

MASCO CORP /DE/  
Form DEF 14A  
April 08, 2009

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**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**

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(Name of Registrant as Specified In Its Charter)

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

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

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April 8, 2009

Dear Stockholder:

You are cordially invited to attend Masco Corporation's Annual Meeting of Stockholders on Tuesday, May 12, 2009 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 12.

Sincerely,

Richard A. Manoogian  
Executive Chairman

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**MASCO CORPORATION**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Date:** May 12, 2009  
**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 III Directors;
2. To ratify the selection of PricewaterhouseCoopers LLP as independent auditors for Masco for 2009;
3. To consider and act upon a proposal to amend the 2005 Long Term Stock Incentive Plan;
4. To consider and act upon a proposal to approve the material terms of the performance goals under the 2005 Long Term Stock Incentive Plan; and
5. 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, For the approval of the amendment to the 2005 Long Term Stock Incentive Plan (the 2005 Plan ) and For the approval of the material terms of the performance goals under the 2005 Plan.

Stockholders of record at the close of business on March 16, 2009 are entitled to vote at the meeting or any adjournment thereof. Whether or not you plan to attend the meeting, you can be sure 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

Barry J. Silverman  
Secretary

April 8, 2009

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 12, 2009.**

**This Proxy Statement and the Masco Corporation 2008 Annual Report  
to Stockholders are Available at:  
<http://www.ezodproxy.com/masco/2009>**

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**PROXY STATEMENT**

**ANNUAL MEETING OF STOCKHOLDERS OF  
MASCO CORPORATION**

May 12, 2009

**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 12, 2009 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 8, 2009.

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 16, 2009 are entitled to vote at the meeting. On that date, there were 359,379,909 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: Barry J. Silverman, Secretary, at 21001 Van Born Road, Taylor, Michigan 48180).

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**ELECTION OF DIRECTORS**

The Board of Directors is divided into three classes. The term of office of the Class III Directors, consisting of Thomas G. Denomme, Richard A. Manoogian and Mary Ann Van Lokeren, expires at this meeting. The Board proposes the re-election of Messrs. Denomme and Manoogian and Ms. Van Lokeren. The Board of Directors has made an exception to its age 72 retirement policy for Mr. Manoogian based on his leadership of Masco as Chairman and Chief Executive Officer for many years, and his current service as Executive Chairman.

Upon election of the Class III 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 2010, 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. Votes that are withheld will be treated as abstentions, which along with 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.

**Information concerning the nominees and continuing Directors is set forth below.**

<b>Name, Principal Occupation and Period of Service as a Director</b>	<b>Age, Business Experience, Directorships and Other Information</b>
<b>Class I (Term Expiring at the Annual Meeting in 2010)</b>	
Dennis W. Archer Chairman, Dickinson Wright PLLC, a Detroit, Michigan-based law firm. Director since 2004.	Mr. Archer, 67, has served as the Chairman of Dickinson Wright PLLC since 2002. 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.
Anthony F. Earley, Jr. Chairman of the Board and Chief Executive Officer, DTE Energy Company, a diversified energy company. Director since 2001.	Mr. Earley, 59, 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

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

Vice President and General Counsel. He is a director of DTE Energy  
Company and Ford Motor Company.  
Ms. Payne, 50, 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 is a Trustee of  
Munder Series Trust and Munder Series Trust II, open-end management  
investment companies.

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

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

**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, 68, 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 until his retirement in September 2000. Mr. Istock is a director of Kelly Services, Inc. and Rockwell Automation, Inc.

David L. Johnston  
President and Vice Chancellor of the  
University of Waterloo, Ontario, Canada.  
Director  
since 2003.

Professor Johnston, 67, 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.

J. Michael Losh  
Retired Chief Financial Officer and  
Executive Vice President of General  
Motors Corporation. Director since 2003.

Mr. Losh, 62, 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, Cardinal Health, Inc., H.B. Fuller Company and TRW Automotive Holdings Corp.

Timothy Wadhams  
President and Chief Executive Officer of  
the Company.  
Director since 2007.

Mr. Wadhams, 60, 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.

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

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

**Class III (Nominees for 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, 69, 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.

Richard A. Manoogian  
Executive Chairman of the Company.  
Director since 1964.

Mr. Manoogian, 72, 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 has been the Chairman of the Board of Directors of the Company since 1985. He is a director of Ford Motor Company.

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

Ms. Van Lokeren, 61, 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.

**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.

**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 are independent. The independent Directors are Messrs. Archer, Denomme, Earley, Istock and Losh, Professor Johnston, Ms. Payne and Ms. Van Lokeren. Mr. Peter A. Dow, who retired as a Director in May 2008, was considered independent during his service. 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 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, Dow,

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 a director, 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.

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**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 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 text of the 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").

During 2008, the Board of Directors held seven 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 Directors attended the 2008 Annual Meeting of Stockholders.

The non-employee Directors meet in executive session without management at each regularly scheduled meeting of the Board of Directors. 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 Barry J. Silverman, 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. Silverman, at the above address.

***Audit Committee***

The Audit Committee of the Board of Directors, currently consisting of Messrs. Archer, Denomme, Earley, Istock and Losh and Ms. Payne, held six meetings during 2008. 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 four members of the Committee, Messrs. 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 Barry J. Silverman, 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 eight meetings during 2008. The Compensation Committee determines executive compensation, evaluates Masco s management, determines and administers awards and options granted under our stock incentive plan and directs Masco s succession planning process. This Committee exercised its authority to engage outside advisors and, for the past five years, has retained Hewitt Associates. Information about the Compensation Committee s process and procedures for consideration and determination of executive compensation is presented in Compensation Discussion and Analysis below.

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***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 four meetings during 2008. The Corporate Governance and Nominating Committee serves in an advisory capacity to 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.

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 Barry J. Silverman, 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 2010 Annual Meeting of Stockholders below.

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**COMPENSATION OF DIRECTORS**

Messrs. Manoogian and Wadhams, who are employees of the Company, do not receive additional compensation for their services as 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. Non-employee Directors 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.

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 noncompete 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 (which is 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 \$10,000 (for 2008) and \$5,000 (for 2009) 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, although no such use occurred during 2008. Directors are also eligible to participate in our employee purchase program, which is generally available to our employees and enables them to purchase our products for their personal use at discounted prices. 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.

The following table shows 2008 compensation for our Directors, other than Messrs. Manoogian and Wadhams, who are also Masco employees and receive no additional compensation for their service as Directors. The amounts shown under Stock Awards and Option Awards are the amounts we are required to expense for accounting purposes rather than the value of awards granted in 2008. The variation in these amounts among our Directors

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reflects the expensing requirements of FAS 123R described below, under which expense accruals are calculated based, in part, on the proximity of the Director's age to Masco's normal employee retirement age of 65.

**2008 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	\$ 65,500	\$ 0	\$ 136,992	\$ 202,492
Thomas G. Denomme	\$ 73,000	\$ 42,085	\$ 70,138	\$ 185,223
Peter A. Dow(6)	\$ 55,000	\$ 0	\$ 40,458	\$ 95,458
Anthony F. Earley, Jr.	\$ 62,500	\$ 32,167	\$ 78,800	\$ 173,467
Verne G. Istock	\$ 83,500	\$ 40,003	\$ 70,138	\$ 193,641
David L. Johnston	\$ 68,500	\$ 40,003	\$ 132,687	\$ 241,190
J. Michael Losh	\$ 79,000	\$ 26,845	\$ 146,249	\$ 252,094
Lisa A. Payne	\$ 62,500	\$ 43,130	\$ 82,056	\$ 187,686
Mary Ann Van Lokeren	\$ 78,500	\$ 27,314	\$ 79,389	\$ 185,203

- (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 (\$7,500 each for Messrs. Losh and Denomme as chairman of the Audit Committee for one-half of the year, \$10,000 for Ms. Van Lokeren as chairperson of the Compensation Committee (prorated to reflect an increase from \$7,500 to \$12,500 effective May 2008), and \$7,500 for Mr. Istock as chairman of the Corporate Governance and Nominating Committee).
- (2) These columns reflect the amount expensed by Masco in 2008 under FAS 123R, which includes expense relating to restricted stock and options granted in 2008 as well as in prior years. (Messrs. Archer and Dow did not receive stock awards in 2008 and expense relating to restricted stock previously granted to them was fully expensed prior to 2008.) Under FAS 123R the expensing period for our equity awards is the shorter of the vesting period or the period to normal retirement age. For restricted stock, the amount expensed is based on the fair market value on the date of grant. For 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, 2008. The Directors have no assurance that they will realize the amounts reflected in this table. For restricted stock, the Directors only realize the value of the long-term incentive restricted stock awards over an extended period of time because scheduled vesting of awards generally occurs pro rata over five years from the date of grant and, as stated above, one-half of these shares must be retained until completion of their service on the Board. Actual gains, if any, on stock option exercises will depend on overall market conditions and the future performance of Masco and its common stock. On May 13, 2008, we granted awards of restricted stock for 2,160 shares (with a grant date fair value of \$40,000) to each of the current non-employee Directors other than Mr. Archer and Ms. Payne, who received their initial stock award grant under this Plan within the previous five years. On May 13, 2008, each non-employee Director also received a stock option for 8,000 shares with an exercise price of \$18.52 (each share having a grant date fair value of \$3.71).
- (3) The aggregate number of shares of unvested restricted stock outstanding as of December 31, 2008 for each Director was: 1,150 shares for Mr. Archer; 3,222 shares for Mr. Denomme; 2,180 shares for Mr. Dow; 4,340 shares for Mr. Earley; 3,878 shares for Mr. Istock; 3,222 shares for Professor Johnston; 3,222 shares for Mr. Losh; 5,520 shares for Ms. Payne; and 3,878 shares for Ms. Van Lokeren.

- (4) The aggregate number of stock options outstanding as of December 31, 2008 for each Director was:  
64,000 shares for Mr. Archer; 80,000 shares for Mr. Denomme; 88,000 shares for Mr. Dow; 96,000 shares for Mr. Earley; 112,000 shares for Mr. Istock; 72,000 shares for Professor Johnston; 72,000 shares for Mr. Losh; 48,000 shares for Ms. Payne; and 112,000 shares for Ms. Van Lokeren.
- (5) During 2008, there were no perquisites for Directors required to be disclosed.
- (6) Mr. Dow retired from the Board upon the expiration of his term in May 2008.

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

The following table shows the beneficial ownership of Masco common stock as of March 16, 2009 by (i) each of the Directors, (ii) each named executive officer in the Summary Compensation Table, (iii) all of our Directors and executive officers as a group, including Messrs. Gargaro and Leekley who have retired, and (iv) all persons who we know are the 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)	285,483	*
Dennis W. Archer	46,200	*
Donald J. DeMarie, Jr.	670,198	*
Thomas G. Denomme	93,610	*
Anthony F. Earley, Jr.(3)	92,090	*
Eugene A. Gargaro, Jr.(4)	2,501,980	*
Verne G. Istock	125,160	*
David L. Johnston	63,980	*
John R. Leekley(5)	818,882	*
J. Michael Losh	66,980	*
Richard A. Manoogian(4)	13,116,639	3.6%
Lisa A. Payne	27,500	*
John G. Sznewajs	384,495	*
Mary Ann Van Lokeren	121,660	*
Timothy Wadhams(6)	1,359,828	*
All 17 Directors and executive officers of Masco as a group(4)	18,140,768	5.0%
Capital World Investors(7) (a division of Capital Research and Management Company) 333 South Hope Street, Los Angeles, CA 90071	24,203,200	6.7%
Barclays Global Investors (Deutschland) AG(8) Apianstrasse 6 D-85774 Unterföhring, Germany	21,691,504	6.03%
FMR LLC(9) 82 Devonshire Street, Boston, MA 02109	36,056,983	10.03%

\* Less than one percent

(1) Includes unvested restricted stock award shares held under our stock incentive plans (95,790 shares for Mr. Anderson; 314,037 shares for Mr. DeMarie; 2,396 shares for each of Messrs. Denomme and Losh and

Professor Johnston; 3,196 shares for Mr. Earley; 42,846 shares for Mr. Gargaro; 2,888 shares for each of Mr. Istock and Ms. Van Lokeren; 90,882 shares for Mr. Leekley; 480,588 shares for Mr. Manoogian; 4,140 shares for Ms. Payne; 132,995 shares for Mr. Sznewajs; 397,271 shares for Mr. Wadhams; and 1,737,691 shares for all of our Directors and executive officers as a group) and shares which may be acquired before May 16, 2009 upon exercise of stock options issued under our stock incentive plans (175,291 shares for Mr. Anderson; 41,600 shares for Mr. Archer; 327,160 shares for Mr. DeMarie; 64,000 shares for Mr. Denomme; 80,000 shares for Mr. Earley; 188,800 shares for Mr. Gargaro; 96,000 shares for each of Mr. Istock and Ms. Van Lokeren; 56,000 shares for each of Professor Johnston and Mr. Losh; 528,000 shares for Mr. Leekley; 4,099,517 shares for Mr. Manoogian; 17,600 shares for Ms. Payne; 215,912 shares for Mr. Sznewajs; 688,759 shares for Mr. Wadhams; and 7,072,365 shares for all of our Directors and 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.

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- (4) Shares owned by Messrs. Manoogian and Gargaro and by all of our Directors and executive officers as a group include in each case an aggregate of 2,218,100 shares owned by charitable foundations for which Messrs. Manoogian and Gargaro each 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 Messrs. Manoogian and Gargaro each 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.
- (5) Substantially all of the shares directly owned by Mr. Leekley have been pledged.
- (6) 33% of the shares directly owned by Mr. Wadhams have been pledged.
- (7) Based on a Schedule 13G dated February 6, 2009 and filed with the SEC, at December 31, 2008, Capital World Investors is deemed to beneficially own and have the power to dispose of an aggregate of 24,203,200 shares of Masco common stock, and to have neither shared nor sole voting power for any of such shares. Capital World Investors disclaims beneficial ownership of all of these shares.
- (8) Based on a Schedule 13G dated February 6, 2009 and filed with the SEC, at December 31, 2008, Barclays Global Investors (Deutschland) AG beneficially owned 21,691,504 shares of Masco common stock, with sole voting power over 19,003,771 shares, shared voting power over no shares and sole power to dispose of all of the shares.
- (9) Based on a Schedule 13G dated March 9, 2009 and filed with the SEC, at February 28, 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 36,056,983 shares and sole power to vote or direct the vote on 461,213 shares.

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**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, 2008, including a discussion of the quality and the acceptability of the Company's financial reporting and disclosure controls 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, 2008, 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, Communication with Audit Committees, including their judgment as to the quality and the acceptability of the Company's financial reporting, internal control over financial reporting and such other matters as are required to be discussed with the Audit Committee in accordance with the standards of the Public Company Accounting Oversight Board. 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, 2008 be included in its Annual Report on Form 10-K for the year ended December 31, 2008 for filing with the SEC. The Audit Committee also reappointed, subject to stockholder approval, PricewaterhouseCoopers LLP as the Company's independent auditors.

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

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**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 that 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 option grants. Our executive officers participate in retirement programs for key employees and in other group benefits generally available to all corporate office employees, and certain executive officers have access to a limited number of additional benefits. Our executive officers do not have employment or severance agreements.

**Executive Compensation Highlights**

**During the past several years, we have been strongly committed to increasing our variable performance-based compensation opportunity as a percentage of total compensation, while reducing the emphasis on fixed compensation such as annual base salary, executive benefits, and perquisites. In 2008 and in early 2009, we made the following changes to further strengthen our performance-driven approach to compensation:**

**In July 2008, our Compensation Committee at management's recommendation implemented a 5% salary reduction for executive officers generally and froze salaries at the reduced levels for an additional two years. Our executive officers have not received salary increases in four of the last six years, except in connection with promotions that involved major changes in responsibilities.**

**In 2008, management undertook a comprehensive assessment of the Company's retirement plans including 401(k), profit sharing, pension, and the Supplemental Executive Retirement Plan (SERP) in which all of the named executive officers participate. In keeping with our commitment to performance-based compensation, and as part of our initiative to manage our compensation expense more effectively, we concluded that a transition from a defined benefit to a defined contribution approach for our retirement plans was appropriate. This change is also consistent with an ongoing trend in compensation practices in favor of defined contribution plans. Since less than one-quarter of our U.S. employees currently participate in defined benefit plans, this change also supports a more consistent Company-wide approach to employee benefits.**

**In early 2009, the Compensation Committee approved management's request to freeze our SERP and other qualified and non-qualified defined benefit retirement plans for all U.S. employees effective January 1, 2010. This means that participants will generally keep benefits earned but will not accrue additional benefits past that date. In place of the defined benefit plans, we are generally implementing employer matching contributions to our 401(k) plans, and introducing an additional performance-based contribution element to our profit sharing plans. Beginning January 1, 2010, participants in our profit sharing plans, including all executive officers, will have their annual cash bonus included in the definition of earnings under the plan. These changes are consistent with our emphasis on performance-driven compensation over fixed compensation and our commitment to providing market-competitive retirement benefits.**

**In early 2009, the Company revised the timing of certain of its compensation decisions to better coordinate with our annual corporate assessments of management development and performance made**

**during the first quarter. The annual option grant program and base salary review were moved from mid-year to the first quarter, so that base salary, cash bonus, restricted stock and stock option determinations will all be made in the same time frame.**

**Due to the current difficult business environment, performance-based bonus targets proved to be extremely challenging, and no cash bonuses or restricted stock awards were earned by the named executive officers for 2008. The general result of these developments was a reduction in 2008 executive compensation, although this is not apparent in the Summary Compensation Table due to SEC disclosure requirements for presentation in the Table. Also, because our outstanding awards vest over a much longer period than at most**

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**companies, the economic downturn's impact on our stock price has had a more significant effect on long-term compensation for our employees who receive stock compensation, especially our executive officers for whom the majority of their compensation is stock-based. However, we continue to believe that long-term vesting is in the best interest of our Company and its stockholders, since it so closely ties compensation to sustained long-term performance.**

### **Our Compensation Principles**

One of the critical responsibilities of the Board of Directors and senior management is to maintain a strong leadership team for our Company. We seek to attract and retain individuals who possess the outstanding personal qualities and experience that are essential to executive effectiveness and to the Company's 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 these 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 compatible with the long-term interests of our stockholders. It is important that we retain executives who can effectively lead our business operations, particularly in difficult times. Compensation is one of several key elements necessary to maintain a strong leadership team.

We consider the inherent uncertainty involved in identifying, isolating and measuring individual contributions to corporate performance in the short-term as well as the long-term. Our approach to executive compensation emphasizes corporate rather than individual performance for our executive management group, because our operating strategy encourages collaboration and cooperation among our business and corporate functions for the overall benefit of Masco. Moreover, corporate performance will often be affected by factors outside senior management's control (such as changes in economics or industry trends). Therefore, individual contributions may not be accurately measured solely by short-term corporate performance. Likewise, financial results for a particular year may not reflect our business strategies that enhance long-term stockholder value. Although we emphasize corporate performance, individuals may receive special recognition through adjustment of base salary or special equity awards as a result of their individual contributions, increased responsibilities and promotions. We use various performance metrics in the design and implementation of our compensation programs, but 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.

As a home improvement and building products and services company, the cyclical nature of our industries is an important factor in designing and implementing executive compensation programs that reward executives for actions that benefit our stockholders' long-term interests. Our leaders must include executives who are capable and motivated to manage our business through all phases of our industries' economic cycles. Compensation programs are designed to reflect the value of the management team's contributions to the Company and the Company's performance in light of the current general economic and industry conditions. It is important to note that performance-based variable compensation and equity participation are critical to the Company's strategy.

### ***Compensation Objectives***

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

#### **Compensation programs should emphasize performance**

Our executive compensation programs should be performance-oriented so that our executives' interests align with those of our stockholders and achieve our business objectives. We design our incentive compensation programs to

correlate the performance criteria used by these programs with the metrics we consider most significant to long-term stockholder value, such as earnings per share and cash flow. In administering these programs, we consider the relationship of compensation to our Company's performance and the individual's responsibilities and contributions to such performance.

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**Long-term focus is paramount**

Compensation programs that have significant long-term focus and emphasize long-term corporate performance serve our commitment to maximize long-term stockholder value by attracting and retaining the executive talent we desire. This focus also evidences our emphasis on management stability and long-term retention, particularly through the course of our industry cycle and considering general economic conditions.

**Total compensation must be competitive**

The demand for top executive talent requires us to maintain compensation programs that, in the aggregate, can compete with compensation packages available to such individuals for alternative positions. Competitive compensation reduces costly and disruptive executive turnover. We want to attract, develop and retain strong executives who will understand the complexities of our business and the industries we serve and who will remain committed to our Company.

**Compensation programs must be flexible**

We evaluate our executive compensation programs in the aggregate. In order to adapt and respond to individual circumstances and changing business conditions, we use a variety of components that permit flexibility in establishing and adjusting executive compensation packages. We also recognize the importance of preserving for the Committee and senior management the ability to exercise discretion and judgment with respect to our compensation programs.

The application of these objectives to our executive compensation programs is discussed in the *Analysis of 2008 Executive Compensation* section below.

***Compensation Components***

Our current compensation arrangements for our executive officers and other key employees consist of several components, each of which is designed to serve a specific purpose, as described in the *Analysis of 2008 Executive Compensation* section below. The key components are:

**Fixed base salary**

**Performance-based annual cash bonus**

**Performance-based annual award of restricted common stock**

**Annual stock option grant**

**Other benefits, principally our retirement programs**

As discussed below, we use a combination of these components to provide a total compensation package that achieves our objectives.

***No Employment Contracts or Severance Arrangements***

It is the Company's general policy not to enter into employment contracts with our executive officers or otherwise to establish individual severance or other arrangements that entitle them to additional compensation such as salary or bonus following termination of employment (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 the Company's discretion. We believe this preserves for the Company greater flexibility in its employment arrangements while permitting us to address specific circumstances as needed. Further, we have structured our compensation plans to prohibit competitive activities following termination of employment and to provide other significant protections that the Company has the discretion to exercise. Depending on circumstances, we may require a participant to forfeit unvested equity awards upon voluntary or involuntary termination of employment or even to return compensation previously earned.

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**Compensation Practices and Procedures**

The Company's compensation programs are generally broad-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 our compensation policies.

***Comparative Compensation***

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

The peer companies are:

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

For each named executive officer, we compare the overall competitiveness of total compensation, as well as each major component of compensation and the mix of components, with the peer group. We do not target executive compensation to specific compensation levels at other companies. When we review the compensation reported by other companies, we note factors that may have influenced the compensation paid by them, such as contractual compensation commitments they may have made to their executives, their corporate financial performance and the performance of their publicly traded stock. The Committee also considers the aggregate compensation of the named executive officers as a percentage of our net income and compares our percentage to that of the peer group.

***Independent Consultant***

We use a variety of resources in addition to publicly available data and published 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 advisors, and since 2003, it has separately engaged Hewitt Associates, a global human resources consulting firm, to provide the Committee with independent advice on executive compensation matters. The major items for which the Committee asked Hewitt for its expert assistance were the revised schedule for certain annual compensation decisions, the restructuring of our retirement plans, including the substantial curtailment of our Supplemental Executive Retirement Plan and consequences to our executives who would be significantly disadvantaged, our special grant of restricted stock awards and the pricing mechanism for our equity awards. In addition to responding to specific requests the Committee may make from time to time, Hewitt 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 implementation of our compensation objectives. The Company has not requested and does not intend to request

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that Hewitt provide additional services for the Company, other than the purchase of annual compensation surveys. The cost of these surveys in 2008 was \$7,455.

### ***Use of Tally Sheets***

During 2008, we continued our practice of providing to the Committee a tally sheet that comprehensively summarizes the various components of total compensation for our President and Chief Executive Officer, our Chief Operating Officer, our Chief Financial Officer, the other named executive officers and selected other executives. The tally sheet, which is prepared by our human resources department and 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 our retirement plans. Our tally sheet allows the Committee to compare an executive's compensation with the compensation of our other executives as part of its consideration of internal and external pay equity. The Committee considers prior executive compensation history, including the extent to which the Committee exercised positive or negative discretion. 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, particularly insofar as it is intended to support executive retention.

### ***Annual Review Process***

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

Masco's talent review and development process is used by the Committee and the Company's President and Chief Executive Officer and Chief Operating Officer as they review compensation for individual executives. This process is part of our succession planning, and is how we identify and evaluate our key employees, including our executive officers, on an annual basis. The process also emphasizes executive development and performance in order to keep compensation in perspective as one element of a strong leadership team. As part of this program, our President and Chief Executive Officer and Chief Operating Officer develop a written assessment of each of the other executives who report 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 our Executive Chairman, our President and Chief Executive Officer, and our Chief Operating Officer, and determining their compensation, the Committee considers the factors noted above for other executives, and also considers qualities of leadership and responsibility necessary for their positions, their relationships with our employees, customers, suppliers, Board of Directors, stockholders and the investment community, the contribution of their leadership to Company performance and governance, the impact of their leadership on the performance of our executive management team and their reputation for representing the Company in the community.

**Analysis of 2008 Executive Compensation**

The Committee considers each component of executive compensation as part of its annual process. As the Committee determines each of the various components of compensation for the President and Chief Executive

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Officer and the other named executive officers, it also considers the objectives described above and each of the other components, and compares each element to companies in the peer group as well as to total compensation.

### ***Cash Compensation***

Under our prior schedule, executive base salaries were reviewed annually in July. In response to deteriorating market conditions, and to continue the increased focus on pay-for-performance we have established over the last several years as discussed below, executive base salaries were generally reduced by 5% in 2008, and frozen at those reduced levels, which we believe are generally at or below the median base salary levels at our peer group of companies, for two years. In light of this reduction, the maximum opportunity levels under our annual cash and restricted stock incentive bonus programs were increased by 30%. These actions were not taken with respect to our President and Chief Executive Officer and our Chief Operating Officer, whose salaries were already set below the median pay of our peers when they accepted their positions in 2007. Base salary is a major factor in the formulas for performance-based cash bonuses and performance-based restricted stock awards, as well as for options and retirement benefits. Base salary provides current compensation and is not typically adjusted on account of Company performance, although on occasion salaries have been frozen or reduced, as was done in July 2008.

During the past several years, and again in July 2008 as noted above, we have reduced the percentage of total compensation represented by base salary and have increased the variable performance-based compensation opportunities in order to more closely align executive compensation with our stockholders' interests and our business objectives, and to reflect changes to the mix of fixed versus variable compensation that had occurred in the marketplace. As a result of this changed emphasis, in four of the last six years our executive officers did not receive increases in base salary, except in connection with promotions and changes in responsibilities, or if salaries were determined to be well below the competitive market level.

As a result of our emphasis on pay-for-performance, variable compensation represents an even larger percentage of the aggregate of base salary plus cash bonus and restricted stock award opportunities than it did previously, having been increased from 67% to 72% for all named executive officers except for Messrs. Wadhams, DeMarie and Manoogian. Variable compensation remains at 86% for Mr. Wadhams and at 80% for each of Messrs. DeMarie and Manoogian. Accordingly, our President and Chief Executive Officer, our Chief Operating Officer and our Executive Chairman have the most potential compensation at risk of all of our executives.

Annual cash bonuses, shown in the Non-Equity Incentive Plan Awards column of the Summary Compensation Table, are determined under our annual cash bonus incentive compensation plan. These performance-based bonuses are directly tied to Company performance by linking executive officers' annual cash bonus opportunities to a schedule of earnings per share targets. Under this program, an executive officer's annual performance-based cash bonus opportunity depends upon our attained earnings for the year under a schedule of earnings per share targets. The maximum bonus opportunity is 300% of base salary for our President and Chief Executive Officer, 200% for our Executive Chairman and for our Chief Operating Officer and 130% (increased from 100% as noted above) for our other executive officers. There were no annual cash bonuses earned for 2008.

In the first quarter of each year, senior management and the Committee review the Company's forecasted performance expectations for the year, taking into account general economic and industry market conditions, and as a result of that review, the Committee approves a graduated schedule of performance targets for purposes of both the annual cash bonus and the annual restricted stock incentive programs discussed below. Earnings per share has historically been selected as the only measure for determining incentive compensation because it reflects the Company's overall financial performance for the year, although the annual restricted stock incentive program has also taken into consideration progress toward improvement in return on invested capital. Because of the importance of operating earnings to stockholder value, reported earnings per 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 and senior management periodically review this metric, and determined to add an additional metric for 2009 and later years as discussed below. Although we do not set specific financial or operational goals within the areas of responsibility of our named executive officers, the Committee may exercise negative discretion to reduce bonuses regardless of the earnings target actually attained.

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Under this graduated earnings per share schedule, as earnings per share change, the incentive bonus for an executive officer can vary between zero (if the Company fails to attain the minimum target) and, for performance at or above the upper end of the range, the maximum bonus opportunity as described above. The maximum bonus the Company would pay under this schedule is capped even if Company performance exceeds the maximum target, and regardless of increases in stockholder value. The Committee has adopted a policy that permits the Company at the Committee's discretion to recover all or a portion of the performance-based cash bonuses paid to executive officers, if the earnings per share or other performance criteria upon which such bonuses were based were subsequently determined to be incorrect and, if properly determined or applied, would have reduced the size of the bonuses paid.

At the time the Committee established the 2008 bonus schedule early in the year, the Committee expected that the adverse impact of declining housing starts and decreased consumer spending for home improvement products would be even greater in 2008 than it had been in 2007, but did not anticipate the dramatic deterioration in general economic and market conditions that occurred in 2008. The schedule established for 2008 provided for bonuses ranging from the maximum opportunity level, if earnings per share (adjusted as described above) was at least \$1.70, to 20% of the maximum opportunity level, if adjusted earnings per share was \$0.70. Achieving the target award level shown below would entitle the executive to receive his target percentage; achieving the maximum award level shown below would entitle the executive to receive his maximum percentage. Since performance in 2008 did not exceed the threshold award level shown below, no cash bonus was earned.

**PERFORMANCE SCHEDULE FOR 2008**

<b>Measure of Company Performance</b>	<b>Needed to Achieve Threshold Award</b>	<b>Needed to Achieve Target Award</b>	<b>Needed to Achieve Maximum Award</b>	<b>Weight</b>
Earnings Per Share	\$ 0.70	\$ 1.00	\$ 1.70	100%

Management and the Committee monitor the effectiveness and cost of our performance-based incentive compensation programs as part of their ongoing oversight of our compensation structure. After discussion with management and review by the Committee's outside consultant, the Committee determined to modify the performance criteria for the annual cash and restricted stock incentive programs beginning in 2009. Earnings per share continues to represent an overall measure of corporate performance. However, cash flow is increasingly emphasized internally and externally. Maintaining strong cash flow is a fundamental strategy for the Company, and we believe it is a very important competitive advantage for our operating businesses as well as a key area of focus for the investment community. After its review, which included consideration of the potential impact of adding this metric, the Committee concurred with management's conclusion that this emphasis should play a role in our incentive compensation structure. Consequently, cash flow has been added as a metric for purposes of determining annual bonuses both of cash and restricted stock in order to reinforce its importance with our key executives. For this purpose cash flow is defined as reported cash flow from operations, less any capital expenditures and 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. At the same time, the Committee agreed with the recommendation to remove return on invested capital as an explicit consideration for the annual restricted stock bonus program in view of the addition of the cash flow metric, although the Committee can continue to consider this as well as other measures of Company and individual performance in exercising its discretion under all of our compensation arrangements. For 2009 each of the two performance metrics will be weighted 50%.

***Equity Compensation***

For many years, we have recognized that having an ownership interest in the Company is critical to aligning the interests of the Company's 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 established minimum stock ownership requirements for our executives. Outstanding restricted stock awards and stock options have been granted under 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.

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Under our annual restricted stock award program, shares are not granted unless they are earned by attaining annual performance targets. Once these performance-based restricted stock awards are granted, the potential benefit received by the participant is contingent and largely deferred because the shares (and our stock options) vest over an extended period of time. The length of our vesting schedule exceeds that of many other companies, including many in our peer group. Because of our lengthy vesting schedule and the accumulation of unvested shares over time, our program is designed so that the value ultimately realized from these awards depends on the long-term value of our common stock. The awards are designed to encourage retention and reduce voluntary separation because accumulated unvested shares are forfeited upon termination unless the Company waives 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. Vesting generally occurs in ten percent installments over a ten-year period for restricted stock so the value ultimately realized by the executive may be more or less than the value at the time the shares were granted, depending upon the price of our common stock at the time of vesting. Vesting generally occurs in twenty percent installments over five years for options so the value ultimately realized by the executive from each option grant depends upon our stock price over a minimum period of five years and as long as ten years because options may be exercised up to ten years after the date of grant. Upon death, termination of employment due to permanent and total disability, or a change in control, all shares of restricted stock vest immediately and options become immediately exercisable, although after death options may only be exercised until the earlier of the expiration of their original term or one year after death. By design, our awards do not vest immediately on retirement. Instead, following retirement, options continue to become exercisable over the remaining vesting period. Under the terms of our restricted stock awards the number of shares that vest 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. (Awards held by Mr. Manoogian in 2005 at the time we implemented this change continue to vest on their original longer-term schedule). 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, but our executives also understand that the Company's performance will continue to impact them financially even after their active careers with us end, thereby reinforcing their focus on the long-term enhancement of stockholder value.

The Company believes it continues to receive benefits from equity awards even after a participant leaves the Company because our award agreements also 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 three months 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 by the Company for these awards, although the aggregate cost to the Company does not change. In this regard, awards to a

participant, such as our Executive Chairman, who continues to actively serve the Company after normal retirement age, are expensed in full immediately upon grant even though the executive will only realize their value over a period of years. The Summary Compensation Table that follows below includes not only the amount of expense we recognized in 2008 for financial reporting purposes for new awards made during 2008 (including the

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full expense for awards made during the year to participants who were retirement age or older), but because of transitional provisions of the accounting rules it also includes the expense we recognized in 2008 for outstanding equity awards granted prior to January 1, 2006 that were not required to be expensed immediately.

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 revision 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 of the equity awards; the Committee will continue to do so unless the grant date occurs within seven days prior to the release of the Company's financial results. In that event, the grant will be made effective and the price of our common stock that is used for purposes of the grants will be the closing price at the end of the second trading day after the release of the results. This policy will become effective beginning in 2010.

***Restricted Stock***

For 2008, the Committee compared the Company's performance with the scheduled earnings per share targets to determine the actual awards of restricted stock at its regularly scheduled meeting in February 2009. As with the cash bonuses described above, no performance-based awards of restricted stock were earned for 2008.

Due to SEC reporting requirements, the Non-Equity Incentive Plan Awards column in the Summary Compensation Table reflects the fact that no cash bonuses were earned for 2008 but does not permit us to show that restricted stock awards were not earned for 2008 performance. Instead, the Restricted Stock Awards column includes amounts expensed for performance-based restricted stock awards earned for 2007 performance granted in February 2008 (as well as certain expense relating to restricted stock awards granted in prior years). Also, the 2008 Grants of Plan Based Awards Table shows awards granted in February 2008 earned for 2007 performance. The Committee determined that 2007 adjusted earnings per share was \$1.72, and that therefore awards of restricted stock valued at approximately 62% of the maximum award opportunity were appropriate in accordance with the performance formula approved in early 2007 by the Committee. Accordingly, these awards were granted to the named executive officers in February 2008. For these awards, the Committee did not take action to reduce the size of the grants that were calculated based on earnings per share.

As part of our annual restricted stock award program, members of the executive management group other than our President and Chief Executive Officer, our Chief Operating Officer and our Executive Chairman may receive an additional restricted stock award if recommended by our President and Chief Executive Officer and our 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 salaries of the executive management group (excluding the salaries of our President and Chief Executive Officer, our Chief Operating Officer and our Executive Chairman).

The Company has experienced significant declines in revenues, profit and cash flow over the course of the past two years reflecting the unprecedented conditions in the global economic and financial markets. The Company's management responded by focusing intensively on cost reduction, rationalizing and right-sizing our businesses and, most importantly, emphasizing cash flow in order to sustain the Company's business strategies and to position the Company to benefit from future opportunities that drive long-term growth. In addition to our aggressive actions to manage and reduce our cost structure and enhance cash generation, we have continued to invest in activities that we believe will position the Company for superior performance when our markets recover. These activities include strengthening our brands through innovation, new product development, initiatives to enhance our knowledge of

customer and consumer requirements and preferences, efforts to improve our product quality, and incorporating sustainability into our operations and products. We are also driving to improve our operational performance and execution by emphasizing process and productivity improvements, simplifying our organizational structure, rationalizing supply chains and enhancing our talent management process.

It was apparent early in 2008 that no cash or restricted stock bonuses were likely to be earned under the specific annual incentive targets previously established, yet we believe that our management responded effectively under

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extremely difficult circumstances with a high level of focus, intensity and energy. The success of the actions we are taking, and particularly the actions designed to benefit our future performance and competitive position, depends on the support and engagement of key employees. We believe it is important that we both recognize and encourage the significant commitment required during these challenging times. Consequently, Mr. Wadhams recommended to the Committee that the Committee consider a special discretionary equity grant to individuals in key leadership positions other than himself. The Committee approved a grant in early 2009, and determined that Mr. Wadhams should participate. These grants of restricted stock, which generally vest over ten years, were made to the following named executive officers: Mr. Wadhams 101,000 shares; Mr. DeMarie 84,000 shares; Mr. Szniewajs 50,000 shares; Mr. Anderson 38,000 shares. No award was made to Mr. Manoogian.

***Stock Options***

Stock options also reflect the Committee's focus on compensation that is aligned with the interests of stockholders. Options are 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.

In early 2008, the Committee reviewed its approach to granting stock options to assure that the Company's compensation practices are competitive, particularly in light of the reduction of fixed salary as a percentage of total compensation. As a result of this review, including consultation with its independent expert, the Committee does not use a precise formula but rather determines option grants to the Company's executive officers and key employees so that total compensation, including options (based on the option's economic value at the time of grant using the Black-Scholes method), is competitive. In making these determinations, the Committee reviews data from the Company's peer group as well as published data from Hewitt's executive compensation surveys, although individual considerations also influence the value of the option grants. In May 2008, we granted options to our key employees (including all executive officers). The value at the time of grant for these options is presented in the last column of the 2008 Grants of Plan-Based Awards table on page 27, 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 for 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 only benefit from subsequent stock price appreciation.

The 2005 Plan prohibits the granting of restoration options, other than restoration options resulting from the exercise of certain outstanding options granted under the predecessor 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 by delivering shares of Company common stock. The restoration option is equal to the number of shares delivered by the participant and does not increase the number of shares covered by the original stock 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 participant benefits only from subsequent increases in our stock price.

***Stock Ownership Requirement***

In order to reinforce the alignment of executives' financial interests with long-term stockholder interests, the Board has established stock ownership guidelines for the executive management group, including the named executive officers, that require them to maintain a substantial interest 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, which is required for our Executive Chairman and our President and Chief Executive Officer. The Committee generally reviews executive ownership of Company common stock annually. Executive share ownership has remained at the same levels, or in some cases increased in 2008 and early 2009.

As of March 26, 2009, our Executive Chairman and our President and Chief Executive Officer each met their ownership requirement of five times base salary. Mr. Manoogian, our Executive Chairman, currently owns stock worth 42 times his base salary.

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We require executives to achieve the stock ownership necessary to meet the guidelines within three years of becoming subject to them. Mr. DeMarie became Chief Operating Officer in December 2007. He currently has stock worth 3.5 times his base salary and has until December 2010 to reach his required ownership of four times base salary. Mr. Szniewajs became Chief Financial Officer in July 2007. He currently has stock worth 2.8 times his base salary and has until July 2010 to reach his required ownership of three times base salary. Mr. Anderson has reached his required ownership of two times base salary.

Except for employee stock options granted under our Long Term Incentive Plan and other arrangements approved by our Board of Directors, our insider trading policy prohibits our senior management from engaging in transactions involving derivative securities relating to Company stock, such as put and call options, and in 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 aircraft for business purposes, and the Committee has evaluated our policies and valuation practices for personal use of Company aircraft. The Board has requested that Messrs. Manoogian, Wadhams and DeMarie use Company aircraft for both business and personal travel. Notwithstanding this requirement, personal use by these officers is considered a perquisite for SEC reporting purposes. As a result, personal use of the airplanes by Messrs. Manoogian, Wadhams and DeMarie accounts for substantially all of their total perquisites. Personal use of Company aircraft by our Executive Chairman and our Chief Operating Officer must be approved by the President and Chief Executive Officer, and his personal use must be approved by our Executive Chairman. Our President and Chief Executive Officer or our Executive Chairman may occasionally permit other executive officers to use Company aircraft, if available, for personal travel. The Committee, in turn, reviews the total personal usage of Company aircraft by all executive officers. Note 8 to the Summary Compensation Table describes how we calculate incremental cost for personal use of Company aircraft.

Our 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 our executives 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 financial plan. As of January 2009, we have discontinued an enhanced health examination program for key employees, but continue to provide annual preventative diagnostic medical examinations under the health programs generally available to our corporate office employees. We pay the dues for certain clubs used for business purposes by our Executive Chairman. In a few cases, such clubs permit personal use by our Executive Chairman as well as by other Company employees, although the cost of such use is paid for personally by such individuals. A Company vehicle and driver are available for business and personal use by our Executive 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 intended to make available on a non-taxable basis.

The Company makes available to Mr. Manoogian the personal financial, tax, accounting and administrative assistance comparable to the services previously provided prior to his transitioning to Executive Chairman, and for which he continues to reimburse the Company for its incremental cost. In addition to these services and the personal use of office space comparable to what has been provided, Mr. Manoogian will continue to have use of the Company's aircraft and corporate automobile and driver on a comparable basis as long as he is Executive Chairman or in a similar full-time senior executive role or serves as Chairman of the Board of Directors, but thereafter, only upon

reimbursement to us for the incremental cost of such use.

***Retirement Programs***

We provide tax-qualified retirement benefits for many of our employees. These plans provide retirement income supplementing social security and an individual's personal asset accumulation. In addition, we have

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maintained for many years an unfunded Benefits Restoration Plan ( BRP ) for all eligible participants in our tax-qualified plans and a Supplemental Executive Retirement Plan ( SERP ) for a limited number of senior executives, which currently includes all of the named executive officers, to supplement the tax-qualified plan benefits they would otherwise receive upon retirement.

The detailed discussion of the Company's retirement program in Retirement Plans on page 30 describes plans as they exist prior to our recently announced major change effective January 1, 2010 to freeze, and to eliminate prospectively thereafter any further accruals under our defined benefit pension plans. Participants who are not fully vested in these plans at January 1, 2010 will be able to continue vesting as their employment continues after that date. The decision to transition our retirement programs away from the defined benefit pension model is consistent with the Company's ongoing emphasis on compensation which is more closely linked with performance. This change reflects ongoing competitive trends in compensation among our peers, and enhances the Company's ability to better control the variability and risk of cost fluctuations inherent in traditional defined benefit pension plans.

As noted, continued vesting in frozen benefits will be permitted; consequently, two recently promoted executives (Messrs. DeMarie and Szniewajs) and two other executives covered by the SERP will not be fully vested in the frozen SERP benefit unless they continue employment with the Company over the next several years (Messrs. DeMarie and Szniewajs for another seven and twelve years, respectively, after January 1, 2010). Offsets to the SERP from the Company's underlying plans (as described in detail below in Other Non-Qualified Deferred Compensation SERP ) will be frozen as well as of January 1, 2010.

The named executive officers and other senior executives who are SERP participants have taken a leadership role in this significant curtailment of defined benefit retirement and disability benefits. Although the Company will realize cost savings in freezing its pension plans, the savings will be largely reinvested in our tax-qualified defined contribution plans. In the salaried 401(k) savings plan, in which the named executive officers participate on the same terms as many other salaried employees, an employer matching contribution will be implemented. In addition, provisions designed to stimulate employee participation in various other Company 401(k) savings plans will also be funded, including other matching formulae and automatic enrollment features. Finally, the named executive officers also participate in the tax-qualified Future Service Profit Sharing Plan and related BRP on the same terms as many other salaried employees, which will be modified to make cash bonuses eligible (in addition to base salary, as currently provided) for the annual discretionary Company contribution. We believe these changes will encourage employees to save for their own retirement, and link the Company's retirement contribution to performance-based compensation.

***Change in Control***

Unlike the practices at a number of other companies, 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

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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, 2008, appears below in Compensation of Executive Officers Change in Control and Termination.

***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, which includes 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 schedule described above qualify under Section 162(m) and are therefore deductible. The Committee, however, continues to believe that it is in the Company's 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, the Company has paid and intends 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 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 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

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**COMPENSATION OF EXECUTIVE OFFICERS**

**Summary Compensation**

The following table reports compensation information for certain of our executive officers as required by SEC regulations. Information is reported for our principal executive officer and principal financial officer (Messrs. Wadhams and Szniewajs) during 2008, the three other highest paid current executive officers, and two retired executive officers, each of whose total compensation requires his inclusion in this table (collectively, the named executive officers ).

With reference to the equity compensation reported below, SEC regulations require the table to show the expense to the Company for restricted stock awards and stock options as determined under the complex financial reporting requirements of FAS 123R regardless of the value actually realized (or realizable) by our executives and regardless of the year for which these equity awards were granted. In most instances, each row in the table therefore shows expense recognized by the Company in the subject year for a portion of each of the restricted stock awards and stock options that were made to the executive in such year as well as over a number of prior years. Consequently, the expense for the year shown in the table is not limited to awards made in that year. Moreover, none of the expense for the year shown in the table corresponds to the performance year for which our performance-based restricted stock awards are made since they are granted after year-end. Further, the expense for each award and option is generally spread over the shorter of the vesting period or the period remaining until normal retirement age for the executive, regardless of whether the executive actually retires. As a result, the portion of new awards and options that constitutes expense in each year increases as executives approach retirement age. Awards and options granted to an executive at or after reaching retirement age (which is the case for Mr. Manoogian in all three years and for Mr. Gargaro after March, 2007) are fully expensed and reflected in the table in the year of grant.

In contrast to the year required to report equity awards discussed above, the year for which annual cash bonuses are reported in the table (as shown in the column Non-Equity Incentive Plan Awards and described above in our Compensation Discussion and Analysis ) does correspond to the performance year for which the cash bonus is earned.

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Principal Position	Year(1)	Salary(2)	Bonus(3)	Restricted Stock Awards(4)(5)	Stock Options(4)	Non-Equity Incentive Plan Awards(2)(6)	Change in Pension Value and	All Other Compensation(8)	
							Non-qualified Deferred Compensation Earnings(7)		
Edwards	2008	\$ 934,616	-0-	\$ 1,698,332	\$ 2,018,341	-0-	\$ 773,169	\$ 92,447	\$
Chief Executive Officer	2007	\$ 831,000	-0-	\$ 1,001,969	\$ 1,243,047	\$ 1,073,000	\$ 1,637,686	\$ 82,828	\$
Chief Financial Officer	2006	\$ 718,942	-0-	\$ 451,918	\$ 718,193	\$ 335,000	\$ 67,337	\$ 64,728	\$
Chief Operating Officer	2008	\$ 504,423	-0-	\$ 382,385	\$ 633,476	-0-	\$ 146,475	\$ 38,947	\$
Chief Accounting Officer, Treasurer and Chief Compliance Officer	2007	\$ 425,000	-0-	\$ 293,888	\$ 489,640	\$ 264,000	\$ 478,009	\$ 28,770	\$
Chief Information Officer	2008	\$ 1,428,846	-0-	\$ 5,412,741	\$ 4,536,654	-0-	-0-	\$ 384,796	\$
Chairman	2007	\$ 1,500,000	-0-	\$ 5,299,458	\$ 7,642,920	\$ 1,860,000	-0-	\$ 616,679	\$
	2006	\$ 1,500,000	-0-	\$ 5,455,030	\$ 8,634,787	\$ 1,320,000	-0-	\$ 383,278	\$
Marie, Jr.	2008	\$ 774,039	-0-	\$ 902,964	\$ 1,182,577	-0-	\$ 293,898	\$ 95,862	\$
Chief Sales and Marketing Officer	2007	\$ 573,417	-0-	\$ 463,015	\$ 714,787	\$ 491,000	\$ 187,826	\$ 936,150	\$
Chief Legal Officer	2008	\$ 405,077	-0-	\$ 383,172	\$ 404,445	-0-	\$ 372,037	\$ 29,535	\$
Chief Human Resources Officer	2008	\$ 770,685	-0-	\$ 1,731,821	\$ 2,060,579	-0-	\$ 925,547	\$ 149,392	\$
Chief Information Technology Officer	2007	\$ 761,000	-0-	\$ 952,334	\$ 1,346,216	\$ 472,000	-0-	\$ 81,239	\$
Chief Environmental, Health and Safety Officer	2006	\$ 747,500	-0-	\$ 767,729	\$ 779,776	\$ 335,000	-0-	\$ 86,046	\$
Chief Procurement Officer	2008	\$ 434,677	-0-	\$ 675,371	\$ 798,492	-0-	-0-	\$ 66,614	\$
Chief Administrative Officer	2007	\$ 429,000	-0-	\$ 475,836	\$ 953,570	\$ 266,000	-0-	\$ 57,775	\$

- (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) We do not typically grant discretionary bonuses.
- (4) These columns reflect the FAS 123R value of restricted stock and stock options we expensed in the year indicated and include certain of the expense for restricted stock and options granted in such year as well as in prior years. Under FAS 123R the expensing period for our equity awards is the shorter of the vesting period or the period to age 65. The amounts shown for Messrs. Manoogian, Leekley and Gargaro significantly exceed the value of the equity awards which were granted to the individuals in the year indicated. For example, in the case of Mr. Manoogian an aggregate of \$9,949,395 is characterized as equity compensation for 2008, since that is the amount required to be recognized as expense in 2008. Under FAS 123R, however, \$6,469,519 of that amount is

attributable to equity compensation granted in prior years, all of which would have been expensed prior to 2008 if FAS 123R had been in effect in the year of grant. Similarly, the amounts for Messrs. Leekley and Gargaro include the expense for new awards granted in 2008 as well as the remaining expense for all awards previously granted to them, which was recognized in 2008 as a result of their retirements.

For restricted stock, the amount expensed is based on the fair market value on the date of grant. For 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, 2008. See our

Compensation Discussion and Analysis for the vesting schedule and 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 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.

- (5) Although the cash bonuses reported in the Non-Equity Incentive Plan Awards columns were paid for Company performance for the year indicated, in accordance with SEC requirements, the amounts reported in this column instead reflect amounts expensed for the performance-based awards for the prior year (2005, 2006 and 2007 for grants in 2006, 2007 and 2008). The awards granted for 2005, 2006 and 2007 performance represented 47.5%, 44% and 62%, respectively, of the individual's maximum opportunity for those years. See Compensation Discussion and Analysis above.
- (6) This column shows the annual performance-based cash bonuses that were paid 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, as described in Compensation Discussion and Analysis. No bonuses were paid in 2009 with respect to 2008.
- (7) This column shows increases for 2008 from 2007 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 2008 (shown in the 2008 Pension Plan Table below) to the comparable amount for 2007. For Messrs. Manoogian and Leekley the pension values decreased in 2006 by \$1,698,268 and \$9,189, respectively; for Messrs. Manoogian, Leekley and Gargaro the pension values decreased in 2007 by \$1,939,991, \$177,656 and \$217,172, respectively; and for Messrs. Manoogian and Gargaro the pension values decreased in 2008 by \$130,443 and \$255,655, respectively. The year-to-year decrease in 2008 in Mr. Manoogian's case was caused principally by the actuarial impact of his age and in Mr. Gargaro's case was due to a larger offset than was previously estimated from a prior employer benefit. The pension values were calculated for each of 2006, 2007 and 2008 using the same assumptions set forth in the notes to our financial statements included in our Annual Report on Form 10-K for the fiscal years ended December 31, 2006, 2007 and 2008, respectively.

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The named executive officers did not have any above-market earnings under any of plans in which they participate. The effect of the Company's changes in the retirement programs, to be implemented effective January 1, 2010, are not described in the table.

- (8) For 2008, 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 (\$65,423 for Mr. Wadhams; \$37,127 for Mr. Sznewajs; \$100,019 for Mr. Manoogian; \$55,024 for Mr. DeMarie; \$28,355 for Mr. Anderson; \$53,948 for Mr. Leekley; and \$30,427 for Mr. Gargaro), (ii) perquisites, and (iii) payment for accrued vacation for retiring executives (\$55,615 for Mr. Leekley; and \$31,385 for Mr. Gargaro). The only perquisite that exceeded the greater of \$25,000 or 10% of the total perquisite amount was personal use of Company aircraft (\$27,024 for Mr. Wadhams, \$262,738 for Mr. Manoogian, and \$39,533 for Mr. DeMarie). Mr. Leekley also used Company aircraft for personal use during 2008. 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 2008, 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, Leekley and Gargaro); auto insurance (Messrs. Sznewajs, DeMarie, Anderson, Leekley and Gargaro); executive health exam (Mr. Sznewajs); spousal meal expenses (Mr. DeMarie) and a retirement gift (Mr. Leekley).

**Grants of Plan-Based Awards**

The following table sets forth information concerning the potential payouts under our 2008 performance-based cash incentive program and grants of restricted stock and options to the named executive officers in 2008.

**2008 Grants of Plan-Based Awards**

Grant	Estimated Future Payouts Under			Estimated Future Payouts Under			All Other Stock Awards: Number of Shares of Stock(2)	All Other Option Awards: Number of Securities Underlying Options	Exerc or Bas Pric of Opti Awar (Pe Shar
	Non-Equity Incentive Plan Awards(1)	Non-Equity Incentive Plan Awards(1)	Non-Equity Incentive Plan Awards(1)	Equity Incentive Plan Awards	Equity Incentive Plan Awards	Equity Incentive Plan Awards			
Date	Threshold(\$)	Target(\$)	Maximum(\$)	Threshold(\$)	Target(\$)	Maximum(\$)			
n/a 02/06/08 05/12/08	\$ 540,000	\$ 1,350,000	\$ 2,700,000	\$ 540,000	\$ 1,350,000	\$ 2,700,000	49,900		
n/a 02/06/08 05/12/08	\$ 123,500	\$ 308,750	\$ 617,500	\$ 123,500	\$ 308,750	\$ 617,500	18,800	816,000	\$ 18
n/a	\$ 500,000	\$ 1,250,000	\$ 2,500,000	\$ 500,000	\$ 1,250,000	\$ 2,500,000		145,000	\$ 18

02/06/08								86,400		
05/12/08									434,000	\$ 18
n/a	\$ 300,000	\$ 750,000	\$ 1,500,000	\$ 300,000	\$ 750,000	\$ 1,500,000				
02/06/08								22,800		
05/12/08									391,000	\$ 18
n/a	\$ 98,800	\$ 247,000	\$ 494,000	\$ 98,800	\$ 247,000	\$ 494,000				
02/06/08								15,700		
05/12/08									56,000	\$ 18
n/a	\$ 187,980	\$ 469,950	\$ 939,900	\$ 187,980	\$ 469,950	\$ 939,900				
02/06/08								22,000		
05/12/08									145,000	\$ 18
n/a	\$ 106,080	\$ 265,200	\$ 530,400	\$ 106,080	\$ 265,200	\$ 530,400				
02/06/08								12,400		
05/12/08									82,000	\$ 18

- (1) The amounts shown reflect the threshold, target and maximum payouts under the 2008 performance-based cash bonus program described in the Compensation Discussion and Analysis. No amounts were paid under this program in 2008.
- (2) Although the amounts shown under the Estimated Future Payouts Under Equity Incentive Plan Awards column reflect the range of potential restricted stock awards based on 2008 Company performance, the information shown in this column with respect to awards of restricted stock granted on February 6, 2008 reflects grants made for Company performance in 2007.
- (3) The grant date fair value shown in this column reflects the total expense to be recognized as of the date of grant determined pursuant to FAS 123R. 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 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. Manoogian, Leekley and Gargaro. The stock options granted in 2008 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.

**Table of Contents****Outstanding Equity Awards at Fiscal Year-End**

The following table shows for each of the named executive officers as of December 31, 2008 (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, 2008 (\$11.13 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.

**2008 Outstanding Equity Awards at Fiscal Year-End**

Name	Original Grant Date	Option Awards(1)			Restricted Stock Awards(2)		
		Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised 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
Timothy Wadhams						318,277	\$ 3,542,423
	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	24,000	6,000	26.50	01/14/2014		
	07/29/2004	60,000	15,000	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	51,000	34,000	30.75	05/09/2015		
	07/26/2006	34,000	51,000	26.60	07/26/2016		
	05/24/2007	17,000	68,000	30.40	05/24/2017		
	06/02/2007	80,000	320,000	30.16	06/02/2017		
	05/12/2008		816,000	18.58	05/12/2018		
John G. Sznewajns						89,560	\$ 996,803
	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	26,400	6,600	30.00	07/29/2014		
	05/09/2005	19,800	13,200	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	12,000	8,000	34.40	07/28/2015		
	07/26/2006	16,000	24,000	26.60	07/26/2016		
	05/24/2007	8,000	32,000	30.40	05/24/2017		

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	06/02/2007	14,000	56,000	30.16	06/02/2017		
	05/12/2008		145,000	18.58	05/12/2018		
Richard A. Manoogian						539,206	\$ 6,001,363
	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	384,000	96,000	30.00	07/29/2014		
	05/09/2005	288,000	192,000	30.75	05/09/2015		
	07/26/2006	192,000	288,000	26.60	07/26/2016		
	05/24/2007	96,000	384,000	30.40	05/24/2017		
	05/12/2008		434,000	18.58	05/12/2018		

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Name	Original Grant Date	Option Awards(1)		Option Exercise Price	Option Expiration Date	Restricted Stock Awards(2)	
		Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options			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.						238,796	\$ 2,657,799
	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	43,200	10,800	30.00	07/29/2014		
	05/09/2005	32,400	21,600	30.75	05/09/2015		
	07/26/2006	21,600	32,400	26.60	07/26/2016		
	05/24/2007	10,800	43,200	30.40	05/24/2017		
	06/02/2007	30,000	120,000	30.16	06/02/2017		
	12/04/2007	30,000	120,000	21.57	12/04/2017		
05/12/2008		391,000	18.58	05/12/2018			
William T. Anderson						64,291	\$ 715,559
	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	26,400	6,600	30.00	07/29/2014		
	11/11/2004(3)	2,815		35.60	12/10/2012		
	05/09/2005	19,800	13,200	30.75	05/09/2015		
	05/09/2005	4,200	2,800	30.75	05/09/2015		
	09/06/2005(3)	2,516		31.00	12/10/2012		
	07/26/2006	13,200	19,800	26.60	07/26/2016		
	05/24/2007	6,600	26,400	30.40	05/24/2017		
	06/02/2007	4,000	16,000	30.16	06/02/2017		
	05/12/2008		56,000	18.58	05/12/2018		
John R. Leekley						111,068	\$ 1,236,187
	02/16/2000	144,000		\$ 19.75	02/16/2010		
	12/10/2002	83,000		19.50	12/10/2012		
	10/29/2003	85,000		27.50	10/29/2013		
	07/29/2004	68,000	17,000	30.00	07/29/2014		
	05/09/2005	51,000	34,000	30.75	05/09/2015		
	07/26/2006	34,000	51,000	26.60	07/26/2016		
	05/24/2007	17,000	68,000	30.40	05/24/2017		
	05/12/2008		145,000	18.58	05/12/2018		
						54,860	\$ 610,592

Eugene A.  
Gargaro, Jr.

12/10/2002	18,800		\$ 19.50	12/10/2012
10/29/2003	48,000		27.50	10/29/2013
07/29/2004	38,400	9,600	30.00	07/29/2014
05/09/2005	28,800	19,200	30.75	05/09/2015
07/26/2006	19,200	28,800	26.60	07/26/2016
05/24/2007	9,600	38,400	30.40	05/24/2017
05/12/2008		82,000	18.58	05/12/2018

- (1) Options vest in equal annual installments of 20% commencing in the year following the year of grant, except restoration options as noted.
- (2) Awards of restricted stock 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 increased annual vesting for participants beginning in the year they turn age 66.
- (3) 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 new restorations options, except for restoration options resulting from the exercise of options granted under the 1991 Plan.

**Table of Contents****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 2008 in connection with the exercise of stock options and the vesting of restricted stock awards.

**2008 Option Exercises and Stock Vested**

Name	Option Awards		Restricted Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Timothy Wadhams	-0-	-0-	37,816	\$ 664,933
John G. Sznewajs	-0-	-0-	11,275	\$ 196,913
Richard A. Manoogian	-0-	-0-	162,916	\$ 2,820,051
Donald J. DeMarie, Jr.	-0-	-0-	28,279	\$ 472,465
William T. Anderson	-0-	-0-	7,331	\$ 135,482
John R. Leekley	-0-	-0-	17,658	\$ 324,264
Eugene A. Gargaro, Jr.	-0-	-0-	12,985	\$ 243,889

**Retirement Plans**

We have a Qualified Profit Sharing Plan and a Qualified Pension Plan that cover many salaried employees, including the named executive officers. As in many other companies, we also maintain the complementary BRP, which has both defined benefit and defined contribution components, to restore for all participants benefits that otherwise would be limited under the Code. As described below, the named executive officers are also covered by the SERP that supplements the benefits provided under our other retirement plans. The following describes the Company's various retirement plans prior to the planned changeover to freeze defined benefit plans effective January 1, 2010.

***Qualified and Non-qualified 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) times a maximum of 30 years of credited service 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, 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.

***Qualified and Non-qualified Defined Contribution Plans***

The Company maintains a tax-qualified profit sharing plan for a number of its employees, including the named executive officers. Contributions are discretionary, and for 2006, 2007 and 2008 such contributions along with the book entry allocations described in the table below in column A, are included as part of All Other Compensation in the Summary Compensation Table. (Neither columns B nor C in the table below appear in the Summary Compensation Table for either 2006, 2007 and 2008.) Under the defined contribution portion of the BRP the Company makes allocations for each participant, including the named executive officers, reflecting defined contribution amounts utilizing the amount of base salary that exceeds the Code's limitations applicable to our

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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 by the terms of the Qualified Profit Sharing Plan to a combined maximum of 7% of base salary. The pro-forma earnings (loss) are posted to the 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. Payout options from these profit sharing plans include a lump sum, or an installment payment option following termination; the Qualified Profit Sharing Plan also permits such distributions after attainment of age 59 1/2 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 2008, (B) the amount of pro-forma earnings (loss) posted to the participant's account, and (C) the account's ending balance at the date shown.

**2008 Non-qualified Deferred Compensation Plan  
(Defined Contribution Portion of the Benefits Restoration Plan)**

<b>A</b>	<b>B</b>	<b>C</b>
<b>Masco</b>	<b>Aggregate</b>	