall be established by the Committee at the time of the grant of Stock Appreciation Rights pursuant to the Plan and shall not be less than the Fair Market Value of a share of Common Stock on the date of grant. If the Committee does not establish a specific Stock Appreciation Right Base Price at the time of grant, the Stock Appreciation Right Base Price shall be equal to the Fair Market Value of a share of Common Stock on the date of grant of the Stock Appreciation Right.
- 1:23 The term “Stock Appreciation Right Holder” shall mean the Initial Holder so long as he or she holds a Stock Appreciation Right initially granted to the Initial Holder, and thereafter shall mean the beneficiary or the Immediate Family Member to whom the Stock Appreciation Right has been transferred in accordance with Section 8:05 of the Plan.
- 1:24 The term “subsidiary” or “subsidiaries” shall mean a corporation, partnership, limited liability company, joint venture, or other legal entity of which the Corporation, either directly or together with any other subsidiary of the Corporation, owns more than 50% of the voting power in the election of directors or their equivalents.

ARTICLE 2:00

Effective Date of the Plan

- 2:01 The Plan shall become effective upon stockholder approval, provided that such approval is received on or before May 31, 2003, and provided further that the Committee may grant Options or Rights pursuant to the Plan prior to stockholder approval if such Options or Rights by their terms are contingent upon subsequent stockholder approval of the Plan.

ARTICLE 3:00

Administration

- 3:01 The Plan shall be administered by the Committee.
- 3:02 The Committee may establish, from time to time and at any time, subject to the limitations of the Plan as set forth herein, such rules and regulations and amendments and supplements thereto as it deems necessary to comply with applicable law and regulation and for the proper administration of the Plan.
- 3:03 The Committee shall from time to time determine the names of those executives and other key employees who, in its opinion, should receive Options or Rights, and shall determine the numbers of shares on which Options should be granted or upon which Rights should be based to each such person and the nature of the Options or Rights to be granted, including without limitation whether the Options or Rights shall be transferable in accordance with the terms and conditions provided in Section 6:12 or Section 8:11 of the Plan.
- 3:04 Options and Rights shall be granted by the Corporation only upon the prior approval of the Committee and upon the execution of an Option Agreement or Stock Appreciation Right Agreement between the Corporation and the Initial Holder.
- 3:05 The Committee's interpretation and construction of the provisions of the Plan and the rules and regulations adopted by the Committee shall be final. No member of the Committee or the Board of Directors shall be liable for any action taken or determination made, in respect of the Plan, in good faith.

ARTICLE 4:00

Participation in the Plan

- 4:01 Participation in the Plan shall be limited to such executives and other key employees of the Corporation and its subsidiaries who at the date of grant of an Option or Right are regular, full-time employees of the Corporation or any of its subsidiaries and who shall be designated by the Committee together with any permitted transferees in accordance with the terms and conditions of the Plan.
- 4:02 No member of the Board of Directors who is not also an employee shall be eligible to participate in the Plan. No employee who owns beneficially more than 10% of the total combined voting power of all classes of stock of the Corporation shall be eligible to participate in the Plan.
- 4:03 No employee may be granted, in any calendar year, Options or Stock Appreciation Rights exceeding 1,000,000 in the aggregate under the Plan.

ARTICLE 5:00

Stock Subject to the Plan

- 5:01 There shall be reserved for the granting of Options or Stock Appreciation Rights pursuant to the Plan and for issuance and sale pursuant to such Options or Stock Appreciation Rights 5,000,000 shares of Common Stock. To determine the number of shares of Common Stock available at any time for the granting of Options or Stock Appreciation Rights, there shall be deducted from the total number of reserved shares of Common Stock the number of shares of Common Stock in respect of which Options have been granted pursuant to the Plan that are still outstanding or have been exercised. The shares of Common Stock to be issued upon the exercise of Options or Stock Appreciation Rights granted pursuant to the Plan shall be made available from the authorized and unissued shares of

Common Stock. If for any reason shares of Common Stock as to which an Option has been granted cease to be subject to purchase thereunder, then such shares of Common Stock again shall be available for issuance pursuant to the exercise of Options or Stock Appreciation Rights pursuant to the Plan. Except as provided in Section 5:03 of the Plan, however, the aggregate number of shares of Common Stock that may be issued upon the exercise of Options and Stock Appreciation Rights pursuant to the Plan shall not exceed 5,000,000 shares and no more than 5,000,000 Stock Appreciation Rights shall be granted pursuant to the Plan.

5:02 Proceeds from the purchase of shares of Common Stock upon the exercise of Options granted pursuant to the Plan shall be used for the general business purposes of the Corporation.

5:03 Subject to the provisions of Section 10:01 of the Plan, in the event of reorganization, recapitalization, stock split, stock dividend, combination of shares of Common Stock, merger, consolidation, share exchange, acquisition of property or stock, or any change in the capital structure of the Corporation, the Committee shall make such adjustments as may be appropriate in the number of Options or Stock Appreciation Rights that may be granted to an employee in any calendar year, in the number and kind of shares reserved for purchase by executives or other key employees, in the number, kind and price of shares covered by Options and Stock Appreciation Rights granted pursuant to the Plan but not then exercised, and in the number of Rights, if any, granted pursuant to the Plan but not then exercised.

ARTICLE 6:00

Terms and Conditions of Options

6:01 Each Option granted pursuant to the Plan shall be evidenced by an Option Agreement in such form and with such terms and conditions (including, without limitation, non-compete, confidentiality or other similar provisions or provisions relating to transfer) as the Committee from time to time may determine. The right of an Option Holder to exercise his, her or its Option shall at all times be subject to the terms and conditions set forth in the respective Option Agreement.

6:02 The exercise price per share for Options shall be established by the Committee at the time of the grant of Options pursuant to the Plan and shall not be less than the Fair Market Value of a share of Common Stock on the date on which the Option is granted. If the Committee does not establish a specific exercise price per share at the time of grant, the exercise price per share shall be equal to the Fair Market Value of a share of Common Stock on the date of grant of the Options.

6:03 Each Option, subject to the other limitations set forth in the Plan, may extend for a period of up to 10 years from the date on which it is granted. The term of each Option shall be determined by the Committee at the time of grant of the Option, provided that if no term is established by the Committee the term of the Option shall be 10 years from the date on which it is granted.

6:04 Unless otherwise provided by the Committee, the number of shares of Common Stock subject to each Option shall be divided into four installments of 25% each. The first installment shall be exercisable 12 months after the date the Option was granted, and each succeeding installment shall be exercisable 12 months after the date the immediately preceding installment became exercisable. If an Option Holder does not purchase the full number of shares of Common Stock that he, she or it at any time has become entitled to purchase, the Option Holder may purchase all or any part of those shares of Common Stock at any subsequent time during the term of the Option.

6:05 Options shall be non-transferable and non-assignable, except that (i) Options may be transferred by testamentary instrument or by the laws of descent and distribution, and (ii) subject to the terms and conditions of the Option Agreement or any other terms and conditions imposed by the Committee from time to time, Options may be transferred in accordance with the terms and conditions provided in Section 6:12 of the Plan if the applicable Option Agreement or other action of the Committee expressly provides that the Options are transferable.

- 6:06 Upon voluntary or involuntary termination of an Initial Holder's employment, his or her Option (including any Option transferred in accordance with the terms and conditions provided in Section 6:12 of the Plan) and all rights thereunder shall terminate effective at the close of business on the date the Initial Holder ceases to be a regular, full-time employee of the Corporation or any of its subsidiaries, except (i) to the extent previously exercised, (ii) as provided in Sections 6:07, 6:08, and 6:09 of the Plan, and (iii) in the case of involuntary termination of employment, for a period of 30 days thereafter the Option Holder shall be entitled to exercise that portion of the Option that was exercisable at the close of business on the date the Initial Holder ceased to be a regular, full-time employee of the Corporation or any of its subsidiaries, provided that in no event may any Option be exercised after the expiration of the term of the Option.
- 6:07 In the event an Initial Holder (i) ceases to be an executive or other key employee of the Corporation or any of its subsidiaries due to involuntary termination, (ii) takes a leave of absence from the Corporation or any of its subsidiaries for personal reasons or as a result of entry into the armed forces of the United States, or any of the departments or agencies of the United States government, or (iii) terminates employment by reason of illness, disability, or other special circumstance, the Committee may consider his or her case and may take such action in respect of the related Option Agreement as it may deem appropriate under the circumstances, including accelerating the time previously granted Options may be exercised and extending the time following the Initial Holder's termination of employment during which the Option Holder is entitled to purchase the shares of Common Stock subject to such Options, provided that in no event may any Option be exercised after the expiration of the term of the Option.
- 6:08 If an Initial Holder dies during the term of his or her Option without the Option having been exercised in full, (i) the executor or administrator of his or her estate or the person who inherits the right to exercise the Option by bequest or inheritance in the event the Initial Holder was the Option Holder at the date of death or (ii) the Option Holder in the event the Option had been transferred in accordance with the terms and conditions provided in Section 6:12 of the Plan, shall have the right within three years of the Initial Holder's death to purchase the number of shares of Common Stock that the deceased Initial Holder (or Option Holder, as the case may be) was entitled to purchase at the date of death, after which the Option shall lapse, provided that in no event may any Option be exercised after the expiration of the term of the Option.
- 6:09 If an Initial Holder's employment is terminated without his or her Option having been exercised in full and (i) the Initial Holder is 62 years of age or older, or (ii) the Initial Holder has been employed by the Corporation or any of its subsidiaries for at least 10 years and the Initial Holder's age plus years of such employment total not less than 55 years, then such Initial Holder (or the Option Holder in the event the Option had been transferred in accordance with the terms and conditions provided in Section 6:12 of the Plan) shall have the right within three years of the Initial Holder's termination of employment to purchase the number of shares of Common Stock that the Initial Holder (or Option Holder, as the case may be) was entitled to purchase at the date of termination, after which the Option shall lapse, provided that in no event may any Option be exercised after the expiration of the term of the Option.
- 6:10 The granting of an Option pursuant to the Plan shall not constitute or be evidence of any agreement or understanding, express or implied, on the part of the Corporation or any of its subsidiaries to employ the Initial Holder for any specified period.
- 6:11 In addition to the general terms and conditions set forth in this Article 6:00 in respect of Options granted pursuant to the Plan, Incentive Stock Options granted pursuant to the Plan shall be subject to the following additional terms and conditions:
- (a) The aggregate fair market value (determined at the time the Incentive Stock Option is granted) of the shares of Common Stock in respect of which "incentive stock options" under Section 422 of the Code are exercisable for the first time by the Option Holder during any calendar year (under all such plans of the Corporation and its subsidiaries) shall not exceed \$100,000;

(b) The Option Agreement in respect of an Incentive Stock Option may contain any other terms and conditions specified by the Board of Directors that are not inconsistent with the Plan, except that such terms and conditions must be consistent with the requirements for “incentive stock options” under Section 422 of the Code; and

(c) Incentive Stock Options shall not be transferable in accordance with the terms and conditions provided in Section 6:12 of the Plan.

6:12 The Committee may provide, in the original grant of a Non-Qualified Stock Option or in an amendment or supplement to a previous grant, that some or all of the Non-Qualified Stock Options granted under the Plan are transferable by the Initial Holder to an Immediate Family Member of the Initial Holder, provided that (i) the Option Agreement, as it may be amended from time to time, expressly so provides or the Committee otherwise designates the Option as transferable, (ii) the transfer by the Initial Holder is a bona fide gift without consideration, (iii) the transfer is irrevocable, (iv) the Initial Holder and any such transferee provides such documentation or other information concerning the transfer or the transferee as the Committee or any employee of the Corporation acting on behalf of the Committee may from time to time request, and (v) the Initial Holder or the Option Holder complies with all of the terms and conditions (including, without limitation, any further restrictions or limitations) included in the Option Agreement. Any Non-Qualified Stock Option transferred in accordance with the terms and conditions provided in this Section 6:12 shall continue to be subject to the same terms and conditions that were applicable to such Non-Qualified Stock Option prior to the transfer. Notwithstanding any other provisions of the Plan, the Corporation shall not be required to honor any exercise of an Option by an Immediate Family Member of an Option transferred in accordance with the terms and conditions provided in this Section 6:12 unless and until payment or provision for payment of any applicable withholding taxes has been made.

ARTICLE 7:00

Methods of Exercise of Options

7:01 An Option Holder (or other person or persons, if any, entitled to exercise an Option hereunder) desiring to exercise an Option granted pursuant to the Plan as to all or part of the shares of Common Stock covered by the Option shall (i) notify either the Corporation at its principal office at 701 East Joppa Road, Towson, Maryland 21286, or the third party retained by the Corporation to administer the Plan to that effect, specifying the number of shares of Common Stock to be purchased and the method of payment therefor, and (ii) make payment or provision for payment for the shares of Common Stock so purchased in accordance with this Article 7:00.

7:02 Payment or provision for payment shall be made as follows:

- (a) The Option Holder shall deliver to the Corporation at the address set forth in Section 7:01 of the Plan United States currency in an amount equal to the aggregate purchase price of the shares of Common Stock as to which such exercise relates; or
- (b) The Option Holder shall tender to the Corporation shares of Common Stock already owned by the Option Holder that, together with any cash tendered therewith, have an aggregate fair market value (determined based on the Fair Market Value of a share of Common Stock on the date the notice set forth in Section 7:01 of the Plan is received by the Corporation) equal to the aggregate purchase price of the shares of Common Stock as to which such exercise relates; or
- (c) The Option Holder shall deliver irrevocable instructions to a broker to deliver promptly to the Corporation the amount of sale or loan proceeds necessary to pay the aggregate purchase price of the shares of Common Stock as to which such exercise relates and to sell the shares of Common Stock to be issued upon exercise of the Option and deliver the cash proceeds less commissions and brokerage fees to the Option Holder or to deliver the remaining shares of Common Stock to the Option Holder.

Notwithstanding the foregoing provisions, the Committee, in granting Options pursuant to the Plan, may limit the methods in which an Option may be exercised by any person and, in processing any purported exercise of an Option granted pursuant to the Plan, may refuse to recognize the method of exercise selected by the Option Holder (other than the method of exercise set forth in Section 7:02(a) of the Plan) if, (A) in the opinion of counsel to the Corporation, (i) the Initial Holder or the Option Holder is or within the six months preceding such exercise was subject to reporting under Section 16(a) of the Exchange Act and (ii) there is a substantial likelihood that the method of exercise selected by the Option Holder would subject the Initial Holder or the Option Holder to a substantial risk of liability under Section 16 of the Exchange Act, (B) in the opinion of the Committee, the method of exercise could have an adverse tax or accounting effect to the Corporation, or (C) in the opinion of counsel to the Corporation, the method of exercise selected by the Option Holder would subject the Corporation to a risk of liability under the Exchange Act.

- 7:03 In addition to the alternative methods of exercise set forth in Section 7:02 of the Plan, holders of Non-Qualified Stock Options shall be entitled, at or prior to the time the notice provided for in Section 7:01 of the Plan is provided to the Corporation, to elect to have the Corporation withhold from the shares of Common Stock to be delivered upon exercise of the Non-Qualified Stock Option that number of shares of Common Stock (determined based on the Fair Market Value of a share of Common Stock on the date the notice set forth in Section 7:01 of the Plan is received by the Corporation) necessary to satisfy any withholding taxes attributable to the exercise of the Non-Qualified Stock Option. The maximum number of shares that an Option Holder may elect to have withheld from the shares of Common Stock otherwise deliverable upon exercise shall be the number of shares that have an aggregate fair market value (based on the Fair Market Value of a share of Common Stock on the date of exercise) equal to the dollar amount of the minimum statutory withholding for federal, state, and local taxes, including payroll taxes, payable by the Option Holder. Alternatively, such holder of a Non-Qualified Stock Option may elect to deliver previously owned shares of Common Stock (which shares have been held for at least six months) upon exercise of the Non-Qualified Stock Option to satisfy any withholding taxes attributable to the exercise of the Non-Qualified Stock Option. Notwithstanding the foregoing provisions, the Committee may include in the Option Agreement relating to any such Non-Qualified Stock Option provisions limiting or eliminating the Option Holder's ability to pay his or her withholding tax obligation by withholding or delivering shares of Common Stock or, if no such provisions are included in the Option Agreement but in the opinion of the Committee such withholding or delivery of shares could have an adverse tax or accounting effect to the Corporation, at or prior to exercise of the Non-Qualified Stock Option the Committee may so limit or eliminate the Option Holder's ability to pay his or her withholding tax obligation with shares of Common Stock. Notwithstanding the foregoing provisions, a holder of a Non-Qualified Stock Option may not elect any of the methods of satisfying his or her withholding tax obligation in respect of any exercise if, in the opinion of counsel to the Corporation, (i) the Initial Holder or the holder of the Non-Qualified Stock Option is or within the six months preceding such exercise was subject to reporting under Section 16(a) of the Exchange Act and (ii) there is a substantial likelihood that the election or timing of the election would subject the Initial Holder or the holder of the Non-Qualified Stock Option to a substantial risk of liability under Section 16 of the Exchange Act.
- 7:04 An Option Holder at any time may elect in writing to abandon an Option in respect of all or part of the number of shares of Common Stock as to which the Option shall not have been exercised.
- 7:05 An Option Holder shall have none of the rights of a stockholder of the Corporation until the shares of Common Stock covered by the Option are issued upon exercise of the Option.

Terms and Conditions of Stock Appreciation Rights

- 8:01 Each Stock Appreciation Right granted pursuant to the Plan shall be evidenced by a Stock Appreciation Right Agreement in such form and with such terms and conditions (including, without limitation, non-compete, confidentiality or other similar provisions or provisions relating to transfer) as the Committee from time to time may determine. Notwithstanding the foregoing provision, Stock Appreciation Rights granted in tandem with a related Option shall be evidenced by the Option Agreement in respect of the related Option. The right of a Stock Appreciation Right Holder to exercise his, her or its Stock Appreciation Right shall at all times be subject to the terms and conditions set forth in the respective Stock Appreciation Right Agreement.
- 8:02 Each Stock Appreciation Right shall entitle the holder, subject to the terms and conditions of the Plan, to receive upon exercise of the Stock Appreciation Right an amount, payable in cash or shares of Common Stock (determined based on the Fair Market Value of a share of Common Stock on the date the notice set forth in Section 9:01 of the Plan is received by the Corporation), equal to the Fair Market Value of a share of Common Stock on the date of receipt by the Corporation of the notice required by Section 9:01 of the Plan less the Stock Appreciation Right Base Price. Notwithstanding the foregoing provision, each Stock Appreciation Right that is granted in tandem with a related Option shall entitle the holder, subject to the terms and conditions of the Plan, to surrender to the Corporation for cancellation all or a portion of the related Option, but only to the extent such Stock Appreciation Right and related Option then are exercisable, and to be paid therefor an amount, payable in cash or shares of Common Stock (determined based on the Fair Market Value of a share of Common Stock on the date the notice set forth in Section 9:01 of the Plan is received by the Corporation), equal to the Fair Market Value of a share of Common Stock on the date of receipt by the Corporation of the notice required by Section 9:01 of the Plan less the Stock Appreciation Right Base Price.
- 8:03 Each Stock Appreciation Right, subject to the other limitations set forth in the Plan, may extend for a period of up to 10 years from the date on which it is granted. The term of each Stock Appreciation Right shall be determined by the Committee at the time of grant of the Stock Appreciation Right, provided that if no term is established by the Committee the term of the Stock Appreciation Right shall be 10 years from the date on which it is granted.
- 8:04 Unless otherwise provided by the Committee, the number of Stock Appreciation Rights granted pursuant to each Stock Appreciation Right Agreement shall be divided into four installments of 25% each. The first installment shall be exercisable 12 months after the date the Stock Appreciation Right was granted, and each succeeding installment shall be exercisable 12 months after the date the immediately preceding installment became exercisable. If a Stock Appreciation Right Holder does not exercise the Stock Appreciation Right to the extent that he, she or it at any time has become entitled to exercise the Stock Appreciation Right, the Stock Appreciation Right Holder may exercise all or any part of the Stock Appreciation Right at any subsequent time during the term of the Stock Appreciation Right.
- 8:05 Stock Appreciation Rights shall be non-transferable and non-assignable, except that (i) Stock Appreciation Rights may be transferred by testamentary instrument or by the laws of descent and distribution, and (ii) subject to the terms and conditions of the Stock Appreciation Right Agreement or any other terms and conditions imposed by the Committee from time to time, Stock Appreciation Rights may be transferred in accordance with the terms and conditions provided in Section 8:11 of the Plan if the applicable Stock Appreciation Right Agreement or other action of the Committee expressly provides that the Stock Appreciation Rights are transferable.
- 8:06 Upon voluntary or involuntary termination of an Initial Holder's employment, his or her Stock Appreciation Rights (including any Stock Appreciation Rights transferred in accordance with the terms and conditions provided in Section 8:11 of the Plan) and all rights thereunder shall terminate effective as of the close of business on the date the Initial Holder ceases to be a regular, full-time

employee of the Corporation or any of its subsidiaries, except (i) to the extent previously exercised, (ii) as provided in Sections 8:07, 8:08, and 8:09 of the Plan, and (iii) in the case of involuntary termination of employment, for a period of 30 days thereafter the Stock Appreciation Right Holder shall be entitled to exercise that portion of each Stock Appreciation Right that was exercisable at the close of business on the date the Initial Holder ceased to be a regular, full-time employee of the Corporation or any of its subsidiaries.

- 8:07 If an Initial Holder (i) ceases to be an executive or other key employee of the Corporation or any of its subsidiaries due to involuntary termination, (ii) takes a leave of absence from the Corporation or any of its subsidiaries for personal reasons or as a result of entry into the armed forces of the United States, or any of the departments or agencies of the United States government, or (iii) terminates employment by reason of illness, disability, or other special circumstance, the Committee may consider his or her case and may take such action in respect of the related Stock Appreciation Right Agreement as it may deem appropriate under the circumstances, including accelerating the time previously granted Stock Appreciation Rights may be exercised and extending the time following the Initial Holder's termination of employment during which the Stock Appreciation Right Holder is entitled to exercise the Stock Appreciation Rights, provided that in no event may any Stock Appreciation Right be exercised after the expiration of the term of the Stock Appreciation Right.
- 8:08 If an Initial Holder dies during the term of his or her Stock Appreciation Right without the Stock Appreciation Right having been exercised in full, (i) the executor or administrator of his or her estate or the person who inherits the right to exercise the Stock Appreciation Right by bequest or inheritance in the event the Initial Holder was the Stock Appreciation Right Holder at the date of death or (ii) the Stock Appreciation Right Holder in the event the Stock Appreciation Right had been transferred in accordance with the terms and conditions provided in Section 8:11 of the Plan, shall have the right within three years of the Initial Holder's death to exercise the Stock Appreciation Rights that the Initial Holder (or Stock Appreciation Right Holder, as the case may be) was entitled to purchase at the date of death, after which the Stock Appreciation Right shall lapse, provided that in no event may any Stock Appreciation Right be exercised after the expiration of the term of the Stock Appreciation Right.
- 8:09 If an Initial Holder's employment is terminated without his or her Stock Appreciation Right having been exercised in full and (i) the Initial Holder is 62 years of age or older, or (ii) the Initial Holder has been employed by the Corporation or any of its subsidiaries for at least 10 years and the Initial Holder's age plus years of such employment total not less than 55 years, then such Initial Holder (or the Stock Appreciation Right Holder in the event the Stock Appreciation Right had been transferred in accordance with the terms and conditions provided in Section 8:11 of the Plan) shall have the right within three years of the Initial Holder's termination of employment to exercise the Stock Appreciation Rights that the Initial Holder (or Stock Appreciation Right Holder, as the case may be) was entitled to exercise at the date of termination, after which the Stock Appreciation Right shall lapse, provided that in no event may any Stock Appreciation Right be exercised after the expiration of the term of the Stock Appreciation Right.
- 8:10 The granting of a Stock Appreciation Right pursuant to the Plan shall not constitute or be evidence of any agreement or understanding, expressed or implied, on the part of the Corporation or any of its subsidiaries to employ the Initial Holder for any specified period.
- 8:11 The Committee may provide, in the original grant of a Stock Appreciation Right or in an amendment or supplement to a previous grant, that some or all of the Stock Appreciation Rights granted under the Plan are transferable by the Initial Holder to an Immediate Family Member of the Initial Holder, provided that (i) the Stock Appreciation Right Agreement, as it may be amended from time to time, expressly so provides or the Committee otherwise designates the Stock Appreciation Right as transferable, (ii) the transfer by the Initial Holder is a bona fide gift without consideration, (iii) the transfer is irrevocable, (iv) the Initial Holder and any such transferee provides such documentation or other information concerning the transfer or the transferee as the Committee or any employee of the Corporation acting on behalf of the Committee may from time to time request, and (v) the Initial Holder or the Stock Appreciation Right Holder complies with all of the terms and conditions (including, without limitation, any further restrictions or limitations) included in the Stock

Appreciation Right Agreement. Any Stock Appreciation Right transferred in accordance with the terms and conditions provided in this Section 8:11 shall continue to be subject to the same terms and conditions that were applicable to such Stock Appreciation Right prior to the transfer. Notwithstanding any other provisions of the Plan, the Corporation shall not be required to honor any exercise of a Stock Appreciation Right by an Immediate Family Member of a Stock Appreciation Right transferred in accordance with the terms and conditions provided in this Section 8:11 unless and until payment or provision for payment of any applicable withholding taxes has been made.

ARTICLE 9:00

Methods of Exercise of Stock Appreciation Rights

- 9:01 A Stock Appreciation Right Holder (or other person or persons, if any, entitled to exercise a Stock Appreciation Right hereunder) desiring to exercise a Stock Appreciation Right granted pursuant to the Plan shall notify the Corporation in writing at its principal office at 701 East Joppa Road, Towson, Maryland 21286, to that effect, specifying the number of Stock Appreciation Rights to be exercised. Such written notice may be given by means of a facsimile transmission. If a facsimile transmission is used, the Stock Appreciation Right Holder should mail the original executed copy of the written notice to the Corporation promptly thereafter.
- 9:02 The Committee in its sole and absolute discretion shall determine whether a Stock Appreciation Right shall be settled upon exercise in cash or in shares of Common Stock. The Committee, in making such a determination, may from time to time adopt general guidelines or determinations as to whether Stock Appreciation Rights shall be settled in cash or in shares of Common Stock.

ARTICLE 10:00

Limited Stock Appreciation Rights

- 10:01 Notwithstanding any other provision of the Plan, the Committee, in its sole and absolute discretion, may grant Limited Stock Appreciation Rights entitling Option Holders to receive, in connection with a Change in Control, a cash payment in cancellation of all of their Options that are outstanding on the date the Change in Control occurs (whether or not such Options are then presently exercisable), which payment shall be equal to the number of shares covered by the cancelled Options multiplied by the excess over the exercise price of the Options of the higher of the (i) Fair Market Value of a share of Common Stock on the date of the Change in Control or (ii) the highest per share price paid for the shares of Common Stock in connection with the Change in Control (with the value of any non-cash consideration paid in connection with the Change in Control to be determined by the Committee in its sole and absolute discretion and if the Committee, in its sole and absolute discretion, determines that such valuation will comply with Section 409A of the Code). For purposes of this Section 10:01 as well as the other provisions of this Plan, once an Option or portion of an Option has terminated, lapsed or expired, or has been abandoned, in accordance with the provisions of the Plan, the Option (or the portion of the Option) that has terminated, lapsed or expired, or has been abandoned, shall cease to be outstanding. Limited Stock Appreciation Rights shall not be exercisable at the discretion of the Option Holder but shall automatically be exercised upon a Change in Control.
- 10:02 A "Change in Control" shall mean a change in control of the Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act, whether or not the Corporation is in fact required to comply therewith, provided that, without limitation, such a change in control shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its subsidiaries, or a corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the

Corporation's then outstanding securities; (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors and any new director (other than a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in clauses (i) or (iv) of this Section 10.02) whose election by the Board of Directors or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; (iii) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; or (iv) the stockholders of the Corporation approve a merger, share exchange or consolidation of the Corporation with any other corporation or entity, other than a merger, share exchange or consolidation that would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the combined voting power of the voting securities of the Corporation or such surviving entity outstanding immediately after the merger, share exchange or consolidation, or the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all the Corporation's assets.

10:03 Limited Stock Appreciation Rights shall be non-transferable and non-assignable, except that Limited Stock Appreciation Rights shall automatically be transferred and assigned in tandem with a transfer of the related Options in accordance with Section 6:05 of the Plan.

ARTICLE 11:00

Amendments and Discontinuance of the Plan

11:01 The Board of Directors shall have the right at any time and from time to time to amend, modify, or discontinue the Plan provided that, except as provided in Section 5:03 of the Plan, no such amendment, modification, or discontinuance of the Plan shall (i) revoke or alter the terms of any valid Option, Stock Appreciation Right, or Limited Stock Appreciation Right previously granted pursuant to the Plan, (ii) increase the number of shares of Common Stock to be reserved for issuance and sale pursuant to Options or Stock Appreciation Rights granted pursuant to the Plan, (iii) decrease the price determined pursuant to the provisions of Section 6:02 of the Plan or increase the amount of cash or shares of Common Stock that a Stock Appreciation Right Holder is entitled to receive upon exercise of a Stock Appreciation Right, (iv) change the class of employee to whom Options or Stock Appreciation Rights may be granted pursuant to the Plan, (v) provide for Options or Stock Appreciation Rights exercisable more than 10 years after the date granted or (vi) increase the number of Options or Stock Appreciation Rights that may be granted to an employee in any calendar year under Section 4.03 of the Plan. If an amendment would (i) materially increase the benefits accruing to participants under the Plan, (ii) materially increase the aggregate number of securities that may be issued under the Plan, or (iii) materially modify the requirements as to eligibility for participation in the Plan, then to the extent required by applicable law or deemed necessary or advisable by the Committee or the Board of Directors, the amendment shall be subject to stockholder approval.

ARTICLE 12:00

Plan Subject to Governmental Laws and Regulations

12:01 The Plan and the grant and exercise of Options, Stock Appreciation Rights, and Limited Stock Appreciation Rights pursuant to the Plan shall be subject to all applicable governmental laws and regulations. Notwithstanding any other provision of the Plan to the contrary, the Board of Directors may in its sole and absolute discretion make such changes in the Plan as may be required to conform the Plan to such laws and regulations.

ARTICLE 13:00

Duration of the Plan

13:01 No Option or Stock Appreciation Right shall be granted pursuant to the Plan after the close of business on April 29, 2013.

THE BLACK & DECKER PERFORMANCE EQUITY PLAN**Section 1. Purpose**

The purpose of The Black & Decker Performance Equity Plan (the “Plan”) is to attract and retain key employees of The Black & Decker Corporation (the “Corporation”) and its Subsidiaries, to motivate those employees to put forth maximum efforts for the long-term success of the business, and to encourage ownership of the Corporation’s Stock by them.

Section 2. Definitions

The following definitions are applicable to the Plan:

- (a) “Code” shall mean the Internal Revenue Code of 1986, as amended.
 - (b) “Committee” shall mean the Compensation Committee of the Corporation’s Board of Directors or such other committee of the Board composed of not less than three members as the Board of Directors shall from time to time appoint to administer the Plan. All members of the Committee shall be members of the Board of Directors of the Corporation who are not eligible to participate in the Plan and who are (i) disinterested persons as defined in Rule 16b-3 adopted pursuant to the Exchange Act, (ii) outside directors as defined in the Section 162(m) Regulations, and (iii) independent directors as defined in the New York Stock Exchange’s corporate governance rules and the Corporation’s Corporate Governance Policies and Procedures Statement.
 - (c) “Designated Beneficiary” shall mean the beneficiary designated by the Participant, in a manner determined by the Committee, to receive shares of Stock or other payments due the Participant in the event of the Participant’s death, or in the absence of an effective designation by the Participant, the Participant’s surviving spouse, or, if there is no surviving spouse, the Participant’s estate.
 - (d) “Employee” shall mean a regular full-time salaried employee of the Corporation or of a Subsidiary.
 - (e) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.
 - (f) “Executive Officer” shall mean an executive officer of the Corporation within the meaning of Rule 3b-7 promulgated under the Exchange Act and a “covered employee” as defined by the Section 162(m) Regulations.
 - (g) “Fiscal Year” shall mean the fiscal year of the Corporation.
 - (h) “Participant” shall mean an Employee who is selected by the Committee to participate in the Plan pursuant to Section 5.
 - (i) “Performance Goals” shall mean the performance objective or objectives relating to, in whole or in part, the performance of the Corporation or any Subsidiary, group, division, or operating unit of the Corporation or any Subsidiary during a Performance Period. With respect to a Participant who is an Executive Officer, the performance objective or objectives shall be based on one of, or a combination of, the following factors: the market price of the Stock at the close of business on the last business day of the Performance Period, increases in the market price of the Stock during the Performance Period, the earnings for the Performance Period or any year or years in the Performance Period (either before taxes, before interest and taxes, before depreciation, amortization, interest and taxes, or after all of the foregoing), the earnings per share for the Performance Period or any year or years in the Performance Period, or, as to the Corporation or any Subsidiary, group, division or operating unit thereof, the average annual return on equity or net assets for the Performance Period or the return on equity or net assets for a specified year or
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years in the Performance Period, the average annual gross margin or cost of goods sold for the Performance Period or the gross margin or cost of goods sold for a specified year or years in the Performance Period, or the average annual cash flow from operations or free cash flow for the Performance Period or the cash flow from operations or free cash flow for a specified year or years in the Performance Period.

- (j) "Performance Period" shall mean with respect to each grant of Performance Shares a period of two to three Fiscal Years.
- (k) "Performance Shares" shall mean a grant pursuant to Sections 5 and 7 of an award in the form of shares of Common Stock or units equivalent thereto.
- (l) "Section 162(m) Regulations" shall mean the regulations adopted pursuant to Section 162(m) of the Code, as such regulations may be amended from time to time.
- (m) "Stock" shall mean the common stock, \$.50 par value, of the Corporation.
- (n) "Subsidiary" shall mean any business entity in which the Corporation, directly or indirectly, owns 50 percent or more of the total combined voting power of all classes of stock or other equity interests.

Section 3. Administration

The Plan shall be administered by the Committee. The Committee shall have full power to establish the form and terms and conditions (including, without limitation, noncompete, confidentiality or similar provisions) of the Performance Share Agreement that shall represent the grant of Performance Shares to a Participant hereunder, to construe and interpret the Plan and to establish and amend rules and regulations for its administration. All actions taken and decisions made by the Committee pursuant to the provisions of the Plan shall be binding and conclusive on all persons for all purposes, including but not limited to Participants and their legal representatives and beneficiaries. The rights of a Participant shall at all times be subject to the terms and conditions set forth in the respective Performance Share Agreement.

Section 4. Maximum Amount Available for Grants

(a) The maximum number of Performance Shares that may be granted and the maximum number of shares of Stock that may be issued under the Plan is 2,500,000, subject to adjustment as provided in Section 11. If Performance Shares are forfeited under the Plan, they and any related shares of Stock shall again be available for grant and issuance under the Plan. Subject to Section 10, if Performance Shares are paid in cash rather than in shares of Stock, such Performance Shares and any related shares of Stock shall not be available for grant and issuance.

(b) Shares of Stock delivered under the Plan shall be made available from authorized but unissued shares.

(c) With respect to each Performance Period beginning on or after January 1, 1996, the maximum number of Performance Shares that may be granted, and the maximum number of shares of Stock that may be issued, to any Participant shall be 75,000.

Section 5. Participation; Grants

The Committee shall from time to time make grants of Performance Shares to Participants selected from among those Employees who, in the opinion of the Committee, have the capacity to contribute in substantial measure to the successful performance of the Corporation and its Subsidiaries. In making grants, the Committee may take into account a Participant's level of responsibility, rate of compensation, individual performance and contribution, and such other criteria as it deems appropriate. If an Employee becomes a Participant after the commencement of a Performance Period, the number of Performance Shares granted, if any, may be prorated for the length of time remaining in the Performance Period. With

respect to any Employee who is or becomes an Executive Officer, the Committee may not designate the Employee a Participant more than 90 days after the commencement of a Performance Period. The Committee may not grant Performance Shares to any member of the Committee.

Section 6. Performance Goals

The Committee shall establish Performance Goals for each Performance Period on the basis of such criteria, and to accomplish such objectives, as the Committee may from time to time determine. The Committee shall also establish a schedule or schedules for the Performance Period setting forth the percentage of the Performance Shares granted that will be earned or forfeited based on the percentages of the Performance Goals for the period that are actually achieved or exceeded. To provide Participants with additional motivation, the Committee, in its discretion, may provide for the issuance to individual Participants, where Performance Goals in excess of a target are achieved or exceeded, of additional, fully vested and unrestricted Performance Shares not to exceed 50% of the Performance Shares granted for the Performance Period; provided, however, that with respect to Performance Periods beginning on or after January 1, 1996, if such an additional grant is made to an Executive Officer, the number of additional Performance Shares to be granted to the Executive Officer shall be fixed by the Committee within 90 days of the commencement of the Performance Period, and the grant of additional Performance Shares to the Executive Officer shall be contingent upon the attainment of the Performance Goals established, in writing, by the Committee within 90 days of the commencement of the Performance Period. In setting Performance Goals, the Committee may use return on equity, earnings growth, revenue growth, peer comparisons or such other measures of performance in such manner as it deems appropriate; provided, however, that for Performance Periods beginning on or after January 1, 1996, Performance Goals established with respect to a Participant who is an Executive Officer shall be based on one of, or a combination of, the factors set forth in the definition of Performance Goals. The Committee shall establish Performance Goals before, or as soon as practicable after, the commencement of the Performance Period; provided that with respect to a Participant who is an Executive Officer the Performance Goals shall be established in writing by the Committee not later than 90 days after the commencement of the Performance Period. During the Performance Period and until such time thereafter as payment is made in accordance with Section 8(b), the Committee shall have the authority to adjust upward or downward the Performance Goals or the measure or measures of performance in such manner as it deems appropriate to reflect unusual, extraordinary or nonrecurring events, changes in applicable accounting rules or principles or in the Corporation's methods of accounting, changes in applicable tax law or regulations, changes in Fiscal Year or such other factors as the Committee may determine, including authority to determine that all or any portion of any Performance Shares otherwise earned for the Performance Period have not been earned (even if applicable Performance Goals originally established have been met). Notwithstanding the preceding sentence, with respect to a Performance Period beginning on or after January 1, 1996, the Committee shall have no such authority to the extent that the existence or exercise of the authority would result in any awards made to such Participants for the Performance Period not being excluded from covered compensation under the Section 162(m) Regulations as a result of the qualified performance based compensation exclusion in the Section 162(m) Regulations.

Section 7. During Performance Period

(a) Performance Shares may be granted in the form of either shares of Stock or units equivalent thereto as described in this Section 7.

(b) If Performance Shares are granted in the form of shares of Stock, certificates representing the Performance Shares shall be issued in the name of the Participant, but shall be retained in the custody of the Corporation until the expiration of the Performance Period and the determination of the number of shares, if any, that are to be forfeited pursuant to the terms of the grant. During the Performance Period (and until such time thereafter as payment is made in accordance with Section 8(b)), the Performance Shares shall not be transferable, except to the extent rights may pass upon the death of the Participant to a Designated Beneficiary pursuant to the terms of the Plan. The Participant shall have the right during the Performance Period to receive all cash dividends and other cash distributions with respect to the Performance Shares granted to the Participant that have not previously been forfeited and to vote such

shares. Any distribution of shares of stock or other securities or property made with respect to Performance Shares held in the name of a Participant shall be treated as part of the Performance Shares of the Participant and shall be subject to forfeiture and all the other limitations and restrictions imposed upon such Performance Shares. Upon the expiration of the Performance Period or the occurrence of any other event that may give rise to forfeiture under the Plan, the Corporation may defer payment of dividends on Performance Shares until a determination is made as to the number of such shares, if any, to be forfeited, and no further dividends shall be paid with respect to forfeited shares after the date of the forfeiture (regardless of whether the record date of the dividend is before or after the date of the forfeiture). The Participant shall retain the right to vote all Performance Shares until a determination has been made by the Committee as to whether such shares, or a part thereof, have been forfeited. In the event of the death of the Participant, his Designated Beneficiary shall have the same right to receive cash dividends and other cash distributions with respect to the Performance Shares that are not forfeited and to vote such shares as the Participant would have had if he had survived.

(c) If Performance Shares are granted in the form of units equivalent to shares of Stock, no certificates shall be issued with respect to the units, but the Corporation shall maintain a bookkeeping account in the name of the Participant to which the units shall relate and the units shall otherwise be treated in a comparable manner as if the Participant had been awarded shares of Stock (except that no voting rights or other stock ownership rights shall apply to the units). Each such unit shall represent the right to receive one share of Stock or a cash payment of equivalent value at the time, in the manner and subject to the restrictions set forth in the Plan. If, during the Performance Period, cash dividends or other cash distributions are paid with respect to shares of Stock, the Corporation shall pay to the Participant in cash an amount equal to the cash dividends or cash distributions that he would have received if the Performance Shares had been granted in the form of shares of Stock rather than units equivalent thereto. If, during the Performance Period, shares of stock or other securities or property are distributed with respect to the Stock, additional units equivalent to such shares, securities or property shall be added to the Participant's bookkeeping account as additional units and shall be subject to forfeiture and all other limitations and restrictions imposed upon the related units. Upon the expiration of the Performance Period or the occurrence of any other event that may give rise to forfeiture under the Plan, the Corporation may defer payment of dividend equivalents on units of Performance Shares until a determination is made as to the number of such units, if any, to be forfeited, and no further dividend equivalents shall be paid with respect to forfeited units after the date of the forfeiture (regardless of whether the record date of the dividend is before or after the date of the forfeiture). In the event of the death of the Participant, his Designated Beneficiary shall have the same right to receive cash payments equivalent to cash dividends and other cash distributions with respect to the units of Performance Shares that are not forfeited as the Participant would have had if he had survived. A Participant (or Designated Beneficiary) shall have no right to or interest in any specific assets of the Corporation or any of its Subsidiaries by reason of the establishment of the bookkeeping account described in this Section 7(c), and shall have only the right of an unsecured creditor of the Corporation with respect to amounts payable from such account under this Plan.

Section 8. Payment

(a) As soon as practicable after the end of a Performance Period, except as permitted in Section 8(c), the Committee shall determine the extent to which the Performance Goals have been achieved or exceeded and, on this basis, shall certify and declare in writing what percentages, if any, of the granted Performance Shares have been earned with respect to the Performance Period.

(b) In accordance with the procedures specified by the Committee from time to time, payment of Performance Shares that have been earned or deemed earned shall be made in Stock, cash equivalent in value to the corresponding shares of Stock, or a combination thereof as determined by the Committee. Payment shall be made on a date specified by the Committee but in no event later than the last day of the calendar year immediately following the end of the year in which the Performance Shares are earned or deemed earned.

(c) For the first Performance Period established under the Plan (but not for any subsequent Performance Periods), the Committee may in its discretion establish interim Performance Goals applicable

to a Fiscal Year or Years ending prior to the end of the Performance Period, and provide for a portion of the Performance Shares granted for the Performance Period to be earned and paid out as soon as practicable following the end of each such Fiscal Year or Years to the extent such interim Performance Goals are satisfied.

Section 9. Termination of Employment and Forfeitures

Subject to the provisions of Section 10:

(a) Except as otherwise provided in Section 9(c), Performance Shares that are granted but not earned by a Participant with respect to the Performance Period shall be forfeited.

(b) Except as otherwise provided in Section 9(c) or in Section 8(c), if a Participant ceases to be an Employee prior to the end of the Performance Period, all of such Participant's Performance Shares for the Performance Period shall be forfeited.

(c) If prior to the end of a Performance Period, a Participant dies or ceases to be an Employee by reason of (i) retirement from active employment with a right to receive an immediate pension benefit under the applicable pension plan of the Corporation or any of its Subsidiaries, (ii) extended disability (such as entitles the Participant to long-term disability payments under the applicable pension plan or long-term disability plan of the Corporation or any of its Subsidiaries), or (iii) for any other reason specified in each case by the Committee, there shall be forfeited as of the cessation of employment a number of Performance Shares equal to the number initially granted to the Participant for that Performance Period multiplied by a fraction, (i) the numerator of which shall be the number of full calendar months from the date of the Participant's cessation of employment to the end of the Performance Period, and (ii) the denominator of which shall be the number of months representing the entire Performance Period; provided, that with respect to Performance Periods beginning before January 1, 1996, the Committee is authorized to declare (before or as soon as practicable after such cessation of employment) that a lesser number of Performance Shares shall be forfeited as of the date of such cessation of employment. With respect to the Performance Shares that are not so forfeited as of the date of such cessation of employment, the Performance Period shall continue and the percentage of such remaining Performance Shares that are earned or forfeited shall be determined based upon the extent to which the applicable Performance Goals for such Performance Period have been achieved or exceeded (subject to the last two sentences of Section 6). Payment of Performance Shares that have been earned and not forfeited shall be made in accordance with Section 6; provided, however, that no payment shall be made to a Participant who has ceased to be an Employee for reasons specified in this Section 9(c) earlier than the date that is six months and one day following such Employee's "separation from service" as defined in Section 409A of the Code and the regulations thereunder.

(d) Transfer from the Corporation to a Subsidiary, from a Subsidiary to the Corporation, or from one Subsidiary to another Subsidiary shall not be considered a termination of employment. Nor shall it be considered a termination of employment if an Employee is placed on military or sick leave or on other leave of absence that is considered by the Committee as continuing intact the employment relationship. In those cases, the employment relationship shall be continued until the later of the date when the leave equals 90 days or the date when an Employee's right to reemployment shall no longer be guaranteed either by law or by contract, except that in the event active employment is not renewed at the end of the leave of absence, the employment relationship shall be deemed to have been terminated at the beginning of the leave of absence.

Section 10. Mergers, Sales and Change of Control

(a) In the case of (i) any merger, consolidation, share exchange or combination of the Corporation with or into another corporation (other than a merger, consolidation, share exchange or combination in which the Corporation is the surviving corporation and which does not result in the outstanding Stock being converted into or exchanged for different securities, cash or other property, or any combination thereof) or a sale of all or substantially all of the business or assets of the Corporation or (ii) a

Change of Control of the Corporation, all Performance Periods shall be deemed to have ended as of the end of the most recent quarterly accounting period prior to the date of the merger, consolidation, share exchange, combination, sale of assets, or Change of Control of the Corporation, all Performance Goals to earn the maximum number of Performance Shares for each Performance Period shall be deemed to have been achieved, and the maximum number of Performance Shares (150% of the target award for each Performance Period) shall be deemed to have been earned and shall be payable in accordance with Section 8. In the event that application of the foregoing provisions results in more than 2,500,000 Performance Shares being deemed to have been earned, then notwithstanding any other provision of the Plan (including but not limited to the provisions of Section 4) any Performance Shares in excess of 2,500,000 deemed to have been earned shall be paid in cash equivalent in value to the corresponding shares of Stock.

(b) “Change of Control of the Corporation” means any of the following:

(1) The acquisition by any one person, or more than one person acting as a group, of any of the Corporation’s capital stock if (A) the sum of such capital stock so acquired plus any of the Corporation’s capital stock held by that person or group before the acquisition constitutes more than fifty percent (50%) of the total fair market value or total voting power of the outstanding capital stock of the Corporation, and (B) the Corporation’s capital stock held by that person or group immediately before that acquisition constituted fifty percent (50%) or less of the then total fair market value or total voting power of the outstanding capital stock of the Corporation. An increase in the percentage of the Corporation’s capital stock owned by any one person or persons acting as a group as a result of a transaction in which the Corporation acquires its capital stock in exchange for property will be treated as an acquisition of the Corporation’s capital stock under this Section 10(b)(1). This Section 10(b)(1) only applies when there is a transfer or issuance of the Corporation’s capital stock and the Corporation’s capital stock remains outstanding after the transaction.

(2) The acquisition by any one person, or more than one person acting as a group, during the 12-month period ending on the most recent such acquisition by that person or group of ownership of the Corporation’s capital stock possessing thirty-five percent (35%) or more of the total voting power of the outstanding capital stock of the Corporation if the capital stock of the Corporation held by that person or group immediately before that acquisition constituted less than thirty-five percent (35%) of the then total voting power of the outstanding capital stock of the Corporation.

(3) A majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election, provided that no other corporation is the holder of a majority of the Corporation’s capital stock.

(4) The acquisition by any one person, or more than one person acting as a group, during the 12-month period ending on the most recent such acquisition by that person or group of assets of the Corporation that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the Corporation’s assets immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the Corporation’s assets, or the value of the assets being disposed of, determined without regard to any liabilities associated with those assets. There is no Change in Control of the Corporation under this Section 10(b)(4) when there is a transfer to an entity that is controlled by the stockholders of the Corporation immediately after the transfer. A transfer of assets will not qualify as a Change in Control of the Corporation under this Section 10(b)(4) if the assets are transferred to: (i) a stockholder of the Corporation immediately before the transfer in exchange for or with respect to the Corporation’s capital stock; (ii) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Corporation; (iii) a person, or more than one person acting as a group, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all of the outstanding capital stock of the Corporation; or (iv) an entity, at least fifty percent (50%) of the total value or voting power of

which is owned, directly or indirectly, by a person, or more than one person acting as a group, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all of the outstanding capital stock of the Corporation.

For the purpose of interpreting this definition of "Change in Control of the Corporation," the following rules apply:

(A) Persons will be considered as acting as a group only if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of assets, or similar business transaction with the Corporation. If a person, including an entity stockholder, owns capital stock of the Corporation and stock in the other corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar transaction with respect to the Corporation, that stockholder is considered to be acting as a group with other stockholders in the Corporation only to the extent of the ownership in the Corporation prior to the transaction giving rise to the Change in Control of the Corporation and not with respect to the ownership interest in the other corporation.

(B) Ownership shall be determined taking into account the attribution rules set forth in Section 318(a) of the Code. Stock underlying a vested option is considered owned by the option holder and non-vested stock is not considered owned by the option holder.

(C) If any one person, or more than one person acting as a group, is considered to effectively control the Corporation as described in Sections 10(b)(2) and (3), the acquisition of additional control of the Corporation by the same person or persons is not considered to cause a change in the effective control of the Corporation or to cause a change in the ownership of the Corporation for the purposes of this definition.

(D) Each event described in Section 10(b) is intended to constitute a change in ownership or effective control of the Corporation or in the ownership of a substantial portion of the Corporation's assets within the meaning of Section 409A(a)(2)(A)(v) of the Code and the IRS guidance issued thereunder, and this Plan shall be interpreted accordingly

Section 11. Adjustment of and Changes in Stock

In the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, share exchange, rights offering, distribution of assets, or any other change in the corporate structure or capital stock of the Corporation, the Committee shall make such adjustments, if any, as it deems appropriate in the number of Performance Shares that have been or may be granted under the Plan, the number of shares of Stock available for issuance under the Plan, and the Performance Goals and the number of Performance Shares that may be earned, to reflect the change, and any adjustments so made shall be conclusive for all purposes of the Plan.

Section 12. Miscellaneous Provisions

(a) The rights or interest of a Participant or Designated Beneficiary under the Plan may not be assigned, encumbered or transferred until such time as payment is made in accordance with Section 8(b), except to the extent rights may pass upon the death of the Participant to a Designated Beneficiary pursuant to the terms of this Plan.

(b) No Employee or other person shall have any claim or right to be granted Performance Shares under the Plan. Neither the Plan nor any action taken under the Plan shall be construed as giving any Employee or other person any right to be retained in the employ of the Corporation or any of its Subsidiaries.

(c) Performance Shares granted or earned and cash dividends or other cash distribution paid under the Plan shall not be deemed compensation in determining the amount of any entitlement under any retirement or other employee benefit plan of the Corporation or any of its Subsidiaries.

(d) The Committee may adopt and apply rules that will ensure that the Corporation and its Subsidiaries will be able to comply with applicable provisions of any Federal, state or local law relating to the withholding of tax, including but not limited to the withholding of tax on dividends paid on Performance Shares and on the amount, if any, includable in income of a Participant after the expiration of the Performance Period. The Committee shall have the right in its discretion to satisfy withholding tax liability by retaining or purchasing Performance Shares. It is intended that the Plan comply with Section 409A of the Internal Revenue Code and the regulations and guidance thereunder and it shall be interpreted accordingly.

(e) The Plan shall be construed in accordance with and governed by the laws of the State of Maryland.

(f) In this Plan, whenever the context so requires, the masculine gender includes the feminine and a singular number includes the plural. The Section headings contained in this Plan are for convenience of reference only and shall not limit or otherwise affect the meaning or interpretation of this Plan or any of its terms and conditions. Unless the context clearly indicates otherwise, all references to Sections in this Plan are to Sections of this Plan.

Section 13. Amendment or Termination

The Board of Directors of the Corporation may amend, suspend or terminate the Plan at any time and in such manner and to such extent as it deems advisable, but no amendment shall be made without the approval of a majority of the shares represented and entitled to vote at a duly called meeting of stockholders at which a quorum is present that would (i) increase the number of Performance Shares that may be granted under the Plan (except as provided in Section 11), (ii) increase the maximum number of shares of Stock available for issuance under the Plan (except as provided in Section 11), (iii) materially increase the 50% limitation set forth in Section 6, or (iv) change the Plan's eligibility requirements. No amendment, suspension or termination shall impair any right theretofore granted to any Participant, without the consent of the Participant. Notwithstanding the foregoing, the Plan may be amended at any time, including retroactively, to conform the Plan to the provisions and requirements of Section 409A of the Code and the regulations and guidance thereunder, and no such amendment shall be considered prejudicial to any interest of any Participant hereunder.

Section 14. Effective Date and Term of Plan

No Performance Shares may be granted under the Plan after the date of the 2010 Annual Meeting of Stockholders of the Corporation.

Section 15. Indemnification of Committee

In addition to such other rights of indemnification as they may have as members of the Corporation's Board of Directors or as members of the Committee, each member of the Committee shall be indemnified by the Corporation against the reasonable expenses, including attorney's fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which he may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any Performance Shares granted thereunder, and against all amounts paid by him in settlement thereof, provided such settlement is approved by independent legal counsel selected by the Corporation, or paid by him in satisfaction of a judgment in any such action, suit or proceeding except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee member is liable for gross negligence or misconduct in his duties; provided that within 60 days after the institution of such action, suit or proceeding, the Committee member shall in writing offer the Corporation the opportunity, at its own expense, to handle and defend the same.

THE BLACK & DECKER EXECUTIVE ANNUAL INCENTIVE PLAN**1. Purpose**

The purpose of The Black & Decker Corporation Executive Annual Incentive Plan is to make a part of the annual compensation of the Corporation's officers dependent on the Corporation's performance and to provide rewards for performance as a competitive incentive to their efforts on the Corporation's behalf, and thus to enhance and reinforce the Corporation's ability to achieve its business goals. It is the intention of the Board of Directors of the Corporation in adopting the Plan that amounts paid to Participants under the Plan be "qualified performance-based compensation" within the meaning of Section 162(m) of the Code and the Section 162(m) Regulations.

2. Definitions

Whenever used for purposes of the Plan, the following terms have the meanings defined below, and when the defined meaning is intended, the term is capitalized:

(a) "Award" means a grant to a Participant of incentive compensation under the Plan.

(b) "CEO" means the Chief Executive Officer of the Corporation.

(c) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(d) "Committee" means the Compensation Committee of the Board of Directors of the Corporation. All members of the Committee shall be members of the Board of Directors of the Corporation who are not eligible to participate in the Plan and who are (i) disinterested persons as defined in Rule 16b-3 adopted pursuant to the Exchange Act, (ii) outside directors as defined in the Section 162(m) Regulations, and (iii) independent directors as defined in the New York Stock Exchange's corporate governance rules and the Corporation's Corporate Governance Policies and Procedures Statement.

(e) "Corporation" means The Black & Decker Corporation.

(f) "Maximum Participant Award" means, with respect to a particular Participant, the maximum Award payable to such Participant as determined in accordance with Section 6(c) of the Plan.

(g) "Participant" means an employee who is an officer of the Corporation who has been designated to participate in the Plan.

- (h) "Performance Period" means the fiscal year in respect of which an Award is to be paid under the Plan.
- (i) "Plan" means The Black & Decker Executive Annual Incentive Plan, as amended from time to time.
- (j) "Section 162(m) Regulations" mean the regulations adopted pursuant to Section 162(m) of the Code, as amended from time to time.
- (k) "Subsidiary" means any domestic or foreign corporation, at least 50% of the outstanding voting stock or voting power of which is beneficially owned, directly or indirectly, by the Corporation.

3. Administration

(a) The Committee shall determine who shall be a Participant, the applicable performance goals for each Performance Period and the amount of any Awards paid under the Plan, shall construe, interpret (subject to Section 3(d) of the Plan) and administer the Plan, and shall adopt such rules and regulations and take such other action as it deems appropriate. All decisions by the Committee shall be final, conclusive and binding on the Corporation and each Participant, former Participant, beneficiary and every other interested person. The Committee may condition participation in the Plan by an employee upon the employee agreeing to certain terms and conditions of employment (including, without limitation, noncompete, confidentiality or similar provisions). Prior to the payment of any Awards under the Plan the Committee shall certify, in accordance with the Section 162(m) Regulations, that the performance goals in respect of the applicable Performance Period have been satisfied. The Committee will report annually to the Board of Directors of the Corporation all action taken under the Plan, including Awards paid.

(b) Within 90 days of the beginning of each Performance Period (or, if earlier, before 25% of the period of service to which the performance goals relate has elapsed), the Committee shall establish or approve performance goals for the Performance Period. The performance goals established by the Committee shall be stated in terms of an objective formula or standard and shall be based on one of, or a combination of, the following factors: the market price of the Corporation's Common Stock at the close of business on the last business day of the Performance Period, increases in the market price of the Corporation's Common Stock during the Performance Period, the earnings for the Performance Period (either before taxes, before interest and taxes, before depreciation, amortization, interest and taxes, or after all of the foregoing), the earnings per share for the Performance Period, or, as to the Corporation or any subsidiary, group, division, or operating unit thereof, the return on equity or net assets for the Performance Period, the gross margin or cost of goods sold for the Performance Period, or the cash flow from operations or free cash flow for the Performance Period.

(c) The Committee shall administer the Plan in a manner consistent with the terms and conditions of the Section 162(m) Regulations to enable Awards paid under the Plan to be “qualified performance-based compensation” within the meaning of Section 162(m) of the Code and the Section 162(m) Regulations.

(d) It is intended that the Plan comply with Section 409A of the Code and the regulations or guidance issued thereunder and it shall be interpreted accordingly.

4. Participation

(a) Participation in the Plan shall be limited to selected officers of the Corporation who the Committee has determined have a significant influence on the Corporation’s annual corporate performance. The selection of Participants shall be made by the Committee within 90 days of the beginning of a Performance Period (or, if earlier, before 25% of the period of service to which the performance goals relate has elapsed) and communicated to the Participants as soon thereafter as practicable.

(b) At any time during a Performance Period the Committee may designate new Participants or remove officers from participation, in its sole discretion. An officer’s participation in the Plan in any prior year or years shall not give the officer the right to be a Participant in any subsequent year.

5. Awards

(a) At the end of each Performance Period, the CEO shall submit a written report to the Committee describing the performance of the Corporation (or, if applicable, a business unit) relative to those performance goals previously established by the Committee for the Performance Period.

(b) Awards shall be made annually in accordance with the respective performance against the performance goals established by the Committee for the respective Performance Period.

(c) The decision to pay or not to pay an Award and the amount of the Award to be paid shall be made by the Committee based on the performance goals established in respect of the applicable Performance Period and in accordance with the Section 162(m) Regulations. Under no circumstances may the Committee make an Award to a Participant that exceeds the applicable Maximum Participant Award for the respective Performance Period. The Committee in its sole discretion may reduce the amount of any Award paid to a Participant below the amount of the Award that otherwise would be payable to the Participant upon application of the performance goals for the applicable Performance Period or may decide not to pay an Award when performance goals for the applicable Performance Periods have been satisfied, but under no circumstances may the Committee increase the amount of any Award that otherwise would be payable to the Participant upon application of the performance goals for the applicable Performance Period.

(d) With respect to each Participant, the Maximum Participant Award for a Performance Period shall be equal to 200% of his or her annual base salary on the date the Committee establishes the performance goals for the applicable Performance Period. Notwithstanding the foregoing, under no circumstances may the Maximum Participant Award for any Performance Period exceed \$4 million.

6. Payment of Awards

(a) Awards shall be paid as soon as practicable after the end of a Performance Period (but in no event later than the last day of the calendar year immediately following the end of the Performance Period), after audited results for the Performance Period are available, and after the Committee has certified that the applicable performance goals have been satisfied.

(b) Awards shall be paid in cash and shall be paid in the currency in which each Participant's base salary is paid.

7. Termination of Employment

If before an Award is actually paid to a Participant with respect to a Performance Period the Participant ceases to be a regular, full-time employee of the Corporation or any of its Subsidiaries for a reason other than retirement with a right to an immediate retirement benefit, the Participant's eligibility under the Plan shall terminate and no Award will be made. If a Participant's employment terminates at a time when the Participant has a right to receive an immediate retirement benefit from the Corporation or any of its Subsidiaries, the Committee may make such Award as it deems appropriate under the circumstances; provided, however, that the Award shall not exceed the Award the Participant would have been entitled to receive upon application of the performance goals for the applicable Performance Period if the Participant had been employed for the entire Performance Period times a fraction the numerator of which shall equal the number of days the Participant was employed by the Corporation and its Subsidiaries during the Performance Period and the denominator of which shall equal the number of days in the Performance Period.

8. Claim to Awards and Employment Rights

No officer or other person shall have any claim or right to be granted an Award under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any person any right to be retained in the employ of the Corporation or a Subsidiary or affecting the right of the Corporation and its Subsidiaries to terminate the employment of any person at any time, for any reason and with or without notice.

9. Tax Withholding

The Corporation or a Subsidiary, as appropriate, shall have the right to deduct from all Award payments for any Federal, State or local taxes or other similar payments required by law to be withheld with respect to such payments.

10. Expenses of Plan

The expenses of administering the Plan shall be borne by the Corporation and its Subsidiaries.

11. Amendment and Termination

The Board of Directors may, in its discretion, terminate, amend or modify this Plan at any time and from time to time. The Plan may be amended at any time, including retroactively, to conform the Plan to the provisions and requirements of Section 409A of the Code, and no such amendment shall be considered prejudicial to any interest of any participant thereunder.

12. Effective Date of the Plan

The Plan, as amended effective January 1, 2005, shall be effective as of January 1, 1996, provided that the Plan is approved by the stockholders of the Corporation at the 1996 Annual Meeting of Stockholders or any adjournment thereof. In the event the Plan is not approved by the stockholders of the Corporation at the 1996 Annual Meeting of Stockholders or any adjournment thereof, the Plan shall terminate and be of no force and effect and no benefits shall be payable hereunder.

THE BLACK & DECKER MANAGEMENT ANNUAL INCENTIVE PLAN**1. Purpose**

The purpose of The Black & Decker Corporation Management Annual Incentive Plan is to make a part of the annual compensation of certain key management employees dependent on individual and Corporation performance and to provide rewards for performance as a competitive incentive to their efforts on the Corporation's behalf, and thus to enhance and reinforce the Corporation's ability to achieve its business goals.

2. Definitions

Whenever used for purposes of the Plan, the following terms have the meanings defined below, and when the defined meaning is intended, the term is capitalized:

- (a) "Award" means a grant to a Participant of incentive compensation under the Plan.
- (b) "CEO" means the Chief Executive Officer of the Corporation.
- (c) "Committee" means the Compensation Committee of the Board of Directors of the Corporation.
- (d) "Corporation" means The Black & Decker Corporation.
- (e) "Participant" means an employee of the Corporation or one of its Subsidiaries who has been designated to participate in this Plan.
- (f) "Performance Period" means the fiscal year in respect of which an Award is to be paid under the Plan.
- (g) "Plan" means The Black & Decker Management Annual Incentive Plan, as amended from time to time.
- (h) "Subsidiary" means any domestic or foreign corporation, at least 50% of the outstanding voting stock or voting power of which is beneficially owned, directly or indirectly, by the Corporation.

3. Administration

- (a) The Committee shall determine who shall be a Participant, the applicable performance goals for each Performance Period and the amount of any Awards paid under the Plan, shall construe, interpret (subject to Section 3(c) of the Plan) and administer the Plan, and shall adopt such rules and regulations and take such other action as it deems appropriate. All decisions by the Committee shall be final, conclusive and binding on the Corporation and each Participant, former Participant, beneficiary and every other interested person. The CEO or the Committee may condition participation in the Plan by an employee upon the employee agreeing to certain terms and conditions of employment (including, without limitation, noncompete, confidentiality or similar provisions). The Committee will report annually to the Board of Directors of the Corporation all action taken under the Plan, including Awards paid.
 - (b) Within 90 days of the beginning of each Performance Period, the CEO and the Committee shall establish or approve performance goals for each Participant.
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- (c) It is intended that the Plan comply with Section 409A of the Internal Revenue Code of 1986, as amended from time to time (the “Code”), and the regulations or guidance issued thereunder and it shall be interpreted accordingly.

4. Participation

- (a) Participation in the Plan shall be limited to selected management employees who the Committee has determined have a significant influence on the Corporation’s annual corporate performance. The selection of Participants shall be recommended by the CEO and approved by the Committee within 90 days of the beginning of a Performance Period and communicated to the Participants as soon thereafter as practicable.
- (b) No management employee shall be a Participant in the Plan during any year in which he or she is a participant in any other annual incentive plan of the Corporation or any of its Subsidiaries, including but not limited to The Black & Decker Executive Annual Incentive Plan.
- (c) At any time during a Performance Period the Committee may designate new Participants or remove employees from participation, in its sole discretion. An employee’s participation in the Plan in any prior year or years shall not give the employee the right to be a Participant in any subsequent year.

5. Awards

- (a) Awards shall be made annually after consideration of the respective performance against the performance goals established by the Committee for the respective Performance Period.
- (b) To be eligible for an Award in respect of a given Performance Period, a minimum of six months’ participation in the Plan is required for the Performance Period. The decision to pay or not to pay an Award and the amount of the Award to be paid shall be made by the Committee in its sole discretion. The Committee may decide to pay an Award when performance objectives have not been satisfied and elect not to pay an Award when performance objectives have been satisfied.
- (c) With respect to each Participant, the maximum Award for a Performance Period shall be equal to the aggregate of the Participant’s annual base salary at the beginning and at the end of the Performance Period, divided by two and multiplied by 55%.

6. Payment of Awards

- (a) Awards shall be paid as soon as practicable after the end of a Performance Period (but in no event later than the last day of the calendar year immediately following the end of the Performance Period) and after audited results for the Performance Period are available.
- (b) Awards shall be paid in cash and shall be paid in the currency in which each Participant’s base salary is paid.

7. Termination of Employment

If before an Award is actually paid to a Participant with respect to a Performance Period the Participant ceases to be a regular full-time employee of the Corporation or any of its Subsidiaries for a reason other than retirement with a right to an immediate retirement benefit, the Participant's eligibility under the Plan shall terminate and no Award will be made, except that the Committee in its sole discretion may consider whether to make an Award to such Participant and, in the event it decides to make such an Award in its sole discretion, shall determine the amount of the Award. If a Participant's employment terminates at a time when the Participant has a right to receive an immediate retirement benefit from the Corporation or any of its Subsidiaries, the Committee may make such Award as it deems appropriate under the circumstances.

8. Claim to Awards and Employment Rights

No employee or other person shall have any claim or right to be granted an Award under the Plan. Only the Committee shall have the authority to commit the Corporation to make an Award under the Plan, and any such commitment shall be binding on the Corporation only if in writing signed by the CEO or another duly authorized officer of the Corporation. Neither the Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Corporation or a Subsidiary or affecting the right of the Corporation and its Subsidiaries to terminate the employment of any employee at any time, for any reason and with or without notice.

9. Tax Withholding

The Corporation or a Subsidiary, as appropriate, shall have the right to deduct from all Award payments for any Federal, State or local taxes or other similar payments required by law to be withheld with respect to such payments.

10. Expenses of Plan

The expenses of administering the Plan shall be borne by the Corporation and its Subsidiaries.

11. Amendment and Termination

The Board of Directors may, in its discretion, terminate, amend or modify this Plan at any time and from time to time. The Plan may be amended at any time, including retroactively, to conform the Plan to the provisions and requirements of Section 409A of the Code, and no such amendment shall be considered prejudicial to any interest of any Participant thereunder.

12. Effective Date of the Plan

The Plan, as amended effective January 1, 2005, shall be effective as of January 1, 1996.

***THE BLACK & DECKER
SUPPLEMENTAL PENSION PLAN***

Amended and Restated Effective as of
January 1, 2005

**THE BLACK & DECKER
SUPPLEMENTAL PENSION PLAN**

SECTION 1 — Purpose

The Black & Decker Supplemental Pension Plan (the “Prior Plan”) was established by Black & Decker (U.S.) Inc., effective as of October 1, 1989, to provide certain employees of the Black & Decker Companies with benefits which would otherwise be provided under a Defined Benefit Plan but for reductions or restrictions to such benefits required by Federal law. Specifically, this Plan will provide Participants with supplemental benefits to compensate for the loss of benefits that otherwise would have been payable under a Defined Benefit Plan were it not for the maximum limitation on benefits under section 415 of the Code and reductions in pensionable earnings due to section 401(a)(17) of the Code and the deferral of compensation under the Executive Deferred Compensation Plan. This Plan is to be unfunded and is maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees. This plan, The Black & Decker Supplemental Pension Plan (the “Plan”), amends and fully restates the Prior Plan, effective as of January 1, 2005.

SECTION 2 – Definitions

As used in this Plan, the following terms shall have the meanings indicated:

“Accrued Pension” means the benefit the Participant has accrued under a Defined Benefit Plan, expressed as a single-life annuity payable for the Participant’s life beginning at the Participant’s normal retirement date or, if later, his or her actual retirement date, under the Defined Benefit Plan.

“Actuarial Equivalent” means a benefit of equivalent value on a specific date, computed on the basis of the actuarial assumptions used to determine benefit equivalencies under the applicable Defined Benefit Plan and using such other reasonable actuarial assumptions and methods that may be adopted by the Pension Committee from time to time, in its sole discretion, for this purpose. Notwithstanding the foregoing, in the event a Participant has elected to receive the accelerated method of payment (5-year installments or lump sum payment) of the present value of his or her Supplemental Pension under this Plan, the amount of the lump sum payment or installment payments (including the Supplemental Spouse’s Death Benefit) shall be calculated using an interest rate equal to four and one-half percent (4.5%) and the 1994 Group Annuity Reserving Table (determined on a unisex basis and projected to 2002, all as described in *IRS Revenue Ruling 2001-62*) and assuming that the Participant will earn no wages subject to the Social Security Act nor further accrue any other retirement benefits after his or her Benefit Commencement Date and that his or her Social Security retirement benefits and all other retirement benefits will begin at the earliest date they are available after the Participant’s Benefit Commencement Date and using such other reasonable actuarial assumptions and methods that may be adopted by the Pension Committee from time to time, in its sole discretion, for this purpose.

“Benefit Commencement Date” means the date the Participant’s Supplemental Pension is to be paid or commence to be paid and which shall be the first day of the calendar month immediately following the later of the Participant’s 55th birthday or the date of his or her Separation from Service with the Company and all other Black & Decker Companies. Notwithstanding the preceding sentence, in the case of a Participant whose Benefit Commencement Date would otherwise have occurred at any time in the 2005 calendar year and who elects during the 2005 calendar year to receive the accelerated method of payment (5-year installments or lump sum payment) of his or her benefits, the Benefit Commencement Date for that lump sum payment or those installment payments shall be deemed to be the first day of the calendar month after the date that election to accelerate is filed with the Plan.

“Beneficiary” means the beneficiary designated in accordance with Section 7 to receive the death benefit provided under Section 6(a) in the event of a Participant’s death.

“Black & Decker Company” means The Black & Decker Corporation or any of its affiliates and subsidiaries.

“Code” means the Internal Revenue Code of 1986, as amended, and any regulations issued thereunder.

“Company” means Black & Decker (U.S.) Inc.

“Defined Benefit Plan” means a defined benefit plan within the meaning of Section 3(35) of ERISA that is sponsored by a Black & Decker Company and is intended to qualify under Section 401(a) of the Code.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Executive Deferred Compensation Plan” means The Black & Decker Executive Deferred Compensation Plan or The Black & Decker Supplemental Retirement Savings Plan.

“Limitations” means the maximum limitation on benefits under Section 415 of the Code and reductions in pensionable earnings due to Section 401(a)(17) of the Code and the deferral of compensation under the Executive Deferred Compensation Plan.

“Participant” means any employee of a Black & Decker Company eligible to participate in this Plan in accordance with Section 3.

“Payment Date” means the Participant’s Benefit Commencement Date or, in the case of a Participant who qualifies as a “key employee” (as defined in Code Section 416(i) without regard to paragraph (5) thereof), the first day of the calendar month immediately following the later of the Participant’s Benefit Commencement Date or the date that is six months and one day after his or her Separation from Service with the Company and all other Black & Decker Companies. A

Participant will be a “key employee” at all times during any calendar year, only if the Participant qualified as a “key employee” at any time during the 12-month period ending on August 31st immediately preceding that calendar year. Notwithstanding anything to the contrary, if the Committee reasonably determines that the making of any payment to a Participant under this Plan will violate Federal securities laws or other applicable law, the Committee may delay a Participant’s Payment Date until the earliest date at which the Committee determines that the making of that payment will not violate those laws.

“Pension Committee” means The Black & Decker (U.S.) Inc. Pension Committee.

“Plan” means The Black & Decker Supplemental Pension Plan, originally established effective as of October 1, 1989 and as amended and restated effective as of January 1, 2005.

“Separation from Service” means a separation from service within the meaning of Section 409A(a)(2)(A)(i) of the Code.

“Supplemental Pension” means the supplemental pension benefit determined in accordance with Section 4.

“Supplemental Spouse’s Death Benefit” means the pre-retirement death benefit payable to a Participant’s surviving spouse as more particularly described in Section 6(b).

SECTION 3 – Eligibility

Except as otherwise provided under this Section 3 or by Section 10 of this Agreement, any employee of a Black & Decker Company whose benefit under any Defined Benefit Plan is reduced because of the Limitations shall be a Participant in this Plan eligible to receive a Supplemental Pension. If a Participant’s benefit under more than one Defined Benefit Plan is reduced because of the Limitations, the Participant shall be eligible to receive a separate Supplemental Pension relating to each such Defined Benefit Plan, and the provisions of this Plan shall be applied separately with respect to each such Supplemental Pension.

SECTION 4 – Calculation of Supplemental Pension

A Participant’s Supplemental Pension relating to any Defined Benefit Plan shall be the Actuarial Equivalent at the applicable Payment Date of the excess of:

- (a) The Participant’s Accrued Pension under the Defined Benefit Plan, calculated without regard to the Limitations; over
- (b) The Participant’s Accrued Pension under the Defined Benefit Plan.

Notwithstanding the foregoing, the Supplemental Pension payable hereunder shall be reduced by the Actuarial Equivalent of the amount of any benefit payable by a Black & Decker Company, or by a plan sponsored by a Black & Decker Company, which is similarly intended to offset the impact of any of the Limitations.

SECTION 5– Payment of Supplemental Pension

(a) Except as provided in Section 5(d), the Actuarial Equivalent of a Participant’s Supplemental Pension as of the applicable Payment Date shall be paid in the form of a monthly 10-year guaranteed single life annuity for the Participant’s life, commencing on the Participant’s Payment Date, and providing that, in the event the Participant should die before receiving at least 120 of those monthly payments, the balance of those 120 monthly payments will continue to be paid monthly to the Participant’s Beneficiary until the Participant and his or her Beneficiary together shall have received a total of 120 monthly payments. Notwithstanding the preceding sentence, in the case of any Participant whose Benefit Commencement Date occurs prior to February 9, 2006, the form of payment for the Participant’s benefits under this Plan shall be the same form as the Participant’s benefits are paid under the Defined Benefit Plan to which the Supplemental Pension relates.

(b) Notwithstanding anything in this Plan to the contrary, to the extent required under Code Section 409A, in no event shall a Participant’s Supplemental Pension be paid or commence to be paid to him or her before the Participant’s Payment Date and must be paid or commence to be paid to the Participant on his or her Payment Date.

(c) Anything to the contrary notwithstanding, a Supplemental Pension shall be payable only so long as and to the extent that the Limitations are applicable to the benefits payable to the Participant under the related Defined Benefit Plan and only to the extent that the Limitations reduce the amount of the benefits otherwise payable under the Defined Benefit Plan.

(d) Any Participant who, at any time during 2005, was subject to an agreement to provide consulting services to any Black & Decker Company or who is employed by any of the Black & Decker Companies after September 1, 2005 and whose base annual salary rate at that date was \$200,000 or more may make an irrevocable election to receive as of the Participant’s Payment Date, in lieu of the Supplemental Pension provided under this Plan, the accelerated payment of his or her benefits under this Plan described in Paragraphs (1) and (2) in this Section 5(d). That election shall be made in writing and signed by the Participant and must be received by the Plan Manager of The Black & Decker Pension Plan on or before December 31, 2006. Under all circumstances, once received by the Plan Manager, any election under this Section 5(d) of the accelerated method of payment shall be irrevocable and shall apply to any benefits that become payable to the Participant and his or her spouse under this Plan. Notwithstanding anything to the contrary, if a Participant makes this election during the 2006 calendar year, the election shall not apply to any benefit payments the Participant would otherwise have received during the 2006 calendar year and those payments shall be made at the time(s) they would otherwise have been paid during 2006.

(1) If the Participant's Payment Date occurs before his or her 65th birthday, the present value of the Participant's Supplemental Pension under the Plan (including any benefits payable to the spouse or other Beneficiary) shall be paid to him or her in five (5) equal annual installments that are the Actuarial Equivalent of the Participant's Supplemental Pension under this Plan (including any benefits payable to the spouse or other Beneficiary), which installments shall be payable on the Participant's Payment Date and the succeeding four anniversaries of the Participant's Payment Date, with those installment payments being calculated taking into account interest from the Benefit Commencement Date to the date of the last installment payment at the rate of four and one-half percent (4.5%).

(2) If the Participant's Payment Date occurs on or after the Participant's 65th birthday, the present value of the Participant's Supplemental Pension under the Plan (including any benefits payable to the spouse or other Beneficiary) shall be paid to him or her in a lump sum payment that is the Actuarial Equivalent of the Participant's Supplemental Pension under this Plan (including any benefits payable to the spouse or other Beneficiary).

(3) In the event a Participant validly elects the accelerated method of payment under this Section 5(d) and dies before his or her Separation from Service, the Participant's spouse, if any, shall receive the Actuarial Equivalent present value of the Supplemental Spouse's Death Benefit under Section 6(b), payable in five (5) annual installment payments, if the Participant died before reaching age 65, or in a lump sum payment, if the Participant died on or after his or her 65th birthday, with the payment(s) beginning or to be made on the first day of the third full calendar month following the Participant's date of death. If the Participant dies before his or her Separation from Service and has no surviving spouse, then no benefit shall be payable to anyone under this Plan with respect to the Participant. If the Participant dies after his or her Separation from Service but before receiving the lump sum payment or all of the 5-year installment payments as elected under this Section 5(d), then that lump sum payment or the remaining installment payments shall be paid to the Participant's Beneficiary at the time those payments would have been paid to the Participant. The Participant's spouse who is entitled to receive the payment(s) under this Section 5(d)(3) shall be the person, if any, of the opposite sex to whom the participant is legally married at the Participant's death.

SECTION 6-- Death Benefits

(a) Except as provided in Section 5(d)(3), if a Participant dies on or after the Participant's Benefit Commencement Date, the only death benefit payable to his or her Beneficiary from this Plan shall be the death benefit, if any, payable to the Beneficiary under Section 5(a), commencing on the date one month after the date of the last monthly payment paid to the Participant before his or her death or, in the case of a Participant whose Benefit Commencement Date occurred before February 9, 2006, the survivor annuity or other death benefit payable to the Beneficiary under Section 5(a) under the payment form used for the Participant's Supplemental Pension. No death benefit shall be payable to the Participant's

Beneficiary under this Section 6(a) if the Participant elected the 5-year installments or lump sum accelerated method of payment under Section 5(d). If a Participant's Beneficiary predeceases the Participant, the death benefit provided under this Section 6(a) shall be paid to the contingent Beneficiary designated by the Participant, or if none is designated, to the Participant's estate.

(b) If a Participant dies before the Participant's Benefit Commencement Date, the only death benefit that shall be provided from this Plan is the Supplemental Spouse's Death Benefit. Except as provided in Section 5(d), the Supplemental Spouse's Death Benefit shall be paid to the Participant's surviving spouse as a monthly single life annuity for the Spouse's life with monthly benefits commencing on the first day of the third full calendar month following the date of the Participant's death. The amount of the Supplemental Spouse's Death Benefit shall be determined in the same manner as the spouse's death benefit under the related Defined Benefit Plan is determined, except on the basis of the Participant's Supplemental Pension under this Plan, rather than the Participant's Accrued Pension under the Defined Benefit Plan. The Participant's spouse who is entitled to receive the payment(s) under this Section 6(b) shall be the person, if any, of the opposite sex to whom the participant is legally married at the Participant's death.

SECTION 7 – Beneficiary Designation

A Participant may designate a Beneficiary and contingent Beneficiary to receive the death benefit provided under Section 6(a). A Participant's Beneficiary designation must be in writing, on a form signed by the Participant and acceptable to the Pension Committee, and shall be effective upon receipt by the Pension Committee before the Participant's death. A Participant may change his or her Beneficiary designation at any time and the last designation received by the Pension Committee shall control. If the Participant fails to validly designate a Beneficiary under this Plan or if his designated Beneficiary fails to survive him or her, any death benefit provided under Section 6(a) shall be paid to the contingent Beneficiary designated by the Participant, or if none is designated, to the Participant's estate.

SECTION 8 – Tax Withholdings

The Company shall have the right to deduct from each payment to be made hereunder any withholding or other taxes required by law.

SECTION 9– Payments in the Event of Incapacity

In the event that the Pension Committee shall find that the Participant or other person entitled to a benefit is unable to care for his or her affairs because of illness or accident or is a minor or has died, the Company may pay any benefit payment due him or her to his or her spouse, a child, a parent or other blood relative, or to a person with whom he or she resides, unless claim shall have been made thereof or by a duly appointed legal representative, and any such payment so made shall be a complete discharge of the liabilities of the Company therefor.

SECTION 10 – Forfeitures

Anything to the contrary notwithstanding, all of the rights and benefits under this Plan of a Participant, his or her surviving spouse and his or her Beneficiary, shall be forfeited under the following circumstances:

- (a) if the Participant's employment with the Black & Decker Companies is terminated by reason of his or her commission of any criminal act; or
- (b) if, without the prior written consent of the applicable Black & Decker Company, the Participant enters into competition with any of the Black & Decker Companies or discloses or uses confidential information of any of the Black & Decker Companies, whether before or after his or her retirement or other termination of employment with the Black & Decker Companies. If a Participant receives payment of his or her benefits under this Plan in a lump sum or installments and at any time after his or her Benefit Commencement Date, without the Company's written consent, enters into competition with any of the Black & Decker Companies or discloses or uses confidential information, the Participant shall forfeit his or her right to those installment payments or that lump sum payment and shall immediately repay to the Company the full amount of that lump sum payment or the installment payments that he or she received.

For the purposes of this Plan, a Participant shall be deemed to have entered into competition with one of the Black & Decker Companies if he or she directly or indirectly (whether as a consultant, agent, officer, director, stockholder, employee, owner, operator, sole proprietor, partner, joint venturer or otherwise) participates in or is connected with the ownership, operation, management or control of any business enterprise which is in competition, whether direct or indirect, with any of the types of businesses conducted by any of the Black & Decker Companies for which the Participant rendered any services within the preceding 36 months and within any of the same territories as such Black & Decker Companies conduct that type of business, as determined by the Pension Committee in its sole and absolute discretion; provided, however, that the Participant's ownership of five percent (5%) or less of the stock of a publicly-held company shall not be prohibited hereby. For the purposes of this Plan, the term, "confidential information" means any information which any of the Black & Decker Companies considers secret or confidential, including but not limited to information about the business, customers, employees, or marketing of the Black & Decker Companies, or technical data, drawings or other know-how, as determined by the Pension Committee in its sole and absolute discretion; provided, however, that the disclosure or use by the Participant of secret or confidential information shall not be prohibited hereby once such secret or confidential information comes into the public domain through no action of the Participant. If any restriction imposed by this Section is more restrictive than permitted by law, the scope of the restriction is to be limited to the extent permitted by law, but is not to be deemed unenforceable or void.

SECTION 11 – Company's Obligations Unfunded and Unsecured

Except as otherwise required by applicable law, the Company's obligations under this Plan are not required to be funded or secured in any manner; no assets need be placed in trust or

in escrow or otherwise physically or legally segregated for the benefit of any Participant; and the eventual payment of the benefits described in this Plan to a Participant or the Participant's spouse or Beneficiary is not required to be secured to the Participant or them by the issuance of any negotiable instrument or other evidence of the Company's indebtedness. Neither a Participant nor the Participant's spouse or Beneficiary is entitled to any property interest, legal or equitable, in any specific asset of the Company, and, to the extent that any person acquires any right to receive payments under the provisions of this Plan, that right is intended to be no greater than or to have any preference or priority over, the rights of any other unsecured general creditor of the Company. However, the Company reserves the right, in its sole discretion, to accumulate assets to offset its eventual liabilities under this Plan and physically or legally to segregate assets for the benefit of any Participant or Participant's spouse or Beneficiary (whether by escrow, by trust, by the purchase of an annuity contract or by any other method of funding selected by the Company) without liability for any adverse tax consequences resulting to that Participant or that Participant's spouse or Beneficiary from the Company's action. Any such segregation of assets may be made with respect to the Company's obligations under this Plan for benefits attributable to an individual Participant, a selected group of Participants or all Participants, as the Company may determine from time to time, in its absolute discretion. Benefits under this Plan shall be payable by the Company from the Company's general assets and no other company shall have any responsibility or liability under this Plan. The Company's liabilities under this Plan shall, however, be discharged to the extent of any payment received by the Participant (or the Participant's surviving spouse or Beneficiary) from any other company made for that purpose and on the Company's behalf or for its benefit.

SECTION 12– Alienation or Encumbrance

No payments, benefits or rights under this Plan shall be subject in any manner to anticipation, sale, transfer, assignment, mortgage, pledge, encumbrance, charge or alienation by a Participant, the Participant's spouse or Beneficiary or any other person who could or might possibly receive benefit payments that were due to the Participant or the Participant's spouse or Beneficiary, but were not paid. If the Company determines that any person entitled to payments under this Plan has become insolvent, bankrupt, or has attempted to anticipate, sell, transfer, assign, mortgage, pledge, encumber, charge or otherwise in any manner alienate any amount payable to that person under this Plan or that there is any danger of any levy, attachment, or other court process or encumbrance on the part of any creditor of that person, against any benefit or other amounts payable to that person, the Company may, in its sole discretion and to the extent permitted by law, at any time, withhold any or all such payments or benefits and apply the same for the benefit of that person, in such manner and in such proportion as the Company may deem proper.

SECTION 13– Administration of Plan

(a) The Plan shall be interpreted, administered, and operated by the Pension Committee, which shall have complete authority, in its sole and absolute discretion, to determine who is eligible for supplemental benefits hereunder, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations necessary or

advisable for the administration of this Plan. The Pension Committee's interpretations of the Plan and actions in respect of the Plan shall be binding and conclusive on all persons for all purposes. It is intended that this Plan comply with Code Section 409A and any regulations or guidance issued thereunder and shall be interpreted accordingly. Notwithstanding the amendment provisions of Section 17, the Plan may be amended by the Board of Directors of the Company at any time, retroactively, if found necessary, in the opinion of the Board of Directors, to conform the Plan to the provisions and requirements of Code Section 409A. No such amendment shall be considered prejudicial to any interest of a Participant or Beneficiary hereunder. Any provision of the Plan not in conformance with Code Section 409A shall be void as of January 1, 2005.

(b) Neither the Pension Committee nor any person acting on its behalf shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of the Plan unless attributable to gross negligence or willful misconduct. In addition to such other rights of indemnification as they may have as directors, officers or employees of the Company, each member of the Pension Committee shall be indemnified by the Company against the reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which he or she may be a party by reason of any action taken or omitted under or in connection with the Plan, and against all amounts paid in settlement thereof, provided such settlement is approved by independent legal counsel selected by the Company, or paid by him or her in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such member is liable for gross negligence or willful misconduct in his or her duties; provided that within 60 days after the institution of such action, suit or proceeding the member shall in writing offer the Company the opportunity, at its own expense, to handle and defend the same.

(c) If a Participant is also a member of the Pension Committee, the Participant may not vote or act upon matters relating specifically to his or her participation in the Plan.

SECTION 14 – No Guarantee of Employment

The Plan shall not be construed as conferring any legal rights upon any Participant for continuation of employment, nor shall it interfere with the rights of the Company to discharge a Participant and to treat him or her without regard to the effect which such treatment might have upon him or her under the Plan.

SECTION 15– Choice of Law

The Plan, and the respective rights and duties of the parties hereunder, shall in all respects be governed by and construed in accordance with the laws of the State of Maryland, except to the extent that those laws shall have been preempted by the laws of the United States.

SECTION 16 – Claims Procedure

Any claim by a Participant, a Participant’s spouse or Beneficiary that benefits under the Plan have not been paid in accordance with the terms and conditions of the Plan shall be made in writing and delivered to the Pension Committee at the Company’s principal office in the State of Maryland. The Pension Committee shall notify the claimant if any additional information is needed to process the claim. All claims shall be approved or denied by the Pension Committee within 90 days of receipt of the claim by the Pension Committee. If the claim is denied, the Pension Committee shall furnish the claimant with a written notice containing:

- (a) an explanation of the reason for the denial,
- (b) a specific reference to the applicable provisions of the Plan,
- (c) a description of any additional material or information necessary for the claimant to pursue the claim, and
- (d) a statement of the claimant’s right to bring a civil action under Section 502(a) of ERISA.

Within 90 days of receipt of the notice described above, the claimant shall, if he or she desires further review, file a written request for reconsideration with the Pension Committee. A request for reconsideration must include an explanation of the grounds for the request and the facts supporting the claim. So long as the claimant’s request for review is pending, including such 90-day period, the claimant or his or her duly authorized representative may review pertinent documents and may submit issues and comments in writing to the Pension Committee.

A final and binding decision shall be made by the Pension Committee within 60 days of the filing of the request for reconsideration; provided, however, that the Pension Committee, in its discretion, may extend this period up to an additional 60 days.

The decision by the Pension Committee shall be conveyed to the claimant in writing and shall include specific reasons for the decision, with specific references to the applicable provisions of the Plan on which the decision is based and a statement of the claimant’s right to bring a civil action under Section 502(a) of ERISA.

SECTION 17 – Amendments and Termination

The Board of Directors of the Company reserves the right, in its sole and absolute discretion: (a) to amend this Plan, in whole or in part, at any time and from time to time, and (b) to terminate this Plan at any time; provided, however, that no such amendment or termination shall have the effect of accelerating or permitting the acceleration of any payment under this Plan, except to the extent that such acceleration would be permitted under Code Section 409A, and, except as otherwise provided in Section 5(c), no such amendment or termination shall reduce the Supplemental Pension or the Supplemental Spouse’s Death Benefit determined as of the date on which the amendment is adopted or this Plan is terminated, as the case may be.

WITNESS:

BLACK & DECKER (U.S.) INC.

THE BLACK & DECKER
SUPPLEMENTAL RETIREMENT SAVINGS PLAN

January 1, 2005

THE BLACK & DECKER
SUPPLEMENTAL RETIREMENT SAVINGS PLAN

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THE BLACK & DECKER
SUPPLEMENTAL RETIREMENT SAVINGS PLAN

RECITALS

The Black & Decker Supplemental Retirement Savings Plan (the "Plan") is adopted by The Black & Decker Corporation (the "Company") for certain executive employees. The purpose of the Plan is to offer those employees an opportunity to elect to defer the receipt of compensation in order to provide deferred compensation benefits taxable pursuant to Section 451 of the Internal Revenue Code of 1986, as amended (the "Code"). The Plan is intended to be a "top-hat" plan (i.e., an unfunded deferred compensation plan maintained for a select group of management or highly-compensated employees) under Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). This Plan shall apply to all amounts earned and/or vested on or after January 1, 2005. Amounts earned and vested on or before December 31, 2004, shall be subject to the terms of the applicable Prior Plan.

The Company recognizes the transfer of the associated assets and liabilities of the Pentair, Inc. Non-Qualified Deferred Compensation Plan, as amended and restated effective as of January 1, 2002, (Pentair, Inc. NQDCP) from the Pentair, Inc. NQDCP to the Company effective as of October 4, 2004, for employees who became Black & Decker employees as a result of the acquisition by the Company of Pentair Inc.'s Tools Group. Deferrals made under the Pentair, Inc. NQDCP prior to January 1, 2005, will be administered in accordance with the Pentair, Inc. NQDCP to the extent the deferrals are vested prior to January 1, 2005. All deferrals earned or vested after January 1, 2005 for such employees, will be administered in accordance with this Plan.

ARTICLE 1

DEFINITIONS

- 1.1 ACCOUNT means the balance credited to a Participant's or Beneficiary's Plan account, including contribution credits and income, gains and losses (as determined by the Committee, in its discretion) credited thereto. A Participant's or Beneficiary's Account shall be determined as of the date of reference.
- 1.2 BENEFICIARY means any person or persons so designated in accordance with the provisions of Article 7.
- 1.3 CHANGE IN CONTROL means with respect to the Black & Decker Corporation or its subsidiaries or affiliates:
- (a) The acquisition by any one person or more than one person acting as a group of any of the Corporation's stock, if the sum of the stock so acquired plus the stock held by that person or group before the acquisition constitutes more than fifty percent (50%) of the total fair market value or

total voting power of the stock of the Corporation and the stock held by that person or group immediately before that acquisition constituted fifty percent (50%) or less of the then total fair market value or total voting power of the stock of the Corporation. An increase in the percentage of the Corporation's stock owned by any one person or persons acting as a group as a result of a transaction in which the Corporation acquires its stock in exchange for property will be treated as an acquisition of stock for this purpose. This paragraph (a) only applies when there is a transfer of stock of the Corporation (or issuance of stock of the Corporation) and stock in the Corporation remains outstanding after the transaction.

- (b) The acquisition by any one person or more than one person acting as a group during the 12-month period ending on the most recent such acquisition by that person or group of ownership of stock of the Corporation possessing thirty-five percent (35%) or more of the total voting power of the stock of the Corporation and the stock held by that person or group immediately before that acquisition constituted less than thirty-five percent (35%) of the then total voting power of the stock of the Corporation.
- (c) A majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election, provided that no other corporation is the majority stockholder of the stock of the Corporation.
- (d) The acquisition by any one person or more than one person acting as a group during the 12-month period ending on the most recent such acquisition by that person or group of assets of the Corporation that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the Corporation's assets immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the Corporation's assets, or the value of the assets being disposed of, determined without regard to any liabilities associated with those assets. There is no Change in Control of the Corporation under this Paragraph (d) when there is a transfer to an entity that is controlled by the shareholders of the Corporation immediately after the transfer. A transfer of assets will not qualify as a Change in Control of the Corporation under this Paragraph (d) if the assets are transferred to: (i) a shareholder of the Corporation immediately before the transfer in exchange for or with respect to the Corporation's stock; (ii) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Corporation; (iii) a person, or more than one person acting as a group, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all of the outstanding stock of the Corporation; or (iv) an entity, at least

fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a person, or more than one person acting as a group, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all of the outstanding stock of the Corporation.

For the purpose of interpreting this definition of "Change in Control of the Corporation," the following rules apply:

(1) Persons will be considered as acting as a group only if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of assets, or similar business transaction with the Corporation. If a person, including an entity shareholder, owns stock in the Corporation and the other corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar transaction with respect to the Corporation, that shareholder is considered to be acting as a group with other shareholders in a corporation only to the extent of the ownership in that corporation prior to the transaction giving rise to the Change in Control event and not with respect to the ownership interest in the other corporation.

(2) Ownership shall be determined taking into account the attribution rules set forth in Section 318(a) of the Code. Stock underlying a vested option is considered owned by the option holder and non-vested stock is not considered owned by the option holder.

(3) If any one person, or more than one person acting as a group, is considered to effectively control the Corporation as described in Paragraphs (b) & (c) above, the acquisition of additional control of the Corporation by the same person or persons is not considered to cause a change in the effective control of the Corporation or to cause a change in the ownership of the Corporation for the purposes of this definition.

(4) Each Change in Control event described in this definition is intended to constitute a change in ownership or effective control of the Corporation or in the ownership of a substantial portion of the Corporation's assets within the meaning of Section 409A(a)(2)(A)(v) of the Code.

1.4 CODE means the Internal Revenue Code of 1986 and the regulations thereunder, as amended from time to time.

1.5 COMMITTEE means the Pension Management Committee of the Company.

1.6 COMPANY means The Black & Decker Corporation and its successors and assigns.

- 1.7 COMPENSATION means the base salary of an employee of an Employer and any bonus payment payable to an employee of an Employer under a Designated Bonus Program.
- 1.8 COMPENSATION DEFERRAL ACCOUNT is defined in Section 3.2.
- 1.9 COMPENSATION DEFERRALS is defined in Section 3.2.
- 1.10 DESIGNATED BONUS PROGRAM means The Black & Decker Annual Incentive Plan, and any other cash-based incentive plan designated by the Committee from time to time.
- 1.11 DESIGNATION DATE means the date or dates on which a designation of deemed investment directions by an individual pursuant to Section 4.5, or any change in a prior designation of deemed investment directions by an individual pursuant to Section 4.5, shall become effective. The Designation Dates in any Plan Year shall be specified by the Committee.
- 1.12 EFFECTIVE DATE means the effective date of the Plan, which, notwithstanding the date of execution hereof, shall be January 1, 2005.
- 1.13 ELIGIBLE EMPLOYEE means, for any Plan Year (or applicable portion thereof), a person employed by an Employer, who is paid through a U.S. payroll system, is a "highly compensated employee" as defined at Code Section 414(q), and who is determined by the Committee to be a member of a select group of management or highly compensated employees. The term Eligible Employee shall not include a non-U.S. citizen who is ineligible for the Savings Plan. By each November 1 (or on or before the Effective Date for the Plan's first Plan Year), the Plan Manager shall notify those individuals, if any, who will be Eligible Employees for the next Plan Year. If the Committee determines that an individual first becomes an Eligible Employee during a Plan Year, the Plan Manager shall notify such individual of the Committee's determination and of the date during the Plan Year on which the individual shall first become an Eligible Employee.
- 1.14 EMPLOYER means the Company unless otherwise herein provided, or any subsidiary or affiliate of the Company that agrees, with the consent of the Company, to become a party to the Plan.
- 1.15 EMPLOYER CONTRIBUTION CREDIT ACCOUNT is defined in Section 3.1.
- 1.16 EMPLOYER CONTRIBUTION CREDITS is defined in Section 3.1.
- 1.17 ENTRY DATE with respect to an individual means the first day of the pay period following the date on which the individual first becomes an Eligible Employee.
- 1.18 ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.19 EXCHANGE ACT means the Securities Exchange Act of 1934, as amended from time to time.

1.20 PARTICIPANT means any person so designated in accordance with the provisions of Article 2, including, where appropriate according to the context of the Plan, any former employee who is or may become (or whose Beneficiaries may become) eligible to receive a benefit under the Plan.

1.21 PARTICIPANT ENROLLMENT AND ELECTION FORM means the form or forms on which a Participant elects to defer Compensation hereunder and on which the Participant makes certain other designations as required thereon.

1.22 PLAN means The Black & Decker Supplemental Retirement Savings Plan, as amended from time to time.

1.23 PLAN MANAGER means the Vice President of Benefits for the Company, or such other person as may be designated by the Committee.

1.24 PLAN YEAR means each accounting period commencing on the Effective Date and ending on the December 31 of each year in which the Plan is in effect.

1.25 PRIOR PLAN means the Company's Supplemental Retirement Savings Plan, effective February 1, 1996.

1.26 SAVINGS PLAN means The Black & Decker Retirement Savings Plan or a successor plan.

1.27 VALUATION DATE means the last day of each Plan Year and any other date that the Committee, in its sole discretion, designates as a Valuation Date.

ARTICLE 2

ELIGIBILITY AND PARTICIPATION

2.1 REQUIREMENTS. Every Eligible Employee on the Effective Date shall be eligible to become a Participant on the Effective Date. Every other Eligible Employee shall be eligible to become a Participant on the first Entry Date occurring on or after the date on which he or she becomes an Eligible Employee. No individual shall become a Participant, however, if he or she is not an Eligible Employee on the date his or her participation is to begin.

Participation in the Participant Compensation Deferral feature of the Plan is voluntary. In order to participate in the Participant Compensation Deferral feature of the Plan, an otherwise Eligible Employee must make written application in such manner as may be required by Section 3.2 and by the Committee and must agree to make Compensation Deferrals as provided in Article 3.

2.2 RE-EMPLOYMENT. If an Eligible Employee whose employment with all Employers is terminated is subsequently re-employed by an Employer, he or she shall become an Eligible Employee in accordance with the provisions of Section 2.1.

2.3 CHANGE OF EMPLOYMENT CATEGORY. During any period in which a Participant remains in the employ of an Employer, but ceases to be an Eligible Employee, he or she shall not be eligible to make Compensation Deferrals hereunder.

ARTICLE 3

CONTRIBUTIONS AND CREDITS

3.1 EMPLOYER CONTRIBUTION CREDITS. There shall be established and maintained a separate Employer Contribution Credit Account in the name of each Participant. There shall be established the following two sub-accounts under a Participant's Employer Contribution Credit Account: (a) Matching Contribution Sub-Account; and (b) Discretionary Contribution Sub-Account. Each such Sub-Account shall be credited or debited, as applicable, with (a) amounts equal to the Employer's Contribution Credits credited to that Sub-Account; (b) any deemed earnings and losses (to the extent realized, based upon the deemed fair market value of the Sub-Account's deemed assets as determined by the Committee, in its sole and absolute discretion) allocated to that Sub-Account; and (c) expenses charged to that Sub-Account.

For purposes of this Section, the Employer's Contribution Credits credited to a Participant's Matching Contribution Sub-Account for a particular Plan Year shall be an amount equal to the amount of the matching contributions that would be made to the Participant's account under the Savings Plan for the Plan Year if the Participant's Compensation Deferrals hereunder for the Plan Year had been made to the Savings Plan (disregarding for purposes of this assumption the Code § 402(g) limit) instead of under this Plan (and assuming that no non-discrimination or annual addition test limits on matching contributions and no limits on recognizable compensation applied to the Savings Plan). The Company reserves the right, subject to any restrictions imposed by applicable law, to credit Participant Matching Contribution Sub-Accounts with common stock of the Company, which shall be credited at its fair market value at the time of contribution.

For purposes of this Section, the Employer's Contribution Credits credited to a Participant's Discretionary Contribution Sub-Account for a particular Plan Year shall be an amount (if any) determined by the Committee, in its sole and absolute discretion.

The Participant's Employer Contribution Credit Account shall be credited or debited, as applicable, as of each Valuation Date, with deemed earnings or losses, as applicable, and expenses. The amount of deemed earnings or losses and expenses shall be as determined by the Committee hereunder, in its sole and absolute discretion. The Committee shall have the sole and absolute discretion to allocate such deemed earnings or losses and expenses among Participants' Employer Contribution Credit Accounts and among a Participant's Sub-Accounts

pursuant to such allocation rules as the Committee deems to be reasonable and administratively practicable.

A Participant shall at all times be 100% vested in amounts credited to his or her Employer Contribution Account.

3.2 **PARTICIPANT COMPENSATION DEFERRALS.** In accordance with rules established by the Committee, a Participant may elect to defer Compensation which is due to be earned and which would otherwise be paid to the Participant. A Participant may elect to defer up to 25% of his base salary earned prior to January 1, 2006 and 50% of his base salary earned after January 1, 2006 with no reduction of such maximum percentage for the percentage of base salary the Participant has directed to be contributed to the Savings Plan. A Participant may elect to defer up to 100% of a bonus payment not yet payable to him or her at the time of the election under a Designated Bonus Program reduced by the percentage of the bonus that the Participant has directed to be contributed to the Savings Plan as Before-Tax and/or After-Tax contributions pursuant to the Participant's Savings Plan election in effect at the time the Participant makes a bonus deferral election under this Plan after taking into account the limit on compensation imposed by Code § 401(a)(17). Amounts so deferred will be considered a Participant's "Compensation Deferrals." Ordinarily, a Participant shall make a Compensation Deferral election with respect to a coming Plan Year during the period beginning on the November 1 and ending on the November 30 of the prior Plan Year, or during such other period prior to the beginning of the coming Plan Year established by the Committee. In the first year in which an individual becomes an Eligible Employee, any newly Eligible Employee may make a Compensation Deferral election with respect to services to be performed subsequent to the election within thirty (30) days after the date the individual becomes eligible.

In accordance with rules and subject to limitations established by the Committee, an election to defer the receipt of all or any portion of performance compensation (as defined in Code Section 409A and the regulations and guidance thereunder) under a Designated Bonus Program that is payable to the Eligible Employee by an Employer shall be made on such form or forms as determined by the Plan Manager and shall be made at least six (6) months prior to end of the service period over which such incentive compensation is earned by the Eligible Employee and the Eligible Employee shall become a Participant upon making such election. Incentive compensation deferrals shall be deductible from the incentive compensation otherwise payable to the deferring Participant, and shall be credited to the Account of the deferring Participant.

Compensation Deferrals shall be made through regular payroll deductions or through an election by the Participant to defer the payment of a bonus payment not yet payable to him or her at the time of the election under a Designated Bonus Program. The Participant may terminate his or her regular payroll deduction Compensation Deferral amount as of, and by written notice delivered to the Committee, prior to the last date a deferral election could be made. Notwithstanding anything to the contrary, for the 2005 Plan Year, a Participant can revoke his or her deferral election with respect to base salary and/or a bonus payment, provided that he or she do so prior to December 31, 2005 and the amount subject to the revocation is includible in the Participant's income in the 2005 calendar year, or, if later, the taxable year in which the amounts are earned and vested. A Participant's deferral election will be automatically revoked if the

Participant obtains a hardship distribution under the Company's Retirement Savings Plan. Once terminated, a regular payroll deduction Compensation Deferral amount may not be subsequently reinstated earlier than the first day of the next Plan Year. A Compensation Deferral election shall continue in force only for the Plan Year for which the election is first effective. An Eligible Employee shall make a new Compensation Deferral election effective as of the first day of each Plan Year in accordance with the procedures specified in this Section 3.2 for making Compensation Deferral elections. All Compensation Deferral elections shall be made on a subsequent Participant Enrollment and Election Form provided by the Committee. Compensation Deferrals shall be deducted by the Employer from the Compensation of a deferring Participant and shall be credited to the Account of the deferring Participant.

There shall be established and maintained by the Employer a separate Compensation Deferral Account in the name of each Participant to which shall be credited or debited: (a) amounts equal to the Participant's Compensation Deferrals and other incentive compensation deferrals; (b) amounts equal to any deemed earnings or losses (to the extent realized, based upon deemed fair market value of the Account's deemed assets, as determined by the Committee, in its sole and absolute discretion) attributable or allocable thereto; and (c) expenses charged to that Account. A Participant shall at all times be 100% vested in amounts credited to his or her Participant Compensation Deferral Account.

3.3 DEFERRALS UNDER OTHER PLANS OR ARRANGEMENTS. DEFERRALS UNDER OTHER PLANS OR ARRANGEMENTS. In accordance with rules and subject to limitations established by the Committee, amounts credited for the benefit of an Eligible Employee under other deferred compensation plans or arrangements of an Employer as designated by the Committee may be transferred to this Plan. Prior to any such transfer, the Eligible Employee must complete such form or forms as determined by the Plan Manager. Upon being transferred to this Plan, such amounts shall be credited to the Account of such Eligible Employee as a Participant under this Plan, and shall be administered in accordance with the provisions of this Plan.

Notwithstanding the foregoing, deferrals made under the Pentair, Inc. Non-Qualified Deferred Compensation Plan which have been earned and vested prior to January 1, 2005 shall be administered in accordance with the Pentair, Inc. Non-Qualified Deferred Compensation Plan and, with respect to deferrals which have been earned and vested prior to January 1, 2005, elections made under the Pentair, Inc. Non-Qualified Deferred Compensation Plan on the form of distribution and deferral period shall be deemed to be the distribution form and date that would have applied under the Pentair, Inc. Non-Qualified Deferred Compensation Plan.

ARTICLE 4

ALLOCATION OF FUNDS

4.1 ALLOCATION OF EARNINGS OR LOSSES ON ACCOUNTS. Subject to such limitations as may from time to time be required by law, imposed by the Committee or contained elsewhere in the Plan, and subject to such operating rules and procedures as may be imposed

from time to time by the Committee, prior to the date on which a direction will become effective, the Participant shall have the right to direct the Committee how amounts in his or her Account shall be deemed to be invested. The Participant's Plan Account will be credited or debited with the increase or decrease in the realizable net asset value or credited interest, as applicable, of the designated deemed investments, as follows: as of each Valuation Date, an amount equal to the net increase or decrease in realizable net asset value or credited interest, as applicable, of each deemed investment within the Account since the preceding Valuation Date shall be allocated among all Participants' Accounts deemed to be invested in that investment in accordance with the ratio which the portion of the Account of each Participant which is deemed to be invested within that investment, determined as provided herein, bears to the aggregate of all amounts deemed to be invested within that investment.

4.2 ACCOUNTING FOR DISTRIBUTIONS. As of the date of any distribution hereunder, the distribution made hereunder to the Participant or his or her Beneficiary or Beneficiaries shall be charged to such Participant's Account. Such amounts shall be charged on a pro rata basis against the investments in which the Participant's Account is deemed to be invested.

4.3 SEPARATE ACCOUNTS. A separate account under the Plan shall be established and maintained to reflect the Account for each Participant with sub-accounts to show separately the deemed earnings and losses credited or debited to such Account, and the applicable deemed investments of the Account.

4.4 INTERIM VALUATIONS. If it is determined by the Committee that the value of the Participant's account as of any date on which distributions are to be made differs materially from the value of the Participant's Account on the prior Valuation Date upon which the distribution is to be based, the Committee, in its sole and absolute discretion, shall have the right to designate any date in the interim as a Valuation Date for the purpose of revaluing the Participant's Account so that the Account will, prior to the distribution, reflect its share of such material difference in value.

4.5 DEEMED INVESTMENT DIRECTIONS OF PARTICIPANTS. Subject to such limitations as may from time to time be required by law, imposed by the Committee or contained elsewhere in the Plan, and subject to such operating rules and procedures as may be established from time to time by the Plan Manager, each Participant may communicate to the Plan Manager a direction as to how his or her Plan Account should be deemed to be invested among such categories of deemed investments as may be made available by the Committee hereunder. The Plan Manager has discretion to develop rules and regulations to administer such investment elections and transfers of investments, including establishing dollar or percentage increments of the Plan Accounts for Participants to invest, and limits on the value of Plan Accounts that Participants may invest in each deemed investment category or transfer between each deemed investment category.

All amounts credited to the Participant's Account shall be deemed to be invested in accordance with the then effective deemed investment direction; and as of the effective date of any new deemed investment direction, all or a portion of the Participant's Account at that date

shall be reallocated among the designated deemed investment categories in the manner specified in the new deemed investment direction unless and until a subsequent deemed investment direction shall be delivered and become effective. An election concerning deemed investment choices shall continue indefinitely as provided in the election form or other procedure specified by the Committee.

If the Plan Manager receives an initial or revised deemed investment direction which it deems to be incomplete, unclear or improper, the Participant's investment direction then in effect shall remain in effect (or, in the case of a deficiency in an initial deemed investment direction, the Participant shall be deemed to have delivered no deemed investment direction) until the next Designation Date, unless the Committee provides for, and permits the application of, corrective action prior thereto. If the Plan Manager possesses (or is deemed to possess as provided above) at any time directions as to the deemed investment of less than all of a Participant's Account, the Participant shall be deemed to have directed that the undesignated portion of the Account be deemed to be invested in a money market, fixed income or similar fund made available under the Plan as determined by the Committee in its sole and absolute discretion.

Each Participant hereunder, as a condition to his or her participation hereunder, agrees to indemnify and hold harmless the Plan Manager, the Committee and their agents and representatives from any losses or damages of any kind relating to the deemed investment of the Participant's Account hereunder. Each reference in this Section to a Participant shall be deemed to include, where applicable, a reference to a Beneficiary.

4.6 EXPENSES. Expenses attributable to the administration of the Plan, including Trustee fees, shall be paid by the Company, but the Committee, in its sole and absolute discretion, may elect to charge such expenses against the appropriate Participant's Account or Participants' Accounts. If an expense is charged against a Participant's Account, in the sole and absolute discretion of the Committee, such expense either (i) will reduce the Employer Contribution Credits under Section 3.1 next due to be made by the Employer in respect of an Account maintained for the Participant or (ii) will be charged against and shall reduce the Participant's Account hereunder.

4.7 INSURANCE. The Company may purchase life insurance policies on the lives of certain Participants. If the Company elects to purchase a life insurance policy upon the life of a Participant, then the Participant shall assist the Company by submitting to a physical examination and supplying such additional information necessary to obtain the insurance policy. The Company shall own the life insurance policies and the Participants shall have no claim or interest in the policies.

ARTICLE 5

ENTITLEMENT TO BENEFITS

5.1 PAYMENT DATES. On his or her Participant Enrollment and Election Form, a Participant may select an initial payment date for the payment or commencement of

payment of his or her vested Account. For this purpose, the initial payment date may be (i) a specified date that is no earlier than 12 months following the date of termination of the Participant's employment with the Company and all of its subsidiaries and affiliates, or (ii) a specified date that is no earlier than the first day of the second Plan Year following the Plan Year to which the Compensation Deferral relates. The Participant's vested Account will be valued and payable according to the provisions of Article 6. The form of payment may be changed or an initial payment date may be extended to a later date so long as the election to change the form of payment or to so extend the date is made by the Participant 12 months prior to the initial payment date, may not take effect for at least 12 months from the date of the election to extend and does not provide for a new distribution date that is earlier than five years after the initial payment date. An election change, whether to change the form of payment and/or extend initial payment dates, may not be made more than once. An initial payment date may not be accelerated.

Notwithstanding any provision of the Plan to the contrary, the Company may permit, in an equitable and consistent manner for all Participants, the acceleration of a payment date solely under the following circumstances as permitted under the Code: (a) to make a payment to an individual other than the Participant as may be necessary to comply with a domestic relations order (as defined in Code Section 414(p)(1)(B)); (b) to make a payment as may be necessary to comply with a certificate of divestiture (as defined in Code Section 1043(b)(2)); or (c) to pay Federal Insurance Contributions Act (FICA) tax imposed under Code Section 3101 and Section 3121(v)(2) on compensation deferred under the Plan and other related employment taxes as permitted under Code Section 409A and regulations and guidance thereunder.

If a Participant does not select a payment date for any particular amounts hereunder, and the Participant terminates employment with the Company and all of its subsidiaries and affiliates for any reason, the Participant's Account at the date of such termination shall be valued and payable 12 months following such termination according to the provisions of Article 6.

5.2 VESTING. The Compensation Deferral Account and Matching Contribution Sub-Account of each Participant shall be 100% vested at all times.

5.3 TREATMENT OF FORFEITURES. All forfeitures shall be applied to reduce the corresponding Employer Contribution Credits for the Plan Year in which the forfeiture occurred and thereupon shall be allocated as an Employer Contribution Credit in the manner provided for the Employer Contribution Credits which the forfeitures replace. To the extent such forfeitures exceed the amounts required or remaining to be credited as Employer Contribution Credits under the Plan for any Plan Year, the excess shall be applied to reduce Employer Contribution Credits for the following Plan Years until exhausted. In the event the Plan is terminated, any forfeitures not yet applied to reduce Employer Contribution Credits shall revert to the Company.

ARTICLE 6

DISTRIBUTION OF BENEFITS

6.1 DISTRIBUTION EVENTS AND AMOUNT. A Participant (or his or her Beneficiary) shall become entitled to receive a distribution in an aggregate amount equal to the Participant's Account: (a) on or about the payment date or dates selected by the Participant on his or her Participant Enrollment and Election Form as provided in Section 5.1 or, if none, on or about the date that is 12 months after the Participant's termination of employment with the Company or any of its subsidiaries or affiliates, (b) on the death of the Participant pursuant to Section 6.3; or (c) on a Change in Control pursuant to Section 6.4 and Article 10.

6.2 METHOD OF PAYMENT.

(a) Cash Or In-Kind Payments. Payments under the Plan shall generally be made in cash; provided, however, that payment may be made in cash or in-kind, as permitted by the Committee in its sole and absolute discretion and subject to any restrictions on transfer as may be applicable legally and contractually.

(b) Timing and Manner of Payment. In the case of distribution to a Participant or his or her Beneficiary by virtue of an entitlement pursuant to Section 5.1, an aggregate amount equal to the Participant's vested Account will be paid by the Company, as provided by Section 6.1, in a lump sum or in substantially equal annual installments not to exceed 10 years (adjusted for gains and losses, and reduced by any required withholding or other deductions from such payments), as selected by the Participant at the time the Participant completes his or her Participant Enrollment and Election Form. If a Participant fails to designate properly the manner of payment of the Participant's benefit under the Plan, such payment will be in a lump sum on or about the fixed payment date or dates selected by the Participant, or, if none, on or about the date of the Participant's termination of employment with the Company and all of its subsidiaries and affiliates. Notwithstanding the foregoing, amounts transferred to this Plan from The Pentair, Inc. Non-Qualified Deferred Compensation Plan earned by and vested in the Participant before January 1, 2005 shall be paid by the Company in the payment form that would have been applicable pursuant to section 7 of that plan.

If the whole or any part of a payment hereunder is to be in installments, the total to be so paid shall continue to be deemed to be invested pursuant to Article 4 under such procedures as the Committee may establish, in which case any deemed income, gain, loss or expense attributable thereto (as determined by the Committee in its sole and absolute discretion) shall be reflected in the installment payments, in such equitable manner as the Committee shall determine.

6.3 DEATH BENEFITS. If a Participant dies before the commencement of payments to the Participant hereunder, the entire value of the Participant's Account shall be paid, as provided in Section 6.2, to the person or persons designated in accordance with Section 7.1.

Upon the death of a Participant after payments hereunder have begun but before he or she has received all payments to which he or she is entitled under the Plan, the remaining benefit payments shall be paid to the person or persons designated in accordance with Section 7.1, in a lump-sum.

In the absence of a valid beneficiary designation, death benefits will be made to the Participant's spouse, if alive; and if not, then to the Participant's estate.

6.4 CHANGE IN CONTROL. Notwithstanding any provision of the Plan to the contrary, on the occurrence of a Change in Control, each Participant may be paid the entire value of his or her account in one lump sum in accordance with Article 10.

ARTICLE 7

BENEFICIARIES; PARTICIPANT DATA

7.1 DESIGNATION OF BENEFICIARIES. Each Participant from time to time may designate any person or persons (who may be named contingently or successively) to receive such benefits as may be payable under the Plan upon or after the Participant's death, and such designation may be changed from time to time by the Participant by filing a new designation. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed in writing with the Committee during the Participant's lifetime.

In the absence of a valid Beneficiary designation, or if, at the time any benefit payment is due to a Beneficiary, there is no living Beneficiary validly named by the Participant, the Committee shall cause the payment of any such benefit payment to be made to the Participant's spouse, if then living, but otherwise, to the Participant's estate. In determining the existence or identity of anyone entitled to a benefit payment, the Committee may rely conclusively upon information supplied by the Participant's personal representative, executor or administrator. If a question arises as to the existence or identity of anyone entitled to receive a benefit payment as aforesaid, or if a dispute arises with respect to any such payment, then, notwithstanding the foregoing, the Committee, in its sole and absolute discretion, may distribute such payment to the Participant's estate without liability for any tax or other consequences which might flow therefrom, or may take such other action as the Committee deems to be appropriate.

7.2 INFORMATION TO BE FURNISHED BY PARTICIPANTS AND BENEFICIARIES; INABILITY TO LOCATE PARTICIPANTS OR BENEFICIARIES. Any communication, statement or notice addressed to a participant or to a Beneficiary at his or her last post office address as shown on the Employer's records shall be binding on the Participant or Beneficiary for all purposes of the Plan. The Committee shall not be obliged to search for any Participant or Beneficiary beyond the sending of a registered letter to such last known address. If the Committee notifies any Participant or Beneficiary that he or she is entitled to an amount under the Plan and the Participant or Beneficiary fails to claim such amount or make his or her location known to the Committee within three (3) years thereafter, then, except as otherwise

required by law, if the location of one or more of the next of kin of the Participant is known to the Committee, the Committee may direct distribution of such amount to any one or more or all of such next of kin, and in such proportions as the Committee determines. If the location of none of the foregoing persons can be determined, the Committee shall have the right to direct that the amount payable shall be deemed to be a forfeiture, except that the dollar amount of the forfeiture, unadjusted for deemed gains or losses in the interim, shall be paid by the Company if a claim for the benefit subsequently is made by the Participant or Beneficiary to whom it was payable. If a benefit payable to an unlocated Participant or Beneficiary is subject to escheat pursuant to applicable state law, the Company shall not be liable to any person for any payment made in accordance with such law.

ARTICLE 8

ADMINISTRATION

8.1 ADMINISTRATIVE AUTHORITY. Except as otherwise specifically provided herein, the Committee, in its sole and absolute discretion, shall have the sole responsibility for and the sole control of the operation and administration of the Plan, and shall have the power and authority to take all action and to make all decisions and interpretations which may be necessary or appropriate in order to administer and operate the Plan, including, without limiting the generality of the foregoing, the power, duty and responsibility to:

- (a) Resolve and determine all disputes or questions arising under the Plan, and to remedy any ambiguities, inconsistencies or omissions in the Plan.
- (b) Adopt such rules of procedure and regulations as in its opinion may be necessary for the proper and efficient administration of the Plan and as are consistent with the Plan.
- (c) Implement the Plan in accordance with its terms and the rules and regulations adopted as above.
- (d) Make determinations concerning the crediting of Plan Accounts.
- (e) Appoint any persons or firms, or otherwise act to secure specialized advice or assistance, as it deems necessary or desirable in connection with the

administration and operation of the Plan, and the Committee shall be entitled to rely conclusively upon, and shall be fully protected in any action or omission taken by it in good faith reliance upon, the advice or opinion of such firms or persons. The Committee shall have the power and authority to delegate from time to time all or any part of its duties, powers or responsibilities under the Plan, both ministerial and discretionary, as it deems appropriate, to any person or sub-committee, and in the same manner to revoke any such delegation of duties, powers or responsibilities. Any action of such person or sub-committee in the exercise of such delegated duties, powers or responsibilities shall have the same force and effect for all purposes hereunder as if such action had been taken by the Committee. Further, the Committee may authorize one or more persons to execute any

certificate or document on behalf of the Committee, in which event any person notified by an Employer of such authorization shall be entitled to accept and conclusively rely upon any such certificate or document executed by such person as representing action by the Committee until such notified person shall have been notified of the revocation of such authority.

8.2 UNIFORMITY OF DISCRETIONARY ACTS. Whenever in the administration or operation of the Plan discretionary actions by the Committee are required or permitted, such actions shall be consistently and uniformly applied to all persons similarly situated, and no such action shall be taken which shall discriminate in favor of any particular person or group of persons.

8.3 LITIGATION. Except as may be otherwise required by law, in any action or judicial proceeding affecting the Plan, no Participant or Beneficiary shall be entitled to any notice or service of process, and any final judgment entered in such action shall be binding on all persons interested in, or claiming under, the Plan.

8.4 CLAIMS PROCEDURE. Any person claiming a benefit under the Plan (a "Claimant") shall present the claim, in writing, to the Plan Manager, and the Plan Manager shall respond in writing. If the claim is denied, the written notice of denial shall state, in a manner calculated to be understood by the Claimant:

- (a) The specific reason or reasons for the denial, with specific references to the Plan provisions on which the denial is based;
- (b) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or information is necessary; and
- (c) An explanation of the Plan's claims review procedure including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

The written notice denying or granting the Claimant's claim shall be provided to the Claimant within ninety (90) days after the Plan Manager's receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension is required, written notice of the extension shall be furnished by the Plan Manager to the Claimant within the initial ninety (90) day period and in no event shall such an extension exceed a period of ninety (90) days from the end of the initial ninety (90) day period. Any extension notice shall indicate the special circumstances requiring the extension and the date on which the Plan Manager expects to render a decision on the claim. Any claim not granted or denied within the period noted above shall be deemed to have been denied.

Any Claimant whose claim is denied, or deemed to have been denied under the preceding sentence (or such Claimant's authorized representative), may, within sixty (60) days after the Claimant's receipt of notice of the denial, or after the date of the deemed denial, request a review of the denial by notice given, in writing, to the Committee. Upon such a request for

review, the claim shall be reviewed by the Committee (or its designated representative) which may, but shall not be required to, grant the Claimant a hearing. In connection with the review, the Claimant may have representation, may examine pertinent documents, and may submit issues and comments in writing.

The decision on review normally shall be made within sixty (60) days of the Committee's receipt of the request for review. If an extension of time is required due to special circumstances, the Claimant shall be notified, in writing, by the Committee, and the time limit for the decision on review shall be extended to one hundred twenty (120) days. The decision on review shall be in writing and shall state, in a manner calculated to be understood by the Claimant, the specific reasons for the decision and shall include references to the relevant Plan provisions on which the decision is based. The written decision on review shall be given to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) time limit discussed above. If the decision on review is not communicated to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) period discussed above, the claim shall be deemed to have been denied upon review. All decisions on review shall be final and binding with respect to all concerned parties.

ARTICLE 9

AMENDMENT

9.1 RIGHT TO AMEND. The Company, by written instrument executed by the Company, shall have the right to amend the Plan, at any time and with respect to any provisions hereof, and all parties hereto or claiming any interest hereunder shall be bound by such amendment; provided, however, that no such amendment shall deprive a Participant or a Beneficiary of a right accrued hereunder prior to the date of the amendment.

9.2 AMENDMENTS TO ENSURE PROPER CHARACTERIZATION OF PLAN. Notwithstanding the provisions of Section 9.1, the Plan may be amended by the Company at any time, retroactively if required, if found necessary, in the opinion of the Company, in order to ensure that the Plan is characterized as a "top-hat" plan of deferred compensation maintained for a select group of management or highly compensated employees as described under ERISA sections 201(2), 301(a)(3), and 401(a)(1), and to conform the Plan to the provisions and requirements of any applicable law (including ERISA and the Code). No such amendment shall be considered prejudicial to any interest of a Participant or a Beneficiary hereunder.

ARTICLE 10

TERMINATION

10.1 TERMINATION OR SUSPENSION OF PLAN. Each Employer reserves the right to terminate the Plan as to some or all of its Eligible Employees and/or its obligation to make further credits to Plan Accounts. The Company reserves the right to suspend the operation

of the Plan for a fixed or indeterminate period of time; provided, however, that during any period of suspension, the Accounts of Participants shall continue to be credited or debited, as applicable, with deemed investment return pursuant to Article 4. In the event of a termination of the Plan, the Company reserves the right to distribute Participants' Accounts provided that such distribution is in compliance with Code Section 409A and the regulations and guidance thereunder.

10.2 TERMINATION OF PLAN ON DISSOLUTION OR CHANGE IN CONTROL. The Plan automatically shall terminate upon the dissolution of the Company taxed under Code Section 331. In the event of a Change in Control, the Plan shall automatically terminate. On termination of the Plan, the provisions of Section 10.4 shall become operative.

10.3 SUSPENSION OF DEFERRALS. In the event of a suspension of the Plan, the Company and the Employers shall continue all aspects of the Plan, other than Compensation Deferrals and Employer Contribution Credits, during the period of the suspension, in which event the allocation of deemed earnings and payments hereunder will continue to be made during the period of the suspension in accordance with Articles 4, 5 and 6.

10.4 ALLOCATION AND DISTRIBUTION. This Section shall become operative on a termination of the Plan as to some or all Eligible Employees, under Section 10.2. Upon the effective date of any such event, notwithstanding any other provisions of the Plan, the value of the interest of all affected Participants and Beneficiaries shall be determined and, after deduction of estimated expenses in liquidating and, if applicable, paying Plan benefits, paid to them by the Company in lump sum as soon as is practicable, by the end of the calendar year in which the dissolution occurs or not later than 12 months following a Change in Control.

10.5 SUCCESSOR TO EMPLOYER. Any corporation or other business organization which is a successor to an Employer, which is an affiliate or subsidiary of the Company, by reason of a Change in Control shall, with the consent of the Company, have the right to become a party to the Plan by adopting the same by resolution of the entity's board of directors or other appropriate governing body. If, within ninety (90) days from the effective date of such consolidation, merger or sale of assets, such new entity does not become a party hereto, as above provided, the Plan automatically shall be terminated as to that Employer, and the provisions of Section 10.4 shall become operative.

ARTICLE 11

FUNDING

11.1 UNFUNDED OBLIGATION. The Company's obligation under the Plan is an unsecured and unfunded promise to pay benefits. The Company shall have no obligation to set aside, earmark, or entrust any fund or money with which to pay its obligations under this Plan. The Participant, his beneficiary, or any successor in interest to him or her shall be and remain simply a general creditor of the Company in the same manner as any other creditor having a

general claim for matured and unpaid compensation with no right to any specific assets owned by the Company.

ARTICLE 12

MISCELLANEOUS

12.1 LIMITATIONS ON LIABILITY OF EMPLOYERS. Neither the establishment of the Plan nor any modification thereof, nor the creation of any account under the Plan, nor the payment of any benefits under the Plan shall be construed as giving to any Participant or other person any legal or equitable right against any Employer, or any officer or employee thereof except as provided by law or by any Plan provision. Neither the Company nor any Employer in any way guarantees any Participant's Account from loss or depreciation, whether caused by poor investment performance or the inability to realize upon an investment due to an insolvency affecting an investment vehicle or any other reason. In no event shall the Company, an Employer, or any successor, employee, officer, director or stockholder of the Company or an Employer, be liable to any person on account of any claim arising by reason of the provisions of the Plan or of any instrument or instruments implementing its provisions, or for the failure of any Participant, Beneficiary or other persons to be entitled to any particular tax consequences with respect to the Plan, or any credit or distribution hereunder.

12.2 CONSTRUCTION. If any provision of the Plan is held to be illegal or void, such illegality or invalidity shall not affect the remaining provisions of the Plan, but shall be fully severable, and the Plan shall be construed and enforced as if said illegal or invalid provision had never been inserted herein. For all purposes of the Plan, where the context admits, the singular shall include the plural, and the plural shall include the singular. Headings of Articles and Sections herein are inserted only for convenience of reference and are not to be considered in the construction of the Plan. The laws of the State of Maryland shall govern, control and determine all questions of law arising with respect to the Plan and the interpretation and validity of its respective provisions, except where those laws are preempted by the laws of the United States. Participation under the Plan will not give any Participant the right to be retained in the service of an Employer nor any right or claim to any benefit under the Plan unless such right or claim has specifically accrued hereunder.

The Plan is intended to be and at all times shall be interpreted and administered so as to qualify as an unfunded deferred compensation plan, and no provision of the Plan shall be interpreted so as to give any individual any right in any assets of the Company which right is greater than the rights of a general unsecured creditor of the Company.

This Plan is intended to be a "top-hat" plan under ERISA. In the event the Committee determines that the participation of certain individuals as Eligible Employees under the Plan causes the Plan to fail to qualify as a "top-hat" plan, the Committee, in its sole and absolute direction, is authorized to take whatever action it deems necessary to preserve the status of the Plan as a "top-hat" plan, including, but not limited to, termination of an otherwise eligible employee's participation in the Plan and (notwithstanding any provisions of the Plan to the contrary) immediate distribution of such individual's Account.

This Plan is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended, and any regulations or guidance issued thereunder, and shall be interpreted accordingly. Any provision of the Plan not in conformance with Section 409A shall be void as of January 1, 2005.

12.3 **SPENDTHRIFT PROVISION.** No amount payable to a Participant or a Beneficiary under the Plan will, except as otherwise specifically provided by law, be subject in any manner to anticipation, alienation, attachment, garnishment, sale, transfer, assignment (either at law or in equity), levy, execution, pledge, encumbrance, charge or any other legal or equitable process, and any attempt to do so will be void; nor will any benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled thereto. Further, (i) the withholding of taxes from Plan benefit payments, (ii) the recovery under the Plan of overpayments of benefits previously made to a Participant or Beneficiary, (iii) if applicable, the transfer of benefit rights from the Plan to another plan, or (iv) the direct deposit of benefit payments to an account in a banking institution (if not actually part of an arrangement constituting an assignment or alienation) shall not be construed as an assignment or alienation.

In the event that any Participant's or Beneficiary's benefits hereunder are garnished or attached by order of any court, the Company or Trustee may bring an action or a declaratory judgment in a court of competent jurisdiction to determine the proper recipient of the benefits to be paid under the Plan. During the pendency of said action, any benefits that become payable shall be held as credits to the Participant's or Beneficiary's Account or, if the Company prefers, paid into the court as they become payable, to be distributed by the court to the recipient as the court deems proper at the close of said action.

IN WITNESS WHEREOF, the Company has caused the Plan to be executed and its seal to be affixed hereto, effective as of this 21st day of December, 2005.

ATTEST/WITNESS

THE BLACK & DECKER CORPORATION

/s/ LUCY P. BOSLEY
Print: Lucy P. Bosley
Assistant Secretary

By: /s/ CHARLES E. FENTON (SEAL)
Print Name: Charles E. Fenton
Date: December 21, 2005

**THE BLACK & DECKER
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

The Black & Decker Supplemental Executive Retirement Plan provides certain supplemental retirement benefits for selected executive employees of The Black & Decker Corporation and its subsidiaries and affiliates. This Plan is intended to provide supplemental retirement benefits primarily for a select group of management and highly paid executive employees.

SECTION 1 — Definitions

Each of the following terms in this Plan has the meaning indicated, unless a different meaning is plainly implied by the context:

“Accelerated Payment Method” means one of the methods of payment described in Section 7(c).

“Actuarial Equivalent” means a benefit having the same actuarial value, based on the actuarial assumptions used in calculating benefits under The Black & Decker Pension Plan, and such other reasonable actuarial assumptions and methods that may be adopted by the Committee from time to time, in its sole discretion, for use in determining benefits under this Plan. Notwithstanding the foregoing, in the event a Participant has elected to receive an Accelerated Payment Method, the amount of the lump sum payment or installment payments (including the spouse’s benefit) shall be calculated (A) using (i) an interest rate equal to four and one-half percent (4.5%) and (ii) the 1994 Group Annuity Reserving Table (determined on a unisex basis and projected to 2002, all as described in *IRS Revenue Ruling 2001-62*); (B) assuming that (i) the Participant will earn no wages subject to the Social Security Act, (ii) the Participant will not further accrue any Other Retirement Benefits after his or her Benefit Commencement Date, (iii) the Participant’s Social Security retirement benefits and all Other Retirement Benefits will begin at the earliest date they are available after the Participant’s Benefit Commencement Date, and (iv) the Participant, if married, will elect the form of payment for the Other Retirement Benefits that provides his or her spouse the largest benefit following the Participant’s death; and (C) using such other reasonable actuarial assumptions and methods that may be adopted by the Committee from time to time, in its sole discretion, for this purpose.

“Benefit Commencement Date” means (A) in the case of a Participant who is not a Protected Participant, the later of the date at which the Participant’s Credited Service ends or the date the Participant attains age 55 and five years of Credited Service and (B) in the case of a Protected Participant, the later of the date at which his or her Credited Service ends or the Participant’s 55th birthday. Notwithstanding the foregoing, if a Participant’s Separation from Service occurs due to Disability prior to the Participant’s Normal Retirement Date, the Participant’s Benefit Commencement Date shall mean the Participant’s Normal Retirement Date.

“Black & Decker” means the Corporation and all of its direct and indirect subsidiaries and its affiliates.

“Board” means the Corporation’s Board of Directors.

“Change in Control of the Corporation” means any of the following:

(A) The acquisition by any one person or more than one person acting as a group of any of the Corporation’s stock, if the sum of the stock so acquired plus the stock held by that person or group before the acquisition constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Corporation and the stock held by that person or group immediately before that acquisition constituted fifty percent (50%) or less of the then total fair market value or total voting power of the stock of the Corporation. An increase in the percentage of the Corporation’s stock owned by any one person or persons acting as a group as a result of a transaction in which the Corporation acquires its stock in exchange for property will be treated as an acquisition of stock for this purpose. This paragraph (A) only applies when there is a transfer of stock of the Corporation (or issuance of stock of the Corporation) and stock in the Corporation remains outstanding after the transaction.

(B) The acquisition by any one person or more than one person acting as a group during the 12-month period ending on the most recent such acquisition by that person or group of ownership of stock of the Corporation possessing thirty-five percent (35%) or more of the total voting power of the stock of the Corporation and the stock held by that person or group immediately before that acquisition constituted less than thirty-five percent (35%) of the then total voting power of the stock of the Corporation.

(C) A majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election, provided that no other corporation is the majority stockholder of the stock of the Corporation.

(D) The acquisition by any one person or more than one person acting as a group during the 12-month period ending on the most recent such acquisition by that person or group of assets of the Corporation that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the Corporation’s assets immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the Corporation’s assets, or the value of the assets being disposed of, determined without regard to any liabilities associated with those assets. There is no Change in Control of the Corporation under this Paragraph (D) when there is a transfer to an entity that is controlled by the shareholders of the Corporation immediately after the transfer. A transfer of assets will not qualify as a Change in Control of the Corporation under this Paragraph (D) if the assets are transferred to: (i) a shareholder of the Corporation immediately before the transfer in exchange for or with respect to the Corporation’s stock; (ii) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Corporation; (iii) a person, or more than one person acting as a group, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all of the outstanding stock of the Corporation; or (iv) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a person, or more than one person acting as a

group, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all of the outstanding stock of the Corporation.

For the purpose of interpreting this definition of “Change in Control of the Corporation,” the following rules apply:

(1) Persons will be considered as acting as a group only if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of assets, or similar business transaction with the Corporation. If a person, including an entity shareholder, owns stock in the Corporation and the other corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar transaction with respect to the Corporation, that shareholder is considered to be acting as a group with other shareholders in a corporation only to the extent of the ownership in that corporation prior to the transaction giving rise to the Change in Control event and not with respect to the ownership interest in the other corporation.

(2) Ownership shall be determined taking into account the attribution rules set forth in Section 318(a) of the Code. Stock underlying a vested option is considered owned by the option holder and non-vested stock is not considered owned by the option holder.

(3) If any one person, or more than one person acting as a group, is considered to effectively control the Corporation as described in Paragraphs (B) & (C) above, the acquisition of additional control of the Corporation by the same person or persons is not considered to cause a change in the effective control of the Corporation or to cause a change in the ownership of the Corporation for the purposes of this definition.

(4) Each Change in Control event described in this definition is intended to constitute a change in ownership or effective control of the Corporation or in the ownership of a substantial portion of the Corporation’s assets within the meaning of Section 409A(a)(2)(A)(v) of the Code and the IRS guidance issued thereunder and this Plan shall be interpreted accordingly.

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time, and any successor to that statute.

“**Committee**” means the Compensation Committee of the Board.

“**Corporation**” means The Black & Decker Corporation, a Maryland corporation.

“**Credited Service**” means all Benefit Service Credit as defined in and credited to the Participant under The Black & Decker Pension Plan (or, if the Participant was not eligible to participate in The Black & Decker Pension Plan for any period of employment by Black & Decker, the Benefit Service Credit that would have been credited under The Black & Decker

Pension Plan for that period of employment by Black & Decker, if the Participant had been eligible to participate in that plan) plus the Participant's Salary Continuance Period. Except as credited under The Black & Decker Pension Plan or unless otherwise determined by the Committee in its sole discretion, Credited Service under this Plan shall not include any period of employment with any company during any period when that company was not a subsidiary or affiliate of the Corporation. Credited Service also includes all periods of Disability beginning while the Employee is employed by Black & Decker and continuing as long as the Disability continues up until the Participant's Normal Retirement Date. Notwithstanding anything to the contrary, no loss of Credited Service will occur by reason of an interruption in an Employee's period of Credited Service, regardless of the length of that interruption, and no Participant shall receive duplicate Credited Service for the same period of time, whether as a result of the terms of this Plan, The Black & Decker Pension Plan, any other plan provided or maintained by Black & Decker, or any individual agreement between the Participant and Black & Decker.

"Disability" means an illness or injury that would cause the Employee to be disabled under the terms of The Black & Decker Disability Plan or that totally prevents the Employee from satisfactorily performing the Employee's usual duties with Black & Decker, as determined by the Committee based on professional medical advice. The Committee may require the Employee to submit from time to time to medical examinations by physicians selected or approved by the Committee to establish the Disability or its continuation, provided that those examinations may not be required more frequently than once each year. The Employee's refusal to submit to any examination reasonably requested by the Committee in accordance with this definition is grounds for the Committee to find that the Employee's Disability no longer exists.

"Early Retirement Date" means the first day of the calendar month coincident with or next following the date upon which the Participant has both attained age 55 and five years of Credited Service; provided, however, that, in the case of a Protected Participant, the Early Retirement Date shall be the first day of the calendar month coincident with or next following the Protected Participant's 55th birthday.

"Effective Date" means January 1, 2005, the effective date of this amended and restated Plan. The Prior Plan was originally effective as of January 1, 1984.

"Employee" means any person rendering personal services to Black & Decker as an employee.

"Final Average Pay" means the average monthly amount of the Participant's Pay for the three years (whether or not consecutive) in which the Participant's Pay was the highest out of each of the seven-year periods that end on the following dates, whichever seven-year period produces the highest average:

- (A) the Participant's Termination Date;
- (B) if the Participant's Termination Date is not December 31st of any given year, the December 31st immediately preceding the Participant's Termination Date;
- (C) the last day of the Participant's Salary Continuance Period, if applicable;
- (D) if the last day of the Participant's Salary Continuance Period is not December 31st of any given year, the December 31st immediately preceding the last day of the Participant's Salary Continuance Period, if applicable;
- (E) in the case of a Protected Participant only, the date of the applicable Change in Control of the Corporation; and
- (F) in the case of a Protected Participant only, if the date of the applicable Change in Control of the Corporation is not December 31st of any given year, the December 31st immediately preceding the date of the applicable Change in Control of the Corporation.

"Monthly Benefit" means the amount determined under Section 3(a) as reduced by Sections 3(b) and 3(c).

"Normal Retirement Date" means the first day of the calendar month coincident with or next following the date upon which the Participant attains age 60 and 5 years of Credited Service; provided, however, that, in the case of a Protected Participant, the Normal Retirement Date shall be the first day of the calendar month coincident with or next following the Participant's 60th birthday, regardless of his or her Credited Service.

"Other Retirement Benefits" means the amount (actuarially adjusted, as described below) of all retirement, disability income and death benefits, or the like, whether tax-qualified or non-qualified, that the Participant or the Participant's surviving spouse is entitled to receive in the applicable month under all plans or arrangements provided, maintained or funded, in part or in whole, by any of the Participant's employers or former employers (whether or not affiliated with Black & Decker), including all Social Security Benefits, but excluding: (A) any portion of those retirement, disability income or death benefits (other than Social Security Benefits) that is attributable to the Participant's contributions, including contributions made by the Participant's employer pursuant to a salary reduction agreement with the Participant (such as under The Black & Decker Executive Deferred Compensation Plan or The Black & Decker Supplemental Retirement Savings Plan); (B) any death benefits under a life insurance contract with a life insurance company; (C) any defined contribution pension, profit sharing or stock bonus plan, unless that plan is intended to provide the primary source of retirement income (in addition to Social Security Benefits) funded by Black & Decker or any other employer for the employees at any location covered by that plan; (D) any payments to the Participant (including any "parachute payments" within the meaning of Section 280G of the Code) made pursuant to an individual agreement in writing between the Participant and Black & Decker and as a result of a change in the ownership or effective control of the Corporation or a change in the ownership of a

substantial portion of the Corporation's assets; (E) any amounts paid under an individual written agreement between the Participant and Black & Decker which agreement expressly refers to this Plan and provides that those amounts shall not reduce the benefits under this Plan or otherwise are in addition to the benefits payable under this Plan; and (F) any amount that constitutes Pay, as defined in this Plan. Notwithstanding anything to the contrary, the amount of the Participant's or spouse's Other Retirement Benefits in any month shall be increased or decreased so that the amount of those Other Retirement Benefits offset against the monthly benefit payable under this Plan is the Actuarial Equivalent of the Other Retirement Benefits that the Participant or spouse could or would otherwise have received that month but for the Participant's or spouse's election: (A) to accelerate payment of those Other Retirement Benefits to a date that precedes the date benefit payments commenced to the Participant or spouse under this Plan, (B) to defer the commencement of payment of those Other Retirement Benefits beyond the earliest date those payments could or would otherwise have been made, if that date is later than the date benefit payments under this Plan commenced to the Participant or spouse or (C) to receive those Other Retirement Benefits in any form of payment other than the available form of payment that would have provided the largest monthly benefit to the Participant or spouse, unless, and only to the extent that, the elected form of payment provides benefits to the Participant's spouse after the Participant's death. Whether an actuarial adjustment to the Participant's or spouse's Other Retirement Benefits is appropriate and the amount of that adjustment is to be determined by the Committee, in its sole discretion, based on the actuarial assumptions in effect when that adjustment is first determined.

"Participant" means any Employee who qualifies for participation in this Plan, as more particularly described in Section 2.

"Pay" means (A) the actual compensation paid during the relevant period by Black & Decker to the Participant for services as an Employee, including basic salary, bonuses, and annual incentive awards, (B) any amounts contributed to any employee benefit plan pursuant to a salary or other compensation reduction agreement with the Participant, and including, for the year of deferral, amounts deferred by the Participant under any nonqualified deferred compensation plan (such as The Black & Decker Executive Deferred Compensation Plan and The Black & Decker Supplemental Retirement Savings Plan), (C) salary continuation payments during sick leave and other authorized leaves of absence (other than long-term disability benefits) and (D) the Participant's Salary Continuance Payments. For the purpose of determining the amount of the Participant's Salary Continuance Payments that constitutes Pay for any given period, the Participant's total Salary Continuance Payments shall be credited as Pay ratably over the Participant's Salary Continuance Period. The term "Pay" does not include any (A) long-term incentive awards or other amounts paid pursuant to any long-range performance compensation plan, (B) amounts paid pursuant to The Black & Decker Performance Equity Plan, (C) any non-cash remuneration, imputed income (including income imputed under any group life insurance program), perquisites and other cash or non-cash fringe benefits, such as (but not limited to) reimbursements or allowances for expenses (such as automobile, moving or relocation, country club, tax preparation, overseas housing, educational and similar expense allowances), (D) contributions to or benefits under any employee pension or welfare benefit plan or payments received by a Participant under any non-qualified deferred compensation plan (such as The Black & Decker Executive Deferred Compensation Plan or The Black & Decker

Supplemental Retirement Savings Plan), (E) stock bonuses, income attributable to discount stock purchases, stock options or stock appreciation rights, (F) income attributable to the vesting of restricted property or benefits under any plan or arrangement, or (G) allowances for or the provision of counseling or other personal services (such as financial and tax counseling). For any period during which the Participant is entitled to Credited Service by reason of a Disability, the Participant's Pay is deemed to continue during that Disability period at a monthly rate equal to 1/12th of (i) the Participant's basic salary (before any salary reduction for contributions to any employee benefit plan pursuant to a salary reduction agreement with the Participant) at the Participant's annual salary rate in effect at the date that the Disability began, plus (ii) all items (other than basic salary and such salary reduction contributions) included in the Participant's actual Pay during the 12-month period ending on the date that the Disability began.

"Payment Date" means the latest of the Participant's Benefit Commencement Date, the date that is six (6) months and one (1) day after the Participant's Separation from Service or, if the Participant has elected to defer his or her Payment Date pursuant to Section 7(c), the Payment Date so elected by the Participant. Notwithstanding anything to the contrary, under all circumstances a Participant's benefits shall be paid or commence to be paid to a Participant no earlier nor later than the Participant's Payment Date, which shall not occur earlier than the date six (6) months and one day after the date of the Participant's Separation from Service, except that (i) the death benefits payable to a Participant's spouse shall be paid at the date specified in Section 5(b) and (ii) in the case of a Participant whose Payment Date would otherwise have occurred at any time in the 2005 calendar year and who elects during the 2005 calendar year to receive the Accelerated Payment Method, the Payment Date for that lump sum payment or those installment payments shall be deemed to be the later of the first day of the calendar month after the date that election to accelerate is filed with the Plan or the date six months and one day immediately after the Participant's Separation from Service with Black & Decker. Notwithstanding anything to the contrary, if the Committee reasonably determines that the making of any payment to a Participant under this Plan will violate Federal securities laws or other applicable law, the Committee may delay a Participant's Benefit Commencement Date until the earliest date at which the Committee determines that the making of that payment will not violate those laws.

"Plan" means this document, entitled "The Black & Decker Supplemental Executive Retirement Plan," as it may be amended from time to time. This document completely amends and restates The Black & Decker Supplemental Executive Retirement Plan originally effective on January 1, 1984, and last amended and restated effective as of April 27, 2004 (all versions of the Plan in effect before the Effective Date are referred to in this Plan as the "Prior Plan"). Notwithstanding anything to the contrary, the benefits under this Plan with respect to any Participant whose Termination Date occurred prior to the Effective Date shall be determined under the terms of the Prior Plan as in effect at that Participant's Termination Date, without regard to any amendments made to the Plan thereafter.

"Protected Participant" means a Participant who is an Employee when a Change in Control of the Corporation occurs.

“Salary Continuation Payments” means (A) in the case of a Participant who is a participant in the Salary Continuation Plan, the maximum “Salary Continuation” payments (as defined in the Salary Continuation Plan), if any, that the Participant may be eligible to receive under the Salary Continuation Plan; (B) all payments, if any, that are in lieu of future compensation items that would otherwise constitute “Pay” under the terms of this Plan and that the Participant may be entitled to receive, under the terms of any individual agreement in writing between the Participant and Black & Decker, as a result of the termination of his or her employment with Black & Decker (whether by action of Black & Decker or the Participant); and (C) in the case of a Protected Participant, all payments, if any, that are in lieu of future compensation items that would otherwise constitute “Pay” under the terms of this Plan and that the Protected Participant may be entitled to receive under the terms of any individual agreement between the Participant and Black & Decker as a result of the termination of the Participant’s employment with Black & Decker (whether by action of Black & Decker or the Participant) coincident with or following a change in the ownership or effective control of the Corporation or a change in the ownership of a substantial portion of the Corporation’s assets. In all cases, a Participant’s entitlement to Salary Continuation Payments and the amount thereof shall be determined at his or her Termination Date, before any offset for severance pay, vacation pay, salary continuation, notice pay, a termination indemnity or the like or compensation received from a subsequent employer, without regard to whether those payments are made in one lump sum payment or periodically and without regard to the amount of severance or salary continuation that is actually paid to the Participant thereafter.

“Salary Continuation Period” means the maximum period with respect to which the Participant’s Salary Continuation Payments are to be measured under the terms of the Salary Continuation Plan or applicable individual agreement, determined at the Participant’s Termination Date, without regard to the actual period over which those payments may be made and without regard to whether those payments are made in one lump sum payment or periodically. Notwithstanding anything to the contrary, a Participant’s Salary Continuation Period will be taken into account under this Plan only if the Participant is entitled to Salary Continuation Payments at his or her Termination Date.

“Salary Continuation Plan” means The Black & Decker Executive Salary Continuation Plan, effective May 1, 1995, as amended from time to time, or any salary continuation plan that is a successor to, or replacement for, that plan.

“Separation from Service” means a separation from service within the meaning of Section 409A(a)(2)(A)(i) of the Code.

“Social Security Benefit” means the retirement, disability income or death benefits under any plan or arrangement that is sponsored, mandated or administered by any government and that provides or would provide retirement or disability income to the Participant and to which any of the Participant’s employers or former employers (whether or not affiliated with Black & Decker) has made contributions on the Participant’s behalf.

“**Termination Date**” means the last date on which the Participant is actively employed by, and renders services to, Black & Decker as an Employee prior to his or her termination of employment with Black & Decker (whether by action of Black & Decker or the Participant).

SECTION 2 — Eligibility

Any management or highly paid executive employee may be selected for participation in this Plan by the Committee or any other committee of the Board designated by the Board for such purpose and will automatically become a Participant on the date designated by that committee. Any Employee who was still employed by Black & Decker and was a Participant in the Prior Plan immediately prior to the Effective Date shall continue as a Participant under this Plan without further action by the Board or any such committee.

SECTION 3 — Retirement Benefit

(a) **Benefit Percentage.** Any Participant whose Credited Service with Black & Decker terminates at or after the Participant’s Early Retirement Date or, in the case of a Protected Participant, whose Credited Service with Black & Decker terminates at any time, whether before or after his or her Early Retirement Date, is entitled to receive under this Plan a monthly benefit beginning on the Participant’s Payment Date and continuing for the Participant’s life that is the Actuarial Equivalent of the Monthly Benefit that would begin on the first day of the calendar month after the Participant’s Benefit Commencement Date and would continue for the Participant’s expected life. The amount of the Monthly Benefit (before the reductions in Sections 3(b) and 3(c)) is to be equal to:

- (A) 50% of his or her Final Average Pay, in the case of a Participant (other than a Protected Participant) who has less than fifteen (15) years of Credited Service;
- (B) 60% of his or her Final Average Pay, in the case of a Participant (other than a Protected Participant) who has at least fifteen (15) years of Credited Service; and
- (C) 60% of his or her Final Average Pay, in the case of a Protected Participant.

(b) **Reduction for Early Commencement.** Notwithstanding anything to the contrary, in any case where the Participant’s Benefit Commencement Date occurs before his or her Normal Retirement Date, the Monthly Benefit, as determined under Section 3(a), shall be reduced by one-twelfth ($1/12^{\text{th}}$) of 2 percentage points of Final Average Pay for each full calendar month by which the Participant’s Benefit Commencement Date precedes the Participant’s Normal Retirement Date.

(c) **Reduction for Less than 10 Years of Service.** Notwithstanding anything to the contrary in this Plan, if a Participant (other than a Protected Participant) has less than 10 years of Credited Service at the Participant’s Benefit Commencement Date, the Monthly Benefit determined under Section 3(a), as reduced by any reduction required under Section 3(b) and before any offsets under Section 4, is to be multiplied by a fraction, the numerator of which

equals the Participant's years of Credited Service (including fractional years) and the denominator of which equals 10 years. This Section 3(c) shall not apply in the case of a Protected Participant.

(d) **Benefit Examples.** Examples of the Monthly Benefit, as determined under this Section 3, are set forth in Schedule I attached to this Plan and incorporated into this Plan by this reference.

SECTION 4 — Benefit Offsets

Notwithstanding anything to the contrary, the amount of the Participant's benefit each month, as determined under Section 3, and as reduced by any reduction required under Sections 3(b) and 3(c), or the amount of the Participant's surviving spouse's benefit under Section 5 is to be further reduced by the Other Retirement Benefits payable to the Participant or spouse during that month. In the event that the Other Retirement Benefits for any month exceed the monthly benefit payment for that month under this Plan, determined under Section 3 or Section 5, such excess shall be carried over and added to the Other Retirement Benefits for subsequent months, so that it is offset against subsequent monthly benefit payments under this Plan until such excess is exhausted. The offsets to the Participant's or spouse's benefits under this Section 4 are not to be increased to reflect any increase in Other Retirement Benefits attributable to increases in the cost-of-living after the Other Retirement Benefits commence and no benefit is payable to the Participant or spouse in any month when those Other Retirement Benefits (including carry-overs from prior months) exceed the monthly benefit amount determined under Section 3, as reduced under Sections 3(b) and 3(c), or in the spouse's case, the benefit determined under Section 5. Notwithstanding anything to the contrary, if the Participant returns to Credited Service after his or her Benefit Commencement Date, then the Participant's benefits under this Plan shall be recomputed at the Participant's subsequent Separation from Service and shall be reduced by the Actuarial Equivalent of any benefits previously paid under this Plan to the Participant and/or his or her spouse and shall again become payable in accordance with Section 3. The Committee will decide, in its sole discretion, the manner in which these offsets are to be applied.

SECTION 5 — Death Benefits

No benefits under this Plan are payable after the Participant's death except as otherwise provided in this Section 5 or Section 7(c).

(a) **Eligibility for Death Benefit.** In the case of a Participant (other than a Protected Participant) who dies before attaining age 55 and five years of Credited Service, no benefits under this Plan are payable after the Participant's death. In the case of a Participant (other than a Protected Participant) who dies after attaining age 55 and five years of Credited Service, the Participant's surviving spouse, if any, is entitled to receive the spouse's death benefit described in Section 5(b). In the case of any Protected Participant who dies at any time, the Protected Participant's surviving spouse, if any, is entitled to receive the spouse's death benefit described in Section 5(b). The Participant's spouse who is entitled to receive the payment(s) under this Section 5 shall be the person, if any, of the opposite sex to whom the Participant is legally

married at the Participant's Benefit Commencement Date or the Participant's death, which ever happens first.

(b) **Spouse's Death Benefit.** The spouse's death benefit under this Section 5(b) shall be a monthly payment for the spouse's life beginning on the first day of the calendar month coincident with or immediately following the date of the Participant's death (or, in the case of a Protected Participant only, the date that would have been the Protected Participant's 55th birthday, if later than his or her date of death). The amount of the spouse's monthly payment shall be equal to (i) one-half (50%) of the monthly benefit (determined under Section 3, but before the offsets under Section 4) that the Participant was receiving or would have been entitled to receive as of the date of the Participant's death minus (ii) the offsets under Section 4.

SECTION 6 — Vesting

(a) **General.** Except in the case of a Protected Participant, upon termination of a Participant's Credited Service at any time for any reason before the Participant attains age 55 and five years of Credited Service, the Participant's (and the surviving spouse's) right to benefits under this Plan shall be completely forfeited. In the case of a Protected Participant or his or her surviving spouse, all of the Protected Participant's right to benefits under this Plan (except the surviving spouse's right to receive death benefits under Sections 5 and 7(c)) shall be completely forfeited if the Protected Participant dies before his or her Benefit Commencement Date. Except in the case of a Protected Participant and his or her surviving spouse, if this Plan is terminated by the Corporation on or after the Participant attains age 55 and five years of Credited Service but before the Participant's Benefit Commencement Date, the Participant shall be entitled to receive the benefits under this Plan commencing at the Participant's Payment Date in the amount the Participant would have received under this Plan based on the Participant's Credited Service and Final Average Pay determined at this Plan's termination date, and the Participant's surviving spouse shall be entitled to receive the corresponding death benefit pursuant to Sections 5 and 7(c). If this Plan is terminated or amended after a Change in Control of the Corporation, each Protected Participant who has not consented in writing to that termination or amendment shall be entitled to receive the benefits, commencing at his or her Payment Date, that is not less than the benefits the Protected Participant would have received, as a Protected Participant, if the Plan termination or amendment had not occurred and the Protected Participant's surviving spouse shall be entitled to receive the corresponding death benefit pursuant to Sections 5 and 7(c). The benefits described in this Section 6(a) and payable to the Participant or his or her spouse shall be paid pursuant to the applicable Accelerated Payment Method, if the Participant elected the Accelerated Payment Method under Section 7(c).

(b) **Forfeiture for Cause.** Notwithstanding anything to the contrary, in the case of a Participant other than a Protected Participant, all of the Participant's (and surviving spouse's) rights and benefits under this Plan shall be forfeited:

(i) if the Participant's employment with Black & Decker is terminated by reason of fraud, misappropriation or intentional material damage to the property or business of Black & Decker; commission of a felony; or the continuance of a willful and

repeated failure by the Participant to perform his or her duties after written notice to the Participant specifying such failure; or

(ii) if, during the period of 24 months beginning on his or her Termination Date, the Participant, without the Corporation's written consent, enters into competition with Black & Decker or the Participant uses or discloses confidential information and shall immediately repay to the Corporation the full amount of any payments he or she received under this Plan.

Notwithstanding anything to the contrary, the provisions of this Section 6(b) shall not apply to the rights and benefits under this Plan of a Protected Participant or the surviving spouse of a Protected Participant.

(c) **Competition and Disclosure of Confidential Information.** For purposes of this Section 6, the Participant shall be deemed to be in competition with Black & Decker if the Participant, directly or indirectly, solicits as a customer any company that is or was a customer of Black & Decker during the Participant's employment, or that is or was a potential customer of Black & Decker with which Black & Decker has made business contacts during the Participant's employment; provided, however, that solicitation of a company as a customer of any business that is not in direct or indirect competition with any of the types of businesses conducted by Black & Decker within any of the same territories as Black & Decker conducts such businesses shall not be prohibited hereby. In addition, a Participant will be deemed to be in competition with Black & Decker if the Participant directly or indirectly becomes an owner, officer, director, operator, sole proprietor, partner, joint venturer, contractor or consultant, or participates in or is connected with the ownership, operation, management or control of any company in direct or indirect competition with any of the types of businesses conducted by Black & Decker within any of the same territories as Black & Decker conducts such businesses; provided, however, that the ownership for investment of less than 5% of the outstanding stock of any of the classes of stock issued by a publicly held company shall not be deemed competition with Black & Decker for purposes of this Section 6. The Participant shall be deemed to have disclosed "confidential information" if the Participant uses or fails to preserve as confidential, communicates, or discloses to any person, orally, in writing or by publication, any information, regardless of when, where or how acquired relating to or concerning the affairs of Black & Decker to the actual or potential detriment of Black & Decker; provided, however, that the foregoing obligations shall not apply to information that is or becomes public through no fault of the Participant.

(d) **Committee's Discretion.** The Committee shall have the absolute right to determine in its sole discretion (i) whether or not a Participant's employment was terminated as a result of an act described in Section 6(c), and (ii) whether or not a Participant has entered into competition with Black & Decker or has disclosed confidential information so as to cause a forfeiture of the Participant's benefits hereunder.

SECTION 7 — Additional Provisions Concerning Benefits

(a) **Obligation to Inform.** The payments under this Plan are conditioned on the agreement of the Participant and the Participant's spouse (i) to inform the Committee of all

retirement, disability, Social Security, death benefit and other benefit payments received or receivable by them that may reduce the Corporation's obligations to pay benefits under this Plan and (ii) to provide all information about those payments that the Committee may reasonably request from time to time in order to administer this Plan.

(b) **Currency and Exchange Rates.** The benefit payments under this Plan will be calculated in U.S. dollars using the appropriate currency exchange rate selected by the Committee in its sole discretion at the Participant's Payment Date. The benefits under this Plan will be paid to the Participant and the Participant's spouse in any currency designated by the Participant on or before the Participant's Payment Date (or, if the Participant dies before benefits commence, the currency designated by the spouse), based on the appropriate currency exchange rate (selected by the Committee in its sole discretion) in effect at the Participant's Payment Date. Once benefit payments under this Plan have begun, the currency selected by the Participant (or the Participant's spouse) and the applicable exchange rate may not be changed except to the extent that the Committee, in its sole discretion, may approve a change in order to prevent extreme financial hardship to the Participant or the Participant's spouse.

(c) **Election of Accelerated Payment Method.** Any Participant who is employed by Black & Decker after September 1, 2005 (or who has a contractual right to elect a lump sum payment, should that election be offered under the Plan), may make an irrevocable election to receive, in lieu of the annuity benefits provided under this Plan, the Accelerated Payment Method of his or her benefits under this Plan described in Paragraphs (1) and (2) in this Section 7(c). Any Participant who makes the Accelerated Payment Method election on or after February 9, 2006, may, as a part of that election, irrevocably elect to defer his or her Payment Date to any date that is at least six (6) months and one day after the Participant's Separation from Service but not more than eighteen (18) months after his or her Separation from Service. The Accelerated Payment Method election shall be made in writing and signed by the Participant and must be received by the Plan Manager of The Black & Decker Pension Plan on or before the earlier of the Participant's Benefit Commencement Date or December 31, 2006. Under all circumstances, once received by the Plan Manager, any Accelerated Payment Method election shall be irrevocable and shall apply to any benefits that become payable to the Participant and his or her spouse under this Plan. Notwithstanding anything to the contrary, if a Participant makes this election during the 2006 calendar year, the election shall not apply to any benefit payments the Participant would otherwise have received during the 2006 calendar year and those payments shall be made at the time(s) they would otherwise have been paid during 2006.

(1) If the Participant's Payment Date occurs before his or her 65th birthday, the present value of the Participant's benefits under the Plan (including the spouse's benefit) shall be paid to him or her in five (5) equal annual installments that are the Actuarial Equivalent of the Participant's benefits under this Plan as of the Benefit Commencement Date (including any benefits for the Participant's spouse and after being reduced by the Actuarial Equivalent of all applicable benefit reductions and offsets), which installments shall be payable on the Participant's Payment Date and the next four successive anniversaries of the Participant's Payment Date, with those installment payments being calculated taking into account interest from the Benefit Commencement Date to the date of the last installment payment at the rate of four and one-half percent (4.5%).

(2) If the Participant's Payment Date occurs on or after the Participant's 65th birthday, the present value of the Participant's benefits under the Plan (including the spouse's benefit) shall be paid to him or her at the Payment Date in a lump sum payment that is the Actuarial Equivalent of the Participant's benefits under this Plan as of the Benefit Commencement Date (including any benefits for the Participant's spouse and after being reduced by the Actuarial Equivalent of all applicable benefit reductions and offsets).

(3) In the event a Participant validly elects the Accelerated Payment Method and dies before his or her Separation from Service, the Participant's spouse, if any, shall receive the Actuarial Equivalent of the spouse's death benefit under Section 5(b), payable in five (5) annual installment payments, if the Participant died before reaching age 65, or in a lump sum payment, if the Participant died on or after his or her 65th birthday, with the payment(s) beginning on the date the spouse's death benefit would have commenced under Section 5(b). If the Participant dies before his or her Separation from Service and has no surviving spouse, then no benefit shall be payable to anyone under this Plan with respect to the Participant. If the Participant dies after his or her Separation from Service but before receiving the lump sum payment or all of the 5-year installment payments as elected under this Section 7(c), then that lump sum payment or the remaining installment payments shall be paid to the Participant's spouse or, if the Participant has no surviving spouse, to the Participant's estate, at the time those payments would have been paid to the Participant. The Participant's spouse who is entitled to receive the payment(s) under this Section 7(c)(3) shall be the person, if any, of the opposite sex to whom the participant is legally married at the Participant's death.

SECTION 8 — Corporation's Obligations are Unfunded and Unsecured

Except as otherwise required by applicable law, the Corporation's obligations under this Plan are not required to be funded or secured in any manner; no assets need be placed in trust or in escrow or otherwise physically or legally segregated for the benefit of any Participant; and the eventual payment of the benefits described in this Plan to a Participant or the Participant's spouse is not required to be secured to the Participant or them by the issuance of any negotiable instrument or other evidence of the Corporation's indebtedness. Neither a Participant nor the Participant's spouse is entitled to any property interest, legal or equitable, in any specific asset of the Corporation, and, to the extent that any person acquires any right to receive payments under the provisions of this Plan, that right is intended to be no greater than or to have any preference or priority over the rights of any other unsecured general creditor of the Corporation. However, the Corporation reserves the right, in its sole discretion, to accumulate assets to offset its eventual liabilities under this Plan and physically or legally to segregate assets for the benefit of any Participant or Participant's spouse (whether by escrow, by trust, by the purchase of an annuity contract or by any other method of funding selected by the Corporation) without liability for any adverse tax consequences resulting to that Participant or that Participant's spouse from the Corporation's action, except as otherwise provided in this Section with respect to a Protected Participant and his or her spouse. Any such segregation of assets may be made with respect to the Corporation's obligations under this Plan for benefits attributable to an individual Participant,

a selected group of Participants or all Participants, as the Corporation may determine from time to time, in its absolute discretion. Notwithstanding anything to the contrary, in the case of a Protected Participant (or his or her spouse), if the Corporation or any of its affiliates or subsidiaries takes any action (without the written consent of the Protected Participant or, if the Protected Participant is deceased, his or her spouse) that causes the Protected Participant or the Protected Participant's spouse to incur income or other taxes with respect to any benefit under this Plan before the date that benefit is payable to the Protected Participant (or his or her spouse), the Corporation shall, within 60 days after a demand therefor is made by the Protected Participant or his or her spouse, reimburse the Protected Participant (or his or her spouse) for the full amount of those income or other taxes as well as for the full amount of the income or other taxes the Protected Participant (or his or her spouse) will incur with respect to such reimbursement or any subsequent reimbursement hereunder. Benefits under this Plan shall be payable by the Corporation from the Corporation's general assets and no other company shall have any responsibility or liability under this Plan. The Corporation's liabilities under this Plan shall, however, be discharged to the extent of any payment received by the Participant (or the Participant's surviving spouse) from any other company made for that purpose and on the Corporation's behalf or for its benefit.

SECTION 9 — Alienation or Encumbrance

No payments, benefits or rights under this Plan shall be subject in any manner to anticipation, sale, transfer, assignment, mortgage, pledge, encumbrance, charge or alienation by a Participant, the Participant's spouse or any other person who could or might possibly receive benefit payments that were due to the Participant or the Participant's spouse, but were not paid. If the Corporation determines that any person entitled to payments under this Plan has become insolvent, bankrupt, or has attempted to anticipate, sell, transfer, assign, mortgage, pledge, encumber, charge or otherwise in any manner alienate any amount payable to that person under this Plan or that there is any danger of any levy, attachment, or other court process or encumbrance on the part of any creditor of that person, against any benefit or other amounts payable to that person, the Corporation may, in its sole discretion and to the extent permitted by law, at any time, withhold any or all such payments or benefits and apply the same for the benefit of that person, in such manner and in such proportion as the Corporation may deem proper.

SECTION 10 — Other Benefits

The provisions of this Plan relate only to the specific benefits described in this Plan and are not intended to affect any other benefits to which a Participant may be entitled as a retiree or former employee of Black & Decker. Except as provided below in this Section 10, nothing contained in this Plan shall in any manner modify, impair or affect the existing rights or interests of a Participant under any other benefit plan provided by Black & Decker, and the rights and interests of a Participant to any benefits or as a participant or beneficiary in or under any or all such plans shall continue in full force and effect unimpaired, subject nonetheless to the eligibility requirements and other terms of each such plan. This Section shall not be interpreted as modifying in any way the effect that the Participant's termination of employment and retirement has upon the Participant's rights under such other plans. The benefits provided under this Plan are not to be applied as an offset against any other retirement or deferred compensation benefits

or payments that are otherwise to be provided by Black & Decker to the Participant or the Participant's beneficiaries; and those benefits or payments are to be calculated first, ignoring this Plan's existence. In no event shall any benefits payable under this Plan be treated as salary or other compensation to a Participant for the purpose of computing benefits to which the Participant may be entitled under any other benefit plan of Black & Decker.

SECTION 11 — No Guarantee of Employment

This Plan shall not be construed as conferring any legal rights upon any Participant for continuation of employment, nor shall it interfere with the rights of Black & Decker to discharge a Participant and to treat the Participant without regard to the effect which such treatment might have upon the Participant under this Plan.

SECTION 12 — Cooperation of Parties

Each Participant (and surviving spouse) shall perform any and all reasonable acts and execute any and all reasonable documents and papers that are necessary or desirable for carrying out this Plan or any of its provisions.

SECTION 13 — Benefit Claims

(a) **Claims Procedure.** Any claim by a Participant, a Participant's spouse or beneficiary that benefits under this Plan have not been paid in accordance with the terms and conditions of this Plan shall be made in writing and delivered to the Committee at the Corporation's principal office in the State of Maryland. The Committee shall notify the claimant if any additional information is needed to process the claim. All claims shall be approved or denied by the Committee within 90 days of receipt of the claim by the Committee. If the claim is denied, the Committee shall furnish the claimant with a written notice containing:

- (1) an explanation of the reason for the denial;
- (2) a specific reference to the applicable provisions of this Plan;
- (3) a description of any additional material or information necessary for the claimant to pursue the claim;
- (4) an explanation of the Plan's claim review procedure described in this Section 13; and
- (5) a statement of the claimant's right to bring a civil action under ERISA Section 502(a) following denial of his or her claim.

Within 90 days of receipt of the notice described above, the claimant shall, if further review is desired, file a written request for reconsideration with the Committee. A request for reconsideration must include an explanation of the grounds for the request and the facts supporting the claim. So long as the claimant's request for review is pending, including such 90-

day period, the claimant or the claimant's duly authorized representative may review pertinent documents and may submit issues and comments in writing to the Committee.

A final decision shall be made by the Committee within 60 days of the filing of the request for reconsideration; provided, however, that the Committee, in its discretion, may extend this period up to an additional 60 days.

The decision by the Committee shall be conveyed to the claimant in writing and shall include specific reasons for the decision, with specific references to the applicable provisions of this Plan on which the decision is based.

(b) **Arbitration.** Any dispute or controversy arising in connection with a benefit claim under this Plan, after the claims procedure in Section 13(a) has been exhausted, shall be settled exclusively and finally by arbitration to be conducted in Towson, Maryland before a neutral arbitrator in accordance only with the commercial arbitration rules then in effect of the American Arbitration Association. The scope of review of the arbitration conducted hereunder shall be limited to whether Black & Decker, the Board or the Committee was arbitrary and capricious in the exercise of its or their discretion pursuant to the terms of this Plan. The arbitrator appointed hereunder shall have no authority or power to grant any remedy or relief not otherwise contained in this Plan and may grant relief contained in this Plan only if the arbitrator determines that the interpretation or administration of this Plan was in fact arbitrary and capricious. The arbitrator appointed hereunder shall have no authority to add to, detract from, or modify any term or condition of this Plan. The arbitrator shall have no authority to grant any relief or remedy other than as called for by the terms of this Plan even if such relief or remedy is otherwise available at law or in equity but for the terms and conditions of this Plan. Judgment may be entered on the arbitrator's award in a court of competent jurisdiction in the venue of the arbitration.

(c) **Attorneys' Fees.** The Corporation shall pay to a Protected Participant or a Protected Participant's surviving spouse all legal fees and expenses incurred by the Protected Participant or the Protected Participant's surviving spouse in making a claim for benefits or otherwise in seeking to obtain or enforce any right or benefit provided by this Plan.

SECTION 14 — Incapacity

If a Participant or the Participant's spouse has become legally incompetent, then the legal guardian, or other legal representative of such Participant's or spouse's estate shall be entitled to act for and represent such incompetent Participant or spouse in all matters and to the same extent as the Participant or spouse could have done but for such incompetency, including but not limited to the receipt of Plan benefits.

SECTION 15 — Administration

(a) **Committee's Responsibilities.** This Plan shall be administered by the Committee, which shall be responsible for all matters affecting the administration of this Plan and shall have the following duties and responsibilities in connection with the administration of this Plan:

(i) To prepare and enforce such rules, regulations and procedures as shall be proper for the efficient administration of this Plan, such rules, regulations and procedures to apply uniformly to all Participants;

(ii) To determine all questions arising in the administration, interpretation and application of this Plan, including questions of the status and rights of Participants and any other persons hereunder;

(iii) To decide any dispute arising hereunder;

(iv) To correct defects, supply omissions, and reconcile inconsistencies to the extent necessary to effectuate this Plan;

(v) To compute the amount of benefits that shall be payable to any Participant or spouse in accordance with the provisions of this Plan and to determine the person or persons to whom such benefits shall be paid;

(vi) To select the currency conversion or exchange rates to be applied in determining a Participant's or spouse's benefits under this Plan, where foreign currencies are involved;

(vii) To authorize all payments that shall be made pursuant to the provisions of this Plan;

(viii) To make recommendations to the Corporation's Board of Directors with respect to proposed amendments to this Plan;

(ix) To file all reports with government agencies, employees, and other parties as may be required by law, whether such reports are initially the obligation of the Corporation or this Plan; and

(x) To have all such other powers as may be necessary to discharge its duties hereunder.

(b) **Plan Interpretation.** The Committee shall have the authority to interpret this Plan in its sole and absolute discretion. The Committee's interpretation of this Plan and actions in respect of this Plan shall be binding and conclusive on all persons for all purposes, subject only to review by an arbitrator in accordance with the provisions and standards set forth in Section 13(b). It is intended that this Plan comply with Code Section 409A and any regulations or guidance issued thereunder and shall be interpreted accordingly. Notwithstanding the amendment provisions of Section 16, the Plan may be amended by the Board at any time, retroactively if required, if found necessary, in the opinion of the Board, to conform the Plan to the provisions and requirements of Code Section 409A. No such amendment shall be considered prejudicial to any interest of a Participant or Beneficiary hereunder. Any provision of the Plan not in conformance with Code Section 409A shall be void as of January 1, 2005.

(c) **Committee's Liability and Indemnification.** Neither the Committee nor any person acting on its behalf shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Plan unless attributable to gross negligence or willful misconduct. In addition to such other rights of indemnification they may have as directors, officers or employees of the Corporation, each member of the Committee shall be indemnified by the Corporation against the reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which such member may be a party by reason of any action taken or omitted under or in connection with this Plan, and against all amounts paid in settlement thereof, provided such settlement is approved by independent legal counsel selected by the Corporation, or paid by such member in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such member is liable for gross negligence or willful misconduct in such member's duties; provided that within 60 days after the institution of such action, suit or proceeding the member shall in writing offer the Corporation the opportunity, at its own expense, to handle and defend the same.

(d) **Self-Dealing.** If a Participant is also a member of the Committee, the Participant may not vote or act upon matters relating specifically to such member's participation in this Plan.

SECTION 16 — Amendments and Termination

Any Participant who was employed by Black & Decker at any time during the calendar year 2005 and whose benefits under this Plan were then vested must consent in writing by no later than December 31, 2006 to the adoption of this amended and restated Plan effective as of January 1, 2005 in order for the terms of this amended and restated Plan to be effective with respect to that Participant's rights and benefits hereunder. In the case of any such Participant who fails to consent to the adoption of this amended and restated Plan, the terms of the Prior Plan as in effect on December 31, 2004 shall continue to apply to that Participant's rights and benefits under this Plan. The Board of Directors of the Corporation reserves the right at any time and from time to time to the extent permissible under law, to amend or terminate this Plan, prospectively or retroactively, in whole or in part; provided, however, that no such amendment or termination shall (1) have the effect of accelerating or permitting the acceleration of any payment under this Plan, except to the extent that such acceleration would be permitted under Code Section 409A, or (2) without the Participant's written agreement, reduce or impair (a) the benefits or rights of any Participant (or spouse) whose Benefit Commencement Date occurred before the date the amendment is adopted or this Plan is terminated, (b) the vested benefits and rights of any Participant who is then employed by Black & Decker or (c) the right of any Protected Participant and/or his or her surviving spouse to receive benefits under this Plan determined as if that Plan termination or amendment had not occurred. Any amendment or termination shall be adopted by resolution of the Corporation's Board of Directors.

SECTION 17 — Severability

If any provision of this Plan shall be held void or unenforceable, the remaining provisions of this Plan shall remain in full force and effect; provided, however, that in interpreting this Plan, such void or unenforceable provision shall be replaced with an effective and legally permissible provision, the effect of which shall be identical to, or as close as reasonably possible to, the effect of the original provision.

SECTION 18 — Construction

Any use of the singular shall include the plural, and vice versa, as may be appropriate. Titles, captions or paragraph headings contained in this Plan are for purposes of convenience and reference only, and shall not operate to define or modify the text to which they relate.

SECTION 19 — Choice of Law

This Plan, and the respective rights and duties of the Corporation and all persons thereunder, shall in all respect be governed by and construed under the laws of the State of Maryland, except to the extent, if any, that those laws may have been pre-empted by federal law. This Plan is intended to be a “pension plan” within the meaning of Section 3(2)(A) of the Employee Retirement Income Security Act of 1974, as amended (ERISA), which is exempt from Parts 2, 3 and 4 of ERISA by virtue of Sections 201(2), 301(a)(3) and 401(a)(1) thereof, respectively, and is not designed to meet the requirements of Section 401(a) of the Code, as amended.

SECTION 20 — Parties to be Bound

The provisions of this Plan shall be binding upon, and shall inure to the benefit of the Corporation, its successors and assigns, and each Participant and the Participant’s spouse.

Originally adopted January 30, 1984
Amendment and Restatement adopted February 18, 1993
Amendment and Restatement adopted July 20, 1995
Amendment and Restatement adopted February 14, 1996
Amendment and Restatement adopted October 15, 1998
Amendment and Restatement adopted February 11, 1999
Amendment and Restatement adopted April 27, 2004
Amendment and Restatement adopted October 14, 2005
Amendment and Restatement adopted February 9, 2006

SCHEDULE I — EXAMPLES OF BENEFIT AMOUNTS*
STATED AS A PERCENTAGE OF FINAL AVERAGE PAY

PARTICIPANTS (OTHER THAN PROTECTED PARTICIPANTS)

AGE AT BENEFIT COMMENCEMENT DATE**						
YEARS OF CREDITED SERVICE	AGE 55	AGE 56	AGE 57	AGE 58	AGE 59	AGE 60 OR MORE
Less than 5	0%	0%	0%	0%	0%	0%
5	20%	21%	22%	23%	24%	25%
6	24%	25.2%	26.4%	27.6%	28.8%	30%
7	28%	29.4%	30.8%	32.2%	33.6%	35%
8	32%	33.6%	35.2%	36.8%	38.4%	40%
9	36%	37.8%	39.6%	41.4%	43.2%	45%
10	40%	42%	44%	46%	48%	50%
11	40%	42%	44%	46%	48%	50%
12	40%	42%	44%	46%	48%	50%
13	40%	42%	44%	46%	48%	50%
14	40%	42%	44%	46%	48%	50%
15 or more	50%	52%	54%	56%	58%	60%

PROTECTED PARTICIPANTS

AGE AT BENEFIT COMMENCEMENT DATE**						
YEARS OF CREDITED SERVICE	AGE 55	AGE 56	AGE 57	AGE 58	AGE 59	AGE 60 OR MORE
1	50%	52%	54%	56%	58%	60%
2	50%	52%	54%	56%	58%	60%
3	50%	52%	54%	56%	58%	60%
4	50%	52%	54%	56%	58%	60%
5	50%	52%	54%	56%	58%	60%
6	50%	52%	54%	56%	58%	60%
7	50%	52%	54%	56%	58%	60%
8	50%	52%	54%	56%	58%	60%
9	50%	52%	54%	56%	58%	60%
10	50%	52%	54%	56%	58%	60%
11	50%	52%	54%	56%	58%	60%
12	50%	52%	54%	56%	58%	60%
13	50%	52%	54%	56%	58%	60%
14	50%	52%	54%	56%	58%	60%
15 or more	50%	52%	54%	56%	58%	60%

*Calculated before application of benefit offsets under Section 4, but after application of the early retirement reduction (for all Participants) and the reduction for less than 10 years of Credited Service (for Participants other than Protected Participants), in Sections 3(b) and 3(c), respectively.

**The examples assume that the Participant's Normal Retirement Date is age 60.

**THE BLACK & DECKER
EXECUTIVE SALARY CONTINUANCE PLAN**

The purpose of The Black & Decker Executive Salary Continuance Plan is to assist covered executives who are separated from employment by the Black & Decker Companies to cushion the financial effects of the transition period following separation.

SECTION I. DEFINITIONS.

The following terms shall have the meanings set forth below:

- 1.1. “Black & Decker” means The Black & Decker Corporation, a Maryland corporation, and its successors. “Black & Decker Companies” means Black & Decker and all of its subsidiaries and affiliates. “Black & Decker Company” means Black & Decker or any of its subsidiaries and affiliates.
 - 1.2. “Cause” means: (a) an Employee’s willful and repeated failure to substantially perform his or her duties after written notice to the Employee specifying such failure, or (b) fraud, misappropriation or intentional material damage to the property or business of a Black & Decker Company, or (c) commission of a felony.
 - 1.3. “Continuance Period” means the period determined by the Chief Executive Officer and stated in the participation agreement.
 - 1.4. “Effective Date” means May 1, 1995.
 - 1.5. “Employee” means an employee of a Black & Decker Company whose participation in the Plan has been authorized by the Chief Executive Officer of Black & Decker and who has executed a participation agreement containing such terms, conditions, and limitations as may be prescribed by the Chief Executive Officer of Black & Decker from time to time.
 - 1.6. “ERISA” means the Employee Retirement Security Act of 1974, as it may be amended from time to time.
 - 1.7. “Manager of the Plan” means the Senior Vice President-Human Resources and Corporate Initiatives of Black & Decker.
 - 1.8. “Plan” means The Black & Decker Executive Salary Continuance Plan, as set forth herein, as it may be amended from time to time.
 - 1.9. “Plan Administrator” means The Black & Decker Corporation Pension Management Committee.
 - 1.10. “Salary Continuance” means payments made to an Employee pursuant to Section 2.1 below.
 - 1.11. “Severance” means the termination after the Effective Date of an Employee’s employment with the Black & Decker Companies by a Black & Decker Company for any reason other than for Cause. An Employee shall not be considered to have incurred a Severance if his employment is discontinued by reason of:
(a) termination by the Employee
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for any reason, including but not limited to any change in job or job duties, compensation, benefits (including participation in the Plan) or workplace for any reason, (b) the Employee's death, (c) a physical or mental condition that causes the Employee to be unable substantially to perform his duties, including without limitation, any condition that entitles the Employee to benefits under any sick pay or disability income policy or program of a Black & Decker Company, (d) the Employee's mandatory retirement as permitted by applicable law, or (e) termination by the Employee before the Severance Date scheduled by the Black & Decker Company that employs the Employee.

1.12. "Severance Date" means the effective date of an Employee's Severance from employment with all Black & Decker Companies.

SECTION 2. BENEFITS.

2.1. Each Employee who incurs a Severance shall be entitled to continue to receive his monthly salary during the Continuance Period, or until he obtains another position (including a position with a Black & Decker Company), or until his death, whichever comes first; provided, however, that monthly salary payments shall be accumulated and paid to the Employee in a single-sum payment (with interest at an annualized rate of 4.5%) on the date that is six months and one day following the Employee's "separation from service" as defined at Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations issued thereunder. If the Employee obtains another position during the Continuance Period, the amount of monthly salary paid to the Employee shall be reduced by the amount of gross compensation paid or payable to the Employee or credited to his account or for his benefit in connection with the other position.

2.2. No Employee shall be eligible to receive Salary Continuance or any other benefits under the Plan unless he first executes a valid and legally binding release in writing, in a form and manner prescribed by the Manager of the Plan, releasing the Black & Decker Companies and their employees, officers and directors from claims and liabilities of any kind relating to the Employee's employment.

2.3. If a Black & Decker Company is or should become obligated by law or by contract to pay an Employee severance pay, vacation pay, salary continuance, notice pay, a termination indemnity, or the like, or if a Black & Decker Company is or should become obligated by law or by contract to provide advance notice of separation ("Notice") to an Employee, then any Salary Continuance otherwise payable under the Plan to the Employee shall be reduced by the amount of any such severance pay, salary continuance, notice pay, termination indemnity, vacation pay, or the like, and by the amount of any compensation received with respect to any Notice period (including any Notice period that may be required under the Worker Adjustment and Retraining Notification Act) during which the Employee is not required to work. If an Employee applies for and receives unemployment compensation payments for any period of time for which Salary Continuance payments are made, any Salary Continuance payments remaining to be made shall be reduced by the amount of the unemployment compensation payments.

2.4. Each Employee who incurs a Severance shall also be entitled to continue to receive the employee benefits described below during the Continuance Period, or until he obtains another position (including a position with a Black & Decker Company), or until his death, whichever comes first; provided the Employee continues to pay the required employee contribution for the coverage. Provided the Employee was eligible for and received these

employee benefits before the Severance Date, and provided that the Black & Decker Company which employed the Employee continues to provide such benefits to similarly situated employees, and subject to such amendments and changes in such benefit plans, programs, practices and policies as may be made from time to time, the benefits that will be continued are: medical, dental, basic life insurance, executive life insurance, tax preparation expense reimbursement, automobile allowance, executive physical examination and country club memberships. If the Employee obtains another position prior to the first anniversary of the Severance Date, and if the position does not offer each of these benefits, then the benefits that are not offered by the other position will be continued during the Continuance Period, or until the benefits are offered by the other position, or until the Employee's death, whichever occurs first, strictly on a benefit-by-benefit basis. A benefit will not be continued after the Employee obtains another position if that benefit is available in the other position, even if the benefit offered by the other position is inferior to the benefit offered before the Severance Date, or requires larger employee contributions for the coverage.

2.5. All other benefits, including vacation pay and short term and long term disability, shall be discontinued on the Severance Date. The Employee's employment shall be deemed to have terminated on his or her Severance Date for purposes of any pension, profit-sharing, deferred compensation, stock option, stock bonus or stock purchase plan, whether tax-favored or otherwise, that is sponsored or administered by a Black & Decker Company and in which the Employee participated prior to the Severance Date.

SECTION 3. CLAIMS, OPERATION AND INTERPRETATION.

3.1. The Plan shall be interpreted, administered, and operated by the Manager of the Plan and the Plan Administrator, each of whom shall have complete authority, in his or their sole discretion, to interpret the Plan, to prescribe, amend, interpret and rescind rules and regulations relating to the Plan, and to make all of the determinations necessary or advisable for the administration of the Plan. It is intended that the Plan comply with Section 409A of the Code and the regulations and guidance issued thereunder, and it shall be interpreted accordingly.

3.2. All questions of any character whatsoever arising in connection with the interpretation of the Plan or its administration or operation shall be submitted to and settled and determined by the Manager of the Plan or the Plan Administrator in an equitable and fair manner in accordance with the procedure for claims and appeals described in Section 3.4. Subject to the provisions of Section 7.4, any such settlement and determination shall be final and conclusive, and shall bind and may be relied upon by the Black & Decker Companies, each of the Employees, and all other parties in interest.

3.3. The Plan Administrator and the Manager of the Plan may delegate any of their duties hereunder to such person or persons as they may designate from time to time.

3.4. An Employee shall file a written claim with the Manager of the Plan in order to receive Salary Continuance or any other benefits under the Plan. The Manager of the Plan shall, within 60 days after receipt of the written claim, send a written notification to the Employee as to its disposition. In the event the claim is wholly or partially denied, the written notification shall (a) state the specific reason or reasons for the denial, (b) make specific reference to pertinent Plan provisions on which the denial is based, (c) provide a description of any additional material or information necessary for the Employee to perfect the claim and an explanation of why such material or information is necessary, and (d) set forth the

procedure by which the Employee may appeal the denial of his claim. In the event an Employee wishes to appeal the denial of his claim, he may request a review of the denial by making application in writing to the Plan Administrator within 60 days after receipt of the denial. The Employee (or his duly authorized legal representative) may, upon written request to the Plan Administrator, review any documents pertinent to his claim, and submit in writing issues and comments in support of his position. Within 60 days after receipt of a written appeal (unless the Plan Administrator determines that special circumstances, such as the need to hold a hearing, require an extension of time, but in no event more than 120 days after such receipt) the Plan Administrator shall notify the Employee of the final decision. The final decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Plan provisions on which the decision is based. In the event the Employee wishes to appeal from the Plan Administrator's decision, the Employee may submit the claim to final and binding arbitration, in accordance with Section 7.4, by giving written notice to the Plan Administrator within 60 days after receipt of the Plan Administrator's decision. No arbitration for benefits under the Plan may be commenced unless and until the Employee has submitted a written claim for benefits, has been notified that the claim has been denied, has filed a written request for review of the denied claim, and has been notified in writing that the denial of the claim has been affirmed, all in accordance with the claims procedure described above.

SECTION 4. PLAN MODIFICATION OR TERMINATION.

4.1. The Plan may be modified or amended at any time by the Plan Administrator, with or without notice. Without limiting the foregoing, the Plan may be modified or amended to increase, decrease or eliminate Salary Continuance and benefits payable to any Employee who incurs a Severance after such modification or amendment.

4.2. It is the intention of Black & Decker to continue the Plan and to pay Salary Continuance to all Employees who have incurred a Severance. However, Black & Decker, by action of the Board of Directors, may for any reason terminate the Plan, or the Chief Executive Officer of Black & Decker may withhold its application as to some or all Employees, at any time or from time to time, in each case with or without notice.

4.3. Any modification, amendment, termination, withholding, extension or other action shall only apply to Employees who incur a Severance after such action. No such action shall reduce or eliminate the Salary Continuance of any Employee whose Severance Date occurs on or before such action is taken. Notwithstanding the foregoing, the Plan may be amended at any time, including retroactively, to conform the Plan to the provisions of Section 409A of the Code and the regulations and guidance thereunder. No such amendment shall be considered prejudicial to any interest of any Employee hereunder.

SECTION 5. GOVERNMENT LAWS AND REGULATIONS.

5.1. The Plan, as a "severance pay arrangement" within the meaning of Section 3(2)(B)(i) of ERISA, is intended to be excepted from the definitions of "employee pension benefit plan" and "pension plan" in Section 3(2) of ERISA, and is intended to meet the descriptive requirements of a plan constituting a "severance pay plan" within the meaning of regulations published by the Secretary of Labor at Title 29, Code of Federal Regulations, Section 2510.3-2(b), and shall be interpreted accordingly.

5.2. The Plan and the rights of Employees to Salary Continuance and benefits under the Plan shall be subject to all applicable governmental laws and regulations. Notwithstanding any other provision of the Plan to the contrary, the Manager of the Plan and the Plan Administrator may in his or their discretion make such changes in the Plan as may be required to conform the Plan to all applicable governmental laws and regulations.

SECTION 6. EMPLOYEE CONDUCT.

6.1. Notwithstanding anything to the contrary, all of an Employee's rights to Salary Continuance and to benefits under the Plan will be forfeited if the Employee discloses confidential information of a Black & Decker Company or if the Employee, without the written consent of the Manager of the Plan, enters into competition with a Black & Decker Company.

6.2. For purposes of this Section 6, the Employee shall be deemed to be in competition with a Black & Decker Company if the Employee, directly or indirectly, solicits as a customer any company that is or was a customer of a Black & Decker Company during the Employee's employment, or that is or was a potential customer of a Black & Decker Company with which a Black & Decker Company has made or will make business contacts during the Employee's employment; provided, however, that solicitation of a company as a customer of any business that is not in direct or indirect competition with any of the types of business conducted by a Black & Decker Company within any of the same territories as the Black & Decker Company shall not be prohibited hereby. In addition, an Employee shall be deemed to be in competition with a Black & Decker Company if the Employee directly or indirectly becomes an owner, officer, director, operator, sole proprietor, partner, joint venturer, contractor or consultant, or participates in or is connected with the ownership, operation, management or control of any company in direct or indirect competition with any of the types of businesses conducted by a Black & Decker Company within any of the same territories as a Black & Decker Company; provided, however, that the ownership for investment of less than 5% of the outstanding stock of any of the classes of stock issued by a publicly-held company shall not be prohibited hereby.

6.3. For the purposes of this Section 6, the Employee shall be deemed to have disclosed "confidential information" if the Employee fails to preserve as confidential and uses, communicates, or discloses to any person, to the actual or potential detriment of a Black & Decker Company, orally, in writing or by publication, any information, regardless of when, where or how acquired, relating to or concerning the affairs of a Black & Decker Company; provided, however, that the foregoing obligations shall not apply to information that is or becomes public through no fault of the Employee.

6.4. The Manager of the Plan and the Plan Administrator shall have the absolute right to determine in his or their sole discretion (a) whether or not an Employee's employment was terminated for Cause, and (b) whether or not an Employee has entered into competition with a Black & Decker Company or has disclosed confidential information so as to cause a forfeiture of the Employee's rights and benefits hereunder.

SECTION 7. GENERAL PROVISIONS.

7.1. Nothing in the Plan shall be deemed to give any Employee the right to be retained in the employ of any Black & Decker Company or to interfere with the right of any Black & Decker Company to discharge an Employee at any time and for any lawful reason,

with or without notice or cause. In addition, nothing in the Plan shall restrict an Employee's right to terminate his employment at any time.

7.2. Except as otherwise provided herein or by law, no right or interest of an Employee under the Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or any other manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of an Employee under the Plan shall be liable for, or subject to, any obligation or liability of an Employee. When a payment is due under the Plan to an Employee and the Employee is unable to care for his affairs, payment may be made directly to his legal guardian or personal representative.

7.3. Black & Decker may, at any time and from time to time, without any Employee's consent, assign its interest in the Plan with respect to one or more Employees to a Black & Decker Company, which shall assume all of Black & Decker's obligations hereunder with respect to such Employees and, upon such assignment, the assignee shall be substituted for Black & Decker for all purposes under the Plan with respect to such Employees. Any such assignment and assumption shall constitute a novation and the assignee(s) shall be substituted automatically for Black & Decker with respect to such Employees. Any such assignee shall have the same rights as the assignor to further assign the Plan.

7.4. Any dispute or controversy arising out of or relating to the Plan (or to payor benefits that may be provided under the Plan), as well as any dispute or controversy arising out of or relating to the termination of an Employee's employment, including any claims based on federal, state or local laws (including employment discrimination or wrongful dismissal laws), shall be settled exclusively by final and binding arbitration, conducted in Towson, Maryland before a neutral arbitrator with expertise in employment law, including ERISA, in accordance with the Voluntary Labor Arbitration Rules of the American Arbitration Association. In reaching a decision, the arbitrator shall interpret, apply and be bound by the Plan and by applicable law. The arbitrator shall apply the same standard of review in disputes relating to the Plan or to Plan benefits as a court of competent jurisdiction would apply under ERISA. The arbitrator shall have no authority to add to, detract from, or modify the Plan or any law in any respect. The arbitrator may grant any remedy or relief that may be necessary to make the injured party whole, provided that in no event may the arbitrator grant any remedy or relief that a court of competent jurisdiction could not grant, nor any relief greater than that sought by the injured party. Judgment may be entered on the arbitrator's award in any court of competent jurisdiction.

7.5. The Plan is unfunded. Except as provided in Section 7.3, the liability for Salary Continuance and other benefits under the Plan are solely the responsibility of Black & Decker. Salary Continuance shall be payable from Black & Decker's general assets, and no other company shall have any responsibility or liability under the Plan. However, Black & Decker's liabilities under the Plan shall be discharged to the extent of any payment or benefit received by the Employee from any other company made for that purpose and on Black & Decker's behalf or for its benefit.

7.6. If any provision of the Plan shall be held void or unenforceable, the remainder of the Plan shall remain in full force and effect, and the Plan shall be construed as if such void or unenforceable provision were omitted; provided that in interpreting this Plan the arbitrator shall replace such void or unenforceable provision with an effective and legally

permissible provision, the effect of which shall be identical to, or as close as reasonably possible to, the effect of the original provision.

7.7. As used in this Plan, any reference to the masculine, feminine, or neuter gender shall include all genders, the plural shall include the singular, and the singular shall include the plural.

ADOPTED BY THE BOARD OF DIRECTORS OF THE BLACK & DECKER CORPORATION, APRIL 25, 2005, AND AMENDED EFFECTIVE JANUARY 1, 2005.

/s/ BARBARA B. LUCAS

Barbara B. Lucas, Secretary

THE BLACK & DECKER
EXECUTIVE SALARY CONTINUANCE PLAN

PARTICIPATION AGREEMENT

I understand that this Agreement supersedes all agreements, plans or policies relating to the provision of salary continuance or severance pay and benefits (e.g., health, life insurance, etc.), other than providing severance payor benefits upon or following a change in control of The Black & Decker Corporation. I agree not to make any claim for salary continuance or severance payor benefits other than a claim for salary continuance and benefits under The Black & Decker Executive Salary Continuance Plan (the "Plan").

I understand that by agreeing to participate in the Plan, I am agreeing to submit to final and binding arbitration all disputes regarding the Plan as well as any disputes arising out of or relating to any termination of my employment.

I have carefully read and fully understand all the provisions of this Agreement which together with the Plan set forth the entire agreement between me and the Company. I have not relied upon any statement or representation, written or oral, not set forth in this document or in the Plan. By signing this Agreement, I confirm that I have obtained whatever legal or other advice I felt necessary.

Signed at _____, this ____ day of _____, 200__.

Employee

February ____, 2006

c/o The Black & Decker Corporation
701 East Joppa Road
Towson, Maryland 21286

Dear _____:

The Black & Decker Corporation (the "Corporation") considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Corporation (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of the Corporation may exist and that such possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Corporation and its stockholders. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Corporation's management, including you, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Corporation, although no such change is now contemplated.

In order to induce you to remain in the employ of the Corporation, the Corporation agrees that you shall receive the severance benefits set forth in this letter agreement (this "Agreement") in the event of a "Change in Control of the Corporation" (as defined in Section 2) under the circumstances described below.

1. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through December 31, 2011; provided, however, that if a Change in Control of the Corporation shall have occurred prior to December 31, 2011, this Agreement shall continue in effect for a period of 36 months beyond the month in which the Change in Control of the Corporation occurred, at which time this Agreement shall terminate. Notwithstanding the foregoing, and provided no Change in Control of the Corporation shall have occurred, this Agreement shall automatically terminate upon the earlier to occur of (a) your termination of employment with the Corporation, or (b) the Corporation's giving you notice of termination of this Agreement, regardless of the effective date of such termination.

2. Change in Control. No benefits shall be payable under this Agreement unless there shall have been a Change in Control of the Corporation. For purposes of this Agreement, a "Change in Control of the Corporation" shall mean a change in control of a nature that would be

required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Corporation is in fact required to comply therewith, provided that, without limitation, such a change in control shall be deemed to have occurred if (A) any "person" (as that term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its subsidiaries or a corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities; (B) during any period of two consecutive years, individuals who at the beginning of that period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in clauses (A) or (D) of this Section) whose election by the Board or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute a majority of the Board; (C) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control of the Corporation; or (D) the stockholders of the Corporation approve a merger, share exchange or consolidation of the Corporation with any other corporation or entity, other than a merger, share exchange or consolidation that would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the combined voting power of the voting securities of the Corporation or the surviving entity outstanding immediately after the merger, share exchange or consolidation, or the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all the Corporation's assets.

3. Vesting of Stock Options. Upon a Change in Control of the Corporation, you shall fully vest in all outstanding stock options granted to you under the Corporation's stock option plans. Each stock option shall continue to be exercisable for the term of that stock option. In accordance with the terms of The Black & Decker Performance Equity Plan (the "PEP") and The Black & Decker Corporation 2004 Restricted Stock Plan, respectively, the maximum number (150% of the target award for each performance period) of Performance Shares (as defined in the PEP) held by you shall be deemed to have been earned (and shall be paid in accordance with the payment provisions of the PEP) and all shares of restricted stock held by you shall become fully vested and no longer subject to forfeiture upon the occurrence of a Change in Control of the Corporation.

4. Termination Following Change in Control of the Corporation. If a Change in Control of the Corporation shall have occurred, you shall be entitled to the benefits provided in Section 5.2 upon the subsequent termination of your employment during the term of this Agreement unless the termination is (A) because of your death or Disability (as defined in

Section 4.1), (B) by the Corporation for Cause (as defined in Section 4.2), or (C) by you other than for Good Reason (as defined in Section 4.3).

4.1 Disability. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Corporation for six consecutive months and, within 30 days after a Notice of Termination (as defined in Section 4.4) is given to you, shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability."

4.2 Cause. Termination by the Corporation of your employment for "Cause" shall mean termination upon (a) the willful and continued failure by you to substantially perform your duties with the Corporation (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of Termination for Good Reason) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, or (b) the willful engaging by you in conduct that is demonstrably and materially injurious to the Corporation, monetarily or otherwise. For purposes of this Section 4.2, no act or failure to act on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Corporation. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for that purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses (a) or (b) of the first sentence of this Section 4.2 and specifying the particulars thereof in detail.

4.3 Good Reason. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Corporation of any of the following circumstances unless the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

- (a) the assignment to you of any duties inconsistent with your current status as an executive of the Corporation or a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change in Control of the Corporation;
 - (b) a reduction by the Corporation in your annual base salary as in effect on the date of this Agreement or any subsequently established higher annual base salary, except for across-the-board salary reductions similarly affecting all senior executives of the Corporation and all senior executives of any person in control of the Corporation;
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(c) your relocation to a location not within 25 miles of your office or job location immediately prior to the Change in Control of the Corporation, except for required travel on the Corporation's business to an extent substantially consistent with your business travel obligations immediately prior to the Change in Control of the Corporation;

(d) the failure by the Corporation, without your consent, to pay to you any portion of your compensation to which you are entitled when such compensation is due;

(e) the failure by the Corporation to continue in effect any compensation plan in which you participated immediately prior to the Change in Control of the Corporation that is material to your total compensation, including but not limited to the Corporation's (i) Executive Annual Incentive Plan ("EAIP"), Annual Incentive Plan ("AIP") or other comparable annual compensation plan, (ii) stock option and restricted stock plans, and (iii) PEP or other comparable medium- or long-term compensation plan, or any substitute plan or plans adopted prior to the Change in Control of the Corporation; unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan and the equitable arrangement provides substantially equivalent benefits not materially less favorable to you (both in terms of the amount of benefits provided and the level of your participation relative to other participants), or the failure by the Corporation to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable (both in terms of the amount of benefits provided and the level of your participation relative to other participants) than those you enjoyed immediately prior to the Change in Control of the Corporation;

(f) the failure by the Corporation to continue in effect any material benefit available to you immediately prior to the Change in Control of the Corporation, including without limitation (i) the failure to provide to you benefits substantially similar to those enjoyed by you under any of the Corporation's retirement, savings, life insurance, medical, dental, health and accident, or disability plans in which you were participating at the time of the Change in Control of the Corporation, (ii) the failure to continue to provide to you any material perquisite provided to you at the time of the Change in Control of the Corporation, (iii) the failure by the Corporation to provide to you the number of paid vacation days to which you are entitled on the basis of years of service with the Corporation in accordance with the Corporation's normal vacation policy in effect at the time of the Change in Control of the Corporation, or (iii) the taking of any action by the Corporation that would directly or indirectly materially reduce any of these benefits or deprive you of any material benefit or perquisite enjoyed by you at the time of the Change in Control of the Corporation;

(g) the failure of the Corporation to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 7.1; or

(h) any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 4.4 (and, if applicable, the requirements of Section 4.2), which purported termination shall not be effective for purposes of this Agreement.

Your rights to terminate your employment pursuant to this Section 4.3 shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Section 4.3.

4.4 Notice of Termination. Any purported termination of your employment by the Corporation for Cause or Disability or by you for Good Reason shall be communicated by written Notice of Termination to the other party in accordance with Section 8. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that indicates the specific termination provision in this Agreement relied upon and that sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

4.5 Date of Termination. Subject to the following sentence, "Date of Termination" shall mean (a) if your employment is terminated by your death, the date of your death; (b) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during the 30-day period); and (c) if your employment is terminated for any reason other than death or Disability, the date specified in the Notice of Termination. For purposes of clause (c) in the immediately preceding sentence, the date specified in the Notice of Termination shall not be less than 30 days from the date the Notice of Termination is given, except in the case of a termination pursuant to Section 4.3 such date shall not be less than 15 nor more than 60 days from the date that the Notice of Termination is given. If the party receiving the Notice of Termination notifies the other party within 15 days of receiving the Notice of Termination or, if later, prior to the Date of Termination (as determined without regard to this sentence) that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of the dispute, the Corporation will continue to pay you your full compensation in effect when the Notice of Termination giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit and insurance plans in which you were participating

when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Section 4.5. Amounts paid under this Section 4.5 are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

5. Compensation Upon Termination. Upon termination of your employment following a Change in Control of the Corporation, you shall be entitled to the following benefits:

5.1 Termination for Cause or Without Good Reason or upon Disability or Death. If your employment shall be terminated by your death, by the Corporation for Cause or Disability, or by you without Good Reason, the Corporation shall pay you your full base salary through the Date of Termination at the rate in effect at the time of your death or Notice of Termination is given, as the case may be, plus all other amounts to which you are entitled under any retirement, insurance and other compensation programs of the Corporation at the time the payments are due, and the Corporation shall have no further obligations to you under this Agreement.

5.2 Termination Without Cause or Disability or for Good Reason. If your employment by the Corporation shall be terminated (A) by the Corporation other than for Cause or Disability or (B) by you for Good Reason, then you shall be entitled to the benefits provided below:

(a) The Corporation shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Corporation, at the time those payments are due, except as otherwise provided below.

(b) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Corporation shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") in an amount equal to:

(1) three times the sum of your (x) annual base salary in effect immediately prior to the occurrence of the circumstance giving rise to the Notice of Termination, and (y) Maximum Participant Award (as defined below); plus

(2) 150% of the product of (A) your annual base salary in effect immediately prior to your Date of Termination multiplied by (B) the percentage target used to calculate the number of Performance Shares awarded to you with respect to the most recent award under the PEP.

"Maximum Participant Award" means the maximum award that could be payable to you under the terms of the EAIP (if you were a participant in the EAIP immediately prior to the occurrence of the circumstances giving rise to the Notice of Termination), the AIP (if you were a participant in the AIP immediately prior to the occurrence of the circumstances giving rise to the Notice of

Termination), or other comparable or substitute annual compensation plan for the year in which the Date of Termination occurs, determined as if you remained a participant until the end of the year and all performance goals for that year that would entitle you to a maximum payment were met or exceeded.

(c) The Corporation shall also pay to you all legal fees and expenses incurred by you as a result of the termination (including all legal fees and expenses, if any, incurred in contesting or disputing the termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Internal Revenue Code (the "Code") to any payment or benefit provided under this Agreement).

(d) The Severance Payment plus interest shall be made on the date that is six months and one day following your "separation from service" as defined in Section 409A of the Code and the regulations promulgated thereunder. The Severance Payment shall bear interest at an annualized rate of 4.5% from and after your "Separation from Service" until paid pursuant to this Section 5.2(d).

5.3 Additional Benefits. If your employment shall be terminated (a) by the Corporation other than for Cause or Disability or (b) by you for Good Reason, then for a 36-month period after such termination, the Corporation shall arrange to provide to you life, disability, accident, medical, dental and health insurance benefits substantially similar to those that you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Section 5.3 shall be reduced to the extent comparable benefits are actually received by you from another employer during the 36-month period following your termination, and any such benefits actually received by you shall be reported to the Corporation.

5.4 Mitigation. You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. The Corporation shall not be entitled to set off against the amount of any payment or benefit provided for in this Agreement any amounts owed to the Corporation by you, any compensation earned by you as the result of employment by another employer, or any retirement benefits to which you may be entitled under the Corporation's retirement or savings plans.

5.5 Other Benefit Plans. In addition to all other amounts payable to you under this Section 5, you shall be entitled to receive all benefits payable to you under any plan or agreement sponsored by the Corporation or any of its subsidiaries relating to retirement or other benefits in accordance with the terms of such plans or arrangements.

6. Gross-Up Payment

6.1 Calculation of Gross-Up Payment. If the Severance Payment or any other portion of the Total Payments (as defined below) will be subject to the tax imposed by Section 4999 of the Code (the "Excise Tax"), the Corporation shall pay to you at the time specified in

Section 6.2 an additional amount (the "Gross-Up Payment") such that the net amount retained by you, after deduction of any Excise Tax on the Severance Payment and such other Total Payments and any federal and state and local income tax and Excise Tax upon the Gross-Up Payment, shall be equal to the Severance Payment and such other Total Payments. For purposes of determining whether any of the payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) any other payments or benefits received or to be received by you in connection with a Change in Control of the Corporation or your termination of employment (whether payable pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Corporation, its successors, any person whose actions result in a Change in Control of the Corporation or any corporation affiliated (or which, as a result of the completion of a transaction causing a Change in Control of the Corporation, will become affiliated) with the Corporation within the meaning of Section 1504 of the Code) (together with the Severance Payment, the "Total Payments") shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Corporation and acceptable to you ("Tax Counsel") the Total Payments (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4)(B) of the Code either to the extent such reasonable compensation is in excess of the base amount within the meaning of Section 280G(b)(3) of the Code or are otherwise not subject to the Excise Tax, (ii) the amount of the Total Payments that shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Total Payments or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i), above), and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by Tax Counsel in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. If the Excise Tax is subsequently determined to be less than the amount taken into account under this Section 6.1 at the time of payment of the Gross-Up Payment, you shall repay to the Corporation at the time that the amount of such reduction in the Excise Tax is finally determined the portion of the Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and federal and state and local income tax imposed on the Gross-Up Payment being repaid by you if such repayment results in a reduction in Excise Tax and/or a federal and state and local income tax deduction) plus interest on the amount of such repayment at the rate provided in Section 1274(d) of the Code. If the Excise Tax is determined to exceed the amount taken into account hereunder at the time of payment of the Gross-Up Payment (including by reason of any payment resulting from the existence or amount of which cannot be determined at the time of the payment of the Gross-Up Payment), the Corporation shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties, and professional fees

incurred by you with respect to such excess, including all such taxes with respect to such additional amount) at the time that the amount of such excess is finally determined.

6.2 Payment of Gross-Up Payments. The payments provided for in Section 6.1 shall be made on the date that is six months and one day following your “separation of service” as defined in Section 409A of the Code and the regulations promulgated thereunder.

7. Successors; Binding Agreement.

7.1 Successors. The Corporation will require any successor to all or substantially all of the business or assets of the Corporation (whether direct or indirect, by purchase, merger, share exchange, consolidation or otherwise) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if the succession had not taken place. Failure of the Corporation to obtain the assumption and agreement prior to the effectiveness of the succession shall be a breach of this Agreement and shall entitle you to terminate your employment for Good Reason following a Change in Control of the Corporation. As used in this Agreement, “Corporation” shall mean the Corporation as hereinbefore defined and any successor to its business or assets as described above that assumes and agrees to perform this Agreement by operation of law or otherwise.

7.2 Binding Agreement. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. Any amount payable to you under this Agreement at the time of your death, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

7.3 Employment by a Subsidiary. If you are employed by a subsidiary of the Corporation, wherever in this Agreement reference is made to the “Corporation,” unless the context otherwise requires, the reference shall also include the subsidiary. The Corporation shall cause the subsidiary to carry out the terms of this Agreement insofar as they relate to the employment relationship between you and the subsidiary, and the Corporation shall indemnify you and save you harmless from and against all liability and damage that you may suffer as a consequence of the subsidiary’s failure to perform and carry out such terms. Wherever reference is made to any benefit program of the Corporation, the reference shall include, where appropriate, the corresponding benefit program of the subsidiary if you were a participant in the benefit program on the date a Change in Control of the Corporation has occurred.

8. Notice. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid. All notices to the Corporation shall be sent to the Corporation at 701 East Joppa Road, Towson, Maryland 21286 and directed to the attention of the Board with a copy to the Secretary of the Corporation and to you at your address listed on the Corporation’s payroll, or to such other

address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

9. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless the waiver, modification or discharge is agreed to in writing and signed by you and an officer of the Corporation specifically designated by the Board. No waiver by either party at any time of any breach by the other party of any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement constitutes the entire agreement between the parties hereto in respect of the matters set forth herein, and all prior negotiations, writings and understandings relating to the subject matter of this Agreement are superseded and cancelled by this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Maryland, without regard to its principles of conflicts of laws. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Corporation under Sections 5 and 6 shall survive the expiration of the term of this Agreement, provided that the Date of Termination occurred prior to such expiration.

10. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

11. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

12. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the State of Maryland, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

13. Section Headings. The Section headings contained in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning or interpretation of this Agreement or any of its terms and conditions. All references to Sections in this Agreement are to Sections of this Agreement.

If you agree to the terms of this letter, please sign and return to the Corporation the enclosed copy which will then constitute our agreement on this subject.

Sincerely,

THE BLACK & DECKER CORPORATION

By _____
Nolan D. Archibald, Chairman

Agreed to as of the ____ day of _____, 2006

THE BLACK & DECKER CORPORATION

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") is made effective as of the 9th day of February, 2006, by and between The Black & Decker Corporation, a Maryland corporation (the "Corporation"), and Nolan D. Archibald (the "Executive").

The Corporation desires to continue to have the benefits of the Executive's knowledge and experience as a full-time employee, and the Executive desires to continue in full-time employment with the Corporation.

Accordingly, in consideration of the mutual covenants and agreements contained herein, the parties agree as follows:

1. Full-Time Employment of Executive.

1.1 Duties. The Corporation hereby engages the Executive as Chairman, President and Chief Executive Officer of the Corporation for the Employment Period (as defined in Section 3), and the Executive accepts such employment on the terms and conditions set forth in this Agreement. During the Employment Period, the Executive shall be assigned to corporate headquarters located in Towson, Maryland. The Executive shall exercise such authority and perform such duties as are commensurate with the Bylaws of the Corporation and the normal duties of a Chairman, President and Chief Executive Officer of a publicly traded corporation and shall perform such other reasonably related managerial duties and responsibilities for the Corporation as may be assigned to him by the Board of Directors of the Corporation (the "Board").

1.2 Compensation. The Corporation shall pay the Executive an annual salary that is not less than the greater of (a) his annual base salary on the date of this Agreement or (b) any subsequently established higher annual base salary. The Executive's salary shall be payable in periodic equal installments that are not less frequent than the periodic installments in which his salary was paid immediately prior to the date of this Agreement. The Executive's salary shall be subject to normal periodic review for increases based on the policies of the Corporation and the Executive's contributions to the enterprise. In addition to his annual base salary, the Executive shall be entitled to participate in any compensation programs available to the Executive immediately prior to the date of this Agreement, including without limitation the Corporation's (i) Executive Annual Incentive Plan ("EAIP") or other comparable annual incentive plan, (ii) stock option and restricted stock plans, and (iii) Performance Equity Plan ("PEP") or other comparable medium- or long-term compensation plan. The Executive shall also be entitled to participate in any other compensation program that may be established by the Corporation and in which other executives of the Corporation are entitled to participate.

1.3 Benefits and Perquisites. In addition to the compensation provided by Section 1.2, the Corporation shall provide to the Executive all benefits that were available to the Executive immediately prior to the date of this Agreement, including without limitation, the Corporation's (a) tax-qualified Pension Plan, (b) Supplemental Pension Plan, (c) Supplemental Executive Retirement Plan, (d) Retirement Savings Plan, (e) Supplemental Retirement Savings Plan, and (f) all group life, supplemental life, long-term disability, accident, dental and health insurance programs. The Executive shall also be entitled to participate in any other employee benefit programs that may be established by the Corporation and in which other executives of the Corporation are entitled to participate. The Executive shall also be entitled to all perquisites that were available to the Executive immediately prior to the date of this Agreement and to any perquisites that may be established by the Corporation and in which other executives of the Corporation are entitled to participate.

1.4 Equity Awards. The Executive may notify the Compensation Committee of the Board of his expected retirement date from the Corporation (the "Expected Retirement Date"). If the Compensation Committee receives the written notice of the Expected Retirement Date (the "Retirement Notice"), the Compensation Committee shall, with respect to all stock options and shares of restricted stock granted to the Executive following the receipt of the Retirement Notice, establish a vesting schedule such that all of those stock options and shares of restricted stock shall vest by a date on or before the Expected Retirement Date. Each Option Agreement or Restricted Share Agreement evidencing those stock options and shares of restricted stock, respectively, shall contain this vesting schedule. If the Compensation Committee receives the Retirement Notice at least two years prior to the Expected Retirement Date, the Corporation shall pay to the Executive a payment (the "PEP Retirement Payment") in an amount equal to the value of 150% of the Performance Shares (as defined in the PEP), if any, that are forfeited by the Executive pursuant to the PEP as a result of the Executive's retirement on the Expected Retirement Date plus accrued interest in accordance with the following sentence on the date that is 18 months following the Executive's "separation from service" as defined in Section 409A of the Internal Revenue Code (the "Code"). The aggregate amount payable under this Section 1.4 shall bear interest at an annualized rate of 4.5% from and after the Executive's "separation from service" until paid pursuant to this Section 1.4. For purposes of calculating the PEP Retirement Payment, the value of each Performance Share shall be the closing price per share of the Corporation's shares of common stock as reported on the New York Stock Exchange (the "NYSE") on or nearest to the Expected Retirement Date (or, if not listed on the NYSE, on a nationally recognized exchange or quotation system on which volume in the Corporation's shares of common stock is the highest).

2. Competition; Confidential Information. The Executive and the Corporation recognize that, due to the nature of his relationship to the Corporation, the Executive has access to, and may assist in developing, confidential and proprietary information relating to the business and operations of the Corporation and its affiliates. The Executive acknowledges that this information is of central importance to the business of the Corporation and its affiliates and that disclosure of it to, or its use by, others could cause substantial loss to the Corporation. The Executive and the Corporation also recognize that an important part of the Executive's duties will be to develop goodwill for the Corporation through his personal contact with others having business relationships with the Corporation and its affiliates, and that there is a danger that this

goodwill, a proprietary asset of the Corporation and its affiliates, may follow the Executive if and when his relationship with the Corporation is terminated.

2.1 Non-Competition. During the Employment Period, the Executive will not, directly or indirectly, either individually or as owner, partner, agent, employee, consultant or otherwise, except for the account of and on behalf of the Corporation or its affiliates, engage in any activity competitive with the business of the Corporation or its affiliates, nor will he, in competition with the Corporation or its affiliates, solicit or otherwise attempt to establish any business relationships with any person, firm or corporation that was, at any time during the Employment Period, a customer or supplier of the Corporation. Notwithstanding the foregoing, nothing in this Section 2.1 shall be construed to prevent the Executive from owning, as an investment, not more than 5% of a class of equity securities issued by any competitor of the Corporation and publicly traded and registered under Section 12 of the Securities Exchange Act of 1934.

2.2 Confidential Information. During and at all times after the termination of the Employment Period, the Executive (a) will not disclose any trade secrets, customer lists, production processes, business plans, or other proprietary information that is treated as confidential by the Corporation or its affiliates and is now known to him or which hereafter may become known to him as a result of his employment or association with the Corporation (collectively, "Confidential Information") and (b) will not at any time, directly or indirectly, disclose any Confidential Information to any person, firm or corporation, or use any Confidential Information in any way other than in connection with the business of the Corporation or its affiliates; provided, however, that the foregoing restrictions shall not apply to any Confidential Information that, through no fault of the Executive, has entered the public domain.

2.3 Corporation's Remedies for Breach. The Executive acknowledges that damages in the event of his breach of this Section 2 would be difficult, if not impossible, to ascertain. The Corporation shall have the right to an injunction or other equitable relief in any court of competent jurisdiction enjoining any such breach without having to post a bond. The existence of this right shall not preclude any other rights and remedies at law or in equity available to the Corporation.

3. Employment Period and Termination.

3.1 Duration and Performance. The "Employment Period," which commenced prior to the date of this Agreement, shall continue until the Date of Termination (as defined in Section 3.6). Subject to the performance of the covenants and agreements made by the Corporation in this Agreement, the Executive will perform his duties during the Employment Period in good faith and will observe faithfully the covenants and agreements made by him in this Agreement.

3.2 Disability. If, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of his duties with the Corporation for six consecutive months and, within 30 days after written Notice of Termination (as defined in Section 3.5) is given to the Executive, shall not have returned to the

full-time performance of his duties, the Executive's employment may be terminated for "Disability."

3.3 Termination by the Corporation for Cause. Termination by the Corporation of the Executive's employment for "Cause" shall mean termination upon (a) the willful and continued failure by the Executive to substantially perform his duties (other than any such failure resulting from his incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by the Executive of a Notice of Termination for Good Reason) after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed his duties, or (b) the willful engaging by the Executive in conduct that is demonstrably and materially injurious to the Corporation, monetarily or otherwise. For purposes of this Section 3.3, no act or failure to act on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that his action or omission was in the best interest of the Corporation. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for that purpose (after reasonable notice to the Executive and an opportunity for the Executive, together with his counsel, to be heard before the Board), finding that in the good faith opinion of the Board the Executive was guilty of the conduct set forth above in clauses (a) or (b) of the first sentence of this Section 3.3 and specifying the particulars thereof in detail.

3.4 Termination by the Executive for Good Reason. The Executive shall be entitled to terminate his employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without the Executive's express written consent, the Corporation's failure to perform any covenant contained in this Agreement or the occurrence of any of the following circumstances unless the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

- (a) the assignment to the Executive of any duties inconsistent with his current status as Chairman, President, and Chief Executive Officer of the Corporation as described in Section 1.1 or a substantial adverse alteration in the nature or status of the Executive's responsibilities from those in effect immediately prior to the date of this Agreement;
- (b) upon the occurrence of a Change in Control of the Corporation (as defined in Section 5.2), the Executive is not the Chairman, President and Chief Executive Officer of (i) the Corporation, if it is the surviving entity in any merger, share exchange, acquisition or other business combination with the Corporation, (ii) the successor entity to the Corporation in any merger, share exchange, consolidation, acquisition or other business combination with the Corporation, or (iii) any entity that beneficially owns a majority of the voting stock of the Corporation, provided that in all of the foregoing cases such entity is a publicly held corporation that (A) on a consolidated basis has a net worth equal to or greater than the Corporation immediately before the Change in Control of the

Corporation, (B) has a board of directors with three-quarters of the directors being “independent directors” as defined in the Corporation’s Corporate Governance Policies and Procedures Statement, and (C) no person or business organization, or affiliated group of persons or business organizations, owns or controls 20% or more of the voting stock of such corporation;

(c) a reduction by the Corporation in the Executive’s annual base salary as in effect on the date of this Agreement or any subsequently established higher annual base salary;

(d) the failure by the Corporation to continue in effect any compensation plan in which the Executive participated immediately prior to the date of this Agreement or any compensation plan established after the date of this Agreement in which the Executive shall participate that is material to his total compensation, including without limitation the Corporation’s (i) EAIP or other comparable annual incentive plan, (ii) stock option and restricted stock plans, and (iii) PEP or other comparable medium- or long-term compensation plan; unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan and the equitable arrangement provides substantially equivalent benefits not materially less favorable to the Executive (both in terms of the amount of benefits provided and the level of the Executive’s participation relative to other participants), or the failure by the Corporation to continue the Executive’s participation therein (or in such substitute or alternative plan) on a basis not materially less favorable (both in terms of the amount of benefits provided and the level of the Executive’s participation relative to other participants) than those the Executive enjoyed immediately prior to the date of this Agreement;

(e) the failure by the Corporation to continue in effect any material benefit available to the Executive immediately prior to the date of this Agreement or provided to the Executive after the date of this Agreement, including without limitation, the Corporation’s (a) tax-qualified Pension Plan, (b) Supplemental Pension Plan, (c) Supplemental Executive Retirement Plan, (d) Retirement Savings Plan, (e) Supplemental Retirement Savings Plan, and (f) all group life, supplemental life, long-term disability, accident, dental and health insurance programs, the failure to continue to provide to the Executive any material perquisite provided to the Executive immediately prior to the date of this Agreement, or the taking of any action by the Corporation that would directly or indirectly materially reduce any of these benefits or deprive the Executive of any material benefit or perquisite enjoyed by the Executive immediately prior to the date of this Agreement;

(f) the failure of the Corporation to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 8.1; or

(g) any purported termination of the Executive’s employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section

3.5 (and, if applicable, the requirements of Section 3.3), which purported termination shall not be effective for purposes of this Agreement.

The Executive's rights to terminate his employment pursuant to this Section 3.4 shall not be affected by his incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

3.5 Notice of Termination. Any purported termination of the Executive's employment by the Corporation or by the Executive shall be communicated by written Notice of Termination to the other party in accordance with Section 6. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that indicates the specific termination provision in this Agreement relied upon and that sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

3.6 Date of Termination. Subject to the following sentence, "Date of Termination" shall mean (a) if the Executive's employment is terminated by his death, the date of the Executive's death, (b) if the Executive's employment is terminated for Disability, 30 days after Notice of Termination is given (provided that he shall not have returned to the full-time performance of his duties during the 30-day period), (c) the Expected Retirement Date (if the Executive's employment is terminated upon his retirement on the Expected Retirement Date), or (d) if the Executive's employment is terminated for any reason other than death or Disability, the date specified in the Notice of Termination. For purposes of clause (d) in the immediately preceding sentence, the date specified in the Notice of Termination shall not be less than 30 days from the date the Notice of Termination is given, except in the case of a termination pursuant to Section 3.4 such date shall not be less than 15 nor more than 60 days from the date that the Notice of Termination is given. If the party receiving the Notice of Termination notifies the other party within 15 days of receiving the Notice of Termination or, if later, prior to the Date of Termination (as determined without regard to this sentence) that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of the dispute, the Corporation will continue to pay the Executive his full compensation in effect when the Notice of Termination giving rise to the dispute was given (including, but not limited to, base salary) and continue the Executive as a participant in all compensation, benefit and insurance plans in which he was participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Section 3.6. Amounts paid under this Section 3.6 are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4. Compensation Upon Termination.

4.1 Termination for Cause, without Good Reason, or upon Disability or Death. If the Executive's employment shall be terminated by the Executive's death, by the Corporation for Cause or Disability, or by the Executive without Good Reason (other than upon Executive's retirement on the Expected Retirement Date), the Corporation shall pay the Executive his full base salary through the Date of Termination at the rate in effect at the time of his death or Notice of Termination is given, as the case may be, plus all other amounts to which the Executive is entitled under the terms of any compensation program or benefit plan of the Corporation at the time the payments are due, and the Corporation shall have no further obligations to the Executive under this Agreement. If the Executive's employment is terminated upon his retirement on the Expected Retirement Date, the Corporation shall pay the Executive his full base salary through the Expected Retirement Date plus all other amounts to which the Executive is entitled under the terms of any compensation program or benefit plan of the Corporation at the time the payments are due.

4.2 Termination without Cause or Disability or for Good Reason. If the Executive's employment by the Corporation shall be terminated (A) by the Corporation other than for Cause or Disability or (B) by the Executive for Good Reason, then the Executive shall be entitled to the following benefits:

(a) The Corporation shall pay the Executive his full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which he is entitled under any compensation plan of the Corporation at the time such payments are due, except as otherwise provided below.

(b) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination, the Corporation shall pay as severance pay to the Executive a lump sum severance payment (the "Severance Payment") in an amount equal to:

(1) three times the sum of his (x) annual base salary in effect immediately prior to the Executive's termination and (y) EAIP Maximum Payment (as defined below); plus

(2) his PEP Maximum Payment (as defined below).

For purposes of this Agreement, "EAIP Maximum Payment" shall mean the maximum payment that the Executive could have received under the EAIP for the year in which the Date of Termination occurs, determined as if the Executive had remained a participant until the end of the year and as if all performance goals for that year that would entitle the Executive to a maximum payment were met or exceeded. For purposes of this Agreement, "PEP Maximum Payment" shall mean an amount equal to the sum of (a) the value of 150% of the Performance Shares, if any, that are forfeited by the Executive pursuant to the PEP as a result of the Executive's termination plus (b) 150% of the product of (A) the Executive's annual base salary multiplied by (B) the percentage target used to calculate the number of Performance Shares

awarded to the Executive with respect to the most recent award under the PEP. For purposes of calculating the PEP Maximum Payment, the value of each Performance Share shall be the closing price per share of the Corporation's shares of common stock as reported on the NYSE on or nearest to the Date of Termination (or, if not listed on the NYSE, on a nationally recognized exchange or quotation system on which volume in the Corporation's shares of common stock is highest). The provisions of this Section 4.2(b) shall not in any way affect the Executive's rights under the PEP.

(c) The Executive shall fully vest in all outstanding stock options granted to the Executive under the Corporation's stock option plans, and all shares of restricted stock held by the Executive shall become fully vested and no longer subject to forfeiture. Each stock option shall continue to be exercisable for the original term of that stock option.

(d) The Corporation shall also pay to the Executive all legal fees and expenses incurred by him as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder).

(e) If the Severance Payment or any other portion of the Total Payments (as defined below) will be subject to the tax imposed by Section 4999 of the Code (the "Excise Tax"), the Corporation shall pay to the Executive at the time specified in Section 4.3 an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Severance Payment and such other Total Payments and any federal and state and local income tax and Excise Tax upon the Gross-Up Payment, shall be equal to the Severance Payment and such other Total Payments. For purposes of determining whether any of the payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) any other payments or benefits received or to be received by the Executive in connection with his termination of employment (whether payable pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Corporation, its successors, or any corporation affiliated (or which, as a result of the completion of a transaction causing a Change in Control of the Corporation, will become affiliated) with the Corporation within the meaning of Section 1504 of the Code) (together with the Severance Payment, the "Total Payments") shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless, in the opinion of tax counsel selected by the Corporation and acceptable to the Executive ("Tax Counsel"), the Total Payments (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4)(B) of the Code either to the extent such reasonable compensation is in excess of the base amount within the meaning of Section 280G(b)(3) of the Code, or are otherwise not subject to the Excise Tax, (ii) the amount of the Total Payments that shall be treated as subject to the Excise

Tax shall be equal to the lesser of (A) the total amount of the Total Payments or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i), above) and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by Tax Counsel in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on the Date of Termination, net of the maximum reduction in federal income taxes that could be obtained from deduction of such state and local taxes. If the Excise Tax is subsequently determined to be less than the amount taken into account under this Section 4.2(e) at the time of payment of the Gross-Up Payment, the Executive shall repay to the Corporation at the time that the amount of such reduction in Excise Tax is finally determined the portion of the Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and federal and state and local income tax imposed on the Gross-Up Payment being repaid by the Executive if such repayment results in a reduction in Excise Tax and/or a federal and state and local income tax deduction) plus interest on the amount of such repayment at the rate provided in Section 1274(d) of the Code. If the Excise Tax is determined to exceed the amount taken into account under this Section 4.2(e) at the time of payment of the Gross-Up Payment (including by reason of any payment the existence or amount of which cannot be determined at the time of the payment of the Gross-Up Payment), the Corporation shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties, and professional fees incurred by the Executive with respect to such excess, including all such taxes with respect to such additional amount) at the time that the amount of such excess is finally determined.

(f) For a 36-month period after the Date of Termination, the Corporation shall provide the Executive with life, disability, accident and health insurance benefits substantially similar to those which he is receiving immediately prior to termination. Benefits otherwise receivable by the Executive pursuant to this Section 4.2(f) shall be reduced to the extent comparable benefits are actually received by the Executive from another employer during the 36-month period following the Date of Termination, and any such benefits actually received by the Executive shall be reported to the Corporation.

4.3 Payment of Severance Benefits. The payments provided for in Sections 4.2(b) and (e), plus interest accrued in accordance with the following sentence, shall be made on the date that is 18 months following the Executive's "separation from service" as defined in Section 409A of the Code and the regulations promulgated thereunder. The aggregate amount payable under Section 4.2(b) shall bear interest at an annualized rate of 4.5% from and after the Executive's "separation from service" until paid pursuant to this Section 4.3.

4.4 Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. The

Corporation shall not be entitled to set off against the amount of any payment or benefit provided for in this Agreement any amounts owed to the Corporation by the Executive, any compensation earned by the Executive as the result of employment by another employer, or any retirement benefits including, without limitation, any amounts to which the Executive may be entitled under the Corporation's tax-qualified Pension Plan, Supplemental Pension Plan, Supplemental Executive Retirement Plan, Retirement Savings Plan, or Supplemental Retirement Savings Plan.

4.5 Other Benefits. In addition to the amounts payable to the Executive under this Agreement, the Executive shall be entitled to receive all benefits payable to the Executive under the Corporation's tax-qualified Pension Plan, Supplemental Pension Plan, Supplemental Executive Retirement Plan, Retirement Savings Plan, Supplemental Retirement Savings Plan, or any other plan or arrangement sponsored by the Corporation or any of its affiliates relating to retirement or other benefits in accordance with the terms of such plans or arrangements.

5. Change in Control.

5.1 Vesting of Stock Options. Upon a Change in Control of the Corporation, the Executive shall fully vest in all outstanding stock options granted to the Executive under the Corporation's stock option plans. Each stock option shall continue to be exercisable for the original term of that stock option. In accordance with the terms of the PEP and the Corporation's Restricted Stock Plan, respectively, the maximum number of Performance Shares (150% of the target award for each performance period) held by the Executive shall be deemed to have been earned (and shall be paid in accordance with the payment provisions of the PEP) and all shares of restricted stock held by the Executive shall become fully vested and no longer subject to forfeiture upon a Change in Control of the Corporation.

5.2 Definition of Change in Control. For purposes of this Agreement, a "Change in Control of the Corporation" shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Corporation is in fact required to comply therewith, provided that, without limitation, such a change in control shall be deemed to have occurred if (a) any "person" (as that term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its subsidiaries or a corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities; (b) during any period of two consecutive years, individuals who at the beginning of that period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in clauses (a) or (d) of this Section 5.2) whose election by the Board or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board; (c) the Corporation enters into an agreement, the

consummation of which would result in the occurrence of a Change in Control of the Corporation; or (d) the stockholders of the Corporation approve a merger, share exchange or consolidation of the Corporation with any other corporation or entity, other than a merger, share exchange or consolidation that would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the combined voting power of the voting securities of the Corporation or the surviving entity outstanding immediately after the merger, share exchange or consolidation, or the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all the Corporation's assets.

6. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Corporation shall be directed to the attention of the Board with a copy to the Secretary of the Corporation, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

7. Waivers. The waiver by the Corporation of a breach by the Executive of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by him.

8. Successors; Binding Agreement.

8.1 Successors. The Corporation will require any successor to all or substantially all of the business or assets of the Corporation (whether direct or indirect, by purchase, merger, share exchange, consolidation or otherwise) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if the succession had not taken place. Failure of the Corporation to obtain the assumption and agreement prior to the effectiveness of the succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Corporation in the same amount and on the same terms as the Executive would be entitled to under this Agreement if the Executive terminated his employment for Good Reason, except that for purposes of implementing the foregoing, the date on which the succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Corporation" shall mean the Corporation as hereinbefore defined and any successor to its business or assets as described above that assumes and agrees to perform this Agreement by operation of law or otherwise.

8.2 Binding Agreement. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, heirs, distributees, and legatees. Any amount payable to the Executive under this Agreement at the time of his death, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's legatee or other designee or, if there is no such designee, to the Executive's estate.

9. Entire Agreement; Amendment. Except as otherwise herein provided, this Agreement constitutes the entire understanding of the Executive and the Corporation with respect to the subject matter hereof and supersedes any and all prior understandings, written or oral. This Agreement may not be changed or canceled orally, but only by an instrument in writing signed by the parties.

10. Governing Law. This Agreement shall be governed by the laws of the State of Maryland and the invalidity or unenforceability of any provisions hereof shall in no way affect the validity or enforceability of any other provision.

11. Section Headings. The Section headings contained in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning or interpretation of this Agreement or any of its terms and conditions. All references to Sections in this Agreement are to Sections of this Agreement.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

ATTEST:

THE BLACK & DECKER CORPORATION

/s/ BARBARA B. LUCAS

By: /s/ ANTHONY LUISO
Anthony Luiso, Chairman,
Compensation Committee

WITNESS:

/s/ CHARLES E. FENTON

/s/ NOLAN D. ARCHIBALD
Nolan D. Archibald

February 10, 2006

Mr. John W. Schiech
c/o The Black & Decker Corporation
701 East Joppa Road
Towson, Maryland 21286

Dear John:

The Black & Decker Corporation (the "Corporation") considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Corporation (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of the Corporation may exist and that such possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Corporation and its stockholders. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Corporation's management, including you, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Corporation, although no such change is now contemplated.

In order to induce you to remain in the employ of the Corporation, the Corporation agrees that you shall receive the severance benefits set forth in this letter agreement (this "Agreement") in the event of a "Change in Control of the Corporation" (as defined in Section 2) under the circumstances described below.

1. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through December 31, 2011; provided, however, that if a Change in Control of the Corporation shall have occurred prior to December 31, 2011, this Agreement shall continue in effect for a period of 36 months beyond the month in which the Change in Control of the Corporation occurred, at which time this Agreement shall terminate. Notwithstanding the foregoing, and provided no Change in Control of the Corporation shall have occurred, this Agreement shall automatically terminate upon the earlier to occur of (a) your termination of employment with the Corporation, or (b) the Corporation's giving you notice of termination of this Agreement, regardless of the effective date of such termination.

2. Change in Control. No benefits shall be payable under this Agreement unless there shall have been a Change in Control of the Corporation. For purposes of this Agreement, a "Change in Control of the Corporation" shall mean a change in control of a nature that would be

required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Corporation is in fact required to comply therewith, provided that, without limitation, such a change in control shall be deemed to have occurred if (A) any "person" (as that term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its subsidiaries or a corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities; (B) during any period of two consecutive years, individuals who at the beginning of that period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in clauses (A) or (D) of this Section) whose election by the Board or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute a majority of the Board; (C) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control of the Corporation; or (D) the stockholders of the Corporation approve a merger, share exchange or consolidation of the Corporation with any other corporation or entity, other than a merger, share exchange or consolidation that would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the combined voting power of the voting securities of the Corporation or the surviving entity outstanding immediately after the merger, share exchange or consolidation, or the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all the Corporation's assets.

3. Vesting of Stock Options. Upon a Change in Control of the Corporation, you shall fully vest in all outstanding stock options granted to you under the Corporation's stock option plans. Each stock option shall continue to be exercisable for the term of that stock option. In accordance with the terms of The Black & Decker Performance Equity Plan (the "PEP") and The Black & Decker Corporation 2004 Restricted Stock Plan, respectively, the maximum number (150% of the target award for each performance period) of Performance Shares (as defined in the PEP) held by you shall be deemed to have been earned (and shall be paid in accordance with the payment provisions of the PEP) and all shares of restricted stock held by you shall become fully vested and no longer subject to forfeiture upon the occurrence of a Change in Control of the Corporation.

4. Termination Following Change in Control of the Corporation. If a Change in Control of the Corporation shall have occurred, you shall be entitled to the benefits provided in Section 5.2 upon the subsequent termination of your employment during the term of this Agreement unless the termination is (A) because of your death or Disability (as defined in

Section 4.1), (B) by the Corporation for Cause (as defined in Section 4.2), or (C) by you other than for Good Reason (as defined in Section 4.3).

4.1 Disability. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Corporation for six consecutive months and, within 30 days after a Notice of Termination (as defined in Section 4.4) is given to you, shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability."

4.2 Cause. Termination by the Corporation of your employment for "Cause" shall mean termination upon (a) the willful and continued failure by you to substantially perform your duties with the Corporation (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of Termination for Good Reason) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, or (b) the willful engaging by you in conduct that is demonstrably and materially injurious to the Corporation, monetarily or otherwise. For purposes of this Section 4.2, no act or failure to act on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Corporation. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for that purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses (a) or (b) of the first sentence of this Section 4.2 and specifying the particulars thereof in detail.

4.3 Good Reason. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Corporation of any of the following circumstances unless the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

- (a) the assignment to you of any duties inconsistent with your current status as an executive of the Corporation or a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change in Control of the Corporation;
 - (b) a reduction by the Corporation in your annual base salary as in effect on the date of this Agreement or any subsequently established higher annual base salary, except for across-the-board salary reductions similarly affecting all senior executives of the Corporation and all senior executives of any person in control of the Corporation;
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(c) your relocation to a location not within 25 miles of your office or job location immediately prior to the Change in Control of the Corporation, except for required travel on the Corporation's business to an extent substantially consistent with your business travel obligations immediately prior to the Change in Control of the Corporation;

(d) the failure by the Corporation, without your consent, to pay to you any portion of your compensation to which you are entitled when such compensation is due;

(e) the failure by the Corporation to continue in effect any compensation plan in which you participated immediately prior to the Change in Control of the Corporation that is material to your total compensation, including but not limited to the Corporation's (i) Executive Annual Incentive Plan ("EAIP"), Annual Incentive Plan ("AIP") or other comparable annual compensation plan, (ii) stock option and restricted stock plans, and (iii) PEP or other comparable medium- or long-term compensation plan, or any substitute plan or plans adopted prior to the Change in Control of the Corporation; unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan and the equitable arrangement provides substantially equivalent benefits not materially less favorable to you (both in terms of the amount of benefits provided and the level of your participation relative to other participants), or the failure by the Corporation to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable (both in terms of the amount of benefits provided and the level of your participation relative to other participants) than those you enjoyed immediately prior to the Change in Control of the Corporation;

(f) the failure by the Corporation to continue in effect any material benefit available to you immediately prior to the Change in Control of the Corporation, including without limitation (i) the failure to provide to you benefits substantially similar to those enjoyed by you under any of the Corporation's retirement, savings, life insurance, medical, dental, health and accident, or disability plans in which you were participating at the time of the Change in Control of the Corporation, (ii) the failure to continue to provide to you any material perquisite provided to you at the time of the Change in Control of the Corporation, (iii) the failure by the Corporation to provide to you the number of paid vacation days to which you are entitled on the basis of years of service with the Corporation in accordance with the Corporation's normal vacation policy in effect at the time of the Change in Control of the Corporation, or (iii) the taking of any action by the Corporation that would directly or indirectly materially reduce any of these benefits or deprive you of any material benefit or perquisite enjoyed by you at the time of the Change in Control of the Corporation;

(g) the failure of the Corporation to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 7.1; or

(h) any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 4.4 (and, if applicable, the requirements of Section 4.2), which purported termination shall not be effective for purposes of this Agreement.

Your rights to terminate your employment pursuant to this Section 4.3 shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Section 4.3.

4.4 Notice of Termination. Any purported termination of your employment by the Corporation for Cause or Disability or by you for Good Reason shall be communicated by written Notice of Termination to the other party in accordance with Section 8. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that indicates the specific termination provision in this Agreement relied upon and that sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

4.5 Date of Termination. Subject to the following sentence, "Date of Termination" shall mean (a) if your employment is terminated by your death, the date of your death; (b) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during the 30-day period); and (c) if your employment is terminated for any reason other than death or Disability, the date specified in the Notice of Termination. For purposes of clause (c) in the immediately preceding sentence, the date specified in the Notice of Termination shall not be less than 30 days from the date the Notice of Termination is given, except in the case of a termination pursuant to Section 4.3 such date shall not be less than 15 nor more than 60 days from the date that the Notice of Termination is given. If the party receiving the Notice of Termination notifies the other party within 15 days of receiving the Notice of Termination or, if later, prior to the Date of Termination (as determined without regard to this sentence) that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of the dispute, the Corporation will continue to pay you your full compensation in effect when the Notice of Termination giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit and insurance plans in which you were participating

when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Section 4.5. Amounts paid under this Section 4.5 are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

5. Compensation Upon Termination. Upon termination of your employment following a Change in Control of the Corporation, you shall be entitled to the following benefits:

5.1 Termination for Cause or Without Good Reason or upon Disability or Death. If your employment shall be terminated by your death, by the Corporation for Cause or Disability, or by you without Good Reason, the Corporation shall pay you your full base salary through the Date of Termination at the rate in effect at the time of your death or Notice of Termination is given, as the case may be, plus all other amounts to which you are entitled under any retirement, insurance and other compensation programs of the Corporation at the time the payments are due, and the Corporation shall have no further obligations to you under this Agreement.

5.2 Termination Without Cause or Disability or for Good Reason. If your employment by the Corporation shall be terminated (A) by the Corporation other than for Cause or Disability or (B) by you for Good Reason, then you shall be entitled to the benefits provided below:

(a) The Corporation shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Corporation, at the time those payments are due, except as otherwise provided below.

(b) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Corporation shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") in an amount equal to:

(1) three times the sum of your (x) annual base salary in effect immediately prior to the occurrence of the circumstance giving rise to the Notice of Termination, and (y) Maximum Participant Award (as defined below); plus

(2) 150% of the product of (A) your annual base salary in effect immediately prior to your Date of Termination multiplied by (B) the percentage target used to calculate the number of Performance Shares awarded to you with respect to the most recent award under the PEP.

"Maximum Participant Award" means the maximum award that could be payable to you under the terms of the EAIP (if you were a participant in the EAIP immediately prior to the occurrence of the circumstances giving rise to the Notice of Termination), the AIP (if you were a participant in the AIP immediately prior to the occurrence of the circumstances giving rise to the Notice of

Termination), or other comparable or substitute annual compensation plan for the year in which the Date of Termination occurs, determined as if you remained a participant until the end of the year and all performance goals for that year that would entitle you to a maximum payment were met or exceeded.

(c) The Corporation shall also pay to you all legal fees and expenses incurred by you as a result of the termination (including all legal fees and expenses, if any, incurred in contesting or disputing the termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Internal Revenue Code (the "Code") to any payment or benefit provided under this Agreement).

(d) The Severance Payment plus interest shall be made on the date that is six months and one day following your "separation from service" as defined in Section 409A of the Code and the regulations promulgated thereunder. The Severance Payment shall bear interest at an annualized rate of 4.5% from and after your "Separation from Service" until paid pursuant to this Section 5.2(d).

5.3 Additional Benefits. If your employment shall be terminated (a) by the Corporation other than for Cause or Disability or (b) by you for Good Reason, then for a 36-month period after such termination, the Corporation shall arrange to provide to you life, disability, accident, medical, dental and health insurance benefits substantially similar to those that you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Section 5.3 shall be reduced to the extent comparable benefits are actually received by you from another employer during the 36-month period following your termination, and any such benefits actually received by you shall be reported to the Corporation.

5.4 Mitigation. You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. The Corporation shall not be entitled to set off against the amount of any payment or benefit provided for in this Agreement any amounts owed to the Corporation by you, any compensation earned by you as the result of employment by another employer, or any retirement benefits to which you may be entitled under the Corporation's retirement or savings plans.

5.5 Other Benefit Plans. In addition to all other amounts payable to you under this Section 5, you shall be entitled to receive all benefits payable to you under any plan or agreement sponsored by the Corporation or any of its subsidiaries relating to retirement or other benefits in accordance with the terms of such plans or arrangements.

6. Gross-Up Payment.

6.1 Calculation of Gross-Up Payment. If the Severance Payment or any other portion of the Total Payments (as defined below) will be subject to the tax imposed by Section 4999 of the Code (the "Excise Tax"), the Corporation shall pay to you at the time specified in

Section 6.2 an additional amount (the "Gross-Up Payment") such that the net amount retained by you, after deduction of any Excise Tax on the Severance Payment and such other Total Payments and any federal and state and local income tax and Excise Tax upon the Gross-Up Payment, shall be equal to the Severance Payment and such other Total Payments. For purposes of determining whether any of the payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) any other payments or benefits received or to be received by you in connection with a Change in Control of the Corporation or your termination of employment (whether payable pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Corporation, its successors, any person whose actions result in a Change in Control of the Corporation or any corporation affiliated (or which, as a result of the completion of a transaction causing a Change in Control of the Corporation, will become affiliated) with the Corporation within the meaning of Section 1504 of the Code) (together with the Severance Payment, the "Total Payments") shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Corporation and acceptable to you ("Tax Counsel") the Total Payments (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4)(B) of the Code either to the extent such reasonable compensation is in excess of the base amount within the meaning of Section 280G(b)(3) of the Code or are otherwise not subject to the Excise Tax, (ii) the amount of the Total Payments that shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Total Payments or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i), above), and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by Tax Counsel in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. If the Excise Tax is subsequently determined to be less than the amount taken into account under this Section 6.1 at the time of payment of the Gross-Up Payment, you shall repay to the Corporation at the time that the amount of such reduction in the Excise Tax is finally determined the portion of the Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and federal and state and local income tax imposed on the Gross-Up Payment being repaid by you if such repayment results in a reduction in Excise Tax and/or a federal and state and local income tax deduction) plus interest on the amount of such repayment at the rate provided in Section 1274(d) of the Code. If the Excise Tax is determined to exceed the amount taken into account hereunder at the time of payment of the Gross-Up Payment (including by reason of any payment resulting from the existence or amount of which cannot be determined at the time of the payment of the Gross-Up Payment), the Corporation shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties, and professional fees

incurred by you with respect to such excess, including all such taxes with respect to such additional amount) at the time that the amount of such excess is finally determined.

6.2 Payment of Gross-Up Payments. The payments provided for in Section 6.1 shall be made on the date that is six months and one day following your "separation of service" as defined in Section 409A of the Code and the regulations promulgated thereunder.

7. Successors; Binding Agreement.

7.1 Successors. The Corporation will require any successor to all or substantially all of the business or assets of the Corporation (whether direct or indirect, by purchase, merger, share exchange, consolidation or otherwise) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if the succession had not taken place. Failure of the Corporation to obtain the assumption and agreement prior to the effectiveness of the succession shall be a breach of this Agreement and shall entitle you to terminate your employment for Good Reason following a Change in Control of the Corporation. As used in this Agreement, "Corporation" shall mean the Corporation as hereinbefore defined and any successor to its business or assets as described above that assumes and agrees to perform this Agreement by operation of law or otherwise.

7.2 Binding Agreement. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. Any amount payable to you under this Agreement at the time of your death, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

7.3 Employment by a Subsidiary. If you are employed by a subsidiary of the Corporation, wherever in this Agreement reference is made to the "Corporation," unless the context otherwise requires, the reference shall also include the subsidiary. The Corporation shall cause the subsidiary to carry out the terms of this Agreement insofar as they relate to the employment relationship between you and the subsidiary, and the Corporation shall indemnify you and save you harmless from and against all liability and damage that you may suffer as a consequence of the subsidiary's failure to perform and carry out such terms. Wherever reference is made to any benefit program of the Corporation, the reference shall include, where appropriate, the corresponding benefit program of the subsidiary if you were a participant in the benefit program on the date a Change in Control of the Corporation has occurred.

8. Notice. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid. All notices to the Corporation shall be sent to the Corporation at 701 East Joppa Road, Towson, Maryland 21286 and directed to the attention of the Board with a copy to the Secretary of the Corporation and to you at your address listed on the Corporation's payroll, or to such other

address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

9. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless the waiver, modification or discharge is agreed to in writing and signed by you and an officer of the Corporation specifically designated by the Board. No waiver by either party at any time of any breach by the other party of any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement constitutes the entire agreement between the parties hereto in respect of the matters set forth herein, and all prior negotiations, writings and understandings relating to the subject matter of this Agreement are superseded and cancelled by this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Maryland, without regard to its principles of conflicts of laws. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Corporation under Sections 5 and 6 shall survive the expiration of the term of this Agreement, provided that the Date of Termination occurred prior to such expiration.

10. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

11. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

12. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the State of Maryland, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

13. Section Headings. The Section headings contained in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning or interpretation of this Agreement or any of its terms and conditions. All references to Sections in this Agreement are to Sections of this Agreement.

If you agree to the terms of this letter, please sign and return to the Corporation the enclosed copy which will then constitute our agreement on this subject.

Sincerely,

THE BLACK & DECKER CORPORATION

By: /s/ NOLAN D. ARCHIBALD
Nolan D. Archibald, Chairman

Agreed to as of the 10th day of February, 2006

/s/ JOHN W. SCHIECH
John W. Schiech

February 10, 2006

Mr. Charles E. Fenton
c/o The Black & Decker Corporation
701 East Joppa Road
Towson, Maryland 21286

Dear Charlie:

The Black & Decker Corporation (the "Corporation") considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Corporation (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of the Corporation may exist and that such possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Corporation and its stockholders. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Corporation's management, including you, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Corporation, although no such change is now contemplated.

In order to induce you to remain in the employ of the Corporation, the Corporation agrees that you shall receive the severance benefits set forth in this letter agreement (this "Agreement") in the event of a "Change in Control of the Corporation" (as defined in Section 2) under the circumstances described below.

1. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through December 31, 2011; provided, however, that if a Change in Control of the Corporation shall have occurred prior to December 31, 2011, this Agreement shall continue in effect for a period of 36 months beyond the month in which the Change in Control of the Corporation occurred, at which time this Agreement shall terminate. Notwithstanding the foregoing, and provided no Change in Control of the Corporation shall have occurred, this Agreement shall automatically terminate upon the earlier to occur of (a) your termination of employment with the Corporation, or (b) the Corporation's giving you notice of termination of this Agreement, regardless of the effective date of such termination.

2. Change in Control. No benefits shall be payable under this Agreement unless there shall have been a Change in Control of the Corporation. For purposes of this Agreement, a "Change in Control of the Corporation" shall mean a change in control of a nature that would be

required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Corporation is in fact required to comply therewith, provided that, without limitation, such a change in control shall be deemed to have occurred if (A) any "person" (as that term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its subsidiaries or a corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities; (B) during any period of two consecutive years, individuals who at the beginning of that period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in clauses (A) or (D) of this Section) whose election by the Board or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute a majority of the Board; (C) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control of the Corporation; or (D) the stockholders of the Corporation approve a merger, share exchange or consolidation of the Corporation with any other corporation or entity, other than a merger, share exchange or consolidation that would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the combined voting power of the voting securities of the Corporation or the surviving entity outstanding immediately after the merger, share exchange or consolidation, or the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all the Corporation's assets.

3. Vesting of Stock Options. Upon a Change in Control of the Corporation, you shall fully vest in all outstanding stock options granted to you under the Corporation's stock option plans. Each stock option shall continue to be exercisable for the term of that stock option. In accordance with the terms of The Black & Decker Performance Equity Plan (the "PEP") and The Black & Decker Corporation 2004 Restricted Stock Plan, respectively, the maximum number (150% of the target award for each performance period) of Performance Shares (as defined in the PEP) held by you shall be deemed to have been earned (and shall be paid in accordance with the payment provisions of the PEP) and all shares of restricted stock held by you shall become fully vested and no longer subject to forfeiture upon the occurrence of a Change in Control of the Corporation.

4. Termination Following Change in Control of the Corporation. If a Change in Control of the Corporation shall have occurred, you shall be entitled to the benefits provided in Section 5.2 upon the subsequent termination of your employment during the term of this Agreement unless the termination is (A) because of your death or Disability (as defined in

Section 4.1), (B) by the Corporation for Cause (as defined in Section 4.2), or (C) by you other than for Good Reason (as defined in Section 4.3).

4.1 Disability. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Corporation for six consecutive months and, within 30 days after a Notice of Termination (as defined in Section 4.4) is given to you, shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability."

4.2 Cause. Termination by the Corporation of your employment for "Cause" shall mean termination upon (a) the willful and continued failure by you to substantially perform your duties with the Corporation (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of Termination for Good Reason) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, or (b) the willful engaging by you in conduct that is demonstrably and materially injurious to the Corporation, monetarily or otherwise. For purposes of this Section 4.2, no act or failure to act on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Corporation. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for that purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses (a) or (b) of the first sentence of this Section 4.2 and specifying the particulars thereof in detail.

4.3 Good Reason. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Corporation of any of the following circumstances unless the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

- (a) the assignment to you of any duties inconsistent with your current status as an executive of the Corporation or a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change in Control of the Corporation;
 - (b) a reduction by the Corporation in your annual base salary as in effect on the date of this Agreement or any subsequently established higher annual base salary, except for across-the-board salary reductions similarly affecting all senior executives of the Corporation and all senior executives of any person in control of the Corporation;
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(c) your relocation to a location not within 25 miles of your office or job location immediately prior to the Change in Control of the Corporation, except for required travel on the Corporation's business to an extent substantially consistent with your business travel obligations immediately prior to the Change in Control of the Corporation;

(d) the failure by the Corporation, without your consent, to pay to you any portion of your compensation to which you are entitled when such compensation is due;

(e) the failure by the Corporation to continue in effect any compensation plan in which you participated immediately prior to the Change in Control of the Corporation that is material to your total compensation, including but not limited to the Corporation's (i) Executive Annual Incentive Plan ("EAIP"), Annual Incentive Plan ("AIP") or other comparable annual compensation plan, (ii) stock option and restricted stock plans, and (iii) PEP or other comparable medium- or long-term compensation plan, or any substitute plan or plans adopted prior to the Change in Control of the Corporation; unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan and the equitable arrangement provides substantially equivalent benefits not materially less favorable to you (both in terms of the amount of benefits provided and the level of your participation relative to other participants), or the failure by the Corporation to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable (both in terms of the amount of benefits provided and the level of your participation relative to other participants) than those you enjoyed immediately prior to the Change in Control of the Corporation;

(f) the failure by the Corporation to continue in effect any material benefit available to you immediately prior to the Change in Control of the Corporation, including without limitation (i) the failure to provide to you benefits substantially similar to those enjoyed by you under any of the Corporation's retirement, savings, life insurance, medical, dental, health and accident, or disability plans in which you were participating at the time of the Change in Control of the Corporation, (ii) the failure to continue to provide to you any material perquisite provided to you at the time of the Change in Control of the Corporation, (iii) the failure by the Corporation to provide to you the number of paid vacation days to which you are entitled on the basis of years of service with the Corporation in accordance with the Corporation's normal vacation policy in effect at the time of the Change in Control of the Corporation, or (iii) the taking of any action by the Corporation that would directly or indirectly materially reduce any of these benefits or deprive you of any material benefit or perquisite enjoyed by you at the time of the Change in Control of the Corporation;

(g) the failure of the Corporation to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 7.1; or

(h) any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 4.4 (and, if applicable, the requirements of Section 4.2), which purported termination shall not be effective for purposes of this Agreement.

Your rights to terminate your employment pursuant to this Section 4.3 shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Section 4.3.

4.4 Notice of Termination. Any purported termination of your employment by the Corporation for Cause or Disability or by you for Good Reason shall be communicated by written Notice of Termination to the other party in accordance with Section 8. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that indicates the specific termination provision in this Agreement relied upon and that sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

4.5 Date of Termination. Subject to the following sentence, "Date of Termination" shall mean (a) if your employment is terminated by your death, the date of your death; (b) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during the 30-day period); and (c) if your employment is terminated for any reason other than death or Disability, the date specified in the Notice of Termination. For purposes of clause (c) in the immediately preceding sentence, the date specified in the Notice of Termination shall not be less than 30 days from the date the Notice of Termination is given, except in the case of a termination pursuant to Section 4.3 such date shall not be less than 15 nor more than 60 days from the date that the Notice of Termination is given. If the party receiving the Notice of Termination notifies the other party within 15 days of receiving the Notice of Termination or, if later, prior to the Date of Termination (as determined without regard to this sentence) that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of the dispute, the Corporation will continue to pay you your full compensation in effect when the Notice of Termination giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit and insurance plans in which you were participating

when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Section 4.5. Amounts paid under this Section 4.5 are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

5. Compensation Upon Termination. Upon termination of your employment following a Change in Control of the Corporation, you shall be entitled to the following benefits:

5.1 Termination for Cause or Without Good Reason or upon Disability or Death. If your employment shall be terminated by your death, by the Corporation for Cause or Disability, or by you without Good Reason, the Corporation shall pay you your full base salary through the Date of Termination at the rate in effect at the time of your death or Notice of Termination is given, as the case may be, plus all other amounts to which you are entitled under any retirement, insurance and other compensation programs of the Corporation at the time the payments are due, and the Corporation shall have no further obligations to you under this Agreement.

5.2 Termination Without Cause or Disability or for Good Reason. If your employment by the Corporation shall be terminated (A) by the Corporation other than for Cause or Disability or (B) by you for Good Reason, then you shall be entitled to the benefits provided below:

(a) The Corporation shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Corporation, at the time those payments are due, except as otherwise provided below.

(b) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Corporation shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") in an amount equal to:

(1) three times the sum of your (x) annual base salary in effect immediately prior to the occurrence of the circumstance giving rise to the Notice of Termination, and (y) Maximum Participant Award (as defined below); plus

(2) 150% of the product of (A) your annual base salary in effect immediately prior to your Date of Termination multiplied by (B) the percentage target used to calculate the number of Performance Shares awarded to you with respect to the most recent award under the PEP.

"Maximum Participant Award" means the maximum award that could be payable to you under the terms of the EAIP (if you were a participant in the EAIP immediately prior to the occurrence of the circumstances giving rise to the Notice of Termination), the AIP (if you were a participant in the AIP immediately prior to the occurrence of the circumstances giving rise to the Notice of

Termination), or other comparable or substitute annual compensation plan for the year in which the Date of Termination occurs, determined as if you remained a participant until the end of the year and all performance goals for that year that would entitle you to a maximum payment were met or exceeded.

(c) The Corporation shall also pay to you all legal fees and expenses incurred by you as a result of the termination (including all legal fees and expenses, if any, incurred in contesting or disputing the termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Internal Revenue Code (the "Code") to any payment or benefit provided under this Agreement).

(d) The Severance Payment plus interest shall be made on the date that is six months and one day following your "separation from service" as defined in Section 409A of the Code and the regulations promulgated thereunder. The Severance Payment shall bear interest at an annualized rate of 4.5% from and after your "Separation from Service" until paid pursuant to this Section 5.2(d).

5.3 Additional Benefits. If your employment shall be terminated (a) by the Corporation other than for Cause or Disability or (b) by you for Good Reason, then for a 36-month period after such termination, the Corporation shall arrange to provide to you life, disability, accident, medical, dental and health insurance benefits substantially similar to those that you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Section 5.3 shall be reduced to the extent comparable benefits are actually received by you from another employer during the 36-month period following your termination, and any such benefits actually received by you shall be reported to the Corporation.

5.4 Mitigation. You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. The Corporation shall not be entitled to set off against the amount of any payment or benefit provided for in this Agreement any amounts owed to the Corporation by you, any compensation earned by you as the result of employment by another employer, or any retirement benefits to which you may be entitled under the Corporation's retirement or savings plans.

5.5 Other Benefit Plans. In addition to all other amounts payable to you under this Section 5, you shall be entitled to receive all benefits payable to you under any plan or agreement sponsored by the Corporation or any of its subsidiaries relating to retirement or other benefits in accordance with the terms of such plans or arrangements.

6. Gross-Up Payment.

6.1 Calculation of Gross-Up Payment. If the Severance Payment or any other portion of the Total Payments (as defined below) will be subject to the tax imposed by Section 4999 of the Code (the "Excise Tax"), the Corporation shall pay to you at the time specified in

Section 6.2 an additional amount (the "Gross-Up Payment") such that the net amount retained by you, after deduction of any Excise Tax on the Severance Payment and such other Total Payments and any federal and state and local income tax and Excise Tax upon the Gross-Up Payment, shall be equal to the Severance Payment and such other Total Payments. For purposes of determining whether any of the payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) any other payments or benefits received or to be received by you in connection with a Change in Control of the Corporation or your termination of employment (whether payable pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Corporation, its successors, any person whose actions result in a Change in Control of the Corporation or any corporation affiliated (or which, as a result of the completion of a transaction causing a Change in Control of the Corporation, will become affiliated) with the Corporation within the meaning of Section 1504 of the Code) (together with the Severance Payment, the "Total Payments") shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Corporation and acceptable to you ("Tax Counsel") the Total Payments (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4)(B) of the Code either to the extent such reasonable compensation is in excess of the base amount within the meaning of Section 280G(b)(3) of the Code or are otherwise not subject to the Excise Tax, (ii) the amount of the Total Payments that shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Total Payments or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i), above), and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by Tax Counsel in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. If the Excise Tax is subsequently determined to be less than the amount taken into account under this Section 6.1 at the time of payment of the Gross-Up Payment, you shall repay to the Corporation at the time that the amount of such reduction in the Excise Tax is finally determined the portion of the Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and federal and state and local income tax imposed on the Gross-Up Payment being repaid by you if such repayment results in a reduction in Excise Tax and/or a federal and state and local income tax deduction) plus interest on the amount of such repayment at the rate provided in Section 1274(d) of the Code. If the Excise Tax is determined to exceed the amount taken into account hereunder at the time of payment of the Gross-Up Payment (including by reason of any payment resulting from the existence or amount of which cannot be determined at the time of the payment of the Gross-Up Payment), the Corporation shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties, and professional fees

incurred by you with respect to such excess, including all such taxes with respect to such additional amount) at the time that the amount of such excess is finally determined.

6.2 Payment of Gross-Up Payments. The payments provided for in Section 6.1 shall be made on the date that is six months and one day following your “separation of service” as defined in Section 409A of the Code and the regulations promulgated thereunder.

7. Successors; Binding Agreement.

7.1 Successors. The Corporation will require any successor to all or substantially all of the business or assets of the Corporation (whether direct or indirect, by purchase, merger, share exchange, consolidation or otherwise) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if the succession had not taken place. Failure of the Corporation to obtain the assumption and agreement prior to the effectiveness of the succession shall be a breach of this Agreement and shall entitle you to terminate your employment for Good Reason following a Change in Control of the Corporation. As used in this Agreement, “Corporation” shall mean the Corporation as hereinbefore defined and any successor to its business or assets as described above that assumes and agrees to perform this Agreement by operation of law or otherwise.

7.2 Binding Agreement. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. Any amount payable to you under this Agreement at the time of your death, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

7.3 Employment by a Subsidiary. If you are employed by a subsidiary of the Corporation, wherever in this Agreement reference is made to the “Corporation,” unless the context otherwise requires, the reference shall also include the subsidiary. The Corporation shall cause the subsidiary to carry out the terms of this Agreement insofar as they relate to the employment relationship between you and the subsidiary, and the Corporation shall indemnify you and save you harmless from and against all liability and damage that you may suffer as a consequence of the subsidiary’s failure to perform and carry out such terms. Wherever reference is made to any benefit program of the Corporation, the reference shall include, where appropriate, the corresponding benefit program of the subsidiary if you were a participant in the benefit program on the date a Change in Control of the Corporation has occurred.

8. Notice. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid. All notices to the Corporation shall be sent to the Corporation at 701 East Joppa Road, Towson, Maryland 21286 and directed to the attention of the Board with a copy to the Secretary of the Corporation and to you at your address listed on the Corporation’s payroll, or to such other

address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

9. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless the waiver, modification or discharge is agreed to in writing and signed by you and an officer of the Corporation specifically designated by the Board. No waiver by either party at any time of any breach by the other party of any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement constitutes the entire agreement between the parties hereto in respect of the matters set forth herein, and all prior negotiations, writings and understandings relating to the subject matter of this Agreement are superseded and cancelled by this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Maryland, without regard to its principles of conflicts of laws. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Corporation under Sections 5 and 6 shall survive the expiration of the term of this Agreement, provided that the Date of Termination occurred prior to such expiration.

10. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

11. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

12. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the State of Maryland, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

13. Section Headings. The Section headings contained in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning or interpretation of this Agreement or any of its terms and conditions. All references to Sections in this Agreement are to Sections of this Agreement.

If you agree to the terms of this letter, please sign and return to the Corporation the enclosed copy which will then constitute our agreement on this subject.

Sincerely,

THE BLACK & DECKER CORPORATION

By: /s/ NOLAN D. ARCHIBALD
Nolan D. Archibald, Chairman

Agreed to as of the 10th day of February, 2006

/s/ CHARLES E. FENTON
Charles E. Fenton

February 10, 2006

Mr. Michael D. Mangan
c/o The Black & Decker Corporation
701 East Joppa Road
Towson, Maryland 21286

Dear Mike:

The Black & Decker Corporation (the "Corporation") considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Corporation (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of the Corporation may exist and that such possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Corporation and its stockholders. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Corporation's management, including you, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Corporation, although no such change is now contemplated.

In order to induce you to remain in the employ of the Corporation, the Corporation agrees that you shall receive the severance benefits set forth in this letter agreement (this "Agreement") in the event of a "Change in Control of the Corporation" (as defined in Section 2) under the circumstances described below.

1. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through December 31, 2011; provided, however, that if a Change in Control of the Corporation shall have occurred prior to December 31, 2011, this Agreement shall continue in effect for a period of 36 months beyond the month in which the Change in Control of the Corporation occurred, at which time this Agreement shall terminate. Notwithstanding the foregoing, and provided no Change in Control of the Corporation shall have occurred, this Agreement shall automatically terminate upon the earlier to occur of (a) your termination of employment with the Corporation, or (b) the Corporation's giving you notice of termination of this Agreement, regardless of the effective date of such termination.

2. Change in Control. No benefits shall be payable under this Agreement unless there shall have been a Change in Control of the Corporation. For purposes of this Agreement, a "Change in Control of the Corporation" shall mean a change in control of a nature that would be

required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Corporation is in fact required to comply therewith, provided that, without limitation, such a change in control shall be deemed to have occurred if (A) any "person" (as that term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its subsidiaries or a corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities; (B) during any period of two consecutive years, individuals who at the beginning of that period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in clauses (A) or (D) of this Section) whose election by the Board or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute a majority of the Board; (C) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control of the Corporation; or (D) the stockholders of the Corporation approve a merger, share exchange or consolidation of the Corporation with any other corporation or entity, other than a merger, share exchange or consolidation that would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the combined voting power of the voting securities of the Corporation or the surviving entity outstanding immediately after the merger, share exchange or consolidation, or the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all the Corporation's assets.

3. Vesting of Stock Options. Upon a Change in Control of the Corporation, you shall fully vest in all outstanding stock options granted to you under the Corporation's stock option plans. Each stock option shall continue to be exercisable for the term of that stock option. In accordance with the terms of The Black & Decker Performance Equity Plan (the "PEP") and The Black & Decker Corporation 2004 Restricted Stock Plan, respectively, the maximum number (150% of the target award for each performance period) of Performance Shares (as defined in the PEP) held by you shall be deemed to have been earned (and shall be paid in accordance with the payment provisions of the PEP) and all shares of restricted stock held by you shall become fully vested and no longer subject to forfeiture upon the occurrence of a Change in Control of the Corporation.

4. Termination Following Change in Control of the Corporation. If a Change in Control of the Corporation shall have occurred, you shall be entitled to the benefits provided in Section 5.2 upon the subsequent termination of your employment during the term of this Agreement unless the termination is (A) because of your death or Disability (as defined in

Section 4.1), (B) by the Corporation for Cause (as defined in Section 4.2), or (C) by you other than for Good Reason (as defined in Section 4.3).

4.1 Disability. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Corporation for six consecutive months and, within 30 days after a Notice of Termination (as defined in Section 4.4) is given to you, shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability."

4.2 Cause. Termination by the Corporation of your employment for "Cause" shall mean termination upon (a) the willful and continued failure by you to substantially perform your duties with the Corporation (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of Termination for Good Reason) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, or (b) the willful engaging by you in conduct that is demonstrably and materially injurious to the Corporation, monetarily or otherwise. For purposes of this Section 4.2, no act or failure to act on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Corporation. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for that purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses (a) or (b) of the first sentence of this Section 4.2 and specifying the particulars thereof in detail.

4.3 Good Reason. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Corporation of any of the following circumstances unless the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

- (a) the assignment to you of any duties inconsistent with your current status as an executive of the Corporation or a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change in Control of the Corporation;
 - (b) a reduction by the Corporation in your annual base salary as in effect on the date of this Agreement or any subsequently established higher annual base salary, except for across-the-board salary reductions similarly affecting all senior executives of the Corporation and all senior executives of any person in control of the Corporation;
-

(c) your relocation to a location not within 25 miles of your office or job location immediately prior to the Change in Control of the Corporation, except for required travel on the Corporation's business to an extent substantially consistent with your business travel obligations immediately prior to the Change in Control of the Corporation;

(d) the failure by the Corporation, without your consent, to pay to you any portion of your compensation to which you are entitled when such compensation is due;

(e) the failure by the Corporation to continue in effect any compensation plan in which you participated immediately prior to the Change in Control of the Corporation that is material to your total compensation, including but not limited to the Corporation's (i) Executive Annual Incentive Plan ("EAIP"), Annual Incentive Plan ("AIP") or other comparable annual compensation plan, (ii) stock option and restricted stock plans, and (iii) PEP or other comparable medium- or long-term compensation plan, or any substitute plan or plans adopted prior to the Change in Control of the Corporation; unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan and the equitable arrangement provides substantially equivalent benefits not materially less favorable to you (both in terms of the amount of benefits provided and the level of your participation relative to other participants), or the failure by the Corporation to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable (both in terms of the amount of benefits provided and the level of your participation relative to other participants) than those you enjoyed immediately prior to the Change in Control of the Corporation;

(f) the failure by the Corporation to continue in effect any material benefit available to you immediately prior to the Change in Control of the Corporation, including without limitation (i) the failure to provide to you benefits substantially similar to those enjoyed by you under any of the Corporation's retirement, savings, life insurance, medical, dental, health and accident, or disability plans in which you were participating at the time of the Change in Control of the Corporation, (ii) the failure to continue to provide to you any material perquisite provided to you at the time of the Change in Control of the Corporation, (iii) the failure by the Corporation to provide to you the number of paid vacation days to which you are entitled on the basis of years of service with the Corporation in accordance with the Corporation's normal vacation policy in effect at the time of the Change in Control of the Corporation, or (iii) the taking of any action by the Corporation that would directly or indirectly materially reduce any of these benefits or deprive you of any material benefit or perquisite enjoyed by you at the time of the Change in Control of the Corporation;

(g) the failure of the Corporation to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 7.1; or

(h) any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 4.4 (and, if applicable, the requirements of Section 4.2), which purported termination shall not be effective for purposes of this Agreement.

Your rights to terminate your employment pursuant to this Section 4.3 shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Section 4.3.

4.4 Notice of Termination. Any purported termination of your employment by the Corporation for Cause or Disability or by you for Good Reason shall be communicated by written Notice of Termination to the other party in accordance with Section 8. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that indicates the specific termination provision in this Agreement relied upon and that sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

4.5 Date of Termination. Subject to the following sentence, "Date of Termination" shall mean (a) if your employment is terminated by your death, the date of your death; (b) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during the 30-day period); and (c) if your employment is terminated for any reason other than death or Disability, the date specified in the Notice of Termination. For purposes of clause (c) in the immediately preceding sentence, the date specified in the Notice of Termination shall not be less than 30 days from the date the Notice of Termination is given, except in the case of a termination pursuant to Section 4.3 such date shall not be less than 15 nor more than 60 days from the date that the Notice of Termination is given. If the party receiving the Notice of Termination notifies the other party within 15 days of receiving the Notice of Termination or, if later, prior to the Date of Termination (as determined without regard to this sentence) that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of the dispute, the Corporation will continue to pay you your full compensation in effect when the Notice of Termination giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit and insurance plans in which you were participating

when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Section 4.5. Amounts paid under this Section 4.5 are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

5. Compensation Upon Termination. Upon termination of your employment following a Change in Control of the Corporation, you shall be entitled to the following benefits:

5.1 Termination for Cause or Without Good Reason or upon Disability or Death. If your employment shall be terminated by your death, by the Corporation for Cause or Disability, or by you without Good Reason, the Corporation shall pay you your full base salary through the Date of Termination at the rate in effect at the time of your death or Notice of Termination is given, as the case may be, plus all other amounts to which you are entitled under any retirement, insurance and other compensation programs of the Corporation at the time the payments are due, and the Corporation shall have no further obligations to you under this Agreement.

5.2 Termination Without Cause or Disability or for Good Reason. If your employment by the Corporation shall be terminated (A) by the Corporation other than for Cause or Disability or (B) by you for Good Reason, then you shall be entitled to the benefits provided below:

(a) The Corporation shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Corporation, at the time those payments are due, except as otherwise provided below.

(b) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Corporation shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") in an amount equal to:

(1) three times the sum of your (x) annual base salary in effect immediately prior to the occurrence of the circumstance giving rise to the Notice of Termination, and (y) Maximum Participant Award (as defined below); plus

(2) 150% of the product of (A) your annual base salary in effect immediately prior to your Date of Termination multiplied by (B) the percentage target used to calculate the number of Performance Shares awarded to you with respect to the most recent award under the PEP.

"Maximum Participant Award" means the maximum award that could be payable to you under the terms of the EAIP (if you were a participant in the EAIP immediately prior to the occurrence of the circumstances giving rise to the Notice of Termination), the AIP (if you were a participant in the AIP immediately prior to the occurrence of the circumstances giving rise to the Notice of

Termination), or other comparable or substitute annual compensation plan for the year in which the Date of Termination occurs, determined as if you remained a participant until the end of the year and all performance goals for that year that would entitle you to a maximum payment were met or exceeded.

(c) The Corporation shall also pay to you all legal fees and expenses incurred by you as a result of the termination (including all legal fees and expenses, if any, incurred in contesting or disputing the termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Internal Revenue Code (the "Code") to any payment or benefit provided under this Agreement).

(d) The Severance Payment plus interest shall be made on the date that is six months and one day following your "separation from service" as defined in Section 409A of the Code and the regulations promulgated thereunder. The Severance Payment shall bear interest at an annualized rate of 4.5% from and after your "Separation from Service" until paid pursuant to this Section 5.2(d).

5.3 Additional Benefits. If your employment shall be terminated (a) by the Corporation other than for Cause or Disability or (b) by you for Good Reason, then for a 36-month period after such termination, the Corporation shall arrange to provide to you life, disability, accident, medical, dental and health insurance benefits substantially similar to those that you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Section 5.3 shall be reduced to the extent comparable benefits are actually received by you from another employer during the 36-month period following your termination, and any such benefits actually received by you shall be reported to the Corporation.

5.4 Mitigation. You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. The Corporation shall not be entitled to set off against the amount of any payment or benefit provided for in this Agreement any amounts owed to the Corporation by you, any compensation earned by you as the result of employment by another employer, or any retirement benefits to which you may be entitled under the Corporation's retirement or savings plans.

5.5 Other Benefit Plans. In addition to all other amounts payable to you under this Section 5, you shall be entitled to receive all benefits payable to you under any plan or agreement sponsored by the Corporation or any of its subsidiaries relating to retirement or other benefits in accordance with the terms of such plans or arrangements.

6. Gross-Up Payment.

6.1 Calculation of Gross-Up Payment. If the Severance Payment or any other portion of the Total Payments (as defined below) will be subject to the tax imposed by Section 4999 of the Code (the "Excise Tax"), the Corporation shall pay to you at the time specified in

Section 6.2 an additional amount (the "Gross-Up Payment") such that the net amount retained by you, after deduction of any Excise Tax on the Severance Payment and such other Total Payments and any federal and state and local income tax and Excise Tax upon the Gross-Up Payment, shall be equal to the Severance Payment and such other Total Payments. For purposes of determining whether any of the payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) any other payments or benefits received or to be received by you in connection with a Change in Control of the Corporation or your termination of employment (whether payable pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Corporation, its successors, any person whose actions result in a Change in Control of the Corporation or any corporation affiliated (or which, as a result of the completion of a transaction causing a Change in Control of the Corporation, will become affiliated) with the Corporation within the meaning of Section 1504 of the Code) (together with the Severance Payment, the "Total Payments") shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Corporation and acceptable to you ("Tax Counsel") the Total Payments (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4)(B) of the Code either to the extent such reasonable compensation is in excess of the base amount within the meaning of Section 280G(b)(3) of the Code or are otherwise not subject to the Excise Tax, (ii) the amount of the Total Payments that shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Total Payments or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i), above), and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by Tax Counsel in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. If the Excise Tax is subsequently determined to be less than the amount taken into account under this Section 6.1 at the time of payment of the Gross-Up Payment, you shall repay to the Corporation at the time that the amount of such reduction in the Excise Tax is finally determined the portion of the Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and federal and state and local income tax imposed on the Gross-Up Payment being repaid by you if such repayment results in a reduction in Excise Tax and/or a federal and state and local income tax deduction) plus interest on the amount of such repayment at the rate provided in Section 1274(d) of the Code. If the Excise Tax is determined to exceed the amount taken into account hereunder at the time of payment of the Gross-Up Payment (including by reason of any payment resulting from the existence or amount of which cannot be determined at the time of the payment of the Gross-Up Payment), the Corporation shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties, and professional fees

incurred by you with respect to such excess, including all such taxes with respect to such additional amount) at the time that the amount of such excess is finally determined.

6.2 Payment of Gross-Up Payments. The payments provided for in Section 6.1 shall be made on the date that is six months and one day following your "separation of service" as defined in Section 409A of the Code and the regulations promulgated thereunder.

7. Successors; Binding Agreement.

7.1 Successors. The Corporation will require any successor to all or substantially all of the business or assets of the Corporation (whether direct or indirect, by purchase, merger, share exchange, consolidation or otherwise) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if the succession had not taken place. Failure of the Corporation to obtain the assumption and agreement prior to the effectiveness of the succession shall be a breach of this Agreement and shall entitle you to terminate your employment for Good Reason following a Change in Control of the Corporation. As used in this Agreement, "Corporation" shall mean the Corporation as hereinbefore defined and any successor to its business or assets as described above that assumes and agrees to perform this Agreement by operation of law or otherwise.

7.2 Binding Agreement. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. Any amount payable to you under this Agreement at the time of your death, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

7.3 Employment by a Subsidiary. If you are employed by a subsidiary of the Corporation, wherever in this Agreement reference is made to the "Corporation," unless the context otherwise requires, the reference shall also include the subsidiary. The Corporation shall cause the subsidiary to carry out the terms of this Agreement insofar as they relate to the employment relationship between you and the subsidiary, and the Corporation shall indemnify you and save you harmless from and against all liability and damage that you may suffer as a consequence of the subsidiary's failure to perform and carry out such terms. Wherever reference is made to any benefit program of the Corporation, the reference shall include, where appropriate, the corresponding benefit program of the subsidiary if you were a participant in the benefit program on the date a Change in Control of the Corporation has occurred.

8. Notice. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid. All notices to the Corporation shall be sent to the Corporation at 701 East Joppa Road, Towson, Maryland 21286 and directed to the attention of the Board with a copy to the Secretary of the Corporation and to you at your address listed on the Corporation's payroll, or to such other

address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

9. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless the waiver, modification or discharge is agreed to in writing and signed by you and an officer of the Corporation specifically designated by the Board. No waiver by either party at any time of any breach by the other party of any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement constitutes the entire agreement between the parties hereto in respect of the matters set forth herein, and all prior negotiations, writings and understandings relating to the subject matter of this Agreement are superseded and cancelled by this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Maryland, without regard to its principles of conflicts of laws. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Corporation under Sections 5 and 6 shall survive the expiration of the term of this Agreement, provided that the Date of Termination occurred prior to such expiration.

10. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

11. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

12. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the State of Maryland, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

13. Section Headings. The Section headings contained in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning or interpretation of this Agreement or any of its terms and conditions. All references to Sections in this Agreement are to Sections of this Agreement.

If you agree to the terms of this letter, please sign and return to the Corporation the enclosed copy which will then constitute our agreement on this subject.

Sincerely,

THE BLACK & DECKER CORPORATION

By: /s/ NOLAN D. ARCHIBALD
Nolan D. Archibald, Chairman

Agreed to as of the 10th day of February, 2006

/s/ MICHAEL D. MANGAN
Michael D. Mangan

February 10, 2006

Mr. Paul A. Gustafson
c/o The Black & Decker Corporation
701 East Joppa Road
Towson, Maryland 21286

Dear Paul:

The Black & Decker Corporation (the "Corporation") considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Corporation (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of the Corporation may exist and that such possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Corporation and its stockholders. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Corporation's management, including you, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Corporation, although no such change is now contemplated.

In order to induce you to remain in the employ of the Corporation, the Corporation agrees that you shall receive the severance benefits set forth in this letter agreement (this "Agreement") in the event of a "Change in Control of the Corporation" (as defined in Section 2) under the circumstances described below.

1. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through December 31, 2011; provided, however, that if a Change in Control of the Corporation shall have occurred prior to December 31, 2011, this Agreement shall continue in effect for a period of 36 months beyond the month in which the Change in Control of the Corporation occurred, at which time this Agreement shall terminate. Notwithstanding the foregoing, and provided no Change in Control of the Corporation shall have occurred, this Agreement shall automatically terminate upon the earlier to occur of (a) your termination of employment with the Corporation, or (b) the Corporation's giving you notice of termination of this Agreement, regardless of the effective date of such termination.

2. Change in Control. No benefits shall be payable under this Agreement unless there shall have been a Change in Control of the Corporation. For purposes of this Agreement, a "Change in Control of the Corporation" shall mean a change in control of a nature that would be

required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Corporation is in fact required to comply therewith, provided that, without limitation, such a change in control shall be deemed to have occurred if (A) any "person" (as that term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its subsidiaries or a corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities; (B) during any period of two consecutive years, individuals who at the beginning of that period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in clauses (A) or (D) of this Section) whose election by the Board or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute a majority of the Board; (C) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control of the Corporation; or (D) the stockholders of the Corporation approve a merger, share exchange or consolidation of the Corporation with any other corporation or entity, other than a merger, share exchange or consolidation that would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the combined voting power of the voting securities of the Corporation or the surviving entity outstanding immediately after the merger, share exchange or consolidation, or the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all the Corporation's assets.

3. Vesting of Stock Options. Upon a Change in Control of the Corporation, you shall fully vest in all outstanding stock options granted to you under the Corporation's stock option plans. Each stock option shall continue to be exercisable for the term of that stock option. In accordance with the terms of The Black & Decker Performance Equity Plan (the "PEP") and The Black & Decker Corporation 2004 Restricted Stock Plan, respectively, the maximum number (150% of the target award for each performance period) of Performance Shares (as defined in the PEP) held by you shall be deemed to have been earned (and shall be paid in accordance with the payment provisions of the PEP) and all shares of restricted stock held by you shall become fully vested and no longer subject to forfeiture upon the occurrence of a Change in Control of the Corporation.

4. Termination Following Change in Control of the Corporation. If a Change in Control of the Corporation shall have occurred, you shall be entitled to the benefits provided in Section 5.2 upon the subsequent termination of your employment during the term of this Agreement unless the termination is (A) because of your death or Disability (as defined in

Section 4.1), (B) by the Corporation for Cause (as defined in Section 4.2), or (C) by you other than for Good Reason (as defined in Section 4.3).

4.1 Disability. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Corporation for six consecutive months and, within 30 days after a Notice of Termination (as defined in Section 4.4) is given to you, shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability."

4.2 Cause. Termination by the Corporation of your employment for "Cause" shall mean termination upon (a) the willful and continued failure by you to substantially perform your duties with the Corporation (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of Termination for Good Reason) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, or (b) the willful engaging by you in conduct that is demonstrably and materially injurious to the Corporation, monetarily or otherwise. For purposes of this Section 4.2, no act or failure to act on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Corporation. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for that purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses (a) or (b) of the first sentence of this Section 4.2 and specifying the particulars thereof in detail.

4.3 Good Reason. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Corporation of any of the following circumstances unless the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

- (a) the assignment to you of any duties inconsistent with your current status as an executive of the Corporation or a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change in Control of the Corporation;
 - (b) a reduction by the Corporation in your annual base salary as in effect on the date of this Agreement or any subsequently established higher annual base salary, except for across-the-board salary reductions similarly affecting all senior executives of the Corporation and all senior executives of any person in control of the Corporation;
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(c) your relocation to a location not within 25 miles of your office or job location immediately prior to the Change in Control of the Corporation, except for required travel on the Corporation's business to an extent substantially consistent with your business travel obligations immediately prior to the Change in Control of the Corporation;

(d) the failure by the Corporation, without your consent, to pay to you any portion of your compensation to which you are entitled when such compensation is due;

(e) the failure by the Corporation to continue in effect any compensation plan in which you participated immediately prior to the Change in Control of the Corporation that is material to your total compensation, including but not limited to the Corporation's (i) Executive Annual Incentive Plan ("EAIP"), Annual Incentive Plan ("AIP") or other comparable annual compensation plan, (ii) stock option and restricted stock plans, and (iii) PEP or other comparable medium- or long-term compensation plan, or any substitute plan or plans adopted prior to the Change in Control of the Corporation; unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan and the equitable arrangement provides substantially equivalent benefits not materially less favorable to you (both in terms of the amount of benefits provided and the level of your participation relative to other participants), or the failure by the Corporation to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable (both in terms of the amount of benefits provided and the level of your participation relative to other participants) than those you enjoyed immediately prior to the Change in Control of the Corporation;

(f) the failure by the Corporation to continue in effect any material benefit available to you immediately prior to the Change in Control of the Corporation, including without limitation (i) the failure to provide to you benefits substantially similar to those enjoyed by you under any of the Corporation's retirement, savings, life insurance, medical, dental, health and accident, or disability plans in which you were participating at the time of the Change in Control of the Corporation, (ii) the failure to continue to provide to you any material perquisite provided to you at the time of the Change in Control of the Corporation, (iii) the failure by the Corporation to provide to you the number of paid vacation days to which you are entitled on the basis of years of service with the Corporation in accordance with the Corporation's normal vacation policy in effect at the time of the Change in Control of the Corporation, or (iii) the taking of any action by the Corporation that would directly or indirectly materially reduce any of these benefits or deprive you of any material benefit or perquisite enjoyed by you at the time of the Change in Control of the Corporation;

(g) the failure of the Corporation to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 7.1; or

(h) any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 4.4 (and, if applicable, the requirements of Section 4.2), which purported termination shall not be effective for purposes of this Agreement.

Your rights to terminate your employment pursuant to this Section 4.3 shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Section 4.3.

4.4 Notice of Termination. Any purported termination of your employment by the Corporation for Cause or Disability or by you for Good Reason shall be communicated by written Notice of Termination to the other party in accordance with Section 8. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that indicates the specific termination provision in this Agreement relied upon and that sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

4.5 Date of Termination. Subject to the following sentence, "Date of Termination" shall mean (a) if your employment is terminated by your death, the date of your death; (b) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during the 30-day period); and (c) if your employment is terminated for any reason other than death or Disability, the date specified in the Notice of Termination. For purposes of clause (c) in the immediately preceding sentence, the date specified in the Notice of Termination shall not be less than 30 days from the date the Notice of Termination is given, except in the case of a termination pursuant to Section 4.3 such date shall not be less than 15 nor more than 60 days from the date that the Notice of Termination is given. If the party receiving the Notice of Termination notifies the other party within 15 days of receiving the Notice of Termination or, if later, prior to the Date of Termination (as determined without regard to this sentence) that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of the dispute, the Corporation will continue to pay you your full compensation in effect when the Notice of Termination giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit and insurance plans in which you were participating

when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Section 4.5. Amounts paid under this Section 4.5 are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

5. Compensation Upon Termination. Upon termination of your employment following a Change in Control of the Corporation, you shall be entitled to the following benefits:

5.1 Termination for Cause or Without Good Reason or upon Disability or Death. If your employment shall be terminated by your death, by the Corporation for Cause or Disability, or by you without Good Reason, the Corporation shall pay you your full base salary through the Date of Termination at the rate in effect at the time of your death or Notice of Termination is given, as the case may be, plus all other amounts to which you are entitled under any retirement, insurance and other compensation programs of the Corporation at the time the payments are due, and the Corporation shall have no further obligations to you under this Agreement.

5.2 Termination Without Cause or Disability or for Good Reason. If your employment by the Corporation shall be terminated (A) by the Corporation other than for Cause or Disability or (B) by you for Good Reason, then you shall be entitled to the benefits provided below:

(a) The Corporation shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Corporation, at the time those payments are due, except as otherwise provided below.

(b) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Corporation shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") in an amount equal to:

(1) three times the sum of your (x) annual base salary in effect immediately prior to the occurrence of the circumstance giving rise to the Notice of Termination, and (y) Maximum Participant Award (as defined below); plus

(2) 150% of the product of (A) your annual base salary in effect immediately prior to your Date of Termination multiplied by (B) the percentage target used to calculate the number of Performance Shares awarded to you with respect to the most recent award under the PEP.

"Maximum Participant Award" means the maximum award that could be payable to you under the terms of the EAIP (if you were a participant in the EAIP immediately prior to the occurrence of the circumstances giving rise to the Notice of Termination), the AIP (if you were a participant in the AIP immediately prior to the occurrence of the circumstances giving rise to the Notice of

Termination), or other comparable or substitute annual compensation plan for the year in which the Date of Termination occurs, determined as if you remained a participant until the end of the year and all performance goals for that year that would entitle you to a maximum payment were met or exceeded.

(c) The Corporation shall also pay to you all legal fees and expenses incurred by you as a result of the termination (including all legal fees and expenses, if any, incurred in contesting or disputing the termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Internal Revenue Code (the "Code") to any payment or benefit provided under this Agreement).

(d) The Severance Payment plus interest shall be made on the date that is six months and one day following your "separation from service" as defined in Section 409A of the Code and the regulations promulgated thereunder. The Severance Payment shall bear interest at an annualized rate of 4.5% from and after your "Separation from Service" until paid pursuant to this Section 5.2(d).

5.3 Additional Benefits. If your employment shall be terminated (a) by the Corporation other than for Cause or Disability or (b) by you for Good Reason, then for a 36-month period after such termination, the Corporation shall arrange to provide to you life, disability, accident, medical, dental and health insurance benefits substantially similar to those that you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Section 5.3 shall be reduced to the extent comparable benefits are actually received by you from another employer during the 36-month period following your termination, and any such benefits actually received by you shall be reported to the Corporation.

5.4 Mitigation. You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. The Corporation shall not be entitled to set off against the amount of any payment or benefit provided for in this Agreement any amounts owed to the Corporation by you, any compensation earned by you as the result of employment by another employer, or any retirement benefits to which you may be entitled under the Corporation's retirement or savings plans.

5.5 Other Benefit Plans. In addition to all other amounts payable to you under this Section 5, you shall be entitled to receive all benefits payable to you under any plan or agreement sponsored by the Corporation or any of its subsidiaries relating to retirement or other benefits in accordance with the terms of such plans or arrangements.

6. Gross-Up Payment.

6.1 Calculation of Gross-Up Payment. If the Severance Payment or any other portion of the Total Payments (as defined below) will be subject to the tax imposed by Section 4999 of the Code (the "Excise Tax"), the Corporation shall pay to you at the time specified in

Section 6.2 an additional amount (the "Gross-Up Payment") such that the net amount retained by you, after deduction of any Excise Tax on the Severance Payment and such other Total Payments and any federal and state and local income tax and Excise Tax upon the Gross-Up Payment, shall be equal to the Severance Payment and such other Total Payments. For purposes of determining whether any of the payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) any other payments or benefits received or to be received by you in connection with a Change in Control of the Corporation or your termination of employment (whether payable pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Corporation, its successors, any person whose actions result in a Change in Control of the Corporation or any corporation affiliated (or which, as a result of the completion of a transaction causing a Change in Control of the Corporation, will become affiliated) with the Corporation within the meaning of Section 1504 of the Code) (together with the Severance Payment, the "Total Payments") shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Corporation and acceptable to you ("Tax Counsel") the Total Payments (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4)(B) of the Code either to the extent such reasonable compensation is in excess of the base amount within the meaning of Section 280G(b)(3) of the Code or are otherwise not subject to the Excise Tax, (ii) the amount of the Total Payments that shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Total Payments or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i), above), and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by Tax Counsel in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. If the Excise Tax is subsequently determined to be less than the amount taken into account under this Section 6.1 at the time of payment of the Gross-Up Payment, you shall repay to the Corporation at the time that the amount of such reduction in the Excise Tax is finally determined the portion of the Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and federal and state and local income tax imposed on the Gross-Up Payment being repaid by you if such repayment results in a reduction in Excise Tax and/or a federal and state and local income tax deduction) plus interest on the amount of such repayment at the rate provided in Section 1274(d) of the Code. If the Excise Tax is determined to exceed the amount taken into account hereunder at the time of payment of the Gross-Up Payment (including by reason of any payment resulting from the existence or amount of which cannot be determined at the time of the payment of the Gross-Up Payment), the Corporation shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties, and professional fees

incurred by you with respect to such excess, including all such taxes with respect to such additional amount) at the time that the amount of such excess is finally determined.

6.2 Payment of Gross-Up Payments. The payments provided for in Section 6.1 shall be made on the date that is six months and one day following your “separation of service” as defined in Section 409A of the Code and the regulations promulgated thereunder.

7. Successors; Binding Agreement.

7.1 Successors. The Corporation will require any successor to all or substantially all of the business or assets of the Corporation (whether direct or indirect, by purchase, merger, share exchange, consolidation or otherwise) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if the succession had not taken place. Failure of the Corporation to obtain the assumption and agreement prior to the effectiveness of the succession shall be a breach of this Agreement and shall entitle you to terminate your employment for Good Reason following a Change in Control of the Corporation. As used in this Agreement, “Corporation” shall mean the Corporation as hereinbefore defined and any successor to its business or assets as described above that assumes and agrees to perform this Agreement by operation of law or otherwise.

7.2 Binding Agreement. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. Any amount payable to you under this Agreement at the time of your death, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

7.3 Employment by a Subsidiary. If you are employed by a subsidiary of the Corporation, wherever in this Agreement reference is made to the “Corporation,” unless the context otherwise requires, the reference shall also include the subsidiary. The Corporation shall cause the subsidiary to carry out the terms of this Agreement insofar as they relate to the employment relationship between you and the subsidiary, and the Corporation shall indemnify you and save you harmless from and against all liability and damage that you may suffer as a consequence of the subsidiary’s failure to perform and carry out such terms. Wherever reference is made to any benefit program of the Corporation, the reference shall include, where appropriate, the corresponding benefit program of the subsidiary if you were a participant in the benefit program on the date a Change in Control of the Corporation has occurred.

8. Notice. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid. All notices to the Corporation shall be sent to the Corporation at 701 East Joppa Road, Towson, Maryland 21286 and directed to the attention of the Board with a copy to the Secretary of the Corporation and to you at your address listed on the Corporation’s payroll, or to such other

address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

9. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless the waiver, modification or discharge is agreed to in writing and signed by you and an officer of the Corporation specifically designated by the Board. No waiver by either party at any time of any breach by the other party of any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement constitutes the entire agreement between the parties hereto in respect of the matters set forth herein, and all prior negotiations, writings and understandings relating to the subject matter of this Agreement are superseded and cancelled by this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Maryland, without regard to its principles of conflicts of laws. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Corporation under Sections 5 and 6 shall survive the expiration of the term of this Agreement, provided that the Date of Termination occurred prior to such expiration.

10. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

11. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

12. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the State of Maryland, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

13. Section Headings. The Section headings contained in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning or interpretation of this Agreement or any of its terms and conditions. All references to Sections in this Agreement are to Sections of this Agreement.

If you agree to the terms of this letter, please sign and return to the Corporation the enclosed copy which will then constitute our agreement on this subject.

Sincerely,

THE BLACK & DECKER CORPORATION

By: /s/ NOLAN D. ARCHIBALD
Nolan D. Archibald, Chairman

Agreed to as of the 10th day of February, 2006

/s/ PAUL A. GUSTAFSON
Paul A. Gustafson

February 10, 2006

Mr. Thomas D. Koos
c/o The Black & Decker Corporation
701 East Joppa Road
Towson, Maryland 21286

Dear Tom:

The Black & Decker Corporation (the "Corporation") considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Corporation (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of the Corporation may exist and that such possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Corporation and its stockholders. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Corporation's management, including you, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Corporation, although no such change is now contemplated.

In order to induce you to remain in the employ of the Corporation, the Corporation agrees that you shall receive the severance benefits set forth in this letter agreement (this "Agreement") in the event of a "Change in Control of the Corporation" (as defined in Section 2) under the circumstances described below.

1. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through December 31, 2011; provided, however, that if a Change in Control of the Corporation shall have occurred prior to December 31, 2011, this Agreement shall continue in effect for a period of 36 months beyond the month in which the Change in Control of the Corporation occurred, at which time this Agreement shall terminate. Notwithstanding the foregoing, and provided no Change in Control of the Corporation shall have occurred, this Agreement shall automatically terminate upon the earlier to occur of (a) your termination of employment with the Corporation, or (b) the Corporation's giving you notice of termination of this Agreement, regardless of the effective date of such termination.

2. Change in Control. No benefits shall be payable under this Agreement unless there shall have been a Change in Control of the Corporation. For purposes of this Agreement, a "Change in Control of the Corporation" shall mean a change in control of a nature that would be

required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Corporation is in fact required to comply therewith, provided that, without limitation, such a change in control shall be deemed to have occurred if (A) any "person" (as that term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its subsidiaries or a corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities; (B) during any period of two consecutive years, individuals who at the beginning of that period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in clauses (A) or (D) of this Section) whose election by the Board or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute a majority of the Board; (C) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control of the Corporation; or (D) the stockholders of the Corporation approve a merger, share exchange or consolidation of the Corporation with any other corporation or entity, other than a merger, share exchange or consolidation that would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the combined voting power of the voting securities of the Corporation or the surviving entity outstanding immediately after the merger, share exchange or consolidation, or the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all the Corporation's assets.

3. Vesting of Stock Options. Upon a Change in Control of the Corporation, you shall fully vest in all outstanding stock options granted to you under the Corporation's stock option plans. Each stock option shall continue to be exercisable for the term of that stock option. In accordance with the terms of The Black & Decker Performance Equity Plan (the "PEP") and The Black & Decker Corporation 2004 Restricted Stock Plan, respectively, the maximum number (150% of the target award for each performance period) of Performance Shares (as defined in the PEP) held by you shall be deemed to have been earned (and shall be paid in accordance with the payment provisions of the PEP) and all shares of restricted stock held by you shall become fully vested and no longer subject to forfeiture upon the occurrence of a Change in Control of the Corporation.

4. Termination Following Change in Control of the Corporation. If a Change in Control of the Corporation shall have occurred, you shall be entitled to the benefits provided in Section 5.2 upon the subsequent termination of your employment during the term of this Agreement unless the termination is (A) because of your death or Disability (as defined in

Section 4.1), (B) by the Corporation for Cause (as defined in Section 4.2), or (C) by you other than for Good Reason (as defined in Section 4.3).

4.1 Disability. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Corporation for six consecutive months and, within 30 days after a Notice of Termination (as defined in Section 4.4) is given to you, shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability."

4.2 Cause. Termination by the Corporation of your employment for "Cause" shall mean termination upon (a) the willful and continued failure by you to substantially perform your duties with the Corporation (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of Termination for Good Reason) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, or (b) the willful engaging by you in conduct that is demonstrably and materially injurious to the Corporation, monetarily or otherwise. For purposes of this Section 4.2, no act or failure to act on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Corporation. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for that purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses (a) or (b) of the first sentence of this Section 4.2 and specifying the particulars thereof in detail.

4.3 Good Reason. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Corporation of any of the following circumstances unless the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

- (a) the assignment to you of any duties inconsistent with your current status as an executive of the Corporation or a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change in Control of the Corporation;
 - (b) a reduction by the Corporation in your annual base salary as in effect on the date of this Agreement or any subsequently established higher annual base salary, except for across-the-board salary reductions similarly affecting all senior executives of the Corporation and all senior executives of any person in control of the Corporation;
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(c) your relocation to a location not within 25 miles of your office or job location immediately prior to the Change in Control of the Corporation, except for required travel on the Corporation's business to an extent substantially consistent with your business travel obligations immediately prior to the Change in Control of the Corporation;

(d) the failure by the Corporation, without your consent, to pay to you any portion of your compensation to which you are entitled when such compensation is due;

(e) the failure by the Corporation to continue in effect any compensation plan in which you participated immediately prior to the Change in Control of the Corporation that is material to your total compensation, including but not limited to the Corporation's (i) Executive Annual Incentive Plan ("EAIP"), Annual Incentive Plan ("AIP") or other comparable annual compensation plan, (ii) stock option and restricted stock plans, and (iii) PEP or other comparable medium- or long-term compensation plan, or any substitute plan or plans adopted prior to the Change in Control of the Corporation; unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan and the equitable arrangement provides substantially equivalent benefits not materially less favorable to you (both in terms of the amount of benefits provided and the level of your participation relative to other participants), or the failure by the Corporation to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable (both in terms of the amount of benefits provided and the level of your participation relative to other participants) than those you enjoyed immediately prior to the Change in Control of the Corporation;

(f) the failure by the Corporation to continue in effect any material benefit available to you immediately prior to the Change in Control of the Corporation, including without limitation (i) the failure to provide to you benefits substantially similar to those enjoyed by you under any of the Corporation's retirement, savings, life insurance, medical, dental, health and accident, or disability plans in which you were participating at the time of the Change in Control of the Corporation, (ii) the failure to continue to provide to you any material perquisite provided to you at the time of the Change in Control of the Corporation, (iii) the failure by the Corporation to provide to you the number of paid vacation days to which you are entitled on the basis of years of service with the Corporation in accordance with the Corporation's normal vacation policy in effect at the time of the Change in Control of the Corporation, or (iii) the taking of any action by the Corporation that would directly or indirectly materially reduce any of these benefits or deprive you of any material benefit or perquisite enjoyed by you at the time of the Change in Control of the Corporation;

(g) the failure of the Corporation to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 7.1; or

(h) any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 4.4 (and, if applicable, the requirements of Section 4.2), which purported termination shall not be effective for purposes of this Agreement.

Your rights to terminate your employment pursuant to this Section 4.3 shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Section 4.3.

4.4 Notice of Termination. Any purported termination of your employment by the Corporation for Cause or Disability or by you for Good Reason shall be communicated by written Notice of Termination to the other party in accordance with Section 8. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that indicates the specific termination provision in this Agreement relied upon and that sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

4.5 Date of Termination. Subject to the following sentence, "Date of Termination" shall mean (a) if your employment is terminated by your death, the date of your death; (b) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during the 30-day period); and (c) if your employment is terminated for any reason other than death or Disability, the date specified in the Notice of Termination. For purposes of clause (c) in the immediately preceding sentence, the date specified in the Notice of Termination shall not be less than 30 days from the date the Notice of Termination is given, except in the case of a termination pursuant to Section 4.3 such date shall not be less than 15 nor more than 60 days from the date that the Notice of Termination is given. If the party receiving the Notice of Termination notifies the other party within 15 days of receiving the Notice of Termination or, if later, prior to the Date of Termination (as determined without regard to this sentence) that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of the dispute, the Corporation will continue to pay you your full compensation in effect when the Notice of Termination giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit and insurance plans in which you were participating

when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Section 4.5. Amounts paid under this Section 4.5 are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

5. Compensation Upon Termination. Upon termination of your employment following a Change in Control of the Corporation, you shall be entitled to the following benefits:

5.1 Termination for Cause or Without Good Reason or upon Disability or Death. If your employment shall be terminated by your death, by the Corporation for Cause or Disability, or by you without Good Reason, the Corporation shall pay you your full base salary through the Date of Termination at the rate in effect at the time of your death or Notice of Termination is given, as the case may be, plus all other amounts to which you are entitled under any retirement, insurance and other compensation programs of the Corporation at the time the payments are due, and the Corporation shall have no further obligations to you under this Agreement.

5.2 Termination Without Cause or Disability or for Good Reason. If your employment by the Corporation shall be terminated (A) by the Corporation other than for Cause or Disability or (B) by you for Good Reason, then you shall be entitled to the benefits provided below:

(a) The Corporation shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Corporation, at the time those payments are due, except as otherwise provided below.

(b) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Corporation shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") in an amount equal to:

(1) three times the sum of your (x) annual base salary in effect immediately prior to the occurrence of the circumstance giving rise to the Notice of Termination, and (y) Maximum Participant Award (as defined below); plus

(2) 150% of the product of (A) your annual base salary in effect immediately prior to your Date of Termination multiplied by (B) the percentage target used to calculate the number of Performance Shares awarded to you with respect to the most recent award under the PEP.

"Maximum Participant Award" means the maximum award that could be payable to you under the terms of the EAIP (if you were a participant in the EAIP immediately prior to the occurrence of the circumstances giving rise to the Notice of Termination), the AIP (if you were a participant in the AIP immediately prior to the occurrence of the circumstances giving rise to the Notice of

Termination), or other comparable or substitute annual compensation plan for the year in which the Date of Termination occurs, determined as if you remained a participant until the end of the year and all performance goals for that year that would entitle you to a maximum payment were met or exceeded.

(c) The Corporation shall also pay to you all legal fees and expenses incurred by you as a result of the termination (including all legal fees and expenses, if any, incurred in contesting or disputing the termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Internal Revenue Code (the "Code") to any payment or benefit provided under this Agreement).

(d) The Severance Payment plus interest shall be made on the date that is six months and one day following your "separation from service" as defined in Section 409A of the Code and the regulations promulgated thereunder. The Severance Payment shall bear interest at an annualized rate of 4.5% from and after your "Separation from Service" until paid pursuant to this Section 5.2(d).

5.3 Additional Benefits. If your employment shall be terminated (a) by the Corporation other than for Cause or Disability or (b) by you for Good Reason, then for a 36-month period after such termination, the Corporation shall arrange to provide to you life, disability, accident, medical, dental and health insurance benefits substantially similar to those that you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Section 5.3 shall be reduced to the extent comparable benefits are actually received by you from another employer during the 36-month period following your termination, and any such benefits actually received by you shall be reported to the Corporation.

5.4 Mitigation. You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. The Corporation shall not be entitled to set off against the amount of any payment or benefit provided for in this Agreement any amounts owed to the Corporation by you, any compensation earned by you as the result of employment by another employer, or any retirement benefits to which you may be entitled under the Corporation's retirement or savings plans.

5.5 Other Benefit Plans. In addition to all other amounts payable to you under this Section 5, you shall be entitled to receive all benefits payable to you under any plan or agreement sponsored by the Corporation or any of its subsidiaries relating to retirement or other benefits in accordance with the terms of such plans or arrangements.

6. Gross-Up Payment.

6.1 Calculation of Gross-Up Payment. If the Severance Payment or any other portion of the Total Payments (as defined below) will be subject to the tax imposed by Section 4999 of the Code (the "Excise Tax"), the Corporation shall pay to you at the time specified in

Section 6.2 an additional amount (the "Gross-Up Payment") such that the net amount retained by you, after deduction of any Excise Tax on the Severance Payment and such other Total Payments and any federal and state and local income tax and Excise Tax upon the Gross-Up Payment, shall be equal to the Severance Payment and such other Total Payments. For purposes of determining whether any of the payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) any other payments or benefits received or to be received by you in connection with a Change in Control of the Corporation or your termination of employment (whether payable pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Corporation, its successors, any person whose actions result in a Change in Control of the Corporation or any corporation affiliated (or which, as a result of the completion of a transaction causing a Change in Control of the Corporation, will become affiliated) with the Corporation within the meaning of Section 1504 of the Code) (together with the Severance Payment, the "Total Payments") shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Corporation and acceptable to you ("Tax Counsel") the Total Payments (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4)(B) of the Code either to the extent such reasonable compensation is in excess of the base amount within the meaning of Section 280G(b)(3) of the Code or are otherwise not subject to the Excise Tax, (ii) the amount of the Total Payments that shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Total Payments or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i), above), and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by Tax Counsel in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. If the Excise Tax is subsequently determined to be less than the amount taken into account under this Section 6.1 at the time of payment of the Gross-Up Payment, you shall repay to the Corporation at the time that the amount of such reduction in the Excise Tax is finally determined the portion of the Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and federal and state and local income tax imposed on the Gross-Up Payment being repaid by you if such repayment results in a reduction in Excise Tax and/or a federal and state and local income tax deduction) plus interest on the amount of such repayment at the rate provided in Section 1274(d) of the Code. If the Excise Tax is determined to exceed the amount taken into account hereunder at the time of payment of the Gross-Up Payment (including by reason of any payment resulting from the existence or amount of which cannot be determined at the time of the payment of the Gross-Up Payment), the Corporation shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties, and professional fees

incurred by you with respect to such excess, including all such taxes with respect to such additional amount) at the time that the amount of such excess is finally determined.

6.2 Payment of Gross-Up Payments. The payments provided for in Section 6.1 shall be made on the date that is six months and one day following your "separation of service" as defined in Section 409A of the Code and the regulations promulgated thereunder.

7. Successors; Binding Agreement.

7.1 Successors. The Corporation will require any successor to all or substantially all of the business or assets of the Corporation (whether direct or indirect, by purchase, merger, share exchange, consolidation or otherwise) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if the succession had not taken place. Failure of the Corporation to obtain the assumption and agreement prior to the effectiveness of the succession shall be a breach of this Agreement and shall entitle you to terminate your employment for Good Reason following a Change in Control of the Corporation. As used in this Agreement, "Corporation" shall mean the Corporation as hereinbefore defined and any successor to its business or assets as described above that assumes and agrees to perform this Agreement by operation of law or otherwise.

7.2 Binding Agreement. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. Any amount payable to you under this Agreement at the time of your death, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

7.3 Employment by a Subsidiary. If you are employed by a subsidiary of the Corporation, wherever in this Agreement reference is made to the "Corporation," unless the context otherwise requires, the reference shall also include the subsidiary. The Corporation shall cause the subsidiary to carry out the terms of this Agreement insofar as they relate to the employment relationship between you and the subsidiary, and the Corporation shall indemnify you and save you harmless from and against all liability and damage that you may suffer as a consequence of the subsidiary's failure to perform and carry out such terms. Wherever reference is made to any benefit program of the Corporation, the reference shall include, where appropriate, the corresponding benefit program of the subsidiary if you were a participant in the benefit program on the date a Change in Control of the Corporation has occurred.

8. Notice. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid. All notices to the Corporation shall be sent to the Corporation at 701 East Joppa Road, Towson, Maryland 21286 and directed to the attention of the Board with a copy to the Secretary of the Corporation and to you at your address listed on the Corporation's payroll, or to such other

address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

9. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless the waiver, modification or discharge is agreed to in writing and signed by you and an officer of the Corporation specifically designated by the Board. No waiver by either party at any time of any breach by the other party of any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement constitutes the entire agreement between the parties hereto in respect of the matters set forth herein, and all prior negotiations, writings and understandings relating to the subject matter of this Agreement are superseded and cancelled by this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Maryland, without regard to its principles of conflicts of laws. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Corporation under Sections 5 and 6 shall survive the expiration of the term of this Agreement, provided that the Date of Termination occurred prior to such expiration.

10. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

11. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

12. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the State of Maryland, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

13. Section Headings. The Section headings contained in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning or interpretation of this Agreement or any of its terms and conditions. All references to Sections in this Agreement are to Sections of this Agreement.

If you agree to the terms of this letter, please sign and return to the Corporation the enclosed copy which will then constitute our agreement on this subject.

Sincerely,

THE BLACK & DECKER CORPORATION

By: /s/ NOLAN D. ARCHIBALD
Nolan D. Archibald, Chairman

Agreed to as of the 10th day of February, 2006

/s/ THOMAS D. KOOS
Thomas D. Koos

THE BLACK & DECKER CORPORATION AND SUBSIDIARIES

LIST OF SUBSIDIARIES

Listed below are the subsidiaries of The Black & Decker Corporation as of December 31, 2005. Names of certain inactive, liquidated, or minor subsidiaries have been omitted.

Baldwin Hardware Corporation	UNITED STATES
Biesemeyer Manufacturing Corporation	UNITED STATES
Black & Decker Abrasives Inc.	UNITED STATES
Black & Decker Inc.	UNITED STATES
Black & Decker (U.S.) Inc.	UNITED STATES
Black & Decker Funding Corporation	UNITED STATES
Black & Decker Group Inc.	UNITED STATES
Black & Decker HealthCare Management Inc.	UNITED STATES
Black & Decker Holdings Inc.	UNITED STATES
Black & Decker Holdings LLC	UNITED STATES
Black & Decker Investment Company	UNITED STATES
Black & Decker Investments LLC	UNITED STATES
Black & Decker Maryland LLC	UNITED STATES
Black & Decker (Ireland) Inc.	UNITED STATES
Black & Decker India Inc.	UNITED STATES
Black & Decker Investments (Australia) Limited	UNITED STATES
Black & Decker (Puerto Rico) LLC	UNITED STATES
Delta International Machinery Corp.	UNITED STATES
Devilbiss Air Power Company	UNITED STATES
Emglo Products LLC	UNITED STATES
Emhart Credit Corporation	UNITED STATES
Emhart Harttung Inc.	UNITED STATES
EII Maryland LLC	UNITED STATES
Emhart Teknologies LLC	UNITED STATES
Kwikset Corporation	UNITED STATES
Newfrey LLC	UNITED STATES
Price Pfister Holdings Inc.	UNITED STATES
Price Pfister, Inc.	UNITED STATES
Shenandoah Insurance, Inc.	UNITED STATES
Weiser Lock Corporation	UNITED STATES
Black & Decker Argentina S.A.	ARGENTINA
Black & Decker (Australia) Pty. Ltd.	AUSTRALIA
Black & Decker Distribution Pty. Ltd.	AUSTRALIA
Black & Decker Finance (Australia) Ltd.	AUSTRALIA
Black & Decker Holdings (Australia) Pty. Ltd.	AUSTRALIA

Kwikset (Australasia) Pty. Ltd.	AUSTRALIA
Black & Decker Werkzeuge Vertriebs-Gesellschaft M.B.H	AUSTRIA
Black & Decker (Belgium) N.V.	BELGIUM
Black & Decker Do Brasil Ltda.	BRAZIL
Refal Industria e Comercio de Rebites e Rebitadeiras Ltda.	BRAZIL
Black & Decker Canada Inc.	CANADA
Black & Decker Holdings (Canada) Inc.	CANADA
Jointech Corporation, Ltd.	CAYMAN ISLANDS
Wintech Corporation Limited	CAYMAN ISLANDS
Maquinas y Herramientas Black & Decker de Chile S.A.	CHILE
Anzi Masterfix Tool Ltd.	CHINA
Black & Decker (Xiamen) Industrial Co. Ltd.	CHINA
Black & Decker (Suzhou) Co. Ltd.	CHINA
Black & Decker (Suzhou) Power Tools Co., Ltd.	CHINA
Qingdao Sungun Power Tool Co., Ltd.	CHINA
Shanghai Emhart Fastening Systems Ltd.	CHINA
Wisetech (Suzhou) Industrial Co. Limited	CHINA
Black & Decker de Colombia S.A.	COLOMBIA
Black & Decker (Czech) S.R.O.	CZECH REPUBLIC
Tucker S.R.O.	CZECH REPUBLIC
Emhart Harttung A/S	DENMARK
Black & Decker de El Salvador, S.A. de C.V.	EL SALVADOR
Black & Decker Oy	FINLAND
Black & Decker Finance ScA.	FRANCE
Black & Decker (France) S.A.S.	FRANCE
Emhart Fastening & Assembly SNC	FRANCE
Emhart S.A.R.L.	FRANCE
BD Beteiligungs G.m.b.H. & Co. K.G.	GERMANY
B.B.W. Bayrische Bohrerwerke G.m.b.H.	GERMANY
Black & Decker G.m.b.H.	GERMANY
Masterfix Verbindungssysteme GMBH	GERMANY
Tucker G.m.b.H.	GERMANY
Black & Decker (Hellas) S.A.	GREECE
Black & Decker Hong Kong Limited	HONG KONG
Emhart Asia Limited	HONG KONG
Hangtech Limited	HONG KONG
Baltimore Financial Services Company	IRELAND
Baltimore Insurance Limited	IRELAND
Belco Investments Company	IRELAND
Black & Decker (Ireland)	IRELAND
Chesapeake Falls Holdings Company	IRELAND
Gamrie Limited	IRELAND
Black & Decker Italia S.P.A.	ITALY
Fasteners & Tools, Ltd.	JAPAN
Nippon Pop Rivets & Fasteners Ltd.	JAPAN

Black & Decker (Overseas) A.G.	LIECHTENSTEIN
Black & Decker Limited S.A.R.L.	LUXEMBOURG
Black & Decker Luxembourg Finance S.C.A.	LUXEMBOURG
Black & Decker Luxembourg S.A.R.L.	LUXEMBOURG
Chesapeake Investments Company S.A.R.L.	LUXEMBOURG
Black & Decker Macao	MACAO
Black & Decker Asia Pacific (Malaysia) Sdn. Bhd.	MALAYSIA
Black & Decker (Malaysia) Sdn. Bhd.	MALAYSIA
Black & Decker de Reynosa S. de R.L. de C.V.	MEXICO
Black & Decker HHI Mexico, S. de R.L. de C.V.	MEXICO
Black & Decker, S.A. de C.V.	MEXICO
DeWalt Industrial Tools, S.A. de C.V.	MEXICO
Weiser Lock Mexico, S. De R.L. De C.V.	MEXICO
Black & Decker (Nederland) B.V.	NETHERLANDS
Black & Decker Far East Holdings B.V.	NETHERLANDS
Black & Decker Hardware Holdings B.V.	NETHERLANDS
Black & Decker International Holdings B.V.	NETHERLANDS
Black & Decker Overseas Holdings B.V.	NETHERLANDS
Interfast B.V.	NETHERLANDS
Masterfix Products B.V.	NETHERLANDS
Black & Decker (New Zealand) Limited	NEW ZEALAND
Black & Decker (Norge) A/S	NORWAY
Emhart Sjong A/S	NORWAY
Black & Decker de Panama, S.A.	PANAMA
Black & Decker International Corporation	PANAMA
Emhart Panama S.A.	PANAMA
Black & Decker Del Peru S.A.	PERU
Masterfix Poland	POLAND
Black & Decker Asia Pacific Pte. Ltd.	SINGAPORE
Emhart Fastening Teknologies Korea, Inc.	SOUTH KOREA
Black & Decker Iberica S.Com por A.	SPAIN
Black & Decker Aktiebolag	SWEDEN
Emhart Teknik Akteibolag	SWEDEN
Black & Decker (Switzerland) S.A.	SWITZERLAND
Emhart A.G.	SWITZERLAND
Joinery Industrial Co., Ltd.	TAIWAN
Pentair Taiwan LLC	TAIWAN
Black & Decker (Thailand) Limited	THAILAND
Emhart Teknologies (Thailand) Ltd.	THAILAND
Aven Tools Limited	UNITED KINGDOM
Bandhart	UNITED KINGDOM
Bandhart Overseas	UNITED KINGDOM
Black & Decker Batteries Management Limited	UNITED KINGDOM
Black & Decker Finance	UNITED KINGDOM
Black & Decker International	UNITED KINGDOM

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of The Black & Decker Corporation of our reports dated February 14, 2006, with respect to the consolidated financial statements and schedule of The Black & Decker Corporation, The Black & Decker Corporation's management's assessments of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of The Black & Decker Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2005.

Registration Statement Number	Description
33-26917	Form S-8
33-33251	Form S-8
33-47652	Form S-8
33-58795	Form S-8
33-65013	Form S-8
333-03593	Form S-8
333-51155	Form S-8
333-51157	Form S-8
333-35986	Form S-8
333-113283	Form S-8
333-115301	Form S-8

/s/ ERNST & YOUNG, LLP

Baltimore, Maryland

February 14, 2006

POWER OF ATTORNEY

We, the undersigned Directors and Officers of The Black & Decker Corporation (the "Corporation"), hereby constitute and appoint Nolan D. Archibald, Michael D. Mangan and Charles E. Fenton, and each of them, with power of substitution, our true and lawful attorneys-in-fact with full power to sign for us, in our names and in the capacities indicated below, the Corporation's Annual Report on Form 10-K for the year ended December 31, 2005, and any and all amendments thereto.

<u>/S/ NOLAN D. ARCHIBALD</u> Nolan D. Archibald	Director, Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 9, 2006
<u>/S/ NORMAN R. AUGUSTINE</u> Norman R. Augustine	Director	February 9, 2006
<u>/S/ BARBARA L. BOWLES</u> Barbara L. Bowles	Director	February 9, 2006
<u>/S/ M. ANTHONY BURNS</u> M. Anthony Burns	Director	February 9, 2006
<u>/S/ KIM B. CLARK</u> Kim B. Clark	Director	February 9, 2006
<u>/S/ MANUEL A. FERNANDEZ</u> Manuel A. Fernandez	Director	February 9, 2006
<u>/S/ BENJAMIN H. GRISWOLD, IV</u> Benjamin H. Griswold, IV	Director	February 9, 2006
<u>/S/ ANTHONY LUIISO</u> Anthony Luiso	Director	February 9, 2006

/S/ ROBERT L. RYAN
Robert L. Ryan

Director

February 9, 2006

/S/ MARK H. WILLES
Mark H. Willes

Director

February 9, 2006

/S/ MICHAEL D. MANGAN
Michael D. Mangan

Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

February 9, 2006

/S/ CHRISTINA M. McMULLEN
Christina M. McMullen

Vice President and Controller
(Principal Accounting Officer)

February 9, 2006

**THE BLACK & DECKER CORPORATION
CERTIFICATIONS**

I, Nolan D. Archibald, certify that:

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

/s/ NOLAN D. ARCHIBALD

Nolan D. Archibald

Chairman, President, and Chief Executive Officer

February 14, 2006

**THE BLACK & DECKER CORPORATION
CERTIFICATIONS**

I, Michael D. Mangan, certify that:

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

/s/ MICHAEL D. MANGAN

Michael D. Mangan

Senior Vice President and Chief Financial Officer

February 14, 2006

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of The Black & Decker Corporation (the "Corporation") on Form 10-K for the period ended December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nolan D. Archibald, Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ NOLAN D. ARCHIBALD

Nolan D. Archibald
Chief Executive Officer
February 14, 2006

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of The Black & Decker Corporation (the "Corporation") on Form 10-K for the period ended December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael D. Mangan, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ MICHAEL D. MANGAN

Michael D. Mangan
Chief Financial Officer
February 14, 2006