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

Table of Contents

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

SCHEDULE 14A

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

Filed by the Registrant þ
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Check the appropriate box:

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

MASCO CORPORATION

(Name of Registrant as Specified In Its Charter)

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

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þ No fee required.
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1) Title of each class of securities to which transaction applies:

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SEC 1913 (02-02)	**Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

Table of Contents

March 31, 2010

Dear Stockholder:

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

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

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

Sincerely,

Richard A. Manoogian
Chairman of the Board

Table of Contents

MASCO CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

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

The purposes of the Annual Meeting are:

1. To elect three Class I Directors;

2. To ratify the selection of PricewaterhouseCoopers LLP as independent auditors for Masco for 2010;

3. To consider and act upon a proposal to amend the 2005 Long Term Stock Incentive Plan; and

4. To transact such other business as may properly come before the meeting.

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

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

By Order of the Board of Directors

Gregory D. Wittrock
Secretary

March 31, 2010

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

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

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

TABLE OF CONTENTS

Table of Contents

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS OF MASCO CORPORATION

May 11, 2010

GENERAL INFORMATION

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

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

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

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

Table of Contents

ELECTION OF DIRECTORS

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

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

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

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

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

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

Name, Principal Occupation and Period of Service as a Director	Age, Business Experience, Directorships and Other Information
Class I (Nominees for Term Expiring at the Annual Meeting in 2013)	
Dennis W. Archer Chairman and CEO of Dennis W. Archer PLLC and Chairman Emeritus, Dickinson Wright PLLC, a Detroit, Michigan-based law firm. Director since 2004.	Mr. Archer, 68, has served as Chairman and CEO of Dennis W. Archer PLLC since 2010. He has also served as Chairman Emeritus of Dickinson Wright PLLC since 2010, prior to which he was Chairman from 2002 - 2009. Mr. Archer was President of the American Bar Association from 2003 through 2004 and served two terms as Mayor of the City of Detroit, Michigan from 1994 through 2001. He was appointed as an Associate Justice of the Michigan Supreme Court in 1985 and in 1986 was elected to

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

Table of Contents

Name, Principal Occupation and Period of Service as a Director	Age, Business Experience, Directorships and Other Information
Anthony F. Earley, Jr. Chairman of the Board and Chief Executive Officer, DTE Energy Company, a diversified energy company. Director since 2001.	Mr. Earley, 60, has served as Chairman of the Board and Chief Executive Officer of DTE Energy Company since 1998 and as President and Chief Operating Officer from 1994 to 2004. From 1989 to 1994, he served as President and Chief Operating Officer of Long Island Lighting Company, an electric and gas utility in New York. Prior to 1989, Mr. Earley held several other positions with Long Island Lighting, including Executive Vice President and General Counsel. He is a Director of DTE Energy Company and Ford Motor Company. During the past five years, Mr. Earley also served as a Director of Plug Power, Inc. and Comerica Incorporated. Mr. Earley s position as the CEO of DTE brings to the Board experience in leading large and complex business organizations. As a result of his leadership positions, he understands the priorities and perspectives of many different constituents that affect businesses, including government regulators, the investment community, employees and customers.
Lisa A. Payne Vice Chairman and Chief Financial Officer and Director of Taubman Centers, Inc., a real estate investment trust. Director since 2006.	Ms. Payne, 51, has served as Chief Financial Officer and Vice Chairman of Taubman Centers, Inc. since 2005, prior to which she served as the Executive Vice President and the Chief Financial and Administrative Officer of Taubman Centers, Inc. from 1997 to 2005. She has been a Director of Taubman Centers, Inc. since 1997. Ms. Payne was an investment banker with Goldman, Sachs & Co. from 1987 to 1997. She is a Trustee of Munder Series Trust and Munder Series Trust II, open-end management investment companies. Ms. Payne s past experience as an investment banker and her present position as CFO of Taubman Centers provide the Board with financial, accounting and corporate finance expertise. In addition, Ms. Payne s extensive experience in real estate investment, development and acquisition, gives her an informed and thorough understanding of certain macroeconomic impacts on the Company s business.
Class II (Term Expiring at the Annual Meeting in 2011)	
Verne G. Istock Retired Chairman/President of Bank One Corporation. Director since 1997.	Mr. Istock, 69, joined NBD Bank in 1963 and served as Vice Chairman and Director of NBD Bank and its parent, NBD Bancorp, from 1985 until he was named Chairman and Chief Executive Officer in 1994. Upon the merger of NBD and First Chicago Corporation in December 1995, he was named President and Chief Executive Officer of First Chicago NBD Corporation and was elected Chairman in May 1996. Upon the merger of First Chicago NBD Corporation and Bank One Corporation in October 1998, he was named Chairman of the Board of Bank One Corporation, where he served in various executive positions, including Chief Executive Officer until his retirement in September 2000. Mr. Istock is a Director of Kelly Services, Inc. and Rockwell Automation, Inc. Mr. Istock brings exceptional business leadership skills to the Board. His significant experience in finance and banking gives him a comprehensive

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

Table of Contents

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

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

Name, Principal Occupation and Period of Service as a Director	Age, Business Experience, Directorships and Other Information
Class III (Term Expiring at the Annual Meeting in 2012)	
Thomas G. Denomme Retired Vice Chairman and Chief Administrative Officer of Chrysler Corporation. Director since 1998.	Mr. Denomme, 70, served as Vice Chairman and Chief Administrative Officer of Chrysler Corporation from 1994 until he retired in December 1997, and as a director of Chrysler Corporation from 1993 through 1997. He joined Chrysler Corporation in 1980 and was elected Vice President Corporate Strategic Planning in 1981, Executive Vice President Corporate Staff Group in 1991, and Executive Vice President and Chief Administrative Officer in 1993. Previously, he held a number of positions at Ford Motor Company, including Director, Marketing Policy and Strategy Office and Director, Sales Operations Planning. Mr. Denomme has broad executive management experience in many different corporate functions including strategic planning, sales, operations and marketing. His many years in executive positions at large manufacturing companies operating in a cyclical industry give him insight into the challenges facing the Company. Mr. Denomme also serves as Chairman of the Board of Beaumont Hospitals.
Richard A. Manoogian Chairman of the Board. Director since 1964.	Mr. Manoogian, 73, joined the Company in 1958 and was elected Vice President and a Director in 1964 and President in 1968. Mr. Manoogian served as Chief Executive Officer from 1985 until July 2007, when he was elected Executive Chairman. He retired as an employee effective as of June 30, 2009 to serve the Company solely as Chairman of the Board, a position he has held since 1985. He is a director of Ford Motor Company and during the past five years has served on the Boards of Directors of JPMorgan Chase & Co. and Metaldyne Corporation. Mr. Manoogian s long-term leadership of Masco gives him extensive Company and industry specific knowledge, including firsthand knowledge of the Company s operations and strategy as well as a deep understanding of the new home construction and the repair and remodel markets.
Mary Ann Van Lokeren Retired Chairman and Chief Executive Officer of Krey Distributing Company, a beverage distribution firm. Director since 1997.	Ms. Van Lokeren, 62, served as the Chairman and Chief Executive Officer of Krey Distributing Company from 1987 through 2006 and previously as its Secretary upon joining the company in 1978. She is a director of The Laclede Group, Inc. During the past five years, she also served on the Boards of Directors of Commerce Bancshares, Inc. and D&K Healthcare Resources, Inc. Ms. Van Lokeren s nearly 20 years of experience as the Chairman and CEO of a large and successful distribution company gives her valuable insight into many functions of company leadership and management including personnel, marketing, customer relationships and overall business strategy. Her current and past service as a director of other public companies and non-profit organizations gives her a broad perspective on issues of corporate governance, executive compensation and board oversight.

CORPORATE GOVERNANCE

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

Leadership Structure of the Board of Directors

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

Directors Independence

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

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

Board of Directors and Committees of the Board

Standing committees of the Board of Directors include the Audit Committee, the Organization and Compensation Committee, and the Corporate Governance and Nominating Committee. Each member of each of these three committees qualifies as independent as defined in Masco s Corporate Governance Guidelines. These committees function pursuant to written charters adopted by the Board. The full charters for these three committees, as well as Masco s Corporate Governance Guidelines and Masco s Code of Business Ethics, are posted on our website at www.masco.com and are available to you in print from the website or upon request. Amendments to or waivers of the Code of Business Ethics, if any, will be posted on our website in accordance with applicable requirements. The information on our website is not a part of this Proxy Statement or incorporated into any other filings we make with the Securities and Exchange Commission (the SEC).

Table of Contents

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

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

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

Risk Oversight

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

Audit Committee

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

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

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

Organization and Compensation Committee

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

Corporate Governance and Nominating Committee

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

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

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

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

Table of Contents

COMPENSATION OF DIRECTORS

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

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

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

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

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

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

Table of Contents

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

2009 Director Compensation

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

(1) The amounts shown in this column include the annual cash retainer of $40,000, meeting fees ($1,500 per Board or Committee meeting attended in person or by telephone), and chairmanship fees ($15,000 for Mr. Losh as chairman of the Audit Committee, $12,500 for Ms. Van Lokeren as chairperson of the Compensation Committee, and $7,500 for Mr. Istock as chairman of the Corporate Governance and Nominating Committee).

(2) These columns reflect the grant date fair value of the awards on the date issued. The Directors have no assurance that they will realize the amounts reflected in this table. For restricted stock awards, the Directors only realize the value of the long-term incentive restricted stock awards over an extended period of time because the scheduled vesting of awards generally occurs pro rata over five years from the date of grant. Actual gains, if any, on stock option exercises will depend on overall market conditions and the future performance of Masco and its common stock. Ms. Payne did not receive a restricted stock award in 2009 because her initial stock award (valued at one-half of the Director s retainer for five years) will not fully vest until 2012.

(3) The aggregate number of shares of unvested restricted stock outstanding as of December 31, 2009 for each Director listed in the table was: 3,990 shares for Mr. Archer; 6,386 shares for Mr. Denomme; 7,186 shares for Mr. Earley; 6,878 shares for Mr. Istock; 6,386 shares for Professor Johnston; 6,386 shares for Mr. Losh; 4,140 shares for Ms. Payne; and 6,878 shares for Ms. Van Lokeren.

(4) The aggregate number of stock options outstanding as of December 31, 2009 for each Director listed in the table was: 72,000 shares for Mr. Archer; 80,000 shares for Mr. Denomme; 104,000 shares for Mr. Earley; 112,000 shares for Mr. Istock; 80,000 shares for Professor Johnston; 80,000 shares for Mr. Losh; 56,000 shares for Ms. Payne; and 112,000 shares for Ms. Van Lokeren.

(5) During 2009, no Director listed in the table above received any perquisite that is required to be disclosed.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

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

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

* Less than one percent

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

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

(2) Includes 440 shares owned by Mr. Anderson s wife as to which he disclaims beneficial ownership.

(3) Mr. Earley shares with his wife voting and investment power over the shares of Company common stock directly owned by him.

Table of Contents

(4) Mr. Losh shares with his daughters investment power over 6,000 shares. He disclaims beneficial ownership of such 6,000 shares.

(5) Shares owned by Mr. Manoogian and by all of our Directors and executive officers as a group include in each case an aggregate of 2,293,100 shares owned by charitable foundations for which Mr. Manoogian serves as a director or officer, and 3,000 shares held by trusts for which Mr. Manoogian serves as a trustee. The directors and officers of the foundations and the trustees share voting and investment power with respect to shares owned by the foundations and trusts, but Mr. Manoogian disclaims beneficial ownership of such shares. Excluding unvested restricted stock, shares which he has a right to acquire, and shares owned by a charitable foundation or trust, substantially all of the shares directly owned by Mr. Manoogian have been pledged.

(6) Based on a Schedule 13G dated February 5, 2010 and filed with the SEC, at December 31, 2009, Capital World Investors is deemed to beneficially own and have the power to dispose of an aggregate of 26,256,013 shares of Masco common stock, and to have sole voting power over 775,000 of such shares. Capital World Investors disclaims beneficial ownership of all of these shares.

(7) Based on a Schedule 13G dated January 20, 2010 and filed with the SEC, at December 31, 2009, BlackRock, Inc. beneficially owned 20,695,510 shares of Masco common stock, with sole voting power and sole dispositive power over all of the shares.

(8) Based on a Schedule 13G dated February 12, 2010 and filed with the SEC, at December 31, 2009, these shares of Masco common stock were beneficially owned by FMR LLC and certain of its affiliates. FMR LLC reported that it and certain of its affiliates have sole power to dispose or direct the disposition of 52,767,210 shares and sole power to vote or direct the vote on 4,629,270 shares.

AUDIT COMMITTEE REPORT

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

The Audit Committee obtained from the Company s independent auditors, PricewaterhouseCoopers LLP, the letter required by Rule 3526 of the Public Company Accounting Oversight Board Communication with Audit Committees Concerning Independence, and discussed with the independent auditors any relationships that may impact their objectivity and independence and satisfied itself as to PricewaterhouseCoopers LLP s independence. The Audit Committee considered and determined that such independent auditors provision of non-audit services to the Company is compatible with maintaining their independence. The Audit Committee reviewed various matters with the independent auditors, who are responsible for expressing an opinion on the Company s financial statements as of and for the year ended December 31, 2009, and the effectiveness of the Company s internal control over financial reporting, based on their audit. The Audit Committee met with the independent auditors and discussed the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, AICPA Professional Standards, Vol. 1 (AU Section 380) as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee also met with the independent auditors without management present.

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

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

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

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

Analysis of 2009 Executive Compensation

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

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

- Generating over $550 million of free cash flow (cash from operations after capital expenditures and before dividends); and
- Successfully amending our 5-year bank credit facility.

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

Recent Changes

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

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

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

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

Table of Contents

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

Leadership Transition

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

Compensation Principles, Objectives and Components

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

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

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

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

business objectives.	share and cash flow targets set by the Committee at the beginning of the year. The maximum bonus opportunity is: Mr. Wadhams: 300% of annual base salary Mr. DeMarie: 200% of annual base salary Other executive officers: 130% of annual base salary.

Table of Contents

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

Cash Compensation

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

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

Equity Compensation

For many years, we have recognized that having an ownership interest in the Company is critical to aligning the interests of our leadership and key employees with the interests of our stockholders. Accordingly, common stock has been a major part of long-term compensation for our executives and other key employees, and we have established minimum stock ownership requirements for our executives. Restricted stock and stock options have been granted under a program which utilizes the Masco Corporation 2005 Long Term Stock Incentive Plan (the 2005 Plan) or its predecessor, the 1991 Long Term Stock Incentive Plan (the 1991 Plan). These two plans are referred to collectively as the Long Term Incentive Plan.

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

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

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

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

Under current accounting rules, the cost related to restricted stock awards and options is fixed at the time of the grant. This expense is generally amortized for financial reporting purposes over the shorter of the applicable vesting period or the period then remaining to normal retirement age. Consequently, as an executive approaches retirement age, the amortization period for any new awards decreases. This results in an increase in the annual expense recognized for these awards, although the aggregate cost does not change. Further, awards to a participant who continues in employment with us after normal retirement age are expensed in full immediately upon grant even though the executive may only realize their value over a period of years.

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

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

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

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

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

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

The Committee uses the stock option component of compensation to align the long-term interests of our executives with those of our stockholders and to ensure the overall competitiveness of each executive officer s total compensation package. The Committee does not determine the appropriate level of executive compensation based on specific executive compensation payouts at other companies. The Committee focuses on the value of total target compensation including long-term incentive arrangements of the peer group and also reviews data from Hewitt Associates published executive compensation surveys. The value of each executive officer s option grant (based on the option s economic value at the date of grant using the Black-Scholes model) is equal to the value the Committee estimates is needed to make each executive officer s target total compensation generally approximate the median target compensation packages available with respect to comparable positions at our peer companies. Finally, the Committee evaluates whether there were individual considerations (primarily taking into account any deviations from expectations of performance) in its judgment, that warrant increasing or decreasing from the grant levels for each executive officer. For 2008 and 2009, there were no such individual considerations.

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

Table of Contents

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

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

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

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

Stock Ownership Requirement

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

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

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

Perquisites and Other Compensation

We provide a limited number of perquisites to our senior executives, which are reviewed by the Committee on a regular basis. We maintain Company aircraft for business purposes, and the Committee has evaluated our policies and valuation practices for personal use of these aircraft. The Board has requested that Mr. Wadhams and Mr. DeMarie use Company aircraft for both business and personal travel. Notwithstanding this requirement, personal use is considered a perquisite for SEC reporting purposes. Personal use of the airplanes by Mr. Wadhams and Mr. DeMarie accounts for substantially all of their total perquisites. Personal use of Company aircraft by our Chief Operating Officer must be approved by the President and Chief Executive Officer, and in turn his personal use must be approved by the Chairman. Our President and Chief Executive Officer may occasionally permit other

Table of Contents

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

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

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

Retirement Programs

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

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

Table of Contents

Change in Control

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

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

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

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

Compensation Practices and Procedures

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

Employment Contracts and Severance Arrangements

It is our general policy not to enter into employment contracts with our executive officers or otherwise to establish individual severance or other arrangements that prior to termination of employment would entitle them to additional compensation such as salary or bonus following termination (except in the case of retirement or other post-termination arrangements applicable generally to participants under our benefit plans). Our executive officers are at-will employees who may be terminated at our discretion. We believe this preserves greater flexibility in our employment arrangements while permitting us to address specific circumstances as needed. Further, we have structured our compensation plans to prohibit competitive activities during and following employment and to provide other significant protections that we have the discretion to exercise. Generally we require a participant to forfeit unvested equity awards upon voluntary or involuntary termination of employment and in some cases to return compensation previously earned. During 2009, we determined that a separation agreement with Mr. Silverman was appropriate in light of his long service to the Company and consistent with past practices in our industry. The

Table of Contents

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

Comparative Compensation

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

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

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

Independent Consultant

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

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

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

Table of Contents

Use of Tally Sheets

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

Annual Review Process

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

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

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

Internal Revenue Code, Section 162(m)

Section 162(m) of the Code limits deductibility of annual compensation in excess of $1 million paid to certain highly compensated employees, including our named executive officers, unless this compensation qualifies as performance-based. The stock options and, in most situations, annual cash bonus and annual restricted stock award grants to the executive officers under the performance-based programs described above qualify under Section 162(m) and are therefore deductible. The Committee, however, continues to believe that it is in our interest to retain flexibility in its compensation programs. Consequently in some circumstances, including the special restricted stock grant made in early 2009 as described above, we have paid and intend to continue to pay compensation that exceeds the limitation of Section 162(m).

Conclusion

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

Table of Contents

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

COMPENSATION COMMITTEE REPORT

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

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

Table of Contents

COMPENSATION OF EXECUTIVE OFFICERS

Summary Compensation

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

2009 Summary Compensation Table

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

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

(2) These columns include amounts voluntarily deferred by each named executive officer (except Mr. Manoogian) as salary reductions under the Company s tax-qualified 401(k) savings plan.

(3) Amounts in this column reflect the aggregate grant date fair value of stock awards and stock options granted under the 2005 Long Term Stock Incentive Plan in accordance with accounting guidance. For stock options, the determination of fair market value uses the same assumptions set forth in the notes to our financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

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

(4) In accordance with SEC requirements, the amounts reported in this column reflect awards granted during the year indicated, and accordingly, performance-based awards for 2006 and 2007 are reflected in the grants in 2007 and 2008. No performance-based awards for 2008 were granted in 2009. The restricted awards shown for 2009 were the result of a special discretionary award approved by the Committee. See Compensation Discussion and Analysis Equity Compensation Restricted Stock Awards for a discussion of the special discretionary grant.

(5) This column shows the annual performance-based cash bonuses that were paid for the year indicated early in the following year under our annual cash bonus program for executive officers. The amount paid is based on the attainment of earnings per share targets and for 2009, a cash flow target, as described in Compensation Discussion and Analysis. No cash bonuses were paid to the named executive officers in 2009 with respect to 2008.

(6) This column shows increases in the sum of the year-end pension values. These values were obtained by comparing the Present Value of Accumulated Benefits for December 31 of the year indicated (shown for 2009 in the 2009 Pension Plan Table below) to the comparable amount for the prior year. For Mr. Manoogian the pension values at year-end in 2007 and 2008 decreased by $1,939,991 and $130,443, respectively. The pension values were calculated for each of 2007, 2008 and 2009 using the same assumptions as set forth in the notes to our financial statements included in our Annual Report on Form 10-K for the corresponding fiscal years ended December 31. The named executive officers did not have any above-market earnings under any of the plans in which they participate.

(7) For 2009, this column includes (i) Masco s total contributions and allocations for the accounts of the named executive officers under our qualified and non-qualified defined contribution retirement plans ($63,000 for Mr. Wadhams; $33,250 for Mr. Sznewajs; $52,500 for Mr. DeMarie; $26,600 for Mr. Anderson; $18,415 for Mr. Greenwood; $42,740 for Mr. Manoogian; and $30,073 for Mr. Silverman), (ii) perquisites, and (iii) payment for accrued vacation for retiring executives ($48,077 for Mr. Manoogian). The only perquisite that exceeded the greater of $25,000 or 10% of the total perquisite amount was personal use of Company aircraft ($19,076 for Mr. Wadhams; $202,718 (including $65,561 related to the period July 1, 2009 through December 31, 2009) for Mr. Manoogian; and $69,133 for Mr. DeMarie). The incremental cost for the Company aircraft includes the cost for fuel, landing and parking fees, variable maintenance, variable pilot expenses for travel and any special catering costs. We also include these same costs for associated repositioning of the aircraft. For 2009, perquisites also included the personal use of a car and driver for Mr. Manoogian (with an incremental cost to the Company being the variable cost for the vehicle operation); financial planning (Messrs. Anderson, DeMarie and Silverman); and auto insurance (Messrs. Sznewajs, Anderson, Greenwood and Silverman).

(8) Mr. Manoogian retired from his position as Executive Chairman of Masco Corporation effective June 30, 2009 and continued his position as Chairman of the Board. Compensation for Mr. Manoogian in 2009 includes $199,500 of director fees (included in the salary column), $36,696 of restricted stock awards and $73,226 of other compensation (including $65,561 related to personal use of the company aircraft from July 1, 2009 through December 31, 2009). See Compensation of Directors and note 7 above.

(9) Mr. Silverman retired from the Company in 2009.

Grants of Plan-Based Awards

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

2009 Grants of Plan-Based Awards

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

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

(1) The amounts shown reflect the threshold, target and maximum payouts under the 2009 performance-based cash bonus program described in the Compensation Discussion and Analysis. The amounts paid under this program are set forth in the Summary Compensation Table above.

(2) No bonuses of restricted stock were earned for 2008 under our Long Term Incentive Plan. The information shown in this column with respect to awards of restricted stock granted on February 9, 2009 reflects a special discretionary equity grant. See Compensation Discussion and Analysis Equity Compensation Restricted Stock Awards for a discussion of the special award.

(3) The grant date fair value shown in this column is determined in accordance with accounting guidance. Regardless of the value placed on a stock option on the grant date, the actual value of the option will depend on the market value of Masco common stock at a future date when the option is exercised.

The Compensation Discussion and Analysis describes the performance-based cash bonuses, performance-based stock awards and options, including the proportion of variable compensation to total compensation, and the targets for performance-based compensation. Although restricted stock awards granted prior to February 2010 under our Long Term Incentive Plan generally vest in equal annual installments of 10% over a period of ten years, because of their ages at the date of grant, as described in the Compensation Discussion and Analysis, these awards will vest over shorter periods for Messrs. Anderson, Greenwood, Manoogian, Silverman and Wadhams. The stock options granted in 2009 vest in five equal annual installments commencing on the first anniversary of the date of grant and remain exercisable until ten years from the date of grant.

Outstanding Equity Awards at Fiscal Year-End

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

2009 Outstanding Equity Awards at Fiscal Year-End

	Option Awards(1)					Restricted Stock Awards(2)	
Name	**Original Grant Date**	**Number of Securities Underlying Unexercised Options Exercisable**	**Number of Securities Underlying Unexercised Options Unexercisable**	**Option Exercise Price**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested**	**Market Value of Shares or Units of Stock That Have Not Vested**
Timothy Wadhams						376,471	$ 5,199,065
	10/09/2001	60,000		$ 20.75	01/14/2011		
	12/10/2002	57,600		19.50	12/10/2012		
	10/29/2003	75,000		27.50	10/29/2013		
	01/14/2004	30,000		26.50	01/14/2014		
	07/29/2004	75,000		30.00	07/29/2014		
	09/24/2004(3)	35,730		34.12	01/14/2011		
	09/24/2004(3)	8,229		34.12	12/10/2012		
	05/09/2005	68,000	17,000	30.75	05/09/2015		
	07/26/2006	51,000	34,000	26.60	07/26/2016		
	05/24/2007	34,000	51,000				