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Black & Decker Contingent Liability Tax Refund Case Settles

December 14, 2007

The Black & Decker Corporation announced today a settlement with the Department of Justice of a long contested and closely watched federal tax refund suit involving the transfer of contingent health care liabilities by the company to a special purpose subsidiary.

In October 2004, Black & Decker was granted summary judgment by the District Court for the District of Maryland in the first court decision involving this particular transaction. On appeal, the Fourth Circuit Court of Appeals affirmed in part and reversed in part the district court decision, sending the case back to the district court for trial. Two weeks before the trial was scheduled to commence in March, the parties advised the court that they had entered into settlement negotiations and the matter was taken off the court's trial calendar. The settlement was consummated coincident with the company's public announcement today.

Although details of the settlement were not made public, the company announced that the effect of the settlement will be to increase net earnings by approximately \$150 million. Had the IRS prevailed in this case, it would have resulted in a cash outflow by the company of approximately \$180 million. Chamberlain Hrdlicka attorneys Herbert Odell and Philip Karter represented Black & Decker, assisted by Kevin Johnson and Jonathan Prokup.