

MASCO CORP /DE/  
Form DEF 14A  
April 01, 2010

**Table of Contents**

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**MASCO CORPORATION**

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

---

2) Aggregate number of securities to which transaction applies:

---

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

4) Proposed maximum aggregate value of transaction:

---

5) Total fee paid:

---

- Fee paid previously with preliminary materials.
-

Edgar Filing: MASCO CORP /DE/ - Form DEF 14A

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

---

2) Form, Schedule or Registration Statement No.:

---

3) Filing Party:

---

4) Date Filed:

---

SEC 1913 (02-02)

**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 control number.**

---

**Table of Contents**

March 31, 2010

Dear Stockholder:

You are cordially invited to attend Masco Corporation's Annual Meeting of Stockholders on Tuesday, May 11, 2010 at 10:00 A.M. at our corporate offices in Taylor, Michigan. The following pages contain information regarding the meeting schedule and the matters proposed for your consideration and vote. Following our formal meeting, we expect to provide a review of our Company's operations and respond to your questions.

Please vote on the matters presented in the accompanying Notice and Proxy Statement. Your vote is important, regardless of whether or not you are able to attend the Annual Meeting. Voting instructions can be found on the Proxy Card. Please review the enclosed Proxy materials carefully and submit your vote today by mail, telephone or internet.

On behalf of our entire Board of Directors, I thank you for your continued support of Masco Corporation and look forward to seeing you on May 11.

Sincerely,

Richard A. Manoogian  
Chairman of the Board

---

**Table of Contents**

**MASCO CORPORATION**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Date:** May 11, 2010  
**Time:** 10:00 A.M.  
**Masco Corporation**  
**21001 Van Born Road**  
**Place:** Taylor, Michigan 48180

The purposes of the Annual Meeting are:

1. To elect three Class I Directors;
2. To ratify the selection of PricewaterhouseCoopers LLP as independent auditors for Masco for 2010;
3. To consider and act upon a proposal to amend the 2005 Long Term Stock Incentive Plan; and
4. To transact such other business as may properly come before the meeting.

The Company recommends that you vote For all of the Director nominees, For the selection of PricewaterhouseCoopers LLP as independent auditors and For the approval of the amendment to the 2005 Long Term Stock Incentive Plan.

Stockholders of record at the close of business on March 15, 2010 are entitled to vote at the meeting or any adjournment thereof. Whether or not you plan to attend the meeting, you can ensure that your shares are represented at the meeting by promptly voting your Proxy by telephone, by internet, or by completing, signing, dating and returning your Proxy Card in the enclosed postage prepaid envelope. Instructions for each of these methods and the control number that you will need are provided on the Proxy Card. You may withdraw your Proxy before it is voted if you do so in the manner specified in the Proxy Statement. Alternatively, you may vote in person at the meeting. Directions to our offices where the meeting will be held are on the back cover of the Proxy Statement.

By Order of the Board of Directors

Gregory D. Wittrock  
Secretary

March 31, 2010

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 11, 2010.**

**This Proxy Statement and the Masco Corporation 2009 Annual Report to Stockholders are Available at:**

<http://www.ezodproxy.com/masco/2010>

---

## TABLE OF CONTENTS

<b><u>General Information</u></b>	1
<b><u>Election of Directors</u></b>	2
<b><u>Corporate Governance</u></b>	5
<u>Leadership Structure of the Board of Directors</u>	5
<u>Directors Independence</u>	6
<u>Board of Directors and Committees of the Board</u>	6
<u>Risk Oversight</u>	7
<u>Audit Committee</u>	7
<u>Organization and Compensation Committee</u>	7
<u>Corporate Governance and Nominating Committee</u>	7
<b><u>Compensation of Directors</u></b>	9
<b><u>Security Ownership of Management and Certain Beneficial Owners</u></b>	11
<b><u>Audit Committee Report</u></b>	13
<b><u>Compensation Discussion and Analysis</u></b>	14
<u>Analysis of 2009 Executive Compensation</u>	14
<u>Recent Changes</u>	16
<u>Leadership Transition</u>	17
<u>Compensation Principles, Objectives and Components</u>	17
<u>Cash Compensation</u>	18
<u>Equity Compensation</u>	18
<u>Restricted Stock Awards</u>	20
<u>Stock Options</u>	20
<u>Stock Ownership Requirement</u>	21
<u>Perquisites and Other Compensation</u>	21
<u>Retirement Programs</u>	22
<u>Change in Control</u>	23
<u>Compensation Practices and Procedures</u>	23
<u>Employment Contracts and Severance Arrangements</u>	23
<u>Comparative Compensation</u>	24
<u>Independent Consultant</u>	24
<u>Use of Tally Sheets</u>	25
<u>Annual Review Process</u>	25
<u>Internal Revenue Code, Section 162(m)</u>	25
<u>Conclusion</u>	25
<b><u>Compensation Committee Report</u></b>	26
<b><u>Compensation of Executive Officers</u></b>	27
<u>Summary Compensation</u>	27
<u>Grants of Plan-Based Awards</u>	28
<u>Outstanding Equity Awards at Fiscal Year-End</u>	29
<u>Option Exercises and Stock Vested</u>	31
<u>Retirement Plans</u>	31
<u>Supplemental Executive Retirement Plan</u>	32
<u>Qualified and Nonqualified Pension Plans</u>	32
<u>Pension Plan Table</u>	33
<u>Qualified and Nonqualified Defined Contribution Plans</u>	34
<u>Payments Upon Change in Control</u>	35

<u>Retirement Plans</u>	35
<u>Equity Plans</u>	36
<u>Other Arrangements</u>	36
<u>Payments Upon Disability, Death or Termination</u>	36
<u>Retirement Plans</u>	36
<u>Equity Plans</u>	37
<u>Other Arrangements</u>	37
<b><u>Certain Relationships and Related Person Transactions</u></b>	38
<b><u>Proposal to Approve the Amendment of the 2005 Long Term Stock Incentive Plan</u></b>	39
<u>The Importance of Equity Compensation</u>	39
<u>Historical Company Equity Usage</u>	40
<u>Non-Employee Directors Equity Program</u>	40
<u>Key Features of the 2005 Plan, as Amended by the 2010 Plan Amendment</u>	40
<u>Summary of the 2005 Long Term Stock Incentive Plan, as amended by the 2010 Plan Amendment</u>	41
<u>New Plan Benefits</u>	45
<u>Vote Required</u>	45
<u>Equity Compensation Plan Information</u>	45
<b><u>Proposal to Ratify Selection of Independent Auditors</u></b>	46
<b><u>PricewaterhouseCoopers LLP Fees</u></b>	46
<u>Principal Accountant Fees and Services</u>	46
<u>Audit Committee Pre-Approval Policies and Procedures</u>	46
<b><u>Section 16(a) Beneficial Ownership Reporting Compliance</u></b>	47
<b><u>2011 Annual Meeting of Stockholders</u></b>	47
<b><u>Delivery of Proxy Materials and Annual Reports</u></b>	48
<b><u>Other Matters</u></b>	48
<b><u>Appendix A</u></b>	
<u>Masco Corporation Director Independence Standards</u>	A-1
<b><u>Appendix B</u></b>	
<u>Masco Corporation 2005 Long Term Stock Incentive Plan (Amended and Restated May 11, 2010)</u>	B-1

---



**Table of Contents**

**PROXY STATEMENT**

**ANNUAL MEETING OF STOCKHOLDERS OF  
MASCO CORPORATION**

May 11, 2010

**GENERAL INFORMATION**

The Board of Directors of Masco Corporation is soliciting the enclosed Proxy for use at the Annual Meeting of Stockholders of Masco Corporation to be held at its offices at 21001 Van Born Road, Taylor, Michigan 48180, on Tuesday, May 11, 2010 at 10:00 A.M., and at any adjournment. This Proxy Statement and the enclosed Proxy are being mailed or otherwise made available to stockholders on or about April 1, 2010.

We are paying the expense of this solicitation. Our executive officers and other employees of Masco may solicit Proxies, without additional compensation, personally and by telephone and other means of communication. In addition, we have retained Morrow & Co., LLC, 470 West Avenue, Stamford, CT 06902 to assist in the solicitation of Proxies for a fee of \$12,000, plus expenses. We will reimburse brokers and other persons holding Masco common stock in their names or in the names of their nominees for their reasonable expenses in forwarding Proxies and Proxy materials to beneficial owners.

Stockholders of record at the close of business on March 15, 2010 are entitled to vote at the meeting. On that date, there were 360,521,623 shares of Masco common stock, \$1 par value, outstanding and entitled to vote. Each share of outstanding Masco common stock entitles the holder to one vote. We will conduct the meeting if a majority of the outstanding shares is represented in person or by proxy. Broker non-votes and abstentions will be counted toward the establishment of the quorum. A broker non-vote occurs when the shares that a nominee holds for a beneficial owner are represented at the meeting, but are not voted on a proposal because the nominee has not received specific instruction from the beneficial owner and the nominee does not have discretionary voting power to vote on the proposal.

You can ensure that your shares are voted at the meeting by submitting Proxy instructions by telephone, by internet, or by completing, signing, dating and returning the enclosed Proxy Card in the envelope provided. Submitting your Proxy by any of these methods will not affect your right to attend the meeting and vote. The telephone and internet voting procedures are designed to authenticate your identity, to allow you to give your voting instructions and to confirm that your instructions have been recorded properly. Specific instructions for stockholders of record (that is, stockholders who hold their shares in their own name) who wish to use the telephone or internet voting procedures are on the enclosed Proxy Card. You may revoke your Proxy at any time before it is exercised by voting in person at the meeting, by delivering a subsequent Proxy or by notifying us in writing of such revocation (Attention: Gregory D. Wittrock, Secretary, at 21001 Van Born Road, Taylor, Michigan 48180).

**Table of Contents**

**ELECTION OF DIRECTORS**

The Board of Directors is divided into three classes. The term of office of the Class I Directors, consisting of Dennis W. Archer, Anthony F. Earley, Jr. and Lisa A. Payne expires at this meeting. The Board proposes the re-election of Messrs. Archer and Earley and Ms. Payne.

Upon election of the Class I Directors nominated at the Annual Meeting, the terms of office of Class I, Class II and Class III Directors will then expire at the Annual Meeting of Stockholders in 2013, 2011 and 2012, respectively, or when their respective successors are elected and qualified. The Board of Directors expects that the persons named as proxies on the Proxy Card will vote the shares represented by each Proxy for the election of the above nominees as Directors unless a contrary direction is given. If prior to the meeting a nominee is unable or unwilling to serve as a Director, which the Board of Directors does not expect, the persons named as proxies will vote for such alternate nominee, if any, as may be recommended by the Board of Directors.

Our Bylaws provide that Directors are elected by a majority of votes cast (except in the case of contested elections, in which case Directors are elected by a plurality). In a majority vote, if the votes cast for a nominee exceed the votes cast against that nominee, the nominee is elected. Abstentions and broker non-votes will not affect the election since they are not treated as votes cast. Proxies cannot be voted for a greater number of persons than the number of nominees named.

Each nominee has tendered an irrevocable resignation that becomes effective if the majority of the votes cast are against such nominee and if within 90 days after the election results are certified, the Board of Directors (excluding nominees who did not receive a majority of votes for their election) accepts such resignation, which it will do in the absence of a compelling reason otherwise.

In addition to meeting the criteria that is described under Corporate Governance Corporate Governance and Nominating Committee each continuing director and nominee brings a strong and unique background and set of skills to the Board, giving the Board as a whole competence and experience in a wide variety of areas, including corporate governance and board oversight, executive management, finance and accounting, information technology, executive compensation, manufacturing, marketing, government relations, law and real estate development. Set forth below is a brief description of the skills and experience that each of our nominees and continuing directors brings to our Board.

**The Board of Directors recommends a vote FOR the election to the Board of Directors of each of the Class I Directors.**

**Name, Principal Occupation  
and Period of Service as a Director**

**Age, Business Experience,  
Directorships and Other Information**

**Class I (Nominees for Term Expiring at the Annual Meeting in 2013)**

Dennis W. Archer  
Chairman and CEO of Dennis W. Archer  
PLLC and Chairman Emeritus,  
Dickinson Wright PLLC, a Detroit,  
Michigan-based law firm. Director since  
2004.

Mr. Archer, 68, has served as Chairman and CEO of Dennis W. Archer  
PLLC since 2010. He has also served as Chairman Emeritus of Dickinson  
Wright PLLC since 2010, prior to which he was Chairman from 2002 -  
2009. Mr. Archer was President of the American Bar Association from  
2003 through 2004 and served two terms as Mayor of the City of Detroit,  
Michigan from 1994 through 2001. He was appointed as an Associate  
Justice of the Michigan Supreme Court in 1985 and in 1986 was elected to

an 8-year term. Mr. Archer is a director of Compuware Corporation and Johnson Controls, Inc. Mr. Archer's long and distinguished career as an attorney and a judge provides the Board with specific expertise and a unique understanding of litigation and other legal matters. As a result of his position as Mayor of Detroit, he has broad administrative and financial experience and is also knowledgeable in the area of governmental relations.

**Table of Contents**

**Name, Principal Occupation  
and Period of Service as a Director**

**Age, Business Experience,  
Directorships and Other Information**

Anthony F. Earley, Jr.  
Chairman of the Board and Chief  
Executive Officer, DTE Energy  
Company, a diversified energy company.  
Director since 2001.

Mr. Earley, 60, has served as Chairman of the Board and Chief Executive Officer of DTE Energy Company since 1998 and as President and Chief Operating Officer from 1994 to 2004. From 1989 to 1994, he served as President and Chief Operating Officer of Long Island Lighting Company, an electric and gas utility in New York. Prior to 1989, Mr. Earley held several other positions with Long Island Lighting, including Executive Vice President and General Counsel. He is a Director of DTE Energy Company and Ford Motor Company. During the past five years, Mr. Earley also served as a Director of Plug Power, Inc. and Comerica Incorporated. Mr. Earley's position as the CEO of DTE brings to the Board experience in leading large and complex business organizations. As a result of his leadership positions, he understands the priorities and perspectives of many different constituents that affect businesses, including government regulators, the investment community, employees and customers.

Lisa A. Payne  
Vice Chairman and Chief Financial  
Officer and Director of Taubman  
Centers, Inc., a real estate investment  
trust. Director since 2006.

Ms. Payne, 51, has served as Chief Financial Officer and Vice Chairman of Taubman Centers, Inc. since 2005, prior to which she served as the Executive Vice President and the Chief Financial and Administrative Officer of Taubman Centers, Inc. from 1997 to 2005. She has been a Director of Taubman Centers, Inc. since 1997. Ms. Payne was an investment banker with Goldman, Sachs & Co. from 1987 to 1997. She is a Trustee of Munder Series Trust and Munder Series Trust II, open-end management investment companies. Ms. Payne's past experience as an investment banker and her present position as CFO of Taubman Centers provide the Board with financial, accounting and corporate finance expertise. In addition, Ms. Payne's extensive experience in real estate investment, development and acquisition, gives her an informed and thorough understanding of certain macroeconomic impacts on the Company's business.

**Class II (Term Expiring at the Annual Meeting in 2011)**

Verne G. Istock  
Retired Chairman/President of Bank One  
Corporation. Director since 1997.

Mr. Istock, 69, joined NBD Bank in 1963 and served as Vice Chairman and Director of NBD Bank and its parent, NBD Bancorp, from 1985 until he was named Chairman and Chief Executive Officer in 1994. Upon the merger of NBD and First Chicago Corporation in December 1995, he was named President and Chief Executive Officer of First Chicago NBD Corporation and was elected Chairman in May 1996. Upon the merger of First Chicago NBD Corporation and Bank One Corporation in October 1998, he was named Chairman of the Board of Bank One Corporation, where he served in various executive positions, including Chief Executive Officer until his retirement in September 2000. Mr. Istock is a Director of Kelly Services, Inc. and Rockwell Automation, Inc. Mr. Istock brings exceptional business leadership skills to the Board. His significant experience in finance and banking gives him a comprehensive

understanding of credit and financial markets. His current service as a director of other publicly held companies provides the Board with important experience regarding corporate governance, executive compensation and other matters.

**Table of Contents**

<b>Name, Principal Occupation and Period of Service as a Director</b>	<b>Age, Business Experience, Directorships and Other Information</b>
<p>David L. Johnston President and Vice Chancellor of the University of Waterloo, Ontario, Canada. Director since 2003.</p>	<p>Professor Johnston, 68, has served as President and Vice Chancellor of the University of Waterloo since July 1999. Previously, he was Principal and Vice Chancellor of McGill University from 1979 through 1994, at which time he returned to teaching on McGill University's Faculty of Law. Professor Johnston began his professional career in 1966 as an Assistant Professor in the Faculty of Law at Queen's University, following which, in 1968, he moved to the Law Faculty of the University of Toronto. In 1974, he was named Dean of the Faculty of Law at the University of Western Ontario. Professor Johnston is a director of CGI Group Inc. and Fairfax Financial Holdings Limited. During the past five years, he also served as a Director of Alcatel. Mr. Johnston has extensive legal expertise, as evidenced by his authorship of books on Canadian securities law, and broad leadership skills. For over 14 years, Mr. Johnston served as a Director of Emco Limited, a large North American distributor of residential and commercial building products. His years of service on the board of Emco give him valuable knowledge and experience in the repair and remodel and new home construction markets.</p>
<p>J. Michael Losh Retired Chief Financial Officer and Executive Vice President of General Motors Corporation. Director since 2003.</p>	<p>Mr. Losh, 63, retired from General Motors Corporation in 2000 after 36 years of service in various capacities, most recently as Chief Financial Officer and Executive Vice President. He served as Interim Chief Financial Officer of Cardinal Health, Inc. from July 2004 until May 2005. He is a director of AMB Property Corporation, AON Corporation, CareFusion Corporation, H.B. Fuller Company and TRW Automotive Holdings Corp. During the past five years, he also served as a Director of Metaldyne Corporation and of Cardinal Health, Inc. prior to the spin-off of CareFusion Corporation. Based on his substantial finance and accounting expertise, Mr. Losh is the Chairman of the Company's audit committee. He has lengthy experience in key leadership roles in a manufacturing environment. He currently serves on the boards and audit committees of other publicly held companies, giving him valuable exposure to developments in accounting, financial reporting, board oversight responsibilities and corporate governance.</p>
<p>Timothy Wadhams President and Chief Executive Officer of the Company. Director since 2007.</p>	<p>Mr. Wadhams, 61, was elected President and Chief Executive Officer of the Company in 2007. He served as the Company's Senior Vice President and Chief Financial Officer from 2004 to July 2007, and previously served as the Company's Vice-President Finance and Chief Financial Officer from 2001 to 2004. Mr. Wadhams joined the Company in 1976 and served in several financial positions before transferring to an affiliated company in 1984, ultimately serving as Executive Vice President Finance and Administration and Chief Financial Officer of MascoTech, Inc. before returning to the Company in 2001. Mr. Wadhams' years of service in leadership positions at Masco and its affiliated companies gives him company specific knowledge in all areas important to the Company's</p>

performance including, among others, key markets, personnel, customer relationships, operations, marketing and finance.

4

---

**Table of Contents**

**Name, Principal Occupation  
and Period of Service as a Director**

**Age, Business Experience,  
Directorships and Other Information**

**Class III (Term Expiring at the Annual Meeting in 2012)**

Thomas G. Denomme  
Retired Vice Chairman and Chief  
Administrative Officer of Chrysler  
Corporation. Director since 1998.

Mr. Denomme, 70, served as Vice Chairman and Chief Administrative Officer of Chrysler Corporation from 1994 until he retired in December 1997, and as a director of Chrysler Corporation from 1993 through 1997. He joined Chrysler Corporation in 1980 and was elected Vice President Corporate Strategic Planning in 1981, Executive Vice President Corporate Staff Group in 1991, and Executive Vice President and Chief Administrative Officer in 1993. Previously, he held a number of positions at Ford Motor Company, including Director, Marketing Policy and Strategy Office and Director, Sales Operations Planning. Mr. Denomme has broad executive management experience in many different corporate functions including strategic planning, sales, operations and marketing. His many years in executive positions at large manufacturing companies operating in a cyclical industry give him insight into the challenges facing the Company. Mr. Denomme also serves as Chairman of the Board of Beaumont Hospitals.

Richard A. Manoogian  
Chairman of the Board. Director since  
1964.

Mr. Manoogian, 73, joined the Company in 1958 and was elected Vice President and a Director in 1964 and President in 1968. Mr. Manoogian served as Chief Executive Officer from 1985 until July 2007, when he was elected Executive Chairman. He retired as an employee effective as of June 30, 2009 to serve the Company solely as Chairman of the Board, a position he has held since 1985. He is a director of Ford Motor Company and during the past five years has served on the Boards of Directors of JPMorgan Chase & Co. and Metaldyne Corporation. Mr. Manoogian's long-term leadership of Masco gives him extensive Company and industry specific knowledge, including firsthand knowledge of the Company's operations and strategy as well as a deep understanding of the new home construction and the repair and remodel markets.

Mary Ann Van Lokeren  
Retired Chairman and Chief Executive  
Officer of Krey Distributing Company, a  
beverage distribution firm. Director since  
1997.

Ms. Van Lokeren, 62, served as the Chairman and Chief Executive Officer of Krey Distributing Company from 1987 through 2006 and previously as its Secretary upon joining the company in 1978. She is a director of The Laclede Group, Inc. During the past five years, she also served on the Boards of Directors of Commerce Bancshares, Inc. and D&K Healthcare Resources, Inc. Ms. Van Lokeren's nearly 20 years of experience as the Chairman and CEO of a large and successful distribution company gives her valuable insight into many functions of company leadership and management including personnel, marketing, customer relationships and overall business strategy. Her current and past service as a director of other public companies and non-profit organizations gives her a broad perspective on issues of corporate governance, executive compensation and board oversight.



**Table of Contents**

**CORPORATE GOVERNANCE**

The Board of Directors continues to focus on Masco's corporate governance principles and practices and is committed to maintaining high standards of ethical business conduct and corporate governance for Masco.

**Leadership Structure of the Board of Directors**

During 2009, Richard Manoogian retired from employment as Executive Chairman of the Company and now serves as Chairman of the Board as a non-employee Director. Prior to 2007, Mr. Manoogian served as both Chairman and Chief Executive Officer, and the non-employee directors selected Mr. Istock to serve as the Presiding Director. Mr. Istock continues to serve in that capacity. As a result of his long-term leadership of Masco, Mr. Manoogian has extensive Company specific knowledge as well as an exceptional understanding of the new home construction and the repair and remodel markets. He and Mr. Istock have a strong working relationship with each other and with the other members of the Board. Although the Board believes that this Board leadership structure is in the best interest of the Company and its stockholders at this time, the Board has no policy with respect to the separation of the roles of CEO and Chairman and believes that these are matters that should be discussed and determined by the Board from time to time, based on all of the then-current facts and circumstances. If the roles of Chairman and CEO are combined in the future, the role of Presiding Director would continue to be part of the Board leadership structure.

**Directors Independence**

Masco's Corporate Governance Guidelines require that a majority of our Directors qualify under the independence and experience requirements of applicable law and the New York Stock Exchange ( NYSE ). For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with Masco. The Board, pursuant to the recommendation of the Corporate Governance and Nominating Committee, adopted categorical independence standards to assist it in making a determination of independence for Directors. Masco's independence standards are posted on our website at [www.masco.com](http://www.masco.com) and are attached to this Proxy Statement as Appendix A.

The Board has made an affirmative determination that all of our non-employee Directors, other than Mr. Manoogian, are independent. The independent Directors are Messrs. Archer, Denomme, Earley, Istock and Losh, Professor Johnston, Ms. Payne and Ms. Van Lokeren. In making its independence determination for each non-employee Director, the Board reviewed all transactions, relationships and arrangements for the last three fiscal years involving each Director and the Company. With respect to Mr. Earley, the Board considered the annual amount of energy product sales to Masco by DTE Energy Company, where he serves as Chairman of the Board and Chief Executive Officer, and determined that the amount of sales in each fiscal year was significantly below 2% of that company's annual revenues. With respect to Messrs. Archer, Earley, and Istock and Ms. Payne, the Board considered the annual amount of Masco's discretionary charitable contributions to charitable organizations where those individuals serve as directors, and determined that those individuals were not active in the day-to-day operations of the charitable organizations and that Masco's contributions were significantly less than the greater of \$1 million or 2% of the respective organization's revenues.

**Board of Directors and Committees of the Board**

Standing committees of the Board of Directors include the Audit Committee, the Organization and Compensation Committee, and the Corporate Governance and Nominating Committee. Each member of each of these three committees qualifies as independent as defined in Masco's Corporate Governance Guidelines. These committees

function pursuant to written charters adopted by the Board. The full charters for these three committees, as well as Masco's Corporate Governance Guidelines and Masco's Code of Business Ethics, are posted on our website at [www.masco.com](http://www.masco.com) and are available to you in print from the website or upon request. Amendments to or waivers of the Code of Business Ethics, if any, will be posted on our website in accordance with applicable requirements. The information on our website is not a part of this Proxy Statement or incorporated into any other filings we make with the Securities and Exchange Commission (the SEC).

## **Table of Contents**

During 2009, the Board of Directors held five meetings and each Director attended at least 75% of the Board meetings and applicable committee meetings. It is the Company's policy to encourage Directors to attend the Annual Meeting of Stockholders. All but one of our Directors attended the 2009 Annual Meeting of Stockholders.

The non-employee Directors frequently meet in executive session without management. The independent Directors will meet at least once per year without Mr. Wadhams or Mr. Manoogian. Mr. Istock was selected by the non-employee Directors to serve as the Presiding Director for these executive sessions.

Any interested party that wishes to communicate directly with the Presiding Director or the non-employee Directors as a group may send such communication to: Presiding Director, Masco Board of Directors, in care of Gregory D. Wittrock, Secretary, Masco Corporation, 21001 Van Born Road, Taylor, Michigan 48180. Stockholders may also send communications to the full Board of Directors, in care of Mr. Wittrock, at the above address.

## ***Risk Oversight***

Management continually monitors four general categories of risk related to the Company's business: financial reporting risk, strategic risk, operational risk, and legal and compliance risk. At each of its meetings, the Audit Committee discharges its oversight of financial reporting risk through review and discussion of management's reports and analyses of financial reporting risk, and risk management practices. At a majority of its meetings, the Audit Committee also reviews and discusses certain additional financial and non-financial risks which are most germane to the Company's business activities. The entire Board discharges its oversight of risk through an annual review and discussion of a comprehensive report and analysis prepared by management on material risks facing the Company, including strategic risk, operational risk and legal and compliance risk. As required, the Compensation Committee considers risk issues related to compensation. Our President and Chief Executive Officer, as the head of our management team and a member of the Board, assists the Board in its risk oversight function, and leads those discussions.

## ***Audit Committee***

The Audit Committee of the Board of Directors, currently consisting of Messrs. Archer, Denomme, Earley, Istock and Losh and Ms. Payne, held five meetings during 2009. The Audit Committee assists the Board in its oversight of the integrity of our financial statements, the effectiveness of the Company's internal control over financial reporting, the qualifications, independence and performance of our independent auditors, the performance of our internal audit function, and our compliance with legal and regulatory requirements, including employee compliance with our Code of Business Ethics.

The Board has determined that each member of the Audit Committee is financially literate and that at least five members of the Audit Committee, Messrs. Denomme, Earley, Istock, Losh and Ms. Payne, qualify as audit committee financial experts as defined in Item 407(d)(5)(ii) of Regulation S-K. Although Mr. Losh serves on the audit committee of more than three publicly traded companies, the Board has determined that such service does not impair his ability to serve on Masco's Audit Committee.

Interested parties may send complaints relating to accounting, internal accounting controls or auditing matters to the Chairman of the Masco Audit Committee, in care of Gregory D. Wittrock, Secretary, Masco Corporation, 21001 Van Born Road, Taylor, Michigan 48180.

## ***Organization and Compensation Committee***

The Organization and Compensation Committee of the Board of Directors (the Compensation Committee ), currently consisting of Messrs. Earley, Istock and Losh, Professor Johnston and Ms. Van Lokeren, held six meetings during 2009. The Compensation Committee determines executive compensation, evaluates the performance of Masco s management, determines and administers restricted stock awards and options granted under our stock incentive plan and directs Masco s succession planning process. The Compensation Committee exercised its authority to engage independent outside advisors and, for the past five years, has retained Hewitt Associates, a global human resource consulting firm. Information about the Compensation Committee s process and procedures

**Table of Contents**

for consideration and determination of executive compensation, including further discussion of the role of Hewitt Associates, is presented in Compensation Discussion and Analysis below.

***Corporate Governance and Nominating Committee***

The Corporate Governance and Nominating Committee of the Board of Directors, currently consisting of Messrs. Archer, Denomme, and Istock, Professor Johnston, Ms. Payne and Ms. Van Lokeren, held three meetings during 2009. The Corporate Governance and Nominating Committee advises the Board on the governance structure and conduct of the Board and has responsibility for developing and recommending to the Board appropriate Corporate Governance Guidelines. In addition, the Committee identifies qualified individuals for nomination to the Board, recommends Directors for appointment to Board committees and evaluates current Directors for re-nomination to the Board or re-appointment to Board committees.

The Committee periodically assesses Board composition, including whether any vacancies are expected on the Board due to retirement or otherwise. The Corporate Governance and Nominating Committee believes that Directors should possess exemplary personal and professional reputations, reflecting high ethical standards and values. The expertise and experience of Directors should provide a source of advice and guidance to Masco's management. A Director's judgment should demonstrate an inquisitive and independent perspective with acute intelligence and practical wisdom. Directors should be free of any significant business relationships which would result in a potential conflict in judgment between the interests of Masco and the interests of those with whom Masco does business. Each Director should be committed to serving on the Board for an extended period of time and to devoting sufficient time to carry out the Director's duties and responsibilities in an effective manner for the benefit of our stockholders. The Committee also considers additional criteria adopted by the Board for Director nominees and the independence, financial literacy and financial expertise standards required by applicable law and by the NYSE.

Neither the Board nor the Committee has adopted a formal Board diversity policy. However, the Committee periodically considers, as part of its assessment of Board composition and evaluation of potential candidates for Board membership, whether the Board is comprised of individuals who hold diverse viewpoints, professional experiences, education and other skills and attributes which are necessary to enhance Board effectiveness. In addition, the Committee believes that it is desirable for Board members to possess diverse characteristics of race, national and regional origin, ethnicity, gender and age, and considers such factors in the Committee's evaluation of candidates for Board membership.

The Committee uses a number of sources to identify and evaluate nominees for election to the Board. It is the Committee's policy to consider Director candidates recommended by stockholders. These candidates are evaluated at regular or special meetings of the Committee, and all candidates, including those recommended by stockholders, are evaluated against the same criteria as described above or any others established by the Committee or the Board. Stockholders wishing to have the Committee consider a candidate should submit the candidate's name and pertinent background information to Gregory D. Wittrock, Secretary, Masco Corporation, 21001 Van Born Road, Taylor, Michigan 48180. Stockholders who wish to nominate Director candidates for election to the Board should follow the procedures set forth in our charter and Bylaws. For a summary of these procedures, see 2011 Annual Meeting of Stockholders below.

**Table of Contents**

**COMPENSATION OF DIRECTORS**

Our compensation program for non-employee Directors includes both cash compensation and equity compensation designed to support their focus on long-term stockholder value and to recognize their long-term commitment to serve the Company. As Chairman of the Board, Mr. Manoogian receives a cash retainer at an annual rate of \$350,000. All non-employee Directors (including Mr. Manoogian) receive an annual retainer of \$80,000, of which one-half is paid in cash. In order to more closely align the compensation of non-employee Directors with the long-term enhancement of stockholder value, the other half of the retainer is paid by means of restricted stock granted under our 2005 Long Term Stock Incentive Plan in accordance with our Non-Employee Directors Equity Program (the Directors Equity Program ). Grants of restricted stock vest in 20% equal annual installments over a five-year period. A new non-employee Director is given an initial grant of restricted stock valued at one-half of the Director's total retainer for the initial five years of anticipated service on the Board (subject to adjustment for partial years and for any increase in the annual retainer during the five-year period). After full vesting of the initial grant, each non-employee Director thereafter receives an annual grant of restricted stock valued at one-half of the annual retainer. These grants vest over the succeeding five years.

The Directors Equity Program also provides for the grant to each non-employee Director on the date of each Annual Meeting of Stockholders of a non-qualified stock option to purchase 8,000 shares of Masco common stock at the fair market value on the date of grant. In addition, each new non-employee Director receives a one-time non-qualified stock option grant of 32,000 shares under our 2005 Long Term Stock Incentive Plan. All of these options become exercisable in equal annual installments on the first five anniversaries of the grant date. Each option has a ten-year term for exercise, except that options may generally be exercised for only a limited period of time following death or, for options granted before October 27, 2005, following termination of service as a non-employee Director for any reason other than permanent and total disability or retirement on or after Masco's normal retirement age for Directors. Mr. Manoogian did not receive the initial one-time option granted to new employee directors. Mr. Wadhams, who is an employee of the Company, does not receive additional compensation for his service as a Director.

The Directors Equity Program restricts Directors from engaging in certain competitive activities while serving as a Director and for one year following termination of service as a Director. Upon breach of this non-compete agreement, we may require the Director to pay us certain amounts realized from awards of restricted stock and option exercises, to the extent realized on or after termination or within two years prior to termination.

The Board has established stock ownership guidelines for non-employee Directors that require Directors to retain at least 50% of the shares of restricted stock they receive until their termination from service as a Director. The vesting arrangements and stock retention requirement are intended to assure that non-employee Directors maintain a financial interest in Masco over an extended period of time.

We provide a few additional benefits to Directors. Non-employee Directors are eligible to participate in our matching gifts program (on the same terms as generally available to our employees) pursuant to which we will match gifts made to eligible 501(c)(3) tax-exempt organizations up to an aggregate of \$5,000 for each participant. In addition, if space is available, a Director's spouse is permitted to accompany a Director who travels to attend Board or committee meetings on Company aircraft. We have permitted, on an infrequent basis, non-employee Directors' personal use of Company aircraft. Except for Mr. Manoogian, no such use occurred during 2009. Directors are also eligible to participate in our employee purchase program, which is generally available to our employees and enables them to obtain rebates with respect to our products purchased for their personal use. Former non-employee Directors who make themselves available for consulting receive an amount equal to the cash portion of the Director's fee for the remainder of the calendar year in which their service on the Board ends and \$50,000 per year for two calendar years thereafter. For a

description of the arrangement between Mr. Manoogian and the company, see Compensation Discussion and Analysis Compensation Principles, Objectives and Components Perquisites and Other Compensation.

The following table shows 2009 compensation for our Directors, other than Mr. Wadhams, who is also a Masco employee and receives no additional compensation for his service as Director, and Mr. Manoogian, who retired from his position as Executive Chairman of Masco Corporation effective June 30, 2009 and continued his position as Chairman of the Board. The compensation shown in the 2009 Summary Compensation Table for Mr. Manoogian

**Table of Contents**

includes: \$175,000 of Chairmanship fees; \$20,000 cash retainer; \$4,500 for meeting fees; and \$36,696 of restricted stock awards related to his position as Chairman of the Board from July 1, 2009 through December 31, 2009; and \$65,561 for personal use of the Company aircraft from July 1, 2009 through December 31, 2009.

**2009 Director Compensation**

<b>Name</b>	<b>Cash Fees Earned(1)</b>	<b>Stock Awards(2)(3)</b>	<b>Option Awards(2)(4)</b>	<b>Total(5)</b>
Dennis W. Archer	\$ 59,500	\$ 39,980	\$ 27,790	\$ 127,270
Thomas G. Denomme	\$ 56,500	\$ 39,980	\$ 27,790	\$ 124,270
Anthony F. Earley, Jr.	\$ 64,000	\$ 39,980	\$ 27,790	\$ 131,770
Verne G. Istock	\$ 76,000	\$ 39,980	\$ 27,790	\$ 143,770
David L. Johnston	\$ 61,000	\$ 39,980	\$ 27,790	\$ 128,770
J. Michael Losh	\$ 79,000	\$ 39,980	\$ 27,790	\$ 146,770
Lisa A. Payne	\$ 59,500	\$ -0-	\$ 27,790	\$ 87,290
Mary Ann Van Lokeren	\$ 70,500	\$ 39,980	\$ 27,790	\$ 138,270

- (1) The amounts shown in this column include the annual cash retainer of \$40,000, meeting fees (\$1,500 per Board or Committee meeting attended in person or by telephone), and chairmanship fees (\$15,000 for Mr. Losh as chairman of the Audit Committee, \$12,500 for Ms. Van Lokeren as chairperson of the Compensation Committee, and \$7,500 for Mr. Istock as chairman of the Corporate Governance and Nominating Committee).
- (2) These columns reflect the grant date fair value of the awards on the date issued. The Directors have no assurance that they will realize the amounts reflected in this table. For restricted stock awards, the Directors only realize the value of the long-term incentive restricted stock awards over an extended period of time because the scheduled vesting of awards generally occurs pro rata over five years from the date of grant. Actual gains, if any, on stock option exercises will depend on overall market conditions and the future performance of Masco and its common stock. Ms. Payne did not receive a restricted stock award in 2009 because her initial stock award (valued at one-half of the Director's retainer for five years) will not fully vest until 2012.
- (3) The aggregate number of shares of unvested restricted stock outstanding as of December 31, 2009 for each Director listed in the table was: 3,990 shares for Mr. Archer; 6,386 shares for Mr. Denomme; 7,186 shares for Mr. Earley; 6,878 shares for Mr. Istock; 6,386 shares for Professor Johnston; 6,386 shares for Mr. Losh; 4,140 shares for Ms. Payne; and 6,878 shares for Ms. Van Lokeren.
- (4) The aggregate number of stock options outstanding as of December 31, 2009 for each Director listed in the table was: 72,000 shares for Mr. Archer; 80,000 shares for Mr. Denomme; 104,000 shares for Mr. Earley; 112,000 shares for Mr. Istock; 80,000 shares for Professor Johnston; 80,000 shares for Mr. Losh; 56,000 shares for Ms. Payne; and 112,000 shares for Ms. Van Lokeren.
- (5) During 2009, no Director listed in the table above received any perquisite that is required to be disclosed.



**Table of Contents**

**SECURITY OWNERSHIP OF MANAGEMENT  
AND CERTAIN BENEFICIAL OWNERS**

The following table shows the beneficial ownership of Masco common stock as of March 17, 2010 by (i) each of the Directors, (ii) each named executive officer in the Summary Compensation Table, (iii) all 15 of our Directors and current executive officers as a group, and (iv) all persons whom we know to be beneficial owners of five percent or more of Masco common stock. Except as indicated below, each person exercises sole voting and investment power with respect to the shares listed.

Name	Shares of Common Stock Beneficially Owned(1)	Percentage of Voting Power Beneficially Owned
William T. Anderson(2)	368,184	*
Dennis W. Archer	64,590	*
Donald J. DeMarie, Jr.	932,321	*
Thomas G. Denomme	97,600	*
Anthony F. Earley, Jr.(3)	104,080	*
Charles F. Greenwood	223,867	*
Verne G. Istock	129,150	*
David L. Johnston	75,970	*
J. Michael Losh(4)	84,970	*
Richard A. Manoogian(5)	13,046,142	3.6%
Lisa A. Payne	37,380	*
Barry J. Silverman	344,807	*
John G. Szniewajs	507,546	*
Mary Ann Van Lokeren	125,650	*
Timothy Wadhams	1,999,228	*
All 15 current Directors and executive officers of Masco as a group(6)	17,950,984	4.9%
Capital World Investors(6) (a division of Capital Research and Management Company) 333 S. Hope Street Los Angeles, CA 90071	26,256,013	7.3%
BlackRock, Inc.(7) 40 East 52nd Street, New York, NY 10022	20,695,510	5.8%
FMR LLC(8) 82 Devonshire Street, Boston, MA 02109	52,767,210	14.7%

\* Less than one percent

(1) Includes unvested restricted stock award shares held under our stock incentive plans (113,089 shares for Mr. Anderson; 3,192 shares for Mr. Archer; 368,264 shares for Mr. DeMarie; 4,872 shares for each of Messrs. Denomme and Losh and Professor Johnston; 5,354 shares for Mr. Earley; 70,835 shares for Mr. Greenwood; 5,200 shares for each of Mr. Istock and Ms. Van Lokeren; 402,221 shares for Mr. Manoogian;

2,760 shares for Ms. Payne; 127,807 shares for Mr. Silverman; 155,588 shares for Mr. Szniewajs; 511,365 shares for Mr. Wadhams; and 1,711,762 shares for all of our Directors and current executive officers as a group) and shares which may be acquired on or before May 16, 2010 upon exercise of stock options issued under our stock incentive plans (232,291 shares for Mr. Anderson; 56,000 shares for Mr. Archer; 508,560 shares for Mr. DeMarie; 64,000 shares for Messrs. Denomme and Losh and Professor Johnston; 88,000 shares for Mr. Earley; 138,684 shares for Mr. Greenwood; 96,000 shares for each of Mr. Istock and Ms. Van Lokeren; 4,373,600 shares for Mr. Manoogian; 28,800 shares for Ms. Payne; 217,000 shares for Mr. Silverman; 304,699 shares for Mr. Szniewajs; 1,161,159 shares for Mr. Wadhams; and 7,358,178 shares for all of our Directors and current executive officers as a group). Holders have sole voting, but no investment power over unvested restricted shares and have neither voting nor investment power over unexercised option shares.

- (2) Includes 440 shares owned by Mr. Anderson's wife as to which he disclaims beneficial ownership.
- (3) Mr. Earley shares with his wife voting and investment power over the shares of Company common stock directly owned by him.

**Table of Contents**

- (4) Mr. Losh shares with his daughters investment power over 6,000 shares. He disclaims beneficial ownership of such 6,000 shares.
- (5) Shares owned by Mr. Manoogian and by all of our Directors and executive officers as a group include in each case an aggregate of 2,293,100 shares owned by charitable foundations for which Mr. Manoogian serves as a director or officer, and 3,000 shares held by trusts for which Mr. Manoogian serves as a trustee. The directors and officers of the foundations and the trustees share voting and investment power with respect to shares owned by the foundations and trusts, but Mr. Manoogian disclaims beneficial ownership of such shares. Excluding unvested restricted stock, shares which he has a right to acquire, and shares owned by a charitable foundation or trust, substantially all of the shares directly owned by Mr. Manoogian have been pledged.
- (6) Based on a Schedule 13G dated February 5, 2010 and filed with the SEC, at December 31, 2009, Capital World Investors is deemed to beneficially own and have the power to dispose of an aggregate of 26,256,013 shares of Masco common stock, and to have sole voting power over 775,000 of such shares. Capital World Investors disclaims beneficial ownership of all of these shares.
- (7) Based on a Schedule 13G dated January 20, 2010 and filed with the SEC, at December 31, 2009, BlackRock, Inc. beneficially owned 20,695,510 shares of Masco common stock, with sole voting power and sole dispositive power over all of the shares.
- (8) Based on a Schedule 13G dated February 12, 2010 and filed with the SEC, at December 31, 2009, these shares of Masco common stock were beneficially owned by FMR LLC and certain of its affiliates. FMR LLC reported that it and certain of its affiliates have sole power to dispose or direct the disposition of 52,767,210 shares and sole power to vote or direct the vote on 4,629,270 shares.

**Table of Contents**

**AUDIT COMMITTEE REPORT**

The Audit Committee assists the Board of Directors in fulfilling its responsibility for oversight of the integrity of the Company's financial statements, the effectiveness of the Company's internal control over financial reporting, the qualifications, independence and performance of the Company's independent registered public accounting firm ( independent auditors ), the performance of the Company's internal audit function, and compliance by the Company with legal and regulatory requirements and by employees and officers with the Company's Code of Business Ethics. Management has the primary responsibility for the financial statements and the reporting process, including the Company's system of internal control over financial reporting. In discharging its oversight responsibility as to the audit process, the Audit Committee reviewed and discussed with management the audited financial statements of the Company as of and for the year ended December 31, 2009, including a discussion of the quality and the acceptability of the Company's financial reporting and disclosure controls and procedures and internal control over financial reporting, as well as the selection, application and disclosure of critical accounting policies.

The Audit Committee obtained from the Company's independent auditors, PricewaterhouseCoopers LLP, the letter required by Rule 3526 of the Public Company Accounting Oversight Board Communication with Audit Committees Concerning Independence, and discussed with the independent auditors any relationships that may impact their objectivity and independence and satisfied itself as to PricewaterhouseCoopers LLP's independence. The Audit Committee considered and determined that such independent auditors' provision of non-audit services to the Company is compatible with maintaining their independence. The Audit Committee reviewed various matters with the independent auditors, who are responsible for expressing an opinion on the Company's financial statements as of and for the year ended December 31, 2009, and the effectiveness of the Company's internal control over financial reporting, based on their audit. The Audit Committee met with the independent auditors and discussed the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, AICPA Professional Standards, Vol. 1 (AU Section 380) as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee also met with the independent auditors without management present.

Based on the above-mentioned reviews and discussions with management and the independent auditors, the Audit Committee recommended to the Board of Directors that the Company's financial statements as of and for the year ended December 31, 2009 be included in its Annual Report on Form 10-K for the year ended December 31, 2009 for filing with the SEC. The Audit Committee also reappointed PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm, which shareholders are being asked to ratify.

J. Michael Losh, Chairman  
Dennis W. Archer  
Thomas G. Denomme  
Anthony F. Earley, Jr.  
Verne G. Istock  
Lisa A. Payne

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

We are committed to maintaining executive compensation programs that promote the long-term interests of our stockholders by attracting and retaining talented senior corporate executives and motivating them to work collaboratively to achieve our business objectives. Our programs therefore stress compensation which to a significant degree is contingent on corporate performance and the price of Masco common stock, particularly over the long-term. The primary components of our executive compensation are base salary, a performance-based cash bonus, performance-based restricted stock awards and stock options. Our executive officers participate in retirement programs and other group benefits generally available to all U.S. salaried employees, and certain executive officers have access to a limited number of additional benefits. Our executive officers do not have employment or severance agreements.

**Analysis of 2009 Executive Compensation**

2009 was another extremely challenging year. We continued to experience declines in revenues reflecting the unprecedented conditions in global economies and financial markets. The tightening of credit resulting from the financial crisis combined with a global recession and home foreclosures impacted our home improvement and new home construction markets. Management continued to respond to this challenge by balancing necessary strategic rationalizations including business consolidations, plant closures, headcount reductions, system implementations and other cost savings initiatives while at the same time investing in our business to position the Company for long-term growth.

As a result of the global disruptions in the financial markets and limitations in credit availability that began in the fourth quarter of 2008, liquidity preservation and strong cash flow became increasingly important. During 2009 management significantly increased our financial flexibility by:

Generating over \$550 million of free cash flow (cash from operations after capital expenditures and before dividends); and

Successfully amending our 5-year bank credit facility.

We ended the year with over \$1.4 billion of cash on the balance sheet and \$1.2 billion of borrowing capacity. Management's successful focus on cash flow during 2009 ensured the Company's ability to sustain its business strategies during a critical time and to benefit from new growth opportunities that may arise as the economy recovers. Our strong cash position also provides us with flexibility with respect to our existing debt obligations.

Management also successfully offset the effect of a substantial portion of the decrease in sales volume related to the decline in the home improvement and new home construction markets on our financial results. New product introductions and market share gains added important and profitable sales, while aggressive cost management mitigated the effect of the net decline in our revenues on our operating profit. With sales declines of \$1.7 billion in 2009, we would normally anticipate an operating profit decline of approximately \$500 million based on our Company-wide contribution margin of approximately 30 percent. Instead our operating profit, excluding impairment charges for goodwill and other intangible assets, only declined \$240 million, or 14 percent of the sales decline, as we offset the impact of the volume declines on our profitability by improving the relationship between selling prices and commodity costs and significantly reducing our operating costs. We estimate that the Company's fixed cost structure has been reduced by over \$400 million, on a gross basis, from December 31, 2006 to December 31, 2009.

In addition to strategic rationalization and the continued emphasis on cash generation, during the past year our management provided the leadership to identify, direct and encourage initiatives at our business units that will position us to benefit from future opportunities as the recovery takes shape. Management has also led a focused effort to strengthen our brands and improve our ability to execute our business models. The implementation of the Masco Business System (MBS) across our business units provides a more disciplined approach to managing our businesses and has enhanced our long-range planning process. MBS emphasizes five core capabilities: customer focus, innovation, lean, quality and talent, which we believe are fundamental to our long-term success. MBS is already having a positive impact on our businesses as we enhance our understanding of customer and end-consumer needs, improve product quality and incorporate sustainability into our operations and products. As a result, we have a robust pipeline of innovative new products. In addition, we are also improving our operational performance by

**Table of Contents**

emphasizing process and productivity improvements, simplifying organizational structure, rationalizing supply chains and enhancing our talent management process.

In the first quarter of each year, senior management and the Organization and Compensation Committee of the Board of Directors (the Committee) review the Company's operating forecast for the year, taking into account general economic and industry market conditions. As a result of that review, the Committee approves a graduated schedule of performance targets for compensation related to the annual cash bonus and the annual restricted stock incentive programs. Before 2009, earnings per share had historically been the only measure used by the Committee for setting performance targets for incentive compensation. In early 2009, in light of the economic conditions discussed above and the resulting importance of liquidity and strong cash flow, the Committee set both cash flow and earnings per share as incentive plan performance targets for 2009 and weighted them equally.

In March 2009 when it established the 2009 cash bonus and restricted stock award schedule, the Committee expected that the adverse impact of declining housing starts and decreased consumer spending for home improvement products would be even greater in 2009 than it had been in 2008. The schedule established for 2009 provided for bonuses and stock awards ranging from the maximum opportunity level of 200% of target, if adjusted earnings per common share were at least \$0.50 and positive cash flow was at least \$425 million, to 0% if we failed to have positive earnings and positive cash flow of at least \$175 million. The maximum bonus and stock award we would pay under this schedule was capped even if our performance exceeded the maximums.

Despite the difficult business environment in 2009, we were successful in generating over \$550 million of free cash flow (cash from operations after capital expenditures and before dividends) and we exceeded our earnings per common share target. While the Committee may exercise negative discretion to reduce bonuses and restricted stock awards regardless of the earnings and cash flow results actually attained, the Committee did not elect to do so. The earnings per common share and cash flow performance measures and results are shown in tabular format below, dollars in millions, except per common share amounts.

	Potential Payout			Weighting	Actual Payout as % of Target
	Target	Maximum	Actual As Reconciled		
<b>Performance Metrics</b>	<b>100%</b>	<b>200%</b>			
Earnings Per Common Share	\$ 0.0	\$ 0.50	\$ 0.21	50%	71%
Cash flow (in millions)	\$ 250	\$ 425	\$ 492	50%	100%
					171%

Cash flow is defined as reported cash flow from operations, less any capital expenditures, prior to the payment of cash dividends, and is adjusted to exclude the effects of special charges, gains and losses from corporate divestitures and certain other non-operating income and expenses. Reported earnings per common share is adjusted in establishing this schedule to exclude the effects of special charges, gains and losses from corporate divestitures, certain other non-operating income and expenses and the benefit resulting from any stock repurchases in excess of a predetermined amount.

The Committee determined that the maximum performance level was achieved with respect to the cash flow metric. With respect to earnings per common share, the Committee determined that 71% of the maximum level was achieved.

Since the two metrics were equally weighted, the Committee authorized cash bonus payments and restricted stock awards to our named executive officers at 171% of their target amounts.



**Table of Contents**

The following table summarizes minimum, target and maximum cash bonus opportunities as a percent of annual salary for the Executive Officers who appear in the Summary Compensation Table and who are currently active employees of the Company. The table also shows the cash bonus and restricted stock award payouts in February 2010, as a percent of annual salary based on 2009 performance.

<b>Active Named Executive Officer</b>	<b>Minimum Cash Bonus &amp; Annual Stock Award (as % of Annual Salary)</b>	<b>Target Cash Bonus &amp; Annual Stock Award (as % of Annual Salary)</b>	<b>Maximum Cash Bonus &amp; Annual Stock Award (as % of Annual Salary)</b>	<b>Actual 2009 Bonus &amp; Stock Award Paid (as % of Annual Salary)</b>
Timothy Wadhams President and Chief Executive Officer	0%	150%	300%	256%
John G. Szniewajs Vice President, Treasurer and Chief Financial Officer	0%	65%	130%	112%
Donald J. DeMarie, Jr. Executive Vice President and Chief Operating Officer	0%	100%	200%	171%
William T. Anderson Vice President Controller	0%	65%	130%	112%
Charles F. Greenwood Vice President Human Resources	0%	65%	130%	112%

In March 2010, the Committee again decided to tie 50% of the cash bonus and stock award opportunity to earnings per common share and 50% to cash flow for the fiscal 2010 incentive compensation plan.

**Recent Changes**

During the past several years, we have been strongly committed to increasing our focus on performance-based compensation while reducing the emphasis on fixed compensation such as annual base salary and executive defined benefit pension plans. Executive management and the Committee regularly review compensation practices and recommend and make changes when we believe that such changes are consistent with Company goals. The following is a summary of some of the recent changes.

After undertaking a comprehensive review of all of the Company's retirement plans, the Committee approved management's recommendation to freeze our Supplemental Executive Retirement Plan (SERP), Benefit Restoration Plan (BRP) and qualified defined benefit pension plans for all U.S. employees effective January 1, 2010. This means that participants will keep benefits earned but will not accrue additional benefits (other than vesting service if less than 100% vested) past that date. In place of the defined benefit plans, we generally implemented employer matching contributions to our 401(k) plans, and introduced an additional contribution element to our performance-based profit sharing plans. These changes are consistent with our emphasis on

performance-driven compensation over fixed compensation, while maintaining competitive retirement benefits.

After generally implementing a 5% base salary reduction for executive officers in July 2008, we continued to freeze all executive base salaries in 2009. We also generally froze base salaries for Masco salaried employees in 2009. During the past several years, we have significantly reduced the percentage of total compensation represented by base salary and have increased performance-based compensation opportunities. In five of the last seven years our executive officers did not receive increases in base salary, except in connection with promotions or, in one case, when a salary was determined to be well below the competitive market level.

As part of its review of compensation in early 2010, the Committee, after consulting with its independent advisor, decided to change the general vesting policy on restricted stock awards to a five-year schedule effective January 1, 2010. Vesting will now occur in 20% installments over five years for restricted stock

**Table of Contents**

awards. This is the same vesting schedule that is used for Masco stock options. Restricted stock awards formerly vested over a 10-year period and those awards made before 2010 will not be impacted by this change. In making this change, the Committee compared the length of the vesting schedules for companies both within and outside our peer group, and determined that five-year vesting, while still longer than at most companies, better positions the Company to competitively attract and retain top talent.

**Leadership Transition**

During 2007, Richard Manoogian transitioned from Chairman and Chief Executive Officer to Executive Chairman. In June of 2009, Mr. Manoogian retired from employment and now serves as Chairman of the Board in a non-employee Director capacity. As discussed earlier under the heading, Corporate Governance, although the Board believes that this Board leadership structure is in the best interests of the Company at this time, the Board has no policy with respect to the separation of the positions of Chairman and CEO or with respect to whether the Chairman should be a member of management or a non-employee director, and believes that these are matters that should be discussed and determined by the Board from time to time, based on all then-current facts and circumstances.

**Compensation Principles, Objectives and Components**

One of the critical responsibilities of the Board of Directors and senior management is to maintain a strong leadership team. We seek to attract and retain individuals who possess the outstanding personal qualities and experience essential to executive effectiveness and the ability to drive our company-wide performance. These individuals are in demand by competitors within our industry as well as by others, and they usually have alternative employment opportunities. While non-monetary factors may provide significant motivation for such individuals, financial considerations are often persuasive in career decisions. Consequently, we must offer opportunities and compensation programs that are attractive to the individual and at the same time are consistent with the long-term interests of our stockholders. It is important that we retain executives who can effectively lead our businesses, particularly in difficult times.

Our approach to executive compensation emphasizes corporate rather than individual performance, echoing our operating strategy which encourages collaboration and cooperation among our business and corporate functions for the overall benefit of Masco. We retain flexibility for individuals to receive special recognition through adjustment of base salary or special equity awards as a result of their individual contributions, increased responsibilities and promotions. We also believe that the effectiveness of our executive compensation programs requires not only objective, formula-based arrangements but also the exercise of discretion and sound business judgment by senior management and by the Compensation Committee.

Considering our compensation principles, our industries, and the important role of compensation in maintaining a talented executive team, we include the following components and have developed the following objectives for our executive compensation programs.

<b>Compensation Element</b>	<b>Objective</b>	<b>Key Features</b>
Base Salary	To provide a minimum, base level of cash compensation	5% salary reduction for executive officers in July 2008. Executive salaries frozen in 2009.
Annual Cash Bonus Opportunity	To emphasize annual performance and drive our executives to achieve our key	These performance-based bonuses are tied to specific annual earnings per common

business objectives.

share and cash flow targets set by the Committee at the beginning of the year.

The maximum bonus opportunity is:

Mr. Wadhams: 300% of annual base salary

Mr. DeMarie: 200% of annual base salary

Other executive officers: 130% of annual base salary.

**Table of Contents**

<b>Compensation Element</b>	<b>Objective</b>	<b>Key Features</b>
Annual Restricted Stock Award Opportunity	To emphasize annual and long-term performance and to align our executive's interests with those of stockholders.	<p>These performance-based awards are generally tied to the same annual earnings per share and cash flow targets that apply for cash bonuses.</p> <p>For all executive officers, the maximum stock award metrics are the same as the cash bonus opportunity.</p> <p>Effective 2010, awards will generally vest 20% per year over 5 years. Awards granted before 2010 generally vest 10% per year over 10 years.</p>
Annual Stock Option Grant	To motivate and reward executives for improving the share price and to align their long-term interests with those of stockholders.	No precise formula is used for determining the grant of stock options. Grants are made with a view to making the executive's target total compensation competitive with target compensation for executives holding similar positions at our peer companies.
	To maintain the competitiveness of our total compensation package.	Options generally vest 20% per year over 5 years and may be exercised up to 10 years after the date of grant, after which time unexercised options are forfeited.
Retirement Programs	To provide retirement income for the executive officers that supplements social security and an individual's personal asset accumulation.	<p>The Company has frozen the SERP and other qualified and non-qualified defined-benefit retirement plans as of January 1, 2010. Participants will keep benefits earned but will not accrue additional benefits (other than continued vesting) after the freeze date.</p> <p>We have implemented employer matching contributions to our 401(k) plans and introduced an additional contribution element to our performance-based profit sharing plans.</p>

***Cash Compensation***

After generally implementing a 5% base salary reduction for executive officers in July 2008, we continued to freeze all executive base salaries in 2009. We also generally froze base salaries for Masco salaried employees in 2009. During the past several years, we have reduced the percentage of total compensation represented by base salary and have increased performance-based compensation opportunities. In five of the last seven years our executive officers did not receive increases in base salary, except in connection with promotions or, in one case, when a salary was determined to be well below the competitive market level.

As a result of our emphasis on pay-for-performance, variable compensation represents a relatively large percentage of aggregate compensation; variable elements in 2009 (excluding stock options) totaled 86% for Mr. Wadhams, 80% for Mr. DeMarie, and 72% for all other named executive officers.

***Equity Compensation***

For many years, we have recognized that having an ownership interest in the Company is critical to aligning the interests of our leadership and key employees with the interests of our stockholders. Accordingly, common stock has been a major part of long-term compensation for our executives and other key employees, and we have

**Table of Contents**

established minimum stock ownership requirements for our executives. Restricted stock and stock options have been granted under a program which utilizes the Masco Corporation 2005 Long Term Stock Incentive Plan (the 2005 Plan ) or its predecessor, the 1991 Long Term Stock Incentive Plan (the 1991 Plan ). These two plans are referred to collectively as the Long Term Incentive Plan.

Under the annual restricted stock award program, shares are not granted unless they are earned by attaining annual performance targets set under the program described above. Once performance-based restricted stock awards are granted, the potential benefit received by the participant is contingent and largely deferred because the shares vest over future years. The program is designed so that the value ultimately realized from these awards depends on the long-term value of our common stock thereby encouraging retention and reducing voluntary separation since all unvested shares are forfeited upon termination unless we waive the forfeiture. Unvested restricted shares are held in the participant s name, and accordingly, the participant has the right to vote and receive dividends on the shares during the vesting period, but the shares may not be sold until vested.

Vesting has generally occurred in ten percent installments over a ten-year period for restricted stock, and twenty percent installments over five years for stock options. In February 2010, the Committee, after consulting with its independent advisor, elected to change to a five-year vesting schedule for restricted stock awards beginning in February 2010. Vesting will now generally occur in twenty percent installments over five years for both stock options and restricted stock awards. Once vested, all options under a given award must have been exercised within ten years of the initial award date, or the options are then forfeited and may not be exercised thereafter.

Upon death, termination of employment due to permanent and total disability, or a change in control, all shares of restricted stock vest immediately and all options become immediately exercisable, although after death options may only be exercised until the earlier of the expiration of their original ten-year term or one year after death. By design, our awards do not become exercisable immediately upon retirement. Instead, following retirement, options continue to become exercisable in accordance with the remaining vesting period. Under the terms of our restricted stock awards made prior to February 2010, the number of shares that become exercisable annually is adjusted when the participant turns age 66 so that awards are fully vested by the end of the year in which the participant turns 70. The frequency, value and vesting terms of awards are designed to provide executives with the potential for significant accumulation of Company common stock over the course of their careers with Masco; executives also understand that the Company s performance will continue to impact them financially even after their active careers with us end with retirement, thereby reinforcing their focus on the long-term enhancement of stockholder value.

We believe we continue to receive benefits from equity awards even after a participant leaves employment because our award agreements restrict participants from subsequently engaging in competitive and other activities that are adverse to our interests. Even though employees generally forfeit unvested awards of restricted stock and options upon termination of employment prior to retirement, under the terms of our awards a participant must observe a noncompetition covenant for a one-year period following termination of employment. If a participant violates this restriction, the agreement gives us the right to recover from the participant the net gain realized from awards which vested during the two years prior to termination. In addition, if a participant holds any unvested shares or unexercised options (including unvested installments) after employment terminates by retirement or otherwise, the value of such shares may be forfeited to us if the participant engages in any activity detrimental to the Company. Upon termination of employment (other than upon death or retirement or due to permanent and total disability), participants may exercise options, but only to the extent such options are then exercisable, within 30 days after voluntary termination and within 90 days after involuntary termination; however, any amounts realized by the participant upon exercise of options in these cases could be subject to the clawback provision. That provision allows us to require the participant to pay back to us the net gain realized upon the exercise of any installment of an option that became exercisable within two years prior to employment termination. We believe that these features not only improve our retention of executive talent, but also reduce the potential for harmful post-termination conduct.

Under current accounting rules, the cost related to restricted stock awards and options is fixed at the time of the grant. This expense is generally amortized for financial reporting purposes over the shorter of the applicable vesting period or the period then remaining to normal retirement age. Consequently, as an executive approaches retirement age, the amortization period for any new awards decreases. This results in an increase in the annual expense recognized for these awards, although the aggregate cost does not change. Further, awards to a participant who



**Table of Contents**

continues in employment with us after normal retirement age are expensed in full immediately upon grant even though the executive may only realize their value over a period of years.

We have historically purchased a sufficient number of shares of Company common stock in the open market to offset any common share dilution resulting from restricted stock awards.

As part of its review of compensation arrangements in early 2009, the Committee changed its pricing policy, effective in 2010, for annual equity grants in order to conform to the emerging consensus regarding best practices. Previously the Committee used the closing price on the date of grant; the Committee will continue to do so unless the grant date occurs within seven days prior to the release of our financial results. In that event, the grant will be made effective at the end of the second trading day after the release of the results, and the price of our common stock that is used for purposes of the grants will be the closing price as of that same date. This policy became effective beginning in 2010.

***Restricted Stock Awards.*** For 2009, the Committee compared our performance with the scheduled earnings per share and cash flow targets to determine the actual awards of restricted stock at its regularly scheduled meeting in February 2010. Performance-based awards of restricted stock were granted at 171% of target for 2009.

Due to SEC reporting requirements, the **Non-Equity Incentive Plan Awards** column in the Summary Compensation Table reflects the cash bonus earned for 2009 that was paid in February 2010, but the table does not show the restricted stock awards earned for 2009 that were granted in February 2010. Instead, the **Restricted Stock Awards** column in the Summary Compensation Table includes stock awards granted during 2009. No cash bonuses or restricted stock awards were earned under the Company's annual incentive programs for the year 2008. The restricted stock awards shown in the Summary Compensation Table are the result of a special discretionary equity grant to individuals in key leadership positions (including each of the named executive officers, other than Mr. Manoogian) approved by the Committee in early 2009. The Committee approved the special discretionary grant of equity based on management's effective response in guiding the Company through the unprecedented conditions in the global economic and financial markets during 2008. The special discretionary equity grant is discussed in detail in our 2009 Proxy Statement.

As part of the annual restricted stock award program, members of the executive management group other than our President and Chief Executive Officer and our Chief Operating Officer may receive an additional restricted stock award if recommended by the President and Chief Executive Officer and the Chief Operating Officer because of outstanding individual contribution and if the Committee concurs in the recommendation. The total value of all such awards cannot exceed 20% of the combined annual base salaries of the executive management group (excluding the salaries of the President and Chief Executive Officer and the Chief Operating Officer). No individual awards were recommended in 2010 for the 2009 fiscal year.

***Stock Options.*** Stock options have been granted annually to key employees, including our executive officers and the leadership of our operating entities, in order to reinforce the goal of long-term share price appreciation.

The Committee uses the stock option component of compensation to align the long-term interests of our executives with those of our stockholders and to ensure the overall competitiveness of each executive officer's total compensation package. The Committee does not determine the appropriate level of executive compensation based on specific executive compensation payouts at other companies. The Committee focuses on the value of total target compensation including long-term incentive arrangements of the peer group and also reviews data from Hewitt Associates' published executive compensation surveys. The value of each executive officer's option grant (based on the option's economic value at the date of grant using the Black-Scholes model) is equal to the value the Committee estimates is needed to make each executive officer's target total compensation generally approximate the median target compensation packages available with respect to comparable positions at our peer companies. Finally, the Committee evaluates

whether there were individual considerations (primarily taking into account any deviations from expectations of performance) in its judgment, that warrant increasing or decreasing from the grant levels for each executive officer. For 2008 and 2009, there were no such individual considerations.

The unprecedented economic and market conditions which contributed to the decline in the stock market in the fourth quarter of 2008 and the first quarter of 2009 caused the Committee to modify its approach to granting stock options in 2009. In February 2009, the Committee elected to grant essentially the same number of options to the

## **Table of Contents**

executive officers as were granted in 2008, even though the Black-Scholes value of these options was significantly below the targets established by the Committee in 2008.

In February 2009, we granted options to approximately 300 key employees (including all executive officers). The value at the time of grant for these options to the named executive officers is presented in the last column of the 2009 Grants of Plan-Based Awards table included in Compensation of Executive Officers below, although the actual value realized by these executives will depend on the market value of Masco common stock at a future date when the option is exercised.

Options are usually granted annually to participants, including the executive officers, at a regularly scheduled Committee meeting. In the past we have not granted stock options at a time when we were in possession of material non-public information, which if released would reasonably be expected to increase the price of our common stock, although we have had no formal policy to that effect. Options are granted at the current market price, so option holders benefit only from subsequent stock price appreciation. Options may be exercised up to ten years after the date of grant.

The 2005 Plan prohibits the granting of restoration options, other than restoration options resulting from the exercise of outstanding options awarded under the 1991 Plan. Such restoration options are granted only when a participant exercises an eligible option granted pursuant to the 1991 Plan and pays the exercise price fully or in part by delivering shares of Company common stock. The restoration option is equal to the number of shares so delivered by the participant and does not increase the number of shares covered by the original option. The exercise price of the restoration option is the fair market value of Company common stock on the date of its grant (which is the date the underlying option is exercised), so that the restoration option benefits the participant only with additional subsequent increases in our stock price.

### ***Stock Ownership Requirement***

In order to reinforce the alignment of executives' long-term financial interests with those of stockholders, the Board has established stock ownership guidelines for the executive officers which require them to maintain a substantial investment in our common stock. This minimum investment requirement is designed to ensure that a meaningful amount of the executive officers' personal net worth is invested in the Company. Unvested shares of restricted stock count towards achieving the requirement because of their current and potential benefit to the executives. The guidelines require stock ownership ranging from a minimum of two times base salary to five times base salary required for the President and Chief Executive Officer. The Committee generally reviews executive ownership of Company common stock annually.

As of December 31, 2009, when the closing price was \$13.81, all of our current executive officers met their stock ownership requirement and their ownership of company common stock ranged from three to ten times base salary.

Except for the provision for stock options under the Long Term Incentive Plan and other arrangements individually approved by our Board of Directors, our insider trading policy prohibits senior management from engaging in transactions involving derivative securities relating to Company stock, such as put and call options, and certain other arrangements, such as forward sales and short sales, which otherwise could have the effect of reducing or neutralizing their investment in Company common stock.

### ***Perquisites and Other Compensation***

We provide a limited number of perquisites to our senior executives, which are reviewed by the Committee on a regular basis. We maintain Company aircraft for business purposes, and the Committee has evaluated our policies and

valuation practices for personal use of these aircraft. The Board has requested that Mr. Wadhams and Mr. DeMarie use Company aircraft for both business and personal travel. Notwithstanding this requirement, personal use is considered a perquisite for SEC reporting purposes. Personal use of the airplanes by Mr. Wadhams and Mr. DeMarie accounts for substantially all of their total perquisites. Personal use of Company aircraft by our Chief Operating Officer must be approved by the President and Chief Executive Officer, and in turn his personal use must be approved by the Chairman. Our President and Chief Executive Officer may occasionally permit other

**Table of Contents**

executive officers to use Company aircraft, if available, for personal travel. The Committee reviews the total personal usage of Company aircraft by all executive officers. Note 7 to the Summary Compensation Table describes how we calculate incremental cost for personal use of Company aircraft.

The executive compensation and benefit programs (particularly our equity and retirement arrangements) are complex and have significant tax, legal and financial implications for participants. In order to assist them in achieving the benefit of these programs, our executive officers are eligible to participate in an estate and financial planning program. This program provides up to \$10,000 per year for financial planning and tax preparation, with a carry-forward allowance to cover additional costs associated with the development of an estate and long-term financial plan. We pay the dues for certain clubs used for business purposes by our Chairman. In a few cases, such clubs permit personal use by our Chairman as well as by other Company employees, although the cost of such use is paid for personally by such individuals. As further described below, a Company vehicle and driver are available for business and personal use by our Chairman, and on occasion they have been used by other executives. Pursuant to our employee relocation policy and in a few other circumstances, we pay our employees, including executive officers, an amount to offset adverse income tax consequences attributable to arrangements that we intend to make available on a non-taxable basis. There were no such payments in 2009.

During 2007, Mr. Manoogian transitioned from Chairman and Chief Executive Officer to Executive Chairman. In 2009, the transition continued as he retired from employment with the Company and now serves as Chairman of the Board in a non-employee Director capacity. In accordance with the terms of our June 2009 agreement with Mr. Manoogian, we make available to him office space, administrative support and supplies and equipment necessary for him to carry out his duties as Chairman of the Board. For as long as he continues as Chairman of the Board, he is entitled to use the Company's aircraft (subject to availability and approval of the President and Chief Executive Officer) and the Company's automobile and driver. During 2009, we also continued to provide Mr. Manoogian with personal financial and administrative assistance comparable to the services previously provided prior to his transitioning to Chairman for which he reimburses us for its full cost. Beginning in January 2010, each full-time member of Mr. Manoogian's personal administrative staff is being paid directly by Mr. Manoogian.

***Retirement Programs***

After undertaking a comprehensive review of all of our retirement plans including the tax-qualified 401(k), profit sharing and pension plans, and the non-qualified SERP and BRP, the Committee approved management's recommendation during 2009 to freeze our SERP, the pension provisions of the BRP and tax-qualified defined benefit pensions for all U.S. employees effective January 1, 2010. This means that participants will generally keep benefits earned but will not accrue additional benefits (other than vesting service if less than 100% vested) past that date. In place of the defined benefit pension plans, effective January 1, 2010, we implemented new employer matching contributions to our 401(k) plans, including a new 401(k) excess match feature in the BRP, and introduced an additional contribution element to our performance-based profit sharing plans, in which participants will also have their annual cash bonus included (along with base salary) as a basis for our contributions. These changes are consistent with our ongoing commitment to provide market-competitive retirement benefits and our emphasis on performance-driven compensation. These changes also enhance our ability to control the variability and risk of cost fluctuations inherent in traditional defined benefit pension plans and will encourage our employees to take a more active role to plan and save for their own retirement. Although we will realize cost savings by freezing the Masco pension plans, the savings will be largely reinvested in our defined contribution plans.

As noted, continued vesting in frozen benefits will be permitted after January 1, 2010. Mr. DeMarie and Mr. Szniewajski will not be fully vested in the frozen SERP benefit unless they continue employment with the Company over the next 7 and 12 years, respectively. Offsets to the SERP from our underlying plans (as described in detail below in Other Non-Qualified Deferred Compensation SERP ) were also frozen as of January 1 of this year.



## **Table of Contents**

### ***Change in Control***

As noted above, our executives do not have employment or severance contracts or voluntary non-qualified deferred compensation plans, nor do they have agreements entitling them to additional salary, bonus, or new equity grants following a change in control of the Company. However, if a change in control occurs, regardless of any subsequent continuation or termination of employment, all participants under our equity plans fully vest in any outstanding awards and all participants under our SERP fully vest, receive an acceleration of a lump-sum equivalent payment and may receive an enhanced benefit accrual. A change in control under the plans occurs only if, during any 24-month period, the individuals who were incumbent Directors at the beginning of the period cease for any reason to constitute a majority of the Board of Directors. For this purpose, individuals who became Directors after the beginning of the period with the approval of at least two-thirds of the incumbent Directors are considered as incumbents. However, regardless of any such approval, individuals will not be considered incumbent if they become Directors within one year after certain unauthorized tender offers for or acquisitions of 25% or more of the combined voting power of all outstanding voting securities of the Company or, under the equity compensation programs, as a result of certain actual or threatened election contests not by or on behalf of the Board.

The SERP and the BRP were amended in October 2008 to add an alternate change in control definition compliant with Internal Revenue Code (the Code) Section 409A. The BRP, which previously had no change in control provision, also added a provision requiring full vesting of otherwise unvested benefits, at the time of any change in control or alternate change in control.

After a change in control or alternate change in control, participants in the SERP and the BRP and the Long Term Incentive Plan may be considered to have received golden parachute payments to the extent the aggregate of all amounts received as a result of the change in control or alternate change in control exceeds certain thresholds. Although we do not intend to cause adverse tax consequences to participants, under the Code, golden parachute payments are subject to a 20% excise tax, in addition to normally applicable income and other payroll taxes. If a participant, including any named executive officer, under the Long Term Incentive Plan, the SERP or the BRP becomes entitled to receive payments that trigger the application of the excise tax, we will make an additional cash payment to the participant that will generally make the participant whole for such excise tax. The tally sheet used by the Committee to review executive compensation notes our obligations to the executives under these programs in the event of any change in control.

Additional information concerning the effect of a change in control, including amounts that would have been payable if a change in control occurred as of December 31, 2009, appears below in Compensation of Executive Officers Payments Upon Change in Control.

### **Compensation Practices and Procedures**

Our compensation programs are generally broadly-based and applicable to all of our key employees, including executive officers. These programs are principally developed and administered by senior management, with independent oversight, direction and approval by the Committee, which ultimately establishes and is responsible for all compensation policies.

### ***Employment Contracts and Severance Arrangements***

It is our general policy not to enter into employment contracts with our executive officers or otherwise to establish individual severance or other arrangements that prior to termination of employment would entitle them to additional

compensation such as salary or bonus following termination (except in the case of retirement or other post-termination arrangements applicable generally to participants under our benefit plans). Our executive officers are at-will employees who may be terminated at our discretion. We believe this preserves greater flexibility in our employment arrangements while permitting us to address specific circumstances as needed. Further, we have structured our compensation plans to prohibit competitive activities during and following employment and to provide other significant protections that we have the discretion to exercise. Generally we require a participant to forfeit unvested equity awards upon voluntary or involuntary termination of employment and in some cases to return compensation previously earned. During 2009, we determined that a separation agreement with Mr. Silverman was appropriate in light of his long service to the Company and consistent with past practices in our industry. The



**Table of Contents**

severance agreement includes a release of claims and non-compete provisions. It is described below under Payments Upon Termination, Disability or Death.

***Comparative Compensation***

For comparative purposes, we generally focus on a group of publicly traded companies. We believe these comparison companies are representative of the types of firms with which we compete for executive talent, inasmuch as a number of the comparison companies operate one or more lines of business that compete with us. We believe we also compete for talent with private equity and other non-public companies, since the core skills and responsibilities required in our executives are generally not unique to our industries or markets. Other major factors we use to select this peer group include revenues and net income and market capitalization. The peer companies include:

The Black & Decker Corporation	M.D.C. Holdings, Inc.
Danaher Corporation	Newell Rubbermaid Inc.
Dover Corporation	NVR, Inc.
D.R. Horton, Inc.	PulteGroup, Inc.
Emerson Electric Co.	The Ryland Group, Inc.
Fortune Brands, Inc.	The Sherwin-Williams Company
The Home Depot, Inc.	SPX Corporation
Illinois Tool Works Inc.	The Stanley Works
ITT Corporation	Textron Inc.
KB Home	Toll Brothers, Inc.
Lennar Corporation	United Technologies Corporation
Lowe's Companies, Inc.	3M Company

For each executive officer, we compare the overall competitiveness of total compensation, as well as each major component of compensation and the mix of components, with executives in comparable positions at our peer companies. Generally, when considering the competitiveness of our total compensation packages to those of our peers, the Committee gives the most weight to information regarding the median level of base salary, target annual cash compensation, and target total compensation. The Committee also reviews the actual compensation of the peers and considers factors that may have influenced that compensation, such as any contractual compensation commitments, their corporate financial performance and the performance of their publicly traded stock.

***Independent Consultant***

We use a variety of resources in addition to publicly available data and generally available compensation surveys in order to establish compensation levels. Even though management on occasion utilizes the services of outside compensation experts, the Committee has exercised its authority to retain its own independent advisors, and since 2003 it has separately engaged Hewitt Associates, a global human resources consulting firm, to provide advice on executive compensation matters. In 2009, the Committee consulted Hewitt Associates regarding the use of cash flow as a performance metric in our incentive plan, the restructuring of our retirement plans, the shortening of the vesting schedule of restricted stock awards from ten to five years, and the adoption of a new provision in the Benefit Restoration Plan for the Company matching 401(k) contributions that cannot otherwise be made to the qualified 401(k) plan due to Code limitations.

In addition to responding to its specific requests, Hewitt Associates meets with the Committee in executive sessions without management, assists the Committee in its review of peer group compensation and advises the Committee on its overall implementation of our compensation objectives. We have not requested and do not intend to request that

Hewitt Associates provide additional services for us, other than the purchase of annual compensation surveys. The cost of these surveys in 2009 was \$12,444.

**Table of Contents**

***Use of Tally Sheets***

During 2009, the Committee continued its practice of using a tally sheet that comprehensively summarizes the various components of total compensation for the named executive officers and selected other executives. The tally sheet, which is prepared by our human resources department and is provided to the Committee early in each calendar year, includes base salary, annual performance-based cash bonus, long-term stock incentive compensation, dividends on unvested shares of restricted stock previously earned, our costs for the foregoing and for perquisites and other benefits, including the annual costs under retirement plans. The tally sheet allows the Committee to compare an executive's compensation with the compensation of other executives as part of its consideration of internal and external pay equity. Amounts actually realized by an executive from prior equity grants are not necessarily a factor in establishing current compensation, although the current value of outstanding equity awards may be considered by the Committee when assessing pay equity.

***Annual Review Process***

In early 2009, as part of a general restructuring of our talent review and development process, we revised the review schedule for certain components of our compensation arrangements. We moved review of base salary and stock option grants from mid-year to the first quarter, which is the same time we have historically determined the annual performance-based cash bonus and performance-based restricted stock award programs. We believe that determining all four elements of annual compensation together at the beginning of the year gives a better foundation for establishing the Company's performance criteria and opportunity levels for the current year annual cash and restricted stock incentive programs, and better enables the Committee to determine the executives' appropriate compensation mix and to align compensation with ongoing talent review and development.

Masco's talent review and development process is used by the Committee and the President and Chief Executive Officer and Chief Operating Officer as they review individual executives with a view towards succession planning, executive development and level of performance. As part of this program, the President and Chief Executive Officer and the Chief Operating Officer develop a written assessment of each of the executives who reports to them. The assessment evaluates the executive's performance, development progress and plans, and potential for advancement, and also considers market demand for the executive's skill set. These assessments are provided to and discussed with the Committee and are considered by the Committee in connection with executive compensation determinations and promotions.

In evaluating the President and Chief Executive Officer and determining his compensation, the Committee considers the factors noted above for other executives, and also considers the qualities of leadership and responsibility necessary for the chief executive officer position. The Committee also evaluates his relationships with employees, customers and suppliers, and his relationship with the Board of Directors, stockholders and the investment community. Other factors considered by the Committee include Mr. Wadhams' contribution to Company performance and governance, the impact of his leadership on the performance of our executive management team and his reputation for representing the Company in the community.

***Internal Revenue Code, Section 162(m)***

Section 162(m) of the Code limits deductibility of annual compensation in excess of \$1 million paid to certain highly compensated employees, including our named executive officers, unless this compensation qualifies as performance-based. The stock options and, in most situations, annual cash bonus and annual restricted stock award grants to the executive officers under the performance-based programs described above qualify under Section 162(m)

and are therefore deductible. The Committee, however, continues to believe that it is in our interest to retain flexibility in its compensation programs. Consequently in some circumstances, including the special restricted stock grant made in early 2009 as described above, we have paid and intend to continue to pay compensation that exceeds the limitation of Section 162(m).

**Conclusion**

We recognize the importance of attracting, retaining and motivating key executive talent in order to meet our objectives of maximizing corporate performance and thereby creating long-term stockholder value. Although we

**Table of Contents**

believe we have competitive, performance-driven compensation programs that accomplish these objectives, we continuously monitor and adjust the design and implementation of these programs to ensure they are effective for us in the marketplace for such talent in light of changing business conditions.

**COMPENSATION COMMITTEE REPORT**

The Organization and Compensation Committee, which is responsible for overseeing the Company's executive compensation programs, has reviewed and discussed the Compensation Discussion and Analysis with management. Based on such review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Masco's Proxy Statement.

Mary Ann Van Lokeren, Chairperson  
Anthony F. Earley, Jr.  
Verne G. Istock  
David L. Johnston  
J. Michael Losh

**Table of Contents****COMPENSATION OF EXECUTIVE OFFICERS****Summary Compensation**

The following table reports compensation information for certain individuals as required by SEC regulations. Information is reported for our principal executive officer and principal financial officer (Messrs. Wadhams and Sznewajs), three other current executive officers, one retired executive officer and Richard Manoogian (who transitioned from Executive Chairman to non-employee Chairman of the Board during 2009), each of whose total compensation requires his inclusion in this table (collectively, the named executive officers).

**2009 Summary Compensation Table**

Individual and Principal Position	Year(1)	Salary(2)	Restricted Stock Awards(3)(4)	Stock Options(3)	Non-Equity Incentive Plan Compensation(2)(5)	Change in Pension Value and Nonqualified Deferred Earnings(6)	All Other Compensation(7)	Total(8)
Wadhams	2009	\$ 900,000	\$ 811,030	\$ 1,808,338	\$ 2,300,000	\$ 5,441,434	\$ 82,076	\$ 11,332,876
President and Chief Executive Officer	2008	\$ 934,616	\$ 1,074,846	\$ 3,043,680	-0-	\$ 773,169	\$ 92,447	\$ 5,928,718
Sznewajs	2007	\$ 831,000	\$ 6,225,620	\$ 4,466,850	\$ 1,073,000	\$ 1,637,686	\$ 82,828	\$ 14,317,384
President, Treasurer and Financial Officer	2009	\$ 475,000	\$ 401,500	\$ 321,335	\$ 530,000	\$ 539,993	\$ 33,880	\$ 2,301,713
J. DeMarie, Jr.	2008	\$ 504,423	\$ 404,952	\$ 540,850	-0-	\$ 146,475	\$ 38,947	\$ 1,630,695
Vice President and Operating Officer	2007	\$ 425,000	\$ 744,370	\$ 1,013,100	\$ 264,000	\$ 478,009	\$ 28,770	\$ 2,913,249
T. Anderson	2009	\$ 750,000	\$ 674,520	\$ 866,495	\$ 1,285,000	\$ 1,656,201	\$ 129,171	\$ 5,361,387
President Controller	2008	\$ 774,039	\$ 491,112	\$ 1,458,430	-0-	\$ 293,898	\$ 95,862	\$ 3,117,231
F. Greenwood	2007	\$ 573,417	\$ 4,047,520	\$ 2,643,840	\$ 491,000	\$ 187,826	\$ 936,150	\$ 8,879,733
President Human Resources	2009	\$ 380,000	\$ 305,140	\$ 155,127	\$ 425,000	\$ 962,916	\$ 27,730	\$ 2,236,003
A. Manoogian(8)	2008	\$ 405,077	\$ 338,178	\$ 208,880	-0-	\$ 372,037	\$ 29,535	\$ 1,324,577
Chairman of the Board	2009	\$ 285,000	\$ 200,750	\$ 135,182	\$ 320,000	\$ 90,252	\$ 19,045	\$ 1,030,234
Richard Silverman(9)	2009	\$ 810,077	\$ 36,696	\$ 1,108,050	\$ 1,070,000	\$ 289,249	\$ 311,240	\$ 3,615,262
Vice President, General Counsel and Secretary	2008	\$ 1,428,846	\$ 1,861,056	\$ 1,618,820	-0-	-0-	\$ 384,796	\$ 5,293,462
	2007	\$ 1,500,000	\$ 1,320,690	\$ 4,420,800	\$ 1,860,000	-0-	\$ 616,679	\$ 9,717,569
	2009	\$ 429,615	\$ 441,650	\$ 217,178	\$ 472,400	\$ 652,017	\$ 38,081	\$ 2,150,921

(1) In accordance with SEC requirements, information is included only for those years in which individuals are named executive officers.

- (2) These columns include amounts voluntarily deferred by each named executive officer (except Mr. Manoogian) as salary reductions under the Company's tax-qualified 401(k) savings plan.
- (3) Amounts in this column reflect the aggregate grant date fair value of stock awards and stock options granted under the 2005 Long Term Stock Incentive Plan in accordance with accounting guidance. For stock options, the determination of fair market value uses the same assumptions set forth in the notes to our financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

See our Compensation Discussion and Analysis for a general discussion of restricted stock awards and stock options. The named executive officers have no assurance that the amounts reflected in this table will be realized. They only realize the value of the long term incentive restricted stock awards over an extended period of time because scheduled vesting of awards shown in this table generally occurs pro rata over ten years from the date of grant. Actual gains, if any, on stock option exercises will depend on overall market conditions and the future performance of Masco and its common stock.

- (4) In accordance with SEC requirements, the amounts reported in this column reflect awards granted during the year indicated, and accordingly, performance-based awards for 2006 and 2007 are reflected in the grants in 2007 and 2008. No performance-based awards for 2008 were granted in 2009. The restricted awards shown for 2009 were the result of a special discretionary award approved by the Committee. See Compensation Discussion and Analysis Equity Compensation Restricted Stock Awards for a discussion of the special discretionary grant.
- (5) This column shows the annual performance-based cash bonuses that were paid for the year indicated early in the following year under our annual cash bonus program for executive officers. The amount paid is based on the attainment of earnings per share targets and for 2009, a cash flow target, as described in Compensation Discussion and Analysis. No cash bonuses were paid to the named executive officers in 2009 with respect to 2008.
- (6) This column shows increases in the sum of the year-end pension values. These values were obtained by comparing the Present Value of Accumulated Benefits for December 31 of the year indicated (shown for 2009 in the 2009 Pension Plan Table below) to the comparable amount for the prior year. For Mr. Manoogian the pension values at year-end in 2007 and 2008 decreased by \$1,939,991 and \$130,443, respectively. The pension values were calculated for each of 2007, 2008 and 2009 using the same assumptions as set forth in the notes to our financial statements included in our Annual Report on Form 10-K for the corresponding fiscal years ended December 31. The named executive officers did not have any above-market earnings under any of the plans in which they participate.

**Table of Contents**

- (7) For 2009, this column includes (i) Masco's total contributions and allocations for the accounts of the named executive officers under our qualified and non-qualified defined contribution retirement plans (\$63,000 for Mr. Wadhams; \$33,250 for Mr. Sznnewajs; \$52,500 for Mr. DeMarie; \$26,600 for Mr. Anderson; \$18,415 for Mr. Greenwood; \$42,740 for Mr. Manoogian; and \$30,073 for Mr. Silverman), (ii) perquisites, and (iii) payment for accrued vacation for retiring executives (\$48,077 for Mr. Manoogian). The only perquisite that exceeded the greater of \$25,000 or 10% of the total perquisite amount was personal use of Company aircraft (\$19,076 for Mr. Wadhams; \$202,718 (including \$65,561 related to the period July 1, 2009 through December 31, 2009) for Mr. Manoogian; and \$69,133 for Mr. DeMarie). The incremental cost for the Company aircraft includes the cost for fuel, landing and parking fees, variable maintenance, variable pilot expenses for travel and any special catering costs. We also include these same costs for associated repositioning of the aircraft. For 2009, perquisites also included the personal use of a car and driver for Mr. Manoogian (with an incremental cost to the Company being the variable cost for the vehicle operation); financial planning (Messrs. Anderson, DeMarie and Silverman); and auto insurance (Messrs. Sznnewajs, Anderson, Greenwood and Silverman).
- (8) Mr. Manoogian retired from his position as Executive Chairman of Masco Corporation effective June 30, 2009 and continued his position as Chairman of the Board. Compensation for Mr. Manoogian in 2009 includes \$199,500 of director fees (included in the salary column), \$36,696 of restricted stock awards and \$73,226 of other compensation (including \$65,561 related to personal use of the company aircraft from July 1, 2009 through December 31, 2009). See Compensation of Directors and note 7 above.
- (9) Mr. Silverman retired from the Company in 2009.

**Grants of Plan-Based Awards**

The following table sets forth information concerning the potential payouts under our 2009 performance-based cash incentive program and grants of restricted stock and options to the named executive officers in 2009.

**2009 Grants of Plan-Based Awards**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Number of Shares of Stock(2)	All Other Awards: Number of Securities Underlying Options	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (Per Share)	Grant Date Fair Value of Stock and Option Awards(2)(3)
		Threshold(\$)	Target(\$)	Maximum(\$)					
Timothy Wadhams	n/a	\$ 540,000	\$ 1,350,000	\$ 2,700,000					
	02/09/09				101,000			\$ 811,030	
John G. Sznnewajs	02/09/09					816,000	\$ 8.03	\$ 1,808,338	
	n/a	\$ 123,500	\$ 308,750	\$ 617,500					
	02/09/09				50,000			\$ 401,500	
	02/09/09					145,000	\$ 8.03	\$ 321,335	



Donald J. DeMarie, Jr.	n/a	\$ 250,000	\$ 750,000	\$ 1,500,000				
	02/09/09				84,000			\$ 674,520
	02/09/09					391,000	\$ 8.03	\$ 866,495
William T. Anderson	n/a	\$ 98,800	\$ 247,000	\$ 494,000				
	02/09/09				38,000			\$ 305,140
	02/09/09					70,000	\$ 8.03	\$ 155,127
Charles F. Greenwood	n/a	\$ 74,100	\$ 185,250	\$ 370,500				
	02/09/09				25,000			\$ 200,750
	02/09/09					61,000	\$ 8.03	\$ 135,182
Richard A. Manoogian	n/a	\$ 250,000	\$ 625,000	\$ 1,250,000				
	07/23/09				3,420			\$ 36,696
	02/09/09					500,000	\$ 8.03	\$ 1,108,050
Barry J. Silverman	n/a	\$ 110,500	\$ 276,250	\$ 552,500				
	02/09/09				55,000			\$ 441,650
	02/09/09					98,000	\$ 8.03	\$ 217,178

- (1) The amounts shown reflect the threshold, target and maximum payouts under the 2009 performance-based cash bonus program described in the Compensation Discussion and Analysis. The amounts paid under this program are set forth in the Summary Compensation Table above.
- (2) No bonuses of restricted stock were earned for 2008 under our Long Term Incentive Plan. The information shown in this column with respect to awards of restricted stock granted on February 9, 2009 reflects a special discretionary equity grant. See Compensation Discussion and Analysis Equity Compensation Restricted Stock Awards for a discussion of the special award.
- (3) The grant date fair value shown in this column is determined in accordance with accounting guidance. Regardless of the value placed on a stock option on the grant date, the actual value of the option will depend on the market value of Masco common stock at a future date when the option is exercised.

The Compensation Discussion and Analysis describes the performance-based cash bonuses, performance-based stock awards and options, including the proportion of variable compensation to total compensation, and the targets for performance-based compensation. Although restricted stock awards granted prior to February 2010

**Table of Contents**

under our Long Term Incentive Plan generally vest in equal annual installments of 10% over a period of ten years, because of their ages at the date of grant, as described in the Compensation Discussion and Analysis, these awards will vest over shorter periods for Messrs. Anderson, Greenwood, Manoogian, Silverman and Wadhams. The stock options granted in 2009 vest in five equal annual installments commencing on the first anniversary of the date of grant and remain exercisable until ten years from the date of grant.

**Outstanding Equity Awards at Fiscal Year-End**

The following table shows for each of the named executive officers as of December 31, 2009 (i) each stock option outstanding, (ii) the aggregate number of unvested shares of restricted stock, and (iii) the market value of such shares based on the closing price of Masco common stock on December 31, 2009 (\$13.81 per share). The value realized upon vesting of the restricted shares will depend on the value of Masco common stock on the date of vesting.

**2009 Outstanding Equity Awards at Fiscal Year-End**

Name	Option Awards(1)					Restricted Stock Awards(2)	
	Original Grant Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
Timothy Wadhams						376,471	\$ 5,199,065
	10/09/2001	60,000		\$ 20.75	01/14/2011		
	12/10/2002	57,600		19.50	12/10/2012		
	10/29/2003	75,000		27.50	10/29/2013		
	01/14/2004	30,000		26.50	01/14/2014		
	07/29/2004	75,000		30.00	07/29/2014		
	09/24/2004(3)	35,730		34.12	01/14/2011		
	09/24/2004(3)	8,229		34.12	12/10/2012		
	05/09/2005	68,000	17,000	30.75	05/09/2015		
	07/26/2006	51,000	34,000	26.60	07/26/2016		
	05/24/2007	34,000	51,000	30.40	05/24/2017		
	06/02/2007	160,000	240,000	30.16	06/02/2017		
	05/12/2008	163,200	652,800	18.58	05/12/2018		
	02/09/2009		816,000	8.03	02/09/2019		
John G. Sznewajns						126,561	\$ 1,747,807
	02/16/2000	4,400		\$ 19.75	02/16/2010		
	12/10/2002	9,540		19.50	12/10/2012		
	10/29/2003	29,000		27.50	10/29/2013		
	10/29/2003	25,000		27.50	10/29/2013		
	12/12/2003(3)	9,277		28.10	02/16/2010		
	12/12/2003(3)	2,207		28.10	12/10/2012		
	07/29/2004	33,000		30.00	07/29/2014		

Edgar Filing: MASCO CORP /DE/ - Form DEF 14A

05/09/2005	26,400	6,600	30.75	05/09/2015
06/30/2005(3)	2,736		31.76	02/16/2010
06/30/2005(3)	1,952		31.76	12/10/2012
07/28/2005	16,000	4,000	34.40	07/28/2015
07/26/2006	24,000	16,000	26.60	07/26/2016
05/24/2007	16,000	24,000	30.40	05/24/2017
06/02/2007	28,000	42,000	30.16	06/02/2017
05/12/2008	29,000	116,000	18.58	05/12/2018
02/09/2009		145,000	8.03	02/09/2019

**Table of Contents**

Name	Original Grant Date	Option Awards(1)				Restricted Stock Awards(2)	
		Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
Donald J. DeMarie, Jr.						292,335	\$ 4,037,146
	12/10/2002	6,160		\$ 19.50	12/10/2012		
	05/13/2003	16,000		23.00	05/13/2013		
	10/29/2003	48,000		27.50	10/29/2013		
	07/29/2004	54,000		30.00	07/29/2014		
	05/09/2005	43,200	10,800	30.75	05/09/2015		
	07/26/2006	32,400	21,600	26.60	07/26/2016		
	05/24/2007	21,600	32,400	30.40	05/24/2017		
	06/02/2007	60,000	90,000	30.16	06/02/2017		
	12/04/2007	60,000	90,000	21.57	12/04/2017		
	05/12/2008	78,200	312,800	18.58	05/12/2018		
	02/09/2009		391,000	8.03	02/09/2019		
William T. Anderson						93,390	\$ 1,289,716
	02/13/2002	30,000		\$ 26.02	02/13/2012		
	12/10/2002	16,560		19.50	12/10/2012		
	10/29/2003	30,000		27.50	10/29/2013		
	07/29/2004	33,000		30.00	07/29/2014		
	11/11/2004(3)	2,815		35.60	12/10/2012		
	05/09/2005	26,400	6,600	30.75	05/09/2015		
	05/09/2005	5,600	1,400	30.75	05/09/2015		
	09/06/2005(3)	2,516		31.00	12/10/2012		
	07/26/2006	19,800	13,200	26.60	07/26/2016		
	05/24/2007	13,200	19,800	30.40	05/24/2017		
	06/02/2007	8,000	12,000	30.16	06/02/2017		
	05/12/2008	11,200	44,800	18.58	05/12/2018		
	02/09/2009		70,000	8.03	02/09/2019		
Charles F. Greenwood						53,595	\$ 740,147
	12/10/2002	3,080		\$ 19.50	12/10/2012		
	08/13/2003(3)	12,548		24.90	02/16/2010		
	10/29/2003	12,000		27.50	10/29/2013		
	02/27/2004(3)	3,808		28.00	02/16/2010		
	02/27/2004(3)	2,145		28.00	12/10/2012		
	07/29/2004	12,000		30.00	07/29/2014		

Edgar Filing: MASCO CORP /DE/ - Form DEF 14A

	05/09/2005	10,000	2,500	30.75	05/09/2015		
	07/12/2005(3)	3,317		32.15	02/16/2010		
	01/03/2006(3)	3,884		30.92	12/10/2012		
	07/26/2006	8,400	5,600	26.60	07/26/2016		
	05/03/2007(3)	2,002		30.00	12/10/2012		
	05/07/2007	8,000	12,000	30.71	05/07/2017		
	05/24/2007	14,400	21,600	30.40	05/24/2017		
	05/12/2008	12,200	48,800	18.58	05/12/2018		
	02/09/2009		61,000	8.03	02/09/2019		
Richard A. Manoogian						383,620	\$ 5,297,792
	02/16/2000	204,000		\$ 19.75	02/16/2010		
	05/16/2001	2,000,000		22.12	05/16/2011		
	03/04/2002(3)	92,717		28.97	02/16/2010		
	12/10/2002	180,000		19.50	12/10/2012		
	10/29/2003	480,000		27.50	10/29/2013		
	07/29/2004	480,000		30.00	07/29/2014		
	05/09/2005	384,000	96,000	30.75	05/09/2015		
	07/26/2006	288,000	192,000	26.60	07/26/2016		
	05/24/2007	192,000	288,000	30.40	05/24/2017		
	05/12/2008	86,800	347,200	18.58	05/12/2018		
	02/09/2009		500,000	8.03	02/09/2019		
				30			

---

**Table of Contents**

Name	Original Grant Date	Option Awards(1)			Restricted Stock Awards(2)		
		Number of Securities Underlying Unexercisable Options	Number of Securities Underlying Exercisable Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
Barry J. Silverman	02/16/2000	14,000		\$ 19.75	03/31/2010	105,651	\$ 1,459,040
	12/05/2001(3)	11,969		23.10	03/31/2010		
	12/10/2002	39,000		19.50	03/31/2010		
	10/29/2003	43,000		27.50	03/31/2010		
	11/13/2003(3)	20,294		27.25	03/31/2010		
	07/29/2004	43,000		30.75	03/31/2010		
	08/13/2004(3)	8,879		31.14	03/31/2010		
	05/09/2005	34,400		30.00	03/31/2010		
	07/26/2006	25,800		26.60	03/31/2010		
	05/24/2007	17,200		30.40	03/31/2010		
	05/12/2008	14,600		18.58	03/31/2010		

- (1) Stock options (other than restoration options) vest in equal annual installments of 20% commencing in the year following the year of grant.
- (2) Awards of restricted stock granted prior to February 2010 generally vest in equal annual installments of 10% commencing on a designated vesting date in the year following the date of grant. See our Compensation Discussion and Analysis for a discussion of accelerated annual vesting for participants beginning in the year they turn age 66.
- (3) Stock options identified by this footnote are restoration options, which are exercisable in full six months and one day after the grant date. Our plan does not permit the granting of restorations options, except for restoration options resulting from the exercise of options granted under the 1991 Plan.

**Option Exercises and Stock Vested**

The following table shows the number of shares acquired and the value realized by each of the named executive officers during 2009 in connection with the exercise of stock options and the vesting of restricted stock awards.

**2009 Option Exercises and Stock Vested**

Option Awards Number of Shares	Restricted Stock Awards
--------------------------------------	-------------------------

Name	Acquired on	Value Realized	Number of Shares	Value Realized
	Exercise	on Exercise	Acquired on Vesting	on Vesting
Timothy Wadhams	-0-	-0-	42,806	\$ 420,445
John G. Sznewajs	-0-	-0-	12,999	\$ 127,577
Donald J. DeMarie, Jr.	-0-	-0-	30,461	\$ 293,257
William T. Anderson	-0-	-0-	8,901	\$ 89,082
Charles F. Greenwood	-0-	-0-	4,757	\$ 47,536
Richard A. Manoogian	-0-	-0-	159,006	\$ 1,533,170
Barry J. Silverman	-0-	-0-	8,903	\$ 89,129

### Retirement Plans

As noted in Compensation Discussion and Analysis, the Company's retirement program was modified and simplified at the close of 2009. Effective as of January 1, 2010, substantially all of our tax-qualified and non-qualified defined benefit pension plans, including the Supplemental Executive Retirement Plan (SERP) applicable to the named executive officers (other than Mr. Greenwood) and the pension provisions of the Benefit Restoration Plan (BRP) were frozen for any additional benefit accruals. Only vesting service will continue after January 1, 2010

## **Table of Contents**

for continuing participants under the Masco Corporation Pension Plan, under the pension provisions of the BRP, and under the SERP. As a consequence of the freezing of defined benefit pension accruals, the pension benefits ultimately payable to the named executive officers, are essentially fixed.

In addition to the now-frozen pensions, retirement benefits are available under the Company's Qualified Profit Sharing and Qualified 401(k) Savings Plans, as well as under the defined-contribution provisions of the BRP applicable to these two plans (the BRP provides benefits in excess of limitations otherwise applicable to tax-qualified plans). Effective January 1, 2010 enhancements were made to these plans for all participants, including the named executive officers, by adding bonuses as compensation eligible for the Company contribution in the Qualified Profit Sharing Plan and by adding a before-tax Company match at the rate of 100% of the first 4% of the employee's compensation deferred into the Qualified 401(k) Savings Plan.

### ***Supplemental Executive Retirement Plan***

Messrs. Wadhams and Anderson were each fully accrued and vested in his benefit under the SERP at January 1, 2010, and Messrs. DeMarie and Sznawajs were respectively, 50% and 42% vested. As described below, provided no change in control or alternate change in control has occurred, participants are required to refrain from activities negatively impacting the Company's business following termination of employment.

Beginning at retirement on or after age 65, participants in the SERP are to receive annually for life an amount that, when integrated with Company-funded benefits payable from our other retirement plans (and, for most participants, any retirement benefits payable by reason of employment by prior employers), equals up to 60% of the average of the participant's highest three years' cash compensation received from us (base salary and regular year-end cash bonus, not in excess of 60% of that year's maximum bonus opportunity) for periods on and before January 1, 2010. The bonus actually paid in excess of this 60% of bonus opportunity limitation can be used in calculating cash compensation received in earlier or later years.

The SERP provides for no early retirement benefit payable prior to age 65, and benefits under the SERP are not payable in a lump sum other than in the case of a change in control or alternate change in control as described below. Generally, participants who terminate employment with Masco with more than five years' service before age 65 become entitled to receive their January 1, 2010 accrued benefit reduced by a vesting schedule that provides for no more than 50% vesting upon attainment of age 50 and 100% vesting no earlier than age 55. Such vested benefit is not payable until age 65 and is subject to certain offsets for amounts earned from prior or future employers.

The SERP provides a disability benefit payable to a participant who has been employed at least two years and becomes disabled while employed with us. The disability benefit is paid until the earlier to occur of death, recovery from disability or attainment of age 65, is integrated with Company paid long-term disability insurance, and is equal to 60% of the annual salary and bonus (up to 60% of the maximum bonus opportunity) in effect as of January 1, 2010. At age 65, payments revert to a calculation based on the highest three year average compensation (as described above) as of January 1, 2010.

A surviving spouse will receive reduced benefits. A participant receiving benefits and his or her surviving spouse may also receive supplemental medical benefits. The estimated present value at December 31, 2009 for future medical benefits is \$409,095 for Mr. Wadhams; \$155,990 for Mr. Sznawajs; \$190,492 for Mr. DeMarie; \$420,938 for Mr. Anderson; \$299,513 for Mr. Manoogian; and \$378,433 for Mr. Silverman.

A change in control or alternate change in control accelerates full vesting, may accelerate the payment of benefits (calculated on a present value basis) and may result in payment of an amount for any related excise taxes as discussed below under "Payments Upon Change in Control."



***Qualified and Nonqualified Pension Plans***

The Qualified Pension Plan and the defined benefit portion of the BRP provide that at normal retirement age (65) participants in these plans will receive for life (with five years certain) a monthly benefit equal to 1/12th of the participant's Final Average Compensation (equal to the average of the highest five consecutive January 1 annual base salary rates, frozen as of January 1, 2010) times a maximum of 30 years of credited service (frozen as of

**Table of Contents**

January 1, 2010) times 1.1%, with a small additional annual benefit for credited service prior to July 1, 1971. Vesting occurs after five full years of employment, and all of the named executive officers are fully vested. These plans benefit amounts, present values for which are set forth in the Pension Plan Table, are not subject to reduction for social security benefits or for other offsets, except to the extent that pension or equivalent benefits are also payable under a prior affiliate's plan (see Note 1 to the Pension Plan Table). Other than Messrs. DeMarie and Sznewajs, who are younger than age 55, each of the named executive officers who is younger than 65 would be eligible for a reduced early retirement benefit that is available to any plan participant age 55 or older who is vested. Reduction factors for pension commencement prior to age 65 would result in a benefit reduced by one-third at age 60, or by one-half at age 55. A disability benefit equal to the accrued benefit is payable to a participant disabled after ten or more years of service. There are no premium early retirement subsidies available under these plans for the named executive officers. Benefits payable under these two plans are integrated with, and offset against, the benefits described above for the SERP.

***Pension Plan Table***

The following table shows the respective estimated present values at December 31, 2009 of accumulated benefits for each of the named executive officers under each of our defined benefit pension plans (the Qualified Pension Plan, the defined benefit portion of the BRP, and the SERP). Because these defined benefit pension plans have been frozen as of January 1, 2010 and the SERP is integrated with benefits under our other retirement plans (and, in most cases, offsets benefits payable by reason of prior employment), changes in the benefits a participant receives under such other plans may increase or decrease the benefit a participant receives under the SERP (for example, benefits under the Qualified Pension Plan may be slightly higher as of the freeze date of January 1, 2010 and thus due to the offset of this plan against the SERP, the actual benefits finally paid from the SERP may be slightly lower than shown in this Table). The amounts shown in the table for the SERP have been reduced by the offsetting amounts shown in the Table from the other two defined benefit pension plans. The amounts for the SERP have also been reduced by estimates of the December 31, 2009 benefits under our defined contribution retirement plans (the Qualified Profit Sharing Plan and defined contribution portion of the BRP) projected to retirement date by an assumed earnings rate of 4%, and by the estimated applicable prior employment offsets referred to above, but such defined contribution retirement plan and other offsets are not separately shown in the Table.

**Table of Contents****2009 Pension Plan Table**

Name	Plan Name	Number of Years Credited Service(1)	Present Value of	
			Accumulated Benefits(2)	Payments During 2009
Timothy Wadhams	Qualified Pension Plan	30	\$ 235,592	\$ 0
	Defined Benefit Portion			
	BRP	30	1,687,044	0
John G. Sznewajs	SERP	15	9,209,103	0
	Qualified Pension Plan	13	\$ 102,931	\$ 0
	Defined Benefit Portion			
Donald J. DeMarie, Jr.	BRP	13	79,310	0
	SERP	13	1,049,547	0
	Qualified Pension Plan	10	\$ 98,258	\$ 0
William T. Anderson	Defined Benefit Portion			
	BRP	10	163,926	0
	SERP	14	3,014,877	0
Charles F. Greenwood	Qualified Pension Plan	30	\$ 297,151	\$ 0
	Defined Benefit Portion			
	BRP	30	398,067	0
Richard A. Manoogian	SERP	15	2,541,169	0
	Qualified Pension Plan	17	\$ 391,574	\$ 0
	Defined Benefit Portion			
Barry J. Silverman	BRP	17	42,078	0
	Qualified Pension Plan	30	\$ 1,821,729	\$ 76,981
	Defined Benefit Portion			
Barry J. Silverman	BRP	30	2,992,293	123,701
	SERP	15	12,110,320	539,171
	Qualified Pension Plan	26	\$ 547,420	\$ 0
Barry J. Silverman	Defined Benefit Portion			
	BRP	26	388,826	0
	SERP	15	2,288,040	0

(1) The Qualified Pension Plan and BRP provide life annuities (with a minimum 5 years payments guaranteed) with actuarially equivalent survivor and other payment options, based on credited service through January 1, 2010 for years of employment with any of Masco, its subsidiaries or certain prior Masco affiliates and their subsidiaries. The maximum credited service under each of the Qualified Pension Plan and the BRP is 30 years and the maximum benefit under the SERP accrues after 15 years. Credited service under the SERP commences with the date of hire and includes service through January 1, 2010 only with Masco and businesses in which Masco has a 50% or greater interest. Mr. DeMarie was employed for four years in one of the Company's businesses that did not provide coverage under the Qualified Pension Plan or the BRP. Mr. Wadhams was employed by Masco for eight years and by a prior Masco affiliate for 17 years before returning to Masco in 2001. As a part of the agreement under which Mr. Wadhams rejoined Masco in 2001, we agreed to credit him with full vesting in the maximum 60% benefit under our SERP as well as to guarantee his retiree medical benefits from a prior

employer. We have not otherwise granted additional accruals to any of the named executive officers in any of these retirement plans, and none of these plans provides for personal contributions or additional income deferral elections.

- (2) The Present Value of Accumulated Benefits was calculated as of December 31, 2009 using (a) the normal form of benefit payable under each plan using base pay only for the Qualified Pension Plan and BRP, (b) base pay plus cash bonus for the SERP, and (c) the same discount rates and mortality assumptions as described in the notes to financial statements in the Company's Annual Report on Form 10-K. Although SEC disclosure rules require a present value calculation, none of these plans (other than the SERP, in the case of a change in control or alternate change in control) provides benefits in a lump sum.

***Qualified and Nonqualified Defined Contribution Plans***

The Company maintains the Qualified Profit Sharing Plan for a number of its employees, including the named executive officers. Company contributions to the qualified plan are discretionary. Contributions to the Qualified Profit Sharing Plan along with the book entry allocations described in the table below in column A to the non-qualified BRP defined contribution accounts are included as part of All Other Compensation in the Summary

**Table of Contents**

Compensation Table. (No amount shown in columns B, C or D in the table below appear in the Summary Compensation Table). Under the defined contribution portion of the BRP the Company makes allocations for each participant, including the named executive officers, reflecting defined contribution amounts on the portion of base salary (or maximum benefits) that exceeds the Code's limitations applicable to our Qualified Profit Sharing Plan, together with amounts reflecting pro-forma earnings (or loss, as in 2008) on prior years' allocations. These allocations are maintained in book entry form in a Company account in each participant's name and are not funded. Company contributions made to the Qualified Profit Sharing Plan plus the contributions allocated to the BRP are limited to a combined maximum of 7% of base salary (and, commencing January 1, 2010, including any bonus compensation). The pro-forma earnings are posted to the BRP book entry accounts based on the performance reported by the several mutual fund offerings which are available to all plan participants in our Qualified Profit Sharing Plan. Following termination, the BRP is distributed in a lump sum, and the Qualified Profit Sharing Plan payout option includes an installment option in addition to the lump sum; the Qualified Profit Sharing Plan also permits such distributions after attainment of age 59½ and prior to termination. The following table shows for each named executive officer (A) the amount of the book entry allocation to the participant's BRP account made by the Company for 2009, (B) the amount of pro-forma earnings posted to the participant's account in 2009, (C) the aggregate amount of all withdrawals by and distributions to the participant during 2009, and (D) the account's ending balance at the date shown.

**2009 Nonqualified Deferred Compensation Plan  
(Defined Contribution Portion of the Benefits Restoration Plan)**

Name	A Masco Contributions in 2009	B Aggregate Earnings in 2009	C Aggregate Withdrawals/ Distributions	D Aggregate Balance at December 31, 2009
Timothy Wadhams	\$ 45,850	\$ 57,759	\$ 0	\$ 318,006
John G. Sznewajcs	\$ 16,100	\$ 11,882	\$ 0	\$ 72,088
Donald J. DeMarie, Jr.	\$ 35,350	\$ 34,750	\$ 0	\$ 199,092
William T. Anderson	\$ 9,450	\$ 14,037	\$ 0	\$ 75,593
Charles F. Greenwood	\$ 2,800	\$ 1,741	\$ 0	\$ 11,005
Richard A. Manoogian	\$ 25,590	\$ 129,797	\$ 612,992	\$ 397,164
Barry J. Silverman	\$ 12,923	\$ 33,558	\$ 0	\$ 171,047

We offer no other plans of deferred compensation that would permit the election of deferrals of cash compensation by the executive officers other than pursuant to the Qualified 401(k) Savings Plan to which participants (including the named executive officers), but not the Company, were able to make pre-tax contributions through December 31, 2009. Effective January 1, 2010 this plan was amended prospectively to provide for Company before-tax matching contributions of 100% of the first 4% of an employee's compensation deferred, and the BRP was amended to add provision for supplemental non-qualified Company matching contributions (according to the same matching formula as in the Qualified 401(k) Plan) to restore benefits that otherwise would be limited under the Code. There were no such non-qualified supplemental Company contributions to the BRP for the executive officers or any other participant for the year ending December 31, 2009.

**Payments Upon Change in Control****Retirement Plans**

For each participant who does not have full 100% vesting in his SERP benefit, accrued benefits frozen as of January 1, 2010 would, in the case of a change in control or an alternate change in control, thereupon become 100% vested. In October, 2008 an alternate change in control definition was added to the SERP which complies with Section 409A of the Code and is narrower than the plan's previous change in control provision. Consequently, using the discount rates and mortality assumptions specified in the SERP (equal to the PBGC discount rates for lump sums in plan terminations, as in effect four months prior to the change in control or alternate change in control, and the UP-1984 mortality table, which differ from the rates and assumptions used to calculate the lump sums set forth in the Pension Plan Table), assuming an alternate change in control occurred as of December 31, 2009 the Plan would

**Table of Contents**

have required the following payments by the Company of benefits within a year following that date: \$10,685,077 for Mr. Wadhams; \$2,000,569 for Mr. Szniewajs; \$4,828,063 for Mr. DeMarie; and \$2,906,044 for Mr. Anderson, in each case reflecting the integration with other Company-funded retirement plans (and where applicable, prior employers plans) as described above under Supplemental Executive Retirement Plan. If a change in control occurs which does not meet the narrower alternate change in control definition, lesser lump sum values (reflecting the portion of benefits not subject to Code Section 409A) would have been payable and the portion of benefits subject to Section 409A would then not be paid in a lump sum but such benefits would be paid over time as provided by the plan as if such event had not occurred.

Under the BRP, defined benefits accrued as of the date of a change in control or alternate change in control (defined as above in the SERP), to the extent not vested, would become 100% vested as of such date. Using the discount rates and mortality assumptions specified in the BRP (which are the same PBGC and UP-1984 rates as specified above for the SERP), assuming an alternate change in control occurred as of December 31, 2009 the BRP would have required the following benefit payments by the Company within a year following that date: \$1,932,420 for Mr. Wadhams; \$122,944 for Mr. Szniewajs; \$237,377 for Mr. DeMarie; \$448,998 for Mr. Anderson; and \$47,303 for Mr. Greenwood. Prior to October, 2008 the BRP had no change in control provision; it was then amended to provide that any change in control would result in funding a trust, but the indicated lump sum benefits would be payable only upon the occurrence of an alternate change in control, whereas in the case of the more broadly defined change in control, benefits would then not be paid in a lump sum, but would be paid over time as provided by the plan as if such event had not occurred.

***Equity Plans***

A change in control would also trigger vesting of otherwise unvested restricted stock and option awards. The incremental values for vestings of restricted stock for a change in control at December 31, 2009 are shown in the last column of the table, 2009 Outstanding Equity Awards at Fiscal-Year-End. The incremental values for vesting of options for a change in control at December 31, 2009 would have been \$4,716,480 for Mr. Wadhams; \$838,100 for Mr. Szniewajs; \$2,259,980 for Mr. DeMarie; \$404,600 for Mr. Anderson; and \$352,580 for Mr. Greenwood.

A general description of change in control appears in the Compensation Discussion and Analysis. Assuming a change in control occurred as of December 31, 2009 (when our stock price was \$13.81 per share), we have determined that golden parachute payments would have been made to and an excise tax would have been triggered under Code Section 4999 for Messrs. Wadhams, DeMarie and Szniewajs whose payments on account of the excise tax would have been \$2,712,945, \$2,873,510 and \$1,165,088 respectively.

***Other Arrangements***

The Company has agreed to pay Mr. DeMarie the difference (if negative) between the then sale price of his Michigan residence and the price paid by him when he purchased it, if he elects to relocate to Florida upon a change in control (or for any reason other than his voluntary resignation or discharge for cause). Mr. DeMarie must exercise this right before June 15, 2010 and he must agree to continue his employment with the Company for at least one year following such relocation.

**Payments Upon Disability, Death or Termination*****Retirement Plans***

If retirement at or after age 65, or voluntary or involuntary termination of employment had occurred at December 31, 2009, all of the named executive officers would be fully vested in the values shown in the last column of the 2009

Pension Plan Table together with all amounts in column D in the table entitled 2009 Nonqualified Deferred Compensation Plan, and benefits would become payable pursuant to the plans (e.g., with benefits under defined benefit plans reduced for joint-life pension options and for payments commencing after age 55 and prior to age 65, and with no payments made prior to age 65 under the SERP see Retirement above); provided, however, in the case of voluntary or involuntary termination of employment at that date, the amounts for the SERP otherwise shown in the Pension Plan Table for Messrs. DeMarie and Szniewajs would have been reduced to their vested benefit (50% and 42%, respectively). As noted above, other than in the case of an alternate change in control or change in



**Table of Contents**

control under the SERP, the values shown in the Pension Plan Table would be paid as monthly annuities and not as lump sums. All payments referred to above would be made by the Company, other than payments from the trust established pursuant to the Qualified Pension Plan.

If death had terminated the employment of any of the named executive officers at December 31, 2009, the surviving spouse would receive an annual pension benefit calculated as (i) the value of the benefits from defined benefit pension plans shown in the 2009 Pension Plan Table (actuarially adjusted for the joint-survivor coverage effective under these plans) other than the SERP, plus distributions from the Company's defined contribution plans (the defined contribution portion of the BRP and the Qualified Profit Sharing Plan) (collectively, the offsets) plus (ii) 45% of the applicable SERP benefit reduced by the foregoing offsets, yielding annual survivor's pensions payable by the Company in the case of death of Mr. Wadhams, \$731,985; Mr. Szniewajs, \$272,919; Mr. DeMarie, \$516,899; and Mr. Anderson, \$199,350.

If disability had terminated employment of any of the named executive officers at December 31, 2009, under the Company's regular salaried long-term disability plan he would receive a maximum benefit of \$144,000 per year, payable from the long-term disability insurance policy. In addition, each of the named executive officers (other than Mr. Manoogian, who was not eligible for a disability benefit at December 31, 2009 and Mr. Silverman, whose retirement was effective December 31, 2009) would have received the disability benefit described in the fourth paragraph of Supplemental Executive Retirement Plan, which after reduction by the foregoing \$144,000 benefit, would have resulted in an annual disability benefit payable by the Company of \$1,368,000 for Mr. Wadhams; \$363,300 for Mr. Szniewajs; \$846,000 for Mr. DeMarie and \$261,840 for Mr. Anderson. The disability benefit would terminate upon the earlier to occur of death, recovery from disability or attainment of age 65, whereupon the retirement, termination or death provisions as described in the two preceding paragraphs would become effective.

In addition to the retirement benefits described above and under Retirement, there is provision for discretionary medical benefits for the named executive officers (other than Mr. Greenwood) and their spouses as described under Supplemental Executive Retirement Plan.

***Equity Plans***

Absent an agreement for post-termination extended vesting, voluntary or involuntary termination of employment would result in forfeiture to the Company of all unvested restricted stock awards effective upon termination as well as forfeiture to the Company of all unvested option awards; vested options remain exercisable for 30 days (in the case of voluntary termination) or 3 months (in the case of involuntary termination) following the date of termination but not in either case beyond the originally specified maximum period. Vested options at December 31, 2009 are shown in the second column under the table, Outstanding Equity Awards at Fiscal Year End. The Company may exercise its discretionary right to terminate unexercised options that vested within 2 years prior to termination and to recover the after-tax proceeds for exercises of options which vested within 2 years prior to termination.

In the case of disability or death, whether before or after normal retirement date, all restrictions on restricted shares would lapse. Disability or death would cause all unvested options to become exercisable; in the case of disability, for the maximum period of time allowed under the original award(s), and in the case of death, for up to a year but not beyond any originally specified maximum period. If death or disability had occurred at December 31, 2009, the number of unvested restricted shares and option shares are shown respectively in the sixth and third columns under Outstanding Equity Awards at Fiscal Year-End.

Retirement at or after age 65 would also result in continued vesting of restricted shares (with vesting generally completed by age 71, or for restricted shares first awarded during or after the year in which the participant attains age 65, within 5 years) and continued vesting of options.

***Other Arrangements***

As noted above in the Compensation Discussion and Analysis, it is the Company's general policy not to enter into employment or severance contracts. On an individually-negotiated basis the Company from time-to-time enters

**Table of Contents**

into severance arrangements or arrangements for an executive's services following termination of employment. Such arrangements may include continued vesting of restricted stock or options that would otherwise be forfeited.

The Company and Barry J. Silverman entered into an agreement in connection with Mr. Silverman's early retirement from the Company on December 31, 2009. The Agreement provides that Mr. Silverman will receive (a) cash payments, which in the aggregate will total \$662,500, plus payment in early 2010 of a cash bonus earned pursuant to the Company's 2009 annual cash bonus plan, which bonus is included in the Summary Compensation Table; (b) the continued vesting of all restricted stock awards, which are shown in the last column of the 2009 Outstanding Equity Awards at Fiscal Year-End table, plus an award of restricted stock in 2010 pursuant to the 2009 annual restricted award opportunity; (c) certain additional benefits valued up to \$25,000; and (d) \$25,000 per year under a post-employment consulting agreement extending from January 1, 2010 through December 31, 2014. The Company agreed not to exercise its right to claw back net amounts realized from the exercise of any options. Mr. Silverman agreed (i) to release the Company from any claims related to his employment; (ii) not to disclose any of the Company's proprietary or confidential information; and (iii) to refrain from competitive activities, in each case for the duration of the agreed extended vesting periods under the restricted stock grants through and after age 65.

### **CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

Our Board of Directors adopted a written policy that requires the Board or a committee comprised of independent Directors to approve or ratify any transaction involving the Company in which any Director, Director nominee, executive officer, 5% beneficial owner or any of their immediate family members (collectively, "related persons") has a direct or indirect material interest. This policy covers financial transactions, arrangements or relationships or any series of similar transactions, arrangements or relationships, including indebtedness and guarantees of indebtedness as well as transactions involving employment and similar relationships, but excludes certain transactions deemed not to involve a material interest. The policy requires Directors, Director nominees and executive officers to provide prompt written notice to the Corporate Secretary of any related transaction so it can be reviewed by the Corporate Governance and Nominating Committee to determine whether the related person has a direct or indirect material interest. If the Committee so determines, it considers all relevant information to assess whether the transaction is in, or not inconsistent with, the best interests of the Company and its stockholders. The Committee annually reviews previously approved related transactions to determine whether such transactions should continue.

These procedures have been followed in connection with the review of the transactions described below. There have been no transactions since January 1, 2009 required to be described in this Proxy Statement that were not subject to review, approval or ratification in accordance with this policy.

For 2009, Mr. Manoogian personally reimbursed the Company an aggregate of \$295,000 in cash for the value of various financial, accounting and tax services and administrative assistance provided to him by the Company. Two charitable foundations established by Mr. Manoogian and by his father, Mr. Alex Manoogian, who founded the Company, also separately reimbursed the Company an aggregate of \$276,000 for accounting and administrative services provided by the Company during 2009. These foundations from time to time also make charitable donations similar to those charitable donations made by the Masco Corporation Foundation. Mr. Manoogian has continued to lend a significant number of his personal artworks to the Company at its headquarters, but this arrangement is at no charge to the Company and with no reimbursement to Mr. Manoogian for insurance, restoration and the other costs he personally incurs with respect to the artworks on loan. See "Compensation Discussion and Analysis—Compensation Principles, Objectives and Components—Perquisites and Other Compensation" for a description of the arrangement between Mr. Manoogian and the Company regarding the continued use of and reimbursement for these services.

**Table of Contents**

**PROPOSAL TO APPROVE  
THE AMENDMENT OF THE 2005 LONG TERM STOCK INCENTIVE PLAN**

Masco common stock is a major part of long-term compensation for our key employees. As noted in the Compensation Discussion and Analysis, for many years the Company has recognized that having an ownership interest in the Company is critical to aligning the financial interests of our key employees with the interests of our stockholders. In order to ensure that shares continue to be available, in 2010 the Board of Directors amended the Masco Corporation 2005 Long Term Incentive Plan (the plan as amended prior to 2010 is referred to as the 2005 Plan ), subject to stockholder approval, to increase the number of shares that may be granted under the 2005 Plan. The amendment is being submitted to stockholders for approval at the Annual Meeting. We refer to this proposed amendment as the 2010 plan amendment.

As of February 28, 2010, fewer than 6,170,000 shares were available for grant under the 2005 Plan, of which only approximately 384,000 can be used for restricted stock awards, a key element of our overall compensation program. This amount is not sufficient to meet the Company's anticipated needs for 2011.

The Board of Directors has approved the 2010 plan amendment, subject to stockholder approval, to make an additional 6,500,000 shares available for issuance of awards granted on or after May 11, 2010. All of these newly authorized shares will be available to grant as restricted stock awards and restricted stock units. The Committee believes that these additional shares will be sufficient to satisfy the anticipated need for shares under the 2005 Plan for at least the next year. If stockholders do not approve the 2010 plan amendment at the Annual Meeting, the 2005 Plan will remain in effect; however, the shares available for equity compensation will quickly be depleted, and we will lose our ability to utilize equity as a compensation tool. In such event, we will have to use stock appreciation rights or phantom stock awards which ultimately would have to be satisfied in cash instead of equity to compensate and retain current employees and to attract new talent.

**YOU ARE URGED TO READ THIS ENTIRE PROPOSAL, WHICH EXPLAINS OUR REASONS FOR SUPPORTING THE 2010 PLAN AMENDMENT. THE 2005 PLAN, AS AMENDED BY THE 2010 PLAN AMENDMENT, IS ATTACHED AS APPENDIX B.**

**The Importance of Equity Compensation**

We believe it is essential to link executive compensation and long-term stockholder value creation, and to accomplish this, we rely heavily on equity compensation. Equity compensation represents a significant portion of the compensation package for most of our key employees. Since our equity awards generally vest over an extended period of time, the value ultimately realized from these awards depends on the long-term value of our common stock. Stock options inherently have no value unless the price of Masco common stock increases. We strongly believe that granting equity awards motivates employees to think and act like owners, rewarding them when value is created for stockholders.

Our equity compensation links pay and Company performance. Over the past several years, we have reduced the percentage of total compensation represented by base salary and have increased equity performance-based opportunities to more closely align executive compensation with our stockholders' interests. It is anticipated that there will not be enough shares under the 2005 Plan for the 2011 annual equity awards. To avoid having to make changes to our compensation program that are inconsistent with our compensation philosophy, we are requesting more shares be available for delivery under the 2005 Plan.

If the 2010 plan amendment is not approved by stockholders, we may need to resort to the use of stock appreciation rights or phantom stock awards which ultimately would have to be satisfied in cash instead of equity to satisfy our compensation requirements. If the proposal is not approved, to maintain a competitive compensation program, we will need to replace equity with cash or other vehicles that may not necessarily align management interests with long term stockholder interests. In addition, replacing equity with cash could adversely impact our cash flow and expected future uses of cash for other corporate purposes. The Company's after-tax compensation expense may also increase because our tax deduction for equity compensation is based on the value of our common stock when a restricted stock award vests or an option is exercised, and would benefit from any stock price appreciation from the date of the grant to the vesting or exercise date.

## **Table of Contents**

Equity awards are commonly used by companies in our peer group and the other types of firms with which we believe we compete for executive talent. Therefore, it is critical to provide long-term incentive awards as a significant part of our compensation package.

In addition, as it is our general policy not to enter into employment contracts with our executive officers, or to otherwise establish individual severance or other arrangements that entitle our executives to additional compensation such as salary or bonus following termination of employment, we do not have non-compete arrangements that are typically a part of such employment agreements. In the absence of such separate arrangements, the non-compete provisions that are generally a part of our equity grants are significant.

## **Historical Company Equity Usage**

We believe that our historic equity usage has been consistent with industry norms on an aggregate basis. We set targets for equity compensation based on industry standards and other data provided to the Organization and Compensation Committee by Hewitt Associates, its independent compensation consultant. Based on this information, we believe that our equity usage is consistent with the broader market as well as with the peer group of companies with which we compare the overall competitiveness of our compensation programs. One area where we may not have been in line with industry norms in the past is with respect to the vesting schedule of our restricted stock awards. As discussed earlier in this Proxy Statement, restricted stock awards granted by the Organization and Compensation Committee prior to February 2010 were subject to a ten year vesting schedule. As a result of this lengthy vesting schedule, our awards remain outstanding far longer than the awards of our peer companies. Including our request for an additional 6,500,000 shares pursuant to the 2010 plan amendment, our 2009 fiscal year-end fully-diluted overhang would have been slightly under 15%. Overhang is calculated as follows: Outstanding equity awards plus shares available for grant divided by common shares outstanding plus outstanding equity awards plus shares available for grant.

## **Non-Employee Directors Equity Program**

The Company maintains a written program, which utilizes the shares under the 2005 Plan, to provide for the equity compensation of non-employee directors. Under the program, upon joining the Board, each non-employee director receives an award of restricted stock equal to one-half of the annual retainer multiplied by five. After the fifth year, each non-employee director receives an annual award of restricted stock valued at one-half of the annual retainer. Under the non-employee directors equity program, upon joining the Board, a new non-employee director receives an option to purchase 32,000 shares and thereafter receives an annual option to purchase 8,000 shares. Under this program, the restricted stock awards vest and the options become exercisable in 20% installments over five years.

## **Key Features of the 2005 Plan, as Amended by the 2010 Plan Amendment**

*Limit on Shares Authorized.* The 2005 Plan authorizes the grant of 6,500,000 shares of Company common stock in addition to the 34,000,000 previously authorized. In addition, shares that are subject to awards that are cancelled or forfeited or that expire may be re-granted.

*Limit on Shares Available For Restricted Stock Awards.* Of the shares of Company common stock available for grant under the 2005 Plan only 6,884,241 shares may be used for grants of restricted stock or restricted stock units.

*Minimum Three-Year Vesting.* Awards of stock options and restricted stock will not fully vest before the third anniversary of the date of grant, subject to certain exceptions for death and permanent and total disability or upon a change in control as described below and except under special circumstances as determined by the

Organization and Compensation Committee.

*No Discount Stock Options.* The 2005 Plan prohibits the grant of a stock option with an exercise price less than the fair market value of our common stock on the date of grant.

**Table of Contents**

*No Repricing of Stock Options.* The 2005 Plan prohibits the repricing of stock options either by amendment of an award agreement or by substitution of a new option award at a lower price. The Company has never repriced stock options.

*No Restoration or Reload Options.* The 2005 Plan prohibits the granting of restoration options, other than restoration options resulting from options granted under the 1991 Long Term Stock Incentive Plan, which was replaced by the 2005 Plan.

*Independent Committee Administration.* The 2005 Plan is administered by the Organization and Compensation Committee, a committee of the Board ( Committee ) whose members satisfy the disinterested administration requirements of Rule 16b-3 under the Securities Exchange Act of 1934, the applicable rules of the New York Stock Exchange and the outside director requirement of Code Section 162(m).

**Summary of the 2005 Long Term Stock Incentive Plan, as Amended by the 2010 Plan Amendment**

*Eligibility.* Awards under the 2005 Plan may be granted to key employees of and consultants to the Company and its affiliates and to Directors of the Company. The number of key employees and consultants of the Company and its affiliates eligible to receive awards in any given year is subject to the discretion of the Committee and has not been determined at this time. In addition, the employees or consultants who are to receive awards, the value of awards that will be granted to any employee or consultant, and the amounts to be payable with respect to awards, have not been determined at this time. The 2005 Plan will remain in existence as to all outstanding awards until all awards are either exercised or terminated; however, no award under the 2005 Plan can be made after May 10, 2015.

*Types of Awards.* The 2005 Plan authorizes awards in the form of stock options, stock appreciation rights or SARs, restricted stock, restricted stock units, performance awards and dividend equivalents. Awards may be granted either alone or in addition to, in tandem with or in substitution for any award granted under the 2005 Plan or another plan of the Company or an affiliate.

*Stock Options.* Stock options are rights to purchase a specified number of shares of Company common stock at an exercise price of not less than 100 percent of the fair market value on the date of grant, except in the case of options granted in substitution of options previously granted by a company subsequently acquired by the Company. The maximum term of an option awarded under the 2005 Plan is ten years after the initial date of grant. Stock options may be either incentive stock options ( ISOs ) or non-qualified stock options. Awards of ISOs will include such additional terms as are necessary to satisfy the applicable requirements of the tax law. The maximum number of ISOs that can be granted under the 2005 Plan is 7,510,315.

*Stock Appreciation Rights.* A SAR entitles the recipient to receive, upon surrender of the SAR, the excess of the fair market value of a specified number of shares of Company common stock on the date the SAR is surrendered over the fair market value of such shares on the date of grant.

*Restricted Stock.* A restricted stock award may provide the recipient with all of the rights of a stockholder of the Company, including the right to vote the shares and to receive dividends. Restricted stock generally will be subject to certain forfeiture conditions and may not be transferred by the recipient until such restrictions lapse.

*Restricted Stock Units.* A restricted stock unit is the right to receive cash, other securities, other awards or other property subject to the termination of a restricted period specified by the Committee. Restricted stock units generally will be subject to certain forfeiture conditions and may not be transferred by the recipient until the restrictions lapse. Restricted stock units are not outstanding shares of stock and do not entitle a participant to voting or other rights;



however, an award of restricted stock units may provide for the crediting of additional stock units based on the value of dividends paid on Company common stock while the award is outstanding.

*Dividend Equivalents.* Stock awards under the 2005 Plan are eligible for cash dividends. The Committee may provide for the payment of dividend equivalents with respect to any option, SAR or other award pursuant to which shares of Company common stock are or may become deliverable in the future, equal in value to the cash dividends that would have been paid with respect to each share subject to the award, if it had been outstanding from the date of the grant. Dividend equivalents may be payable in cash or in shares of Company common stock.

## **Table of Contents**

*Performance Awards.* The 2005 Plan also provides for the grant of performance awards that may be denominated or payable in cash, Company common stock, other securities or awards under the 2005 Plan. Performance awards confer rights valued as determined by the Committee and payable to (or exercisable by) the recipient, in whole or in part, upon achievement of such performance goals during the performance period established by the Committee. Performance awards to executive officers under the 2005 Plan are intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code. In 2009 shareholders approved, the performance criteria on which performance awards may be based, which satisfied the requirements of Section 162(m).

The maximum annual amounts payable to any one participant as performance-based awards are as follows:

*Cash Maximum:* The aggregate amount payable to any participant under all cash-denominated performance awards granted to such participant under the 2005 Plan in any year is \$10,000,000. There is no maximum aggregate dollar amount of cash-based performance awards under the 2005 Plan.

*Share Maximum:* The aggregate number of shares of Company common stock deliverable to any participant upon settlement under all share-denominated performance awards granted to such participant under the 2005 Plan in any year is 2,000,000 shares.

*Options and SARs:* The maximum number of options and SARs under the 2005 Plan that may be granted during any calendar year to any participant is 4,000,000 shares plus any unused carryover from a prior year.

*Authorized Shares.* The stock that may be issued pursuant to an award under the 2005 Plan will be shares of Company common stock, par value \$1.00. Stock may be authorized but unissued shares of the Company or treasury shares held by the Company. The Company common stock that may be issued in respect of awards under the 2005 Plan may not exceed 40,500,000 shares. Notwithstanding the foregoing, any unexercised or undistributed portion of any forfeited award under the 2005 Plan or its predecessor plan, will again be available for award under the 2005 Plan, whether or not the participant has received benefits of ownership (such as dividends, dividend equivalents or voting rights) during the period in which the participant's ownership was restricted or otherwise not vested; provided that the maximum number of shares of stock that may be issued and delivered upon vesting of restricted stock or restricted stock units under the 2005 Plan is limited to 17,500,000 shares.

*Terms of Awards.* Each award under the 2005 Plan will be evidenced by an award agreement in a form approved by the Committee setting forth, in the case of share-based awards, the number of shares of stock or share units, as applicable, subject to the award, and the price (if any) and term of the award including its vesting period and, in the case of performance awards, the applicable performance goals. Award agreements for SARs will also include the method of exercise and settlement. Awards under the 2005 Plan that are not vested or exercised generally will be nontransferable by a holder (other than by will or the laws of descent and distribution).

Options under the 2005 Plan will also be subject to the following provisions unless the Committee determines otherwise. Options will not become fully exercisable prior to the third anniversary of the date of grant, subject to certain exceptions. Options will continue to vest as long as the participant's employment continues or if an employee retires on or after the normal retirement date. Options become immediately exercisable upon the participant's death or following termination of employment due to permanent and total disability. Options may be exercised for only a limited period of time following termination of employment or for one year following death. Notwithstanding the foregoing, all options vest immediately in the event of a change in control as described below.

Unless the Committee determines otherwise, awards of restricted stock and restricted stock units will be subject to the terms described below. Awards of restricted stock and restricted stock units will not fully vest prior to the third anniversary of the date of grant, subject to certain exceptions. Restrictions on restricted stock and restricted stock units

will lapse as long as the participant's employment continues or after the normal retirement date, except that all restrictions lapse immediately upon death or upon termination of employment due to permanent and total disability. Notwithstanding the foregoing, all restrictions lapse in the event of a change in control as described below.

Award agreements may contain any other terms, consistent with the 2005 Plan, as the Committee may determine, including any requirements for continued employment and any other restrictions or conditions

## **Table of Contents**

(including performance requirements and holding periods). Consistent with current practice, it is anticipated that award agreements for options and restricted stock will continue to contain a non-compete provision and a provision for forfeiture of an award on account of activities that may be detrimental to the interests of the Company following termination of employment.

*Withholding.* The Company retains the right to deduct or withhold or to take any action as may be necessary to satisfy any tax required to be withheld with respect to any taxable event relating to an award under the 2005 Plan.

*Adjustments to Stock; Corporate Reorganizations.* The Committee is authorized to adjust the number and type of shares (securities or other property) available for awards and subject to outstanding awards and the grant, purchase or exercise price with respect to outstanding awards and, if appropriate, make provision for cash payments to holders of awards (as well as individual share and share unit limits on awards, performance targets and exercise prices of awards) upon the occurrence of unusual or nonrecurring events affecting the Company or its financial statements or of changes in applicable laws, regulations or accounting principles.

*Change in Control.* The 2005 Plan provides that all awards will vest and any restrictions and other conditions applicable to awards will lapse upon a change in control. A change in control under the 2005 Plan is defined generally to include a change, during any twenty-four month period, in a majority of the incumbent Directors, defined as Directors whose election by the Board or nomination for election by stockholders was approved by a vote of at least two-thirds of the members of such Board. An incumbent Director does not include Directors who are elected within one year after a person, without Board approval, commences a tender offer or acquires at least 25 percent of the combined voting power of the Company or, who assumes office as a result of an election contest or proxy solicitation other than on behalf of the Board.

*Administration.* The 2005 Plan provides that it shall be administered by a committee of the Board of Directors that satisfies the applicable rules of the New York Stock Exchange, the non-employee director provisions of Rule 16b-3 under the Exchange Act, and the outside director requirements of Section 162(m) of the Code.

The Committee has the authority, subject to the express limitations in the 2005 Plan, to designate recipients of awards, determine or modify the form, amount, terms, conditions, restrictions, and limitations of awards, including vesting provisions, terms of exercise of an award, expiration dates and the treatment of an award in the event of the retirement, disability, death or other termination of a participant's employment with the Company, and to construe and interpret the 2005 Plan. The Committee also has the authority to grant awards under the 2005 Plan in substitution for or as the result of the assumption of stock incentive awards held by employees of other entities who become employees of the Company or a subsidiary as a result of a merger or acquisition of the entity.

*Amendment and Termination.* The Board has the authority to terminate, suspend or discontinue the 2005 Plan at any time. The Board or the Committee may amend the 2005 Plan or any outstanding award at any time; provided, however,

no plan amendment shall be effective until approved by stockholders: (i) if such approval is required in order for the 2005 Plan to continue to satisfy the conditions of the applicable rules and regulations that the Committee has determined to be necessary to comply; and (ii) if such plan amendment would materially (A) increase the number of shares available under the plan or issuable to a participant, (B) change the types of awards that may be granted under the plan, (C) expand the class of persons eligible to receive awards under the plan, or (D) reduce the price at which an option is exercisable;

no option may be amended to reduce its initial exercise price other than in connection with certain events specified in the 2005 Plan or the granting of a substitute stock option to participants of another entity's option

plan in connection with a merger with, or acquisition of, such other entity; and

without the participant's consent, no amendment shall impair the rights of a participant under an outstanding award.

Because the Committee retains the discretion to set and change the specific targets for each performance period under a performance award intended to be exempt from Section 162(m), stockholder ratification of the

## **Table of Contents**

performance criteria will be required, in any event, at five-year intervals in the future to exempt such awards from the limitations on deductibility.

*Exclusivity.* The 2005 Plan is not exclusive and does not limit the authority of the Company's Board or its committees to grant awards or authorize any other compensation, with or without reference to Company common stock, under any other plan or authority.

*Federal Income Tax Consequences.* The following is a general description of Federal income tax consequences to participants and the Company relating to non-qualified and incentive stock options and certain other awards that may be granted under the 2005 Plan. This discussion does not purport to cover all tax consequences relating to stock options and other awards.

An optionee will not recognize income upon the grant of a non-qualified stock option. Upon exercise of the option, the optionee will recognize ordinary compensation income equal to the excess of the fair market value of the Company common stock on the date the option is exercised over the option price. The tax basis of the option stock in the hands of the optionee will equal the option price plus the amount of ordinary compensation income the optionee recognizes upon exercise of the option, and the holding period for the stock will commence on the day the option is exercised. A participant who exercises and holds option stock and sells at a later date will recognize capital gain or loss measured by the difference between the tax basis of the stock and the amount realized on the sale. Such gain or loss will be long-term if the stock is held for more than one year after exercise, and short-term if held for one year or less. The employer will be entitled to a deduction equal to the amount of ordinary compensation income recognized by the optionee. The deduction will be allowed at the same time the optionee recognizes the income.

An optionee will not recognize taxable income upon the grant of an ISO, and generally will not recognize income upon exercise of the option provided such optionee was an employee of the Company or a subsidiary at all times from the date of grant until three months prior to exercise. For alternative minimum tax purposes, however, the amount by which the fair market value of Company common stock on the date of exercise exceeds the option price will be includible in alternative minimum taxable income. An optionee who exercises an ISO and sells the shares more than two years after the grant date and more than one year after exercise will recognize long-term capital gain or loss equal to the difference between the sales proceeds and the option price. An optionee who sells such shares within two years after the grant date or within one year after exercise will recognize ordinary compensation income in an amount equal to the lesser of (a) the difference between the fair market value of such shares on the date of exercise and the option price or (b) the difference between the sales proceeds and the option price. Any remaining gain or loss will be treated as a capital gain or loss. The employer will be entitled to a deduction with respect to an ISO only in the amount of ordinary compensation income recognized by the optionee. The deduction will be allowable at the same time the optionee recognizes the income.

The Federal income tax consequences of other awards authorized under the 2005 Plan generally follow certain basic patterns: SARs are taxed and deductible in substantially the same manner as nonqualified stock options; restricted stock and stock units subject to a substantial risk of forfeiture result in income recognition equal to the excess of the fair market value of the stock over the purchase price (if any) only at the time the restrictions lapse and stock is delivered in settlement thereof; performance bonuses are generally subject to tax on the payment received; and cash-based awards generally are subject to tax at the time of payment. In each of the foregoing cases, when the participant recognizes income the Company will generally have a corresponding deduction.

If, as a result of a change in control event, a participant's options, SARs or other rights become immediately exercisable, or restrictions immediately lapse on an award, or cash, shares or other benefits covered by another type of award are immediately vested or issued, the additional economic value, if any, attributable to the acceleration or issuance may be deemed a "parachute payment" under Section 280G of the Code. In such case, the participant may be

subject to a 20 percent non-deductible excise tax as to all or a portion of such economic value, in addition to any income tax payable. If so, the participant would be entitled to additional payments to make him or her whole for such excise tax. The Company will not be entitled to a deduction for that portion of any parachute payment that is subject to the excise tax or any additional payment intended to make the participant whole.

Notwithstanding any of the foregoing discussion with respect to the deductibility of compensation under the 2005 Plan, Section 162(m) of the Code would render non-deductible to the Company certain compensation in

**Table of Contents**

excess of \$1 million in any year to certain executive officers of the Company, unless such excess compensation is performance-based (as defined in Section 162(m)) or is otherwise exempt from Section 162(m). The applicable conditions of an exemption for a performance-based compensation plan include, among others, a requirement that the stockholders approve the material terms of the plan. Stock options, SARs and certain (but not all) other types of awards that may be granted to executive officers as contemplated by the 2005 Plan are intended to qualify for the exemption for performance-based compensation under Section 162(m).

**New Plan Benefits**

Because awards under the 2005 Plan as amended by the 2010 plan amendment are subject to the discretion of the Committee, the benefits and amounts that will be received or allocated in the future under the 2005 Plan, as well as amounts that would have been received in the last fiscal year had the 2010 amendment been in effect, are not determinable. See Compensation of Executive Directors Grants of Plan-Based Awards above for information relating to awards made to named executive officers under the 2005 Plan in 2009.

**Vote Required**

Under New York Stock Exchange rules, the approval of the 2010 amendment to the 2005 Plan requires a majority of votes cast, provided that the total votes cast must represent a majority of the shares entitled to vote on a proposal. Abstentions in this case have the effect of being counted as a vote against. Broker non-votes can have the effect of being counted as a vote against if they result in the total number of votes cast not representing a majority of the shares entitled to vote on the proposal. If the proposal is not adopted, the 2005 Plan will remain in effect and the Company will continue to make grants thereunder until its current capacity for grants is exhausted, at which time the Committee will consider other alternatives for compensation.

**The Board of Directors recommends a vote FOR approval of the 2010 Plan Amendment to the 2005 Long Term Stock Incentive Plan.**

**Equity Compensation Plan Information**

The Company has three equity compensation plans: the 1991 Long Term Stock Incentive Plan (under which further grants have been discontinued); the 2005 Long Term Stock Incentive Plan; and the 1997 Non-Employee Directors Stock Plan (under which further grants have been discontinued). The following table sets forth information as of December 31, 2009, on an aggregate basis, concerning the Company's three equity compensation plans, each of which was approved by stockholders. This table does not reflect grants made in 2010. The Company does not have any equity compensation plans that are not approved by stockholders.

Plan Category	Number of Securities to be	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
	Issued Upon Exercise of Outstanding Options, Warrants and Rights		



Equity compensation plans approved by stockholders	35,829,727	\$ 22.67	12,209,183
---	------------	----------	------------

45

---

**Table of Contents****PROPOSAL TO RATIFY SELECTION OF  
INDEPENDENT AUDITORS**

The Audit Committee has selected the independent registered public accounting firm of PricewaterhouseCoopers LLP to audit our financial statements for the year 2010, and believes it appropriate to submit its selection for ratification by stockholders.

PricewaterhouseCoopers LLP has acted as our independent auditors for over 48 years. PricewaterhouseCoopers LLP has performed services of an accounting and auditing nature and, from time to time, has provided other consulting services for us. Representatives of PricewaterhouseCoopers LLP are expected to be present at the meeting and will have the opportunity to make a statement and are expected to be available to respond to appropriate questions. If the selection is not ratified, the Audit Committee will consider selecting another independent registered public accounting firm as our independent auditors.

The affirmative vote of a majority of the votes cast by shares entitled to vote thereon is required for the ratification of the selection of independent auditors. Abstentions and broker non-votes are not counted as votes cast, and therefore do not affect the ratification of the selection of independent auditors.

**The Board of Directors recommends a vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as independent auditors for Masco for the year 2010.**

**PRICEWATERHOUSECOOPERS LLP FEES****Principal Accountant Fees and Services**

Aggregate fees for professional services rendered to us by PricewaterhouseCoopers LLP as of or for the years ended December 31, 2009 and 2008 were (in millions):

	<b>2009</b>	<b>2008</b>
Audit Fees	\$ 10.4	\$ 12.3
Audit-Related Fees	.8	.7
Tax Fees	1.6	1.3
All Other Fees	*	*
<b>Total</b>	<b>\$ 12.8</b>	<b>\$ 14.3</b>

\* Aggregate amount was less than \$50,000

The *Audit Fees* for the years ended December 31, 2009 and 2008 were for professional services rendered for audits and quarterly reviews of our consolidated financial statements, audits of our internal control over financial reporting, statutory audits, issuance of comfort letters, consents and assistance with review of documents filed with the SEC.

The *Audit-Related Fees* for services rendered during the years ended December 31, 2009 and 2008 were for professional services rendered for employee benefit plan audits, due diligence related to acquisitions, audits not

required by law, and consultations concerning the assessment of internal control over financial reporting.

*Tax Fees* for services rendered during the years ended December 31, 2009 and 2008 were for services related to tax return preparation, tax planning, and tax advice related to reorganizations, divestitures and transfer pricing programs.

*All Other Fees* for services rendered during the years ended December 31, 2009 and 2008 were for miscellaneous services rendered.

#### **Audit Committee Pre-Approval Policies and Procedures**

The Audit Committee has established a policy requiring its annual review and pre-approval of all audit services and permitted non-audit services to be performed by our independent registered public accounting firm

## **Table of Contents**

PricewaterhouseCoopers LLP. The Audit Committee will, as necessary, consider and, if appropriate, approve the provision of additional audit and non-audit services by PricewaterhouseCoopers LLP that are not encompassed by the Audit Committee's annual pre-approval and not prohibited by law. The Audit Committee has delegated to the Chairman of the Audit Committee the approval authority, on a case-by-case basis, for services outside or in excess of the Audit Committee's aggregate pre-approved levels and not prohibited by law, provided that the Chairman shall report any such decisions to the Audit Committee at its next regular meeting. All of the services referred to above in the table for 2009 were pre-approved by the Audit Committee and none of the services approved by the Audit Committee during 2009 were under the de minimis exception to pre-approval contained in the applicable rules of the SEC.

### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and Directors, and persons who own more than ten percent of our common stock, to file reports of ownership and changes in ownership with the SEC and the New York Stock Exchange and to furnish us copies of these ownership reports. Based solely on our review of copies of such ownership reports that we received or written representations from certain reporting persons that no Form 5 ownership reports were required for those persons, we believe that any person who was a Director, officer or beneficial owner of more than ten percent of Company common stock at any time during 2009 met all applicable filing requirements during the last fiscal year.

### **2011 ANNUAL MEETING OF STOCKHOLDERS**

Stockholders who intend to present proposals for inclusion in Masco's Proxy Statement and Proxy relating to the 2011 Annual Meeting of Stockholders must provide written notice of such intent to our Corporate Secretary at the address stated in the Notice of Annual Meeting of Stockholders on or before December 2, 2010.

If a stockholder intends to bring a matter before next year's meeting, other than by timely submitting a proposal to be included in the Proxy Statement, we must receive notice in accordance with our Bylaws. The Bylaws provide that, to be timely, our Secretary, Gregory D. Wittrock, must receive notice at 21001 Van Born Road, Taylor, Michigan 48180 no earlier than January 11, 2011 and no later than February 10, 2011. For each matter a stockholder intends to bring before the meeting, our Bylaws state that the notice must include a brief description of the business to be brought before the meeting; the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws, the language of the proposed amendment); the reasons for conducting the business at the meeting and any material interest the stockholder may have in such business; the stockholder's name and address as it appears in our records; the number of shares of Masco common stock owned by the stockholder; a representation that the stockholder is a holder of record of stock of Masco entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business; and a representation as to whether the stockholder is a part of a group that intends to deliver a proxy statement or form of proxy to holders of at least the percentage of the outstanding Masco common stock required to approve or adopt such proposal or if the stockholder intends to otherwise solicit proxies from stockholders in support of the proposal.

Stockholders wishing to nominate Director candidates for election to the Board at the 2011 Annual Meeting of Stockholders must submit the following information as set forth in our charter no later than February 14, 2011 to: Gregory D. Wittrock, Secretary, Masco Corporation, 21001 Van Born Road, Taylor, Michigan 48180: (a) the name and address of the stockholder who intends to make the nomination or nominations and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of common stock of Masco entitled to vote at the Annual Meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between such stockholder and each

nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations is or are to be made by the stockholder; (d) such other information regarding each nominee proposed by the stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC if the nominee had been nominated by the Board of Directors; (e) the written consent of each nominee to serve as a Director of Masco if elected. In addition, our Bylaws require that the notice of

**Table of Contents**

intent to make a nomination shall be accompanied by a statement whether each such nominee, if elected, intends to tender, promptly following such election, an irrevocable resignation effective upon such person's failure to receive the required vote for re-election at the next meeting at which such person would face re-election and upon the Board of Director's acceptance of such resignation. Our Bylaws also state that a stockholder seeking to make a nomination before an annual meeting shall promptly provide to us any other information reasonably requested by us.

**DELIVERY OF PROXY MATERIALS AND ANNUAL REPORTS**

The SEC's proxy rules permit companies and intermediaries, such as brokers and banks, to satisfy delivery requirements for proxy statements with respect to two or more stockholders sharing an address by delivering a single proxy statement to those stockholders. This procedure, known as "householding," reduces the amount of duplicate information that stockholders receive and lowers printing and mailing costs for companies.

We have been notified that certain intermediaries will utilize this procedure for our Proxy materials and the 2009 Annual Report. Therefore, only one Proxy Statement and Annual Report may have been delivered to your address if multiple stockholders share a single address. Stockholders who wish to opt out of this procedure and receive separate copies of the Proxy Statement and Annual Report in the future, or stockholders who are receiving multiple copies and would like to receive only one copy, should contact their bank, broker or other nominee or us at the address and telephone number below.

We will promptly deliver a separate copy of the Proxy Statement for the 2010 Annual Meeting or 2009 Annual Report upon oral request to our Investor Relations Department at (313) 274-7400, written request to Investor Relations, Masco Corporation, 21001 Van Born Road, Taylor, Michigan 48180 or e-mail request to [webmaster@mascohq.com](mailto:webmaster@mascohq.com).

**OTHER MATTERS**

The Board of Directors knows of no other matters to be voted upon at the meeting. If any other matters properly come before the meeting, it is the intention of the proxies named in the enclosed Proxy to vote the shares represented thereby with respect to such matters in accordance with their best judgment.

By Order of the Board of Directors

Gregory D. Wittrock  
Secretary

Taylor, Michigan  
March 31, 2010

**Table of Contents**

**Appendix A**

**MASCO CORPORATION DIRECTOR INDEPENDENCE STANDARDS**

As specified in Masco's Corporate Governance Guidelines, a majority of the Board shall qualify under the independence and experience requirements of applicable law and the New York Stock Exchange (NYSE). The Board will make a determination regarding the independence of each director annually based on all relevant facts and circumstances at the time the determination is made. The Board, pursuant to the recommendation of the Corporate Governance and Nominating Committee, has also adopted the following categorical standards to assist it in making a determination of independence.

- a) A director who is an employee, or whose immediate family member is an executive officer, of the Company is not independent until three years after the end of such employment relationship.
- b) A director who received, or whose immediate family member received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) is not independent.
- c) (i) A director who is a current partner or employee of a firm that is the Company's internal or external auditor; (ii) a director who has an immediate family member who is a current partner of such a firm; (iii) a director who has an immediate family member who is a current employee of such a firm and who personally works on the Company's audit; or (iv) a director who was or whose immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time, is not independent.
- d) A director who is, or whose immediate family member is, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on the other company's compensation committee, is not independent until three years after the end of the employment relationship.
- e) A director who is a current employee, or who beneficially owns more than a 10% equity interest in, or whose immediate family member is a current executive officer, of a corporation, partnership or other business entity, that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of the other company's consolidated gross revenues, is not independent.
- f) A director who is, or whose immediate family member is, an executive officer of and is active in the day to day operations of a non-profit organization that has received contributions from the Company (cash, in-kind or in the form of product discounts), that exceed the greater of \$1 million or 2% of the organization's consolidated gross revenues in any of the last three fiscal years, is not independent.

Immediate family member includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

**Table of Contents**

**Appendix B**

**MASCO CORPORATION  
2005 LONG TERM STOCK INCENTIVE PLAN  
(Amended and Restated May 11, 2010)**

\*

Section 1. *Purposes.*

The purposes of the 2005 Long Term Stock Incentive Plan (the **Plan**) are to encourage selected employees of and consultants to Masco Corporation (the **Company**) and its Affiliates to acquire a proprietary interest in the Company in order to create an increased incentive to contribute to the Company's future success and prosperity, and enhance the ability of the Company and its Affiliates to attract and retain exceptionally qualified individuals upon whom the sustained progress, growth and profitability of the Company depend, thus enhancing the value of the Company for the benefit of its stockholders.

Section 2. *Definitions.*

As used in the Plan, the following terms shall have the meanings set forth below:

- (a) *Affiliate* shall mean any entity in which the Company's direct or indirect equity interest is at least twenty percent, and any other entity in which the Company has a significant direct or indirect equity interest, whether more or less than twenty percent, as determined by the Committee.
- (b) *Award* shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, or Dividend Equivalent granted under the Plan.
- (c) *Award Agreement* shall mean any agreement, contract or other instrument or document evidencing any Award granted under the Plan which may, but need not, be executed by the Participant.
- (d) *Board* shall mean the Board of Directors of the Company.
- (e) *Change in Control* shall mean at any time during a period of twenty-four consecutive calendar months, the individuals who at the beginning of such period constitute the Company's Board, and any new directors (other than Excluded Directors, as hereinafter defined), whose election by such Board or nomination for election by stockholders was approved by a vote of at least two-thirds of the members of such Board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason ceasing to constitute at least a majority of the members thereof. For purposes hereof, **Excluded Directors** are directors whose (i) election by the Board or approval by the Board for stockholder election occurred within one year after any person or group of persons, as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 25 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 25 percent or more of such combined voting power or (ii) initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 or Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, corporation, partnership, group, associate or other entity or



person other than the Board.

(f) *Code* shall mean the Internal Revenue Code of 1986, as amended from time to time.

(g) *Committee* shall mean a committee of the Company's directors designated by the Board to administer the Plan and composed of not less than two directors, each of whom is a non-employee director, an independent director and an outside director, within the meaning of and to the extent required respectively by Rule 16b-3, the applicable rules of the NYSE and Section 162(m) of the Code, and any regulations issued thereunder.

\* Reflects the 2005 Plan as proposed to be amended.

B-1

---

**Table of Contents**

- (h) *Dividend Equivalent* shall mean any right granted under Section 6(g) of the Plan.
- (i) *Exchange Act* shall mean the Securities Exchange Act of 1934, as amended.
- (j) *Executive Group* shall mean every person who the Committee believes may be both (i) a covered employee as defined in Section 162(m) of the Code as of the end of the taxable year in which the Company expects to take a deduction of the Award, and (ii) the recipient of compensation of more than \$1,000,000 (as such amount appearing in Section 162(m) of the Code may be adjusted by any subsequent legislation) for that taxable year.
- (k) *Incentive Stock Option* shall mean an Option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code, or any successor provision thereto.
- (l) *Non-Qualified Stock Option* shall mean an Option granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option.
- (m) *NYSE* shall mean the New York Stock Exchange.
- (n) *Option* shall mean an Incentive Stock Option or a Non-Qualified Stock Option.
- (o) *Participant* shall mean an employee of or consultant to the Company or any Affiliate or a director of the Company designated to be granted an Award under the Plan or, for the purpose of granting Substitute Awards, a holder of options or other equity based awards relating to the shares of a company acquired by the Company or with which the Company combines.
- (p) *Performance Award* shall mean any right granted under Section 6(e) of the Plan.
- (q) *Prior Plan* shall mean the Company's 1991 Long Term Stock Incentive Plan.
- (r) *Restricted Period* shall mean the period of time during which Awards of Restricted Stock or Restricted Stock Units are subject to restrictions.
- (s) *Restricted Stock* shall mean any Share granted under Section 6(d) of the Plan.
- (t) *Restricted Stock Unit* shall mean any right granted under Section 6(d) of the Plan that is denominated in Shares.
- (u) *Rule 16b-3* shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act, or any successor rule or regulation.
- (v) *Section 16* shall mean Section 16 of the Exchange Act, the rules and regulations promulgated by the Securities and Exchange Commission thereunder, or any successor provision, rule or regulation.
- (w) *Shares* shall mean the Company's common stock, par value \$1.00 per share, and such other securities or property as may become the subject of Awards, or become subject to Awards, pursuant to an adjustment made under Section 4(c) of the Plan.
- (x) *Stock Appreciation Right* shall mean any right granted under Section 6(c) of the Plan.
- (y) *Substitute Awards* shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by a Company or with which the Company combines.

Section 3. *Administration.*

The Committee shall administer the Plan, and subject to the terms of the Plan and applicable law, the Committee's authority shall include without limitation the power to:

- (i) designate Participants;
- (ii) determine the types of Awards to be granted;
- (iii) determine the number of Shares to be covered by Awards and any payments, rights or other matters to be calculated in connection therewith;

B-2

---

**Table of Contents**

- (iv) determine the terms and conditions of Awards and amend the terms and conditions of outstanding Awards;
- (v) determine how, whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended;
- (vi) determine how, whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee;
- (vii) determine the methods or procedures for establishing the fair market value of any property (including, without limitation, any Shares or other securities) transferred, exchanged, given or received with respect to the Plan or any Award;
- (viii) prescribe and amend the forms of Award Agreements and other instruments required under or advisable with respect to the Plan;
- (ix) designate Options granted to key employees of the Company or its subsidiaries as Incentive Stock Options;
- (x) interpret and administer the Plan, Award Agreements, Awards and any contract, document, instrument or agreement relating thereto;
- (xi) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the administration of the Plan;
- (xii) decide all questions and settle all controversies and disputes which may arise in connection with the Plan, Award Agreements and Awards;
- (xiii) delegate to a committee of at least two directors of the Company the authority to designate Participants and grant Awards, and to amend Awards granted to Participants, but only with respect to Participants who are not officers or directors of the Company for purposes of Section 16 of the Exchange Act;
- (xiv) delegate to one or more officers or managers of the Company, or a committee of such officers and managers, the authority, subject to such terms and limitations as the Committee shall determine, to cancel, modify, waive rights with respect to, alter, discontinue, suspend or terminate Awards held by employees who are not officers or directors of the Company for purposes of Section 16 of the Exchange Act; provided, however, that any delegation to management shall conform with the requirements of the NYSE applicable to the Company and Delaware corporate law; and
- (xv) make any other determination and take any other action that the Committee deems necessary or desirable for the interpretation, application and administration of the Plan, Award Agreements and Awards.

All designations, determinations, interpretations and other decisions under or with respect to the Plan, Award Agreements or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all persons, including the Company, Affiliates, Participants, beneficiaries of Awards and stockholders of the Company.

Section 4. *Shares Available for Awards.*

- (a) *Shares Available.* Subject to adjustment as provided in Section 4(c):

The maximum number of Shares available for issuance in respect of Awards made under the Plan shall be 40,500,000 Shares, *provided, however*, that if for any reason any Award under the Plan or under the Prior Plan (other than a Substitute Award) is forfeited, the number of Shares available for issuance in respect of Awards under the Plan shall be increased by the number of Shares forfeited. Notwithstanding anything to the contrary contained herein, the following shall not increase the number of Shares available for issuance in respect of Awards under the Plan:

(i) Shares delivered in payment of an Option, (ii) Shares withheld by the Company to satisfy any tax withholding obligation, and (iii) Shares that are repurchased by the Company with Option proceeds. In addition, Shares covered by an SAR, to the extent that it is exercised and settled in Shares, and

B-3

---

## **Table of Contents**

regardless of whether or not Shares are actually issued to the Participant upon exercise of the SAR, shall be considered issued or transferred pursuant to the Plan. The maximum number of Shares that may be issued and delivered upon vesting of Restricted Stock or Restricted Stock Units (including Restricted Stock or Restricted Stock Units issued as Performance Awards pursuant to Section 6(e) hereof), is 17,500,000. Subject to the foregoing, Shares may be made available from the authorized but unissued Shares of the Company or from Shares reacquired by the Company.

(b) *Individual Stock-Based Awards.* Subject to adjustment as provided in Section 4(c), no Participant may receive Options or Stock Appreciation Rights under the Plan in any calendar year that relate to more than 4,000,000 Shares in the aggregate; *provided, however*, that such number may be increased with respect to any Participant by any Shares available for grant to such Participant in accordance with this Section 4(b) in any prior years that were not granted in such prior year. No provision of this Section 4(b) shall be construed as limiting the amount of any other stock-based or cash-based award which may be granted to any Participant.

(c) *Adjustments.* Upon the occurrence of any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), change in the capital or shares of capital stock, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or extraordinary transaction or event which affects the Shares, then the Committee shall make such adjustment, if any, in such manner as it deems appropriate to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, in (i) the number and type of Shares (or other securities or property) which thereafter may be made the subject of Awards both to any individual and to all Participants, (ii) outstanding Awards including without limitation the number and type of Shares (or other securities or property) subject thereto, and (iii) the grant, purchase or exercise price with respect to outstanding Awards and, if deemed appropriate, make provision for cash payments to the holders of outstanding Awards; *provided, however*, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

(d) *Substitute Awards.* Shares underlying Substitute Awards shall not reduce the number of shares remaining available for issuance under the Plan for any purpose.

### Section 5. *Eligibility.*

Any employee of or consultant to the Company or any Affiliate, or any director of the Company, is eligible to be designated a Participant.

### Section 6. *Awards.*

(a) *Options.* (i) *Grant.* The Committee is authorized to grant Options to Participants with such terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine. The Award Agreement shall specify:

(A) the purchase price per Share under each Option, *provided, however*, that such price shall be not less than 100% of the fair market value of the Shares underlying such Option on the date of grant (except in the case of Substitute Awards);

(B) the term of each Option (not to exceed ten years); and

(C) the time or times at which an Option may be exercised, in whole or in part, the method or methods by which and the form or forms (including, without limitation, cash, Shares, other Awards or other property, or any combination

thereof, having a fair market value on the exercise date equal to the relevant exercise price) in which payment of the exercise price with respect thereto may be made or deemed to have been made.

(ii) *Other Terms.* Notwithstanding the following terms, the Committee may impose other terms that may be more or less favorable to the Company as it deems fit. Unless the Committee shall impose such other terms, the following conditions shall apply:

(A) *Exercise.* A Participant electing to exercise an Option shall give written notice to the Company, as may be specified by the Committee, of exercise of the Option and the number of Shares elected for exercise,

B-4

---

**Table of Contents**

such notice to be accompanied by such instruments or documents as may be required by the Committee, and shall tender the purchase price of the Shares elected for exercise.

(B) *Payment.* At the time of exercise of an Option payment in full, or adequate provision therefore, in cash or in Shares or any combination thereof, at the option of the Participant, shall be made for all Shares then being purchased.

(C) *Issuance.* The Company shall not be obligated to issue any Shares unless and until:

(1) if the class of Shares at the time is listed upon any stock exchange, the Shares to be issued have been listed, or authorized to be added to the list upon official notice of issuance, upon such exchange, and

(2) in the opinion of the Company's counsel there has been compliance with applicable law in connection with the issuance and delivery of Shares and such issuance shall have been approved by the Company's counsel.

Without limiting the generality of the foregoing, the Company may require from the Participant such investment representation or such agreement, if any, as the Company's counsel may consider necessary in order to comply with the Securities Act of 1933 as then in effect, and may require that the Participant agree that any sale of the Shares will be made only in such manner as shall be in accordance with law and that the Participant will notify the Company of any intent to make any disposition of the Shares whether by sale, gift or otherwise. The Participant shall take any action reasonably requested by the Company in such connection. A Participant shall have the rights of a stockholder only as and when Shares have been actually issued to the Participant pursuant to the Plan.

(D) *Minimum Vesting.* Options may not become fully exercisable prior to the third anniversary of the date of grant, except as provided in Section 6(a)(ii)(E) and Section 7(f) below.

(E) *Termination of Employment; Death.* If the employment of a Participant terminates for any reason or if a Participant dies (whether before or after the normal retirement date), Options shall be or become exercisable only as provided in (1) through (5) below:

(1) If such termination is voluntary on the part of the Participant, such Option may be exercised only if and to the extent such Option was exercisable at the date of termination and only within thirty days after the date of termination. Except as so exercised such Option shall expire at the end of such period.

(2) If such termination is involuntary on the part of the Participant, such Option may be exercised only if and to the extent such Option was exercisable at the date of termination and only within three months after the date of termination. Except as so exercised such Option shall expire at the end of such period.

(3) If an employee retires on or after the normal retirement date, such Option shall continue to be and become exercisable in accordance with its terms and the provisions of this Plan.

(4) If a Participant's employment is terminated by reason of permanent and total disability, all unexercisable installments of such Option shall thereupon become exercisable and shall remain exercisable for the remainder of the Option term.

(5) If a Participant dies, all unexercisable installments of such Option shall thereupon become exercisable and, at any time or times within one year after such death, the Option may be exercised, as to all or any unexercised portion of the Option. The Company may decline to deliver Shares to a designated beneficiary until it receives indemnity against claims of third parties satisfactory to the Company. Except as so exercised such Option shall expire at the end of such period.



(F) The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder. The maximum number of Shares that may be awarded as Incentive Stock Options is 7,510,315.

(b) *Restoration Options.* The Committee may only grant a Participant a restoration Option under this Plan with respect to an option granted by the Company under the Prior Plan, or with respect to a restoration option

B-5

---

**Table of Contents**

resulting from such an option, when the Company is contractually bound to grant such restoration Option, and the Participant pays the exercise price by delivering Shares or by attesting to the ownership of such Shares. The restoration option is equal to the number of Shares delivered or attested to by the Participant, and the exercise price shall not be less than 100 percent of the fair market value of the Shares on the date the restoration option is granted. A restoration option otherwise will have the same terms as the original option. Unless the Committee shall otherwise determine, (i) no restoration option shall be granted unless the recipient is an active employee at the time of grant and (ii) the number of Shares which are subject to a restoration Option shall not exceed the number of whole Shares exchanged in payment for the exercise of the underlying Option. No restoration Options shall otherwise be granted under this Plan.

(c) *Stock Appreciation Rights.* The Committee is authorized to grant Stock Appreciation Rights to Participants. Subject to the terms of the Plan, a Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, the excess of (i) the fair market value of one Share on the date of exercise or, if the Committee shall so determine in the case of any such right other than one related to any Incentive Stock Option, at any time during a specified period before or after the date of exercise over (ii) the fair market value on the date of grant. Stock Appreciation Rights may not fully vest prior to the third anniversary of the date of grant, except as provided in Sections 6(d)(iv)(B) and 7(f) below.

Subject to the terms of the Plan, the Committee shall determine the grant price, which shall not be less than 100% of the fair market value of the Shares underlying the Stock Appreciation Right on the date of grant, term (not to exceed ten years), methods of exercise and settlement and any other terms and conditions of any Stock Appreciation Right and may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

(d) *Restricted Stock and Restricted Stock Units.*

(i) *Issuance.* The Committee is authorized to grant to Participants Awards of Restricted Stock, which shall consist of Shares, and Restricted Stock Units which shall give the Participant the right to receive cash, Shares, other securities, other Awards or other property, in each case subject to the termination of the Restricted Period determined by the Committee. Notwithstanding the following terms, the Committee may impose other terms that may be more or less favorable to the Company as it deems fit. In the absence of any such differing provisions, Awards of Restricted Stock and Restricted Stock Units shall have the provisions described below.

(ii) *Restrictions.* The Restricted Period may differ among Participants and may have different expiration dates with respect to portions of Shares covered by the same Award. Subject to the terms of the Plan, Awards of Restricted Stock and Restricted Stock Units shall have such restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise (including the achievement of performance measures as set forth in Section 6(e) hereof), as the Committee may deem appropriate. Any Shares or other securities distributed with respect to Restricted Stock or which a Participant is otherwise entitled to receive by reason of such Shares shall be subject to the restrictions contained in the applicable Award Agreement. Restricted Stock Awards and Restricted Stock Units may not fully vest prior to the third anniversary of the date of grant, except as provided in Sections 6(d)(iv)(B) and 7(f) below. Subject to the aforementioned restrictions and the provisions of the Plan, a Participant shall have all of the rights of a stockholder with respect to Restricted Stock.

(iii) *Registration.* Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate, including, without limitation, book-entry registration or issuance of stock certificates.

(iv) *Termination; Death.* If a Participant's employment terminates for any reason, all Shares of Restricted Stock or Restricted Stock Units theretofore awarded to the Participant which are still subject to restrictions shall upon such termination be forfeited and transferred back to the Company, except as provided in clauses (A) and (B) below.

B-6

---

**Table of Contents**

(A) If an employee ceases to be employed by reason of retirement on or after normal retirement date, the restrictions contained in the Award of Restricted Stock or the Restricted Stock Unit shall continue to lapse in the same manner as though employment had not terminated, subject to clause (B) below and Sections 6(d)(v) and 7(f).

(B) If a Participant ceases to be employed by reason of permanent and total disability or if a Participant dies, whether before or after the normal retirement date, the restrictions contained in such Participant's Award of Restricted Stock or Restricted Stock Unit shall lapse.

(C) At the expiration of the Restricted Period, the Company shall deliver Shares in the case of an Award of Restricted Stock or Shares, cash, securities or other property, in the case of a Restricted Stock Unit, as follows:

(1) if an assignment to a trust has been made in accordance with Section 7(d)(ii)(B), to such trust; or

(2) if the Restricted Period has expired by reason of death and a beneficiary has been designated in form approved by the Company, to the beneficiary so designated; or

(3) in all other cases, to the Participant or the legal representative of the Participant's estate.

(v) *Acceleration.* New Awards granted to a Participant in or after the calendar year in which such Participant attains age 65 will vest in five equal annual installments or such earlier vesting as may be specified in the Award Agreement. With respect to an Award granted to a Participant prior to the calendar year in which the Participant attains age 65, if in the calendar year in which the Participant attains age 65 the Restricted Period then remaining thereunder is longer than five years, the Restricted Period shall be shortened so that commencing in the calendar year that a Participant attains age 66, the restrictions contained in the Award shall lapse in equal annual installments such that the Participant shall be fully vested not later than the end of the calendar year in which the Participant attains age 70.

(e) *Performance Awards.*

(i) The Committee is hereby authorized to grant Performance Awards to Participants.

(ii) Subject to the terms of the Plan, a Performance Award granted under the Plan (A) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock or Restricted Stock Units), other securities or other Awards, and (B) shall confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, the holder of the Performance Award, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted and the amount of any payment or transfer to be made pursuant to any Performance Award shall be determined by the Committee. Unless the Committee determines otherwise, the performance period relating to any Performance Award shall be at least one calendar year commencing January 1 and ending December 31 (except in circumstances in connection with a Change in Control, in which event the performance period may be shorter than one year).

(iii) Every Performance Award to a member of the Executive Group shall, if the Committee intends that such Award should constitute qualified performance-based compensation for purposes of Section 162(m) of the Code, include a pre-established formula, such that payment, retention or vesting of the Award is subject to the achievement during a performance period or periods, as determined by the Committee, of a level or levels, as determined by the Committee, of one or more performance measures with respect to the Company or any of its Affiliates, including the following: (A) net income, (B) return on assets, (C) revenues, (D) total shareholder return, (E) earnings per share; (F) return on invested capital, or (G) cash flow; each as determined in accordance with generally accepted accounting principles,

where applicable, as consistently applied by the Company. The following shall be excluded in determining whether any performance criterion has been attained: losses resulting from discontinued operations, extraordinary losses (in accordance with generally accepted accounting principles, as currently in effect), the cumulative effect of changes in accounting principles and other unusual, non-recurring items of loss that are separately identified and quantified in the Company's audited financial statements. Performance measures may vary from Performance Award to Performance Award and from Participant to Participant and may be established on a stand-alone basis, in tandem or in the alternative. For any Performance Award, the maximum amount that may be delivered or earned in settlement of all such Awards granted in any year shall be (x) if and to the extent that such

B-7

---

**Table of Contents**

Awards are denominated in Shares, 2,000,000 Shares (subject to adjustment as provided in Section 4(c)) and (y) if and to the extent that such Awards are denominated in cash, \$10,000,000. Notwithstanding any provision of the Plan to the contrary, the Committee shall not be authorized to increase the amount payable under any Award to which this Section 6(e)(iii) applies upon attainment of such pre-established formula.

(f) *Dividend Equivalents.* The Committee is authorized to grant to Participants Awards under which the holders thereof shall be entitled to receive payments equivalent to dividends or interest with respect to a number of Shares determined by the Committee, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested. Subject to the terms of the Plan, such Awards may have such terms and conditions as the Committee shall determine.

(g) *Termination of Employment.* Except as otherwise provided in the Plan or determined by the Committee,

(i) Awards granted to, or otherwise held by, employees will terminate, expire and be forfeited upon termination of employment, which shall include a change in status from employee to consultant and termination by reason of the fact that an entity is no longer an Affiliate, and

(ii) a Participant's employment shall not be considered to be terminated (A) in the case of approved sick leave or other approved leave of absence (not to exceed one year or such other period as the Committee may determine), or (B) in the case of a transfer among the Company and its Affiliates.

(h) *Termination of Awards.* Notwithstanding any of the provisions of this Plan or instruments evidencing Awards granted hereunder, other than the provisions of Section 7(f), the Committee may terminate any Award (including the unexercised portion of any Option and any Award of Restricted Stock or Restricted Stock Units which remains subject to restrictions) concurrently with or at any time following termination of employment regardless of the reason for such termination of employment if the Committee shall determine that the Participant has engaged in any activity detrimental to the interests of the Company or an Affiliate.

Section 7. *General.*

(a) *No Cash Consideration for Awards.* Awards may be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(b) *Awards May Be Granted Separately or Together.* Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award or any award granted under any other Plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under another Plan of the Company or an Affiliate, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(c) *Forms of Payment Under Awards.* Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise, or payment of an Award may be made in such form or forms as the Committee shall determine, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents in respect of installment or deferred payments.

(d) *Limits on Transfer of Awards.* Awards cannot be transferred, except the Committee is hereby authorized to permit the transfer of Awards under the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine:

(i) No Award or right under any Award may be sold, encumbered, pledged, alienated, attached, assigned or transferred in any manner and any attempt to do any of the foregoing shall be void and unenforceable against the Company.

B-8

---

**Table of Contents**

(ii) Notwithstanding the provisions of Section 7(d)(i) above:

(A) An Option may be transferred:

(1) to a beneficiary designated by the Participant in writing on a form approved by the Committee;

(2) by will or the applicable laws of descent and distribution to the personal representative, executor or administrator of the Participant's estate; or

(3) to a revocable grantor trust established by the Participant for the sole benefit of the Participant during the Participant's life, and under the terms of which the Participant is and remains the sole trustee until death or physical or mental incapacity. Such assignment shall be effected by a written instrument in form and content satisfactory to the Committee, and the Participant shall deliver to the Committee a true copy of the agreement or other document evidencing such trust. If in the judgment of the Committee the trust to which a Participant may attempt to assign rights under such an Award does not meet the criteria of a trust to which an assignment is permitted by the terms hereof, or if after assignment, because of amendment, by force of law or any other reason such trust no longer meets such criteria, such attempted assignment shall be void and may be disregarded by the Committee and the Company and all rights to any such Options shall revert to and remain solely with the Participant. Notwithstanding a qualified assignment, for the purpose of determining compensation arising by reason of the Option, the Participant, and not the trust to which rights under such an Option may be assigned, shall continue to be considered an employee or consultant, as the case may be, of the Company or an Affiliate, but such trust and the Participant shall be bound by all of the terms and conditions of the Award Agreement and this Plan. Shares issued in the name of and delivered to such trust shall be conclusively considered issuance and delivery to the Participant.

(B) A Participant may assign or transfer rights under an Award of Restricted Stock or Restricted Stock Units:

(1) to a beneficiary designated by the Participant in writing on a form approved by the Committee;

(2) by will or the applicable laws of descent and distribution to the personal representative, executor or administrator of the Participant's estate; or

(3) to a revocable grantor trust established by the Participant for the sole benefit of the Participant during the Participant's life, and under the terms of which the Participant is and remains the sole trustee until death or physical or mental incapacity. Such assignment shall be effected by a written instrument in form and content satisfactory to the Committee, and the Participant shall deliver to the Committee a true copy of the agreement or other document evidencing such trust. If in the judgment of the Committee the trust to which a Participant may attempt to assign rights under such an Award does not meet the criteria of a trust to which an assignment is permitted by the terms hereof, or if after assignment, because of amendment, by force of law or any other reason such trust no longer meets such criteria, such attempted assignment shall be void and may be disregarded by the Committee and the Company and all rights to any such Awards shall revert to and remain solely with the Participant. Notwithstanding a qualified assignment, for the purpose of determining compensation arising by reason of the Award, the Participant, and not the trust to which rights under such an Award may be assigned, shall continue to be considered an employee or consultant, as the case may be, of the Company or an Affiliate, but such trust and the Participant shall be bound by all of the terms and conditions of the Award Agreement and this Plan. Shares issued in the name of and delivered to such trust shall be conclusively considered issuance and delivery to the Participant.

(iii) The Committee, the Company and its officers, agents and employees may rely upon any beneficiary designation, assignment or other instrument of transfer, copies of trust agreements and any other documents delivered to them by or on behalf of the Participant which they believe genuine and any action taken by them in reliance thereon shall be



conclusive and binding upon the Participant, the personal representatives of the

B-9

---

**Table of Contents**

Participant's estate and all persons asserting a claim based on an Award. The delivery by a Participant of a beneficiary designation, or an assignment of rights under an Award as permitted hereunder, shall constitute the Participant's irrevocable undertaking to hold the Committee, the Company and its officers, agents and employees harmless against claims, including any cost or expense incurred in defending against claims, of any person (including the Participant) which may be asserted or alleged to be based on an Award subject to a beneficiary designation or an assignment. In addition, the Company may decline to deliver Shares to a beneficiary until it receives indemnity against claims of third parties satisfactory to the Company.

(e) *Share Certificates.* All certificates for, or other indicia of, Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(f) *Change in Control.*

(i) Notwithstanding any of the provisions of this Plan or instruments evidencing Awards granted hereunder, upon a Change in Control of the Company the vesting of all rights of Participants under outstanding Awards shall be accelerated and all restrictions thereon shall terminate in order that Participants may fully realize the benefits thereunder. Such acceleration shall include, without limitation, the immediate exercisability in full of all Options and the termination of restrictions on Restricted Stock and Restricted Stock Units. Further, in addition to the Committee's authority set forth in Section 4(c), the Committee, as constituted before such Change in Control, is authorized, and has sole discretion, as to any Award, either at the time such Award is made hereunder or any time thereafter, to take any one or more of the following actions: (A) provide for the purchase of any such Award, upon the Participant's request, for an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable; (B) make such adjustment to any such Award then outstanding as the Committee deems appropriate to reflect such Change in Control; and (C) cause any such Award then outstanding to be assumed, or new rights substituted therefore, by the acquiring or surviving corporation after such Change in Control. Notwithstanding the foregoing and the terms of any Award Agreement, such acceleration of vesting and lapse of any Restricted Period shall not accelerate the time of payment of any Award, other than an Option, constituting deferred compensation not exempt from Section 409A of the Internal Revenue Code.

(ii) (A) In the event that subsequent to a Change in Control it is determined that any payment or distribution by the Company to or for the benefit of a Participant, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, other than any payment pursuant to this Section 7(f)(ii)(A) (a *Payment*), would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the *Excise Tax*), then such Participant shall be entitled to receive from the Company, within 15 days following the determination described in (2) below, an additional payment (*Excise Tax Adjustment Payment*) in an amount such that after payment by such Participant of all applicable Federal, state and local taxes (computed at the maximum marginal rates and including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Excise Tax Adjustment Payment, such Participant retains an amount of the Excise Tax Adjustment Payment equal to the Excise Tax imposed upon the Payments.

(B) All determinations required to be made under this Section 7(f)(ii), including whether an Excise Tax Adjustment Payment is required and the amount of such Excise Tax Adjustment Payment, shall be made by PricewaterhouseCoopers LLP, or such other national accounting firm as the Company, or, subsequent to a Change in

Control, the Company and the Participant jointly, may designate, for purposes of the Excise Tax, which shall provide detailed supporting calculations to the Company and the affected Participant within 15 business days of the date of the applicable Payment. Except as hereinafter provided, any determination by PricewaterhouseCoopers LLP, or such other national accounting firm, shall be binding upon the Company and the Participant. As a result of the uncertainty in the application of Section 4999 of the Code that may exist at the time of the initial determination hereunder, it is possible that (x) certain Excise Tax Adjustment Payments will not have been made by the Company

B-10

---

## **Table of Contents**

which should have been made (an Underpayment ), or (y) certain Excise Tax Adjustment Payments will have been made which should not have been made (an Overpayment ), consistent with the calculations required to be made hereunder. In the event of an Underpayment, such Underpayment shall be promptly paid by the Company to or for the benefit of the affected Participant. In the event that the Participant discovers that an Overpayment shall have occurred, the amount thereof shall be promptly restored to the Company.

(g) *Cash Settlement.* Notwithstanding any provision of this Plan or of any Award Agreement to the contrary, any Award outstanding hereunder may at any time be cancelled in the Committee's sole discretion upon payment of the value of such Award to the holder thereof in cash or in another Award hereunder, such value to be determined by the Committee in its sole discretion.

(h) *Option Repricing.* Except as provided in Section 4(c) and in connection with the granting of a Substitute Award, no outstanding Option may be cancelled and replaced with an Option having a lower exercise price.

### Section 8. *Amendment and Termination.*

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan:

(a) *Amendments to the Plan.* The Board may amend the Plan and the Board or the Committee may amend any outstanding Award; *provided, however,* that: (I) no Plan amendment shall be effective until approved by stockholders of the Company (i) if any stockholder approval thereof is required in order for the Plan to continue to satisfy the conditions of the applicable rules and regulations that the Committee has determined to be necessary to comply with, and (ii) if such Plan amendment would materially (A) increase the number of Shares available under the Plan or issuable to a Participant (other than a change in the number of Shares made in connection with an event described in Section 4(c) hereof), (B) change the types of Awards that may be granted under the Plan, (C) expand the class of persons eligible to receive Awards under the Plan, or (D) reduce the price at which an Option is exercisable (other than in connection with an event described in Section 4(c) hereof or the granting of a Substitute Award), and (II) without the consent of affected Participants no amendment of the Plan or of any Award may impair the rights of Participants under outstanding Awards.

(b) *Waivers.* The Committee may waive any conditions to the Company's obligations or rights of the Company under any Award theretofore granted, prospectively or retroactively, without the consent of any Participant.

(c) *Adjustments of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.* The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(c) hereof) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits to be made available under the Plan; *provided, however,* no such adjustment shall be made to an Award granted under Section 6(e)(iii) if the Committee intends such Award to constitute qualified performance-based compensation unless such adjustment is permitted under Section 162(m) of the Code.

Section 9. *Correction of Defects, Omissions, and Inconsistencies.* The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to effectuate the Plan.

### Section 10. *General Provisions.*

(a) *No Rights to Awards.* No Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards of the same type and the determination of the Committee to grant a waiver or modification of any Award and the terms and conditions thereof need not be the same with respect to each Participant.

B-11

---

**Table of Contents**

(b) *Withholding.* The Company or any Affiliate shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan the amount (in cash, Shares, other securities, other Awards or other property) of withholding taxes due in respect of an Award, its exercise or any payment or transfer under such Award or under the Plan and to take such other action as may be necessary in the opinion of the Company or Affiliate to satisfy all obligations for the payment of such taxes.

(c) *No Limit on Other Compensation Arrangements.* Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, including the grant of options and other stock-based awards, and such arrangements may be either generally applicable or applicable only in specific cases.

(d) *No Right to Employment or Service.* The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ or service of the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss a Participant from employment or service, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or in any other agreement binding the parties.

(e) *Governing Law.* The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Michigan and applicable Federal law.

(f) *Severability.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

(g) *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(h) *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be cancelled, terminated or otherwise eliminated.

(i) *Headings.* Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

Section 11. *Term.*

The Plan shall be effective as of the date of its approval by the Company's stockholders and no Awards shall be made under the Plan after May 10, 2015.

**Table of Contents**

**Masco Corporation  
Annual Meeting of Stockholders  
at Masco Corporation  
21001 Van Born Road  
Taylor, Michigan 48180**

**From Downtown Detroit (East)**

Take I-94 west to the Pelham Road exit.  
Turn right onto Pelham Road and travel to Van Born Road.  
Turn left onto Van Born Road and proceed to the corporate offices.

**From Metro Airport (West)**

Take I-94 east to the Pelham Road exit.  
Turn left onto Pelham and travel to Van Born Road.  
Turn left onto Van Born Road and proceed to the corporate offices.

**From Southfield/Birmingham (North)**

Take the Southfield Freeway to the Outer Drive/Van Born Road exit.  
Stay on the service drive and proceed to Van Born Road.  
Bear right onto Van Born Road and proceed to the corporate offices.

**From Toledo (South)**

Take I-75 north to the Telegraph Road north exit.  
Proceed on Telegraph Road north to Van Born Road.  
Turn right on Van Born Road and proceed to the corporate offices.

---

**Table of Contents**

***MASCO CORPORATION  
21001 VAN BORN ROAD  
TAYLOR, MI 48180***

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**Electronic Delivery of Future PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:    x

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**



**The Board of Directors recommends you vote  
FOR  
the following proposal(s):**

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>1. Election of Directors</b>			
01 Dennis W. Archer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
02 Anthony F. Earley, Jr.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
03 Lisa A. Payne	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**The Board of Directors  
recommends you vote  
FOR  
the following proposal(s):** **For Against Abstain**

<b>2. Proposal to ratify the selection of PricewaterhouseCoopers</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
--	-----------------------	-----------------------	-----------------------



**Table of Contents**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Notice & Proxy Statement, Annual Report is/are available at [www.proxyvote.com](http://www.proxyvote.com).

**MASCO CORPORATION  
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS  
ANNUAL MEETING OF STOCKHOLDERS  
MAY 11, 2010**

The stockholder(s) hereby appoint(s) Timothy Wadhams and Gregory D. Wittrock, or either of them, as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of MASCO CORPORATION that the stockholder(s) is entitled to vote at the Annual Meeting of stockholder(s) to be held at 10:00 A.M. Eastern Time on Tuesday, May 11, 2010, at the offices of the Company at 21001 Van Born Road Taylor, Michigan 48180, and any adjournment or postponement thereof.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED BY THE STOCKHOLDER. IF NO SUCH DIRECTIONS ARE MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES LISTED ON THE REVERSE SIDE FOR THE BOARD OF DIRECTORS AND FOR EACH PROPOSAL.**

**PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED REPLY ENVELOPE.**

**Continued and to be signed on reverse side**

