

WADHAMS TIMOTHY
Form 4
May 11, 2005

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
WADHAMS TIMOTHY

2. Issuer Name and Ticker or Trading Symbol
MASCO CORP /DE/ [MAS]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

21001 VAN BORN ROAD

(Street)

3. Date of Earliest Transaction
(Month/Day/Year)
05/09/2005

____ Director
 Officer (give title below)
____ 10% Owner
____ Other (specify below)
Sr. V.P. & CFO

TAYLOR, MI 48180

(City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership Indirect Beneficial Ownership (Instr. 4)
				(A) or (D)	Code V Amount (D) Price		

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
---------------------------------	---------------------------	--------------------------------------	-----------------------------------	---------------------	------------------------------------	--	---

Edgar Filing: WADHAMS TIMOTHY - Form 4

(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)	Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option	\$ 30.75	05/09/2005	A	85,000					(1)	05/09/2015	Common Stock	85,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WADHAMS TIMOTHY 21001 VAN BORN ROAD TAYLOR, MI 48180			Sr. V.P. & CFO	

Signatures

Timothy
Wadhams

05/10/2005

Signature of
Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The foregoing option is exercisable in annual installments 20% one year from the date of grant and 20% annually thereafter for 4 years.
- (2) Grant of option under Masco Corporation 1991 Long Term Stock Incentive Plan, in transactions exempt under Rule 16 b-3.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

Cash	\$ 2,667
Fixed maturity investments available-for-sale, at fair value (amortized cost: \$14,648 and \$14,681)	\$ 1,693
	14,197
	14,510

Accounts receivable from subsidiaries

7,429

Investment in unconsolidated insurance subsidiaries, at equity

858,144

784,348

Property and equipment, at cost less accumulated depreciation of \$35,498 and \$23,769, including software leased to a subsidiary of \$106,741 and \$100,498 (net of accumulated depreciation of \$34,960 and \$23,108, respectively)

106,741

100,525

Other assets

3,296

2,103

Total assets

\$
992,474\$
903,179**Liabilities and stockholders' equity**

Senior notes

\$
99,897\$
99,884

Term loan due to subsidiary

58,000

18,000

Other liabilities

Explanation of Responses:

3

	4,605
	9,088
Accounts payable to subsidiaries	—
	1,806
Total liabilities	162,502
	128,778
Stockholders' equity	829,972
	774,401
Total liabilities and stockholders' equity	\$ 992,474
	\$ 903,179

See accompanying Notes to Condensed Financial Information of Registrant.

SCHEDULE II

**21ST CENTURY INSURANCE GROUP (PARENT COMPANY ONLY)
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF OPERATIONS**

*AMOUNTS IN THOUSANDS**Years Ended December 31,*

	2005	2004	2003
Revenues			
Rental income from software lease to subsidiary	\$ 8,151	\$ 6,735	\$ —
Interest and other income	708	326	708
Total revenues	8,859	7,061	708
Expenses			
Loan interest and fees	7,302	6,035	378
Depreciation expense	12,311	5,017	—
Other expenses	3,776	3,867	3,114
Total expenses	23,389	14,919	3,492
Loss before provision for income taxes	(14,530)	(7,858)	(2,784)
Provision for income taxes	(5,267)	(7,267)	(415)
Net loss before equity in undistributed loss of subsidiaries	(9,263)	(591)	(2,369)
Equity in undistributed income of subsidiaries	96,689	88,816	55,944
Net income	\$ 87,426	\$ 88,225	\$ 53,575

See accompanying Notes to Condensed Financial Information of Registrant.

SCHEDULE II

**21ST CENTURY INSURANCE GROUP (PARENT COMPANY ONLY)
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF CASH FLOWS**

AMOUNTS IN THOUSANDS

<i>Years Ended December 31,</i>	2005	2004	2003
Net cash provided by (used in) operating activities	\$ 15,495	\$ 22,133	\$ (2,912)
Investing activities			
Capital contributed to subsidiaries	—	—	(37,917)
Net (purchases of) proceeds from investments available-for-sale	—	(14,768)	1,000
Net (purchases of) proceeds from property and equipment	(18,686)	(22,960)	3,641
Net cash used in investing activities	(18,686)	(37,728)	(33,276)
Financing activities			
Proceeds from exercise of options	4,649	576	—
Proceeds from senior notes	—	—	99,871
Proceeds from term loan due to subsidiary	40,000	18,000	—
Payment of debt issuance costs	—	—	(650)
Advance from subsidiary	—	—	9,300
Repayment of advance from subsidiary	(26,760)	(17,103)	(47,083)
Dividends paid	(13,724)	(8,546)	(6,835)
Net cash provided by (used in) financing activities	4,165	(7,073)	54,603
Net increase (decrease) in cash	974	(22,668)	18,415
Cash, beginning of year	1,693	24,361	5,946
Cash, end of year	\$ 2,667	\$ 1,693	\$ 24,361

See accompanying Notes to Condensed Financial Information of Registrant.

SCHEDULE II

**21ST CENTURY INSURANCE GROUP (PARENT COMPANY ONLY)
NOTES TO CONDENSED FINANCIAL INFORMATION OF REGISTRANT
DECEMBER 31, 2005**

NOTE A. BASIS OF PRESENTATION

21st Century Insurance Group's (the "Registrant") investment in subsidiaries is stated at cost plus equity in undistributed income (loss) of subsidiaries. The accompanying condensed financial statements of the Registrant should be read in conjunction with the consolidated financial statements and notes thereto of 21st Century Insurance Group and subsidiaries included in the Registrant's 2005 Annual Report on Form 10-K.

The balance sheets of the Registrant include accounts receivable from, or payable to, its subsidiaries, the investment in unconsolidated subsidiaries, and term loans due to subsidiary. These balances are eliminated in the related consolidated financial statements.

The Registrant includes in its statement of operations equity in undistributed income of subsidiaries, which represents the net income of each of its wholly-owned subsidiaries. The Registrant also leases certain software to its subsidiaries and receives rental income. The base amount upon which monthly rent is calculated is the cost of the software acquired. Interest at a rate of 7.02% is then charged to the subsidiaries. In addition, loan interest is charged to the Registrant by its subsidiary for a series of term loans drawn under a term loan line made available by the subsidiary. All of these transactions (undistributed income of subsidiaries, rental income and interest expense on term loan due to subsidiary) are eliminated in the related consolidated financial statements.

NOTE B. SENIOR NOTES AND TERM LOANS DUE TO SUBSIDIARY

Senior Notes. Senior notes in the amount of \$100.0 million net of discount are due and payable in 2013. Interest accrues at 5.9% per annum and is payable semi-annually. The Registrant used the funds from the senior notes to contribute capital to one of its insurance subsidiaries and for other long-term purposes. Future commitments to repay the senior note and interest are as follows: 2006 - 2012 - \$5.9 million per annum; 2013 - \$105.9 million.

Term Loans Due to Subsidiary. An intercompany term loan line was structured in October 2004. Under the original terms of this term loan line agreement, the Registrant's subsidiary (21st Century Insurance Company) made funds available to the Registrant, which could draw up to \$40.0 million under the line. Proceeds from the loan were used to provide working capital for projects to modify, update and improve information technology for use by the Registrant and its affiliates, and other purposes.

The term of the term loan line is twelve months with automatic renewal, while the note's term is three years. The effective interest rate on the notes is the three-year Applicable Federal Rate ("AFR") at the time of a draw, plus a margin of 1.58%. The AFR is the minimum interest rate under tax law that avoids the IRS below-market interest loan rules. Interest is accrued and payable at the end of the term of the note.

In December 2004, the Registrant made an initial \$18.0 million draw on the intercompany term loan line. Under this agreement, the Registrant made \$15.0 in additional draws during 2005.

In December 2005, an amendment was approved by the California Department of Insurance that increased the maximum draw amount from \$40.0 million to \$150.0 million. The Registrant then drew an additional \$25.0 million bringing the total intercompany term loan balance to \$58.0 million with interest rates varying from 4.06% to 5.92%. Interest expense on the term loan due to the subsidiary for the year ended December 31, 2005 was \$1.3 million. No

significant interest expense was payable at December 31, 2004. Future commitments to repay the intercompany term loan are as follows: 2007 - \$20.3 million; 2008 - \$47.0 million.

The Registrant has also guaranteed the obligation under capital lease of 21st Century Insurance Company.

86

**21ST CENTURY INSURANCE GROUP (PARENT COMPANY ONLY)
NOTES TO CONDENSED FINANCIAL INFORMATION OF REGISTRANT
DECEMBER 31, 2005**

NOTE C. COMMITMENTS AND CONTINGENCIES

The Registrant has guaranteed the obligation under capital auto lease of 21st Century Insurance Company. The Registrant is also party to a number of operating leases for occupied premises and software commitments. The Company's noncancelable commitments at December 31, 2005 are included in Note 12 of the Notes to Consolidated Financial Statements.

87

SIGNATURES OF OFFICERS AND BOARD OF DIRECTORS

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.

Date: February 23, 2006

21ST CENTURY INSURANCE GROUP
(Registrant)

By: /s/ Bruce W. Marlow

Bruce W. Marlow

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated on the 23rd of February 2006.

Signature	Title
/s/ Bruce W. Marlow Bruce W. Marlow	President and Chief Executive Officer and Director (Principal Executive Officer)
/s/ Lawrence P. Bascom Lawrence P. Bascom	Sr. Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Robert M. Sandler Robert M. Sandler	Chairman of the Board
/s/ Steven J. Bensinger Steven J. Bensinger	Director
/s/ John B. De Nault, III John B. De Nault, III	Director
/s/ Carlene M. Ellis Carlene M. Ellis	Director
/s/ R. Scott Foster, M.D. R. Scott Foster, M.D.	Director
/s/ Roxani M. Gillespie Roxani M. Gillespie	Director
/s/ Jeffrey L. Hayman Jeffrey L. Hayman	Director
/s/ Phillip L. Isenberg Phillip L. Isenberg	Director
/s/ Keith W. Renken Keith W. Renken	Director

