

MASCO CORP /DE/

FORM 10-K (Annual Report)

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Address	21001 VAN BORN RD TAYLOR, MI 48180
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Symbol	MAS
SIC Code	2430 - Millwork, Veneer, Plywood, And Structural Wood
Industry	Constr. - Supplies & Fixtures
Sector	Capital Goods
Fiscal Year	12/31

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2010

Commission File Number 1-5794

MASCO CORPORATION

(Exact name of Registrant as Specified in its Charter)

Delaware
(State of Incorporation)
21001 Van Born Road, Taylor, Michigan
(Address of Principal Executive Offices)

38-1794485
(I.R.S. Employer Identification No.)
48180
(Zip Code)

Registrant's telephone number, including area code: 313-274-7400

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, \$1.00 par value Zero Coupon Convertible Senior Notes Series B Due 2031	New York Stock Exchange, Inc. New York Stock Exchange, Inc.

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant on June 30, 2010 (based on the closing sale price of \$10.76 of the Registrant's Common Stock, as reported by the New York Stock Exchange on such date) was approximately \$3,177,733,000.

Number of shares outstanding of the Registrant's Common Stock at January 31, 2011:

358,113,000 shares of Common Stock, par value \$1.00 per share

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement to be filed for its 2011 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

Masco Corporation
2010 Annual Report on Form 10-K

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PART I

Item 1. Business.

Masco Corporation manufactures, distributes and installs home improvement and building products, with emphasis on brand-name consumer products and services holding leadership positions in their markets. We are among the largest manufacturers in North America of a number of home improvement and building products, including faucets, cabinets, architectural coatings and windows, and we are one of the largest installers of insulation for the new home construction market. We generally provide broad product offerings in a variety of styles and price points and distribute products through multiple channels, including directly to homebuilders and wholesale and retail channels. Approximately 78 percent of our 2010 sales were generated by our North American operations.

We continue to experience a prolonged and substantial downturn in the home improvement and new home construction markets. As a result, during 2010, we continued to focus on the strategic rationalization of our businesses, including business consolidations, plant closures, headcount reductions, system implementations and other cost savings initiatives. Since 2006, across our businesses, we have closed 23 manufacturing facilities; also, since 2006, we have closed approximately 100 locations formerly operated by our Installation and Other Services segment. In 2010, we began the combination of our North American retail and builder cabinet businesses to form Masco Cabinetry. In 2010, we decided to discontinue the manufacture of ready-to-assemble and other non-core in-stock assembled cabinet product lines, as they were not consistent with Masco Cabinetry's strategy of growth through brand building and innovation. In 2010, we also decided to close a cabinet manufacturing facility that had previously been idled.

We continue to focus on our cost structure and are driving process improvement through the implementation of the Masco Business System ("MBS"). The MBS is the integrated leadership practices, processes, tools and capabilities that enable the effective and consistent execution of our strategies and operating plans to maximize our full potential. Through the MBS, we are advancing our strategy of growing organic sales based on a better understanding of our customer needs and investing in new product innovation. We are also focusing on enhancing customer experience through improvements in product quality. In 2010, we introduced several new products, including the ESSENCE SERIES™ wood and fiberglass window by Milgard, the RED® line of staple guns and nail tackers and the ACE® Salt water sanitizing system. We are also continuing to invest in several initiatives launched in 2009, including programs related to BEHR PREMIUM PLUS ULTRA® interior paint, the DELTA® TOUCH 2 O® faucet, retro-fit home energy efficiency services and the sale of BEHR® and KILZ® branded products to professional painters.

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We report our financial results in five business segments aggregated by similarity in products and services. The following table sets forth, for the three years ended December 31, 2010, the contribution of our segments to net sales and operating (loss) profit. Additional financial information concerning our operations by segment and by geographic regions, as well as general corporate expense, net, as of and for the three years ended December 31, 2010, is set forth in Note O to our consolidated financial statements included in Item 8 of this Report.

	(In Millions)		
	Net Sales (1)		
	2010	2009	2008
Cabinets and Related Products	\$ 1,464	\$ 1,674	\$ 2,276
Plumbing Products	2,692	2,564	3,002
Installation and Other Services	1,147	1,256	1,861
Decorative Architectural Products	1,693	1,714	1,629
Other Specialty Products	596	584	716
Total	<u>\$ 7,592</u>	<u>\$ 7,792</u>	<u>\$ 9,484</u>
	Operating (Loss) Profit (1)(2)(3)(4)		
	2010	2009	2008
Cabinets and Related Products	\$ (250)	\$ (64)	\$ 4
Plumbing Products	331	237	110
Installation and Other Services	(834)	(131)	(46)
Decorative Architectural Products	345	375	299
Other Specialty Products	19	(199)	(124)
Total	<u>\$ (389)</u>	<u>\$ 218</u>	<u>\$ 243</u>

- (1) Amounts exclude discontinued operations.
- (2) Operating (loss) profit is before general corporate expense, net, charge for defined-benefit plan curtailment, accelerated stock compensation expense, and loss on corporate fixed assets, net.
- (3) Operating (loss) profit is before charge regarding the 2009 Cabinets and Related Products litigation settlement of \$7 million and the 2008 Installation and Other Services litigation settlement of \$9 million.
- (4) Operating (loss) profit includes impairment charges for goodwill and other intangible assets as follows: For 2010 – Plumbing Products – \$1 million; and Installation and Other Services – \$720 million. For 2009 – Plumbing Products – \$39 million; and Other Specialty Products – \$223 million. For 2008 – Cabinets and Related Products – \$59 million; Plumbing Products – \$203 million; Installation and Other Services – \$52 million; and Other Specialty Products – \$153 million.

Cabinets and Related Products

In North America, we manufacture and sell economy, stock and semi-custom assembled cabinetry for kitchen, bath, storage, home office and home entertainment applications in a broad range of styles and price points. In Europe, we manufacture and sell assembled and ready-to-assemble kitchen, bath, storage, home office and home entertainment cabinetry. These products are sold in the United States and in Europe under a number of trademarks including KRAFTMAID[®], DISTINCTIONS[®], TVILUM-SCANBIRK[™] and WOODGATE[®] primarily to dealers and home centers, and under the MERILLAT[®], MOORES[™] and QUALITY CABINETS[™] brands primarily to distributors and homebuilders for both the home improvement and new home construction markets. Cabinet sales are significantly affected by levels of activity in both new home construction and retail consumer spending, particularly spending for major home improvement products. A significant portion of our sales for the home improvement market is made through home center retailers. We have also

expanded our product offerings in this segment to include the manufacture and sale of countertops in North America.

Over the past several years, the new home construction market has declined over 70 percent since the peak; this segment has been particularly affected by this downturn, as well as builders producing smaller homes with smaller kitchens. This segment has also been negatively affected by a downturn in the repair and remodel market, particularly by consumers deferring expenditures for big-ticket items.

In 2010, we began the combination of our Builder Cabinet Group and Retail Cabinet Group to form Masco Cabinetry. We believe that the creation of Masco Cabinetry will help us establish an even stronger position to lead the cabinet category within the repair and remodel and new home construction markets. Masco Cabinetry will offer a three brand portfolio of cabinets covering several price points addressing consumer preferences. Masco Cabinetry will also focus on growing the countertop business.

Over the past several years, we have closed several manufacturing plants in this segment. In 2010, we decided to discontinue the manufacture of ready-to-assemble and other non-core in-stock assembled cabinet product lines, as they were not consistent with Masco Cabinetry's strategy of growth through brand building and innovation. This will result in the closure of two additional manufacturing facilities in the second quarter of 2011. In 2010, we also decided to close a manufacturing facility that had been previously idled.

We are currently focused on improving cabinet production efficiencies at lower volumes while maintaining our ability to respond effectively to increased demand when the home improvement and new home construction markets improve. We expect that by the end of the second quarter of 2011, we will be able to manufacture common cabinetry at most of our plants that principally manufacture cabinets for the new home construction market in North America.

The cabinet manufacturing industry in the United States and Europe is highly competitive, with several large competitors and numerous local and regional competitors. In addition to price, we believe that competition in this industry is based largely on product quality, responsiveness to customer needs, product features and selection. Our significant North American competitors include American Woodmark Corporation and Fortune Brands, Inc.

Plumbing Products

Our Plumbing Products segment sells a wide variety of faucet and showering devices that are manufactured by or for us. Our plumbing products are sold in North America and Europe under various brand names including DELTA[®], PEERLESS[®], HANSGROHE[®], AXOR[®], BRIZO[®], BRASSTECH[®], BRISTAN[™], GINGER[®], NEWPORT BRASS[®], ALSONS[®], SIRRUS[™] and PLUMB SHOP[®]. Our products include single-handle and double-handle faucets, showerheads, handheld showers and valves, which are sold to major retail accounts and to wholesalers and distributors who, in turn, sell our products to plumbers, building contractors, remodelers, smaller retailers and others.

We believe that our plumbing products are among the leaders in sales in the North American and European markets, with American Standard, Kohler, Moen and Price Pfister as major brand competitors. We also have several European competitors, primarily in Germany, including Friedrich Grohe. We face significant competition from private label products (including house brands sold by certain of our customers). Many of the faucet and showering products with which our products compete are manufactured in Asia. The businesses in our Plumbing Products segment source products from Asia and manufacture products in the United States, Europe and Asia.

Other plumbing products manufactured and sold by us include products branded as AQUA GLASS[®], MIROLIN[®] and AMERICAN SHOWER & BATH[™] acrylic and gelcoat tub and shower systems, bath and shower enclosure units, shower trays and laundry tubs, which are sold primarily to wholesale plumbing distributors and home center retailers for the North American home improvement and new home construction markets. Our spas are manufactured and sold under HOT SPRING[®], CALDERA[®] and other trademarks directly to independent dealers. Major competitors include Kohler, Lasco, Maax and Jacuzzi. We sell

HÜPPE® shower enclosures through wholesale channels primarily in western Europe. HERITAGE™ ceramic and acrylic bath fixtures and faucets are principally sold in the United Kingdom directly to selected retailers.

Also included in the Plumbing Products segment are brass and copper plumbing system components and other plumbing specialties, which are sold to plumbing, heating and hardware wholesalers and to home center retailers, hardware stores, building supply outlets and other mass merchandisers. These products are marketed in North America for the wholesale trade under the BRASSCRAFT® and BRASSTECH trademarks and for the “do-it-yourself” market under the MASTER PLUMBER® and PLUMB SHOP trademarks and are also sold under private label.

In addition to price, we believe that competition in our Plumbing Products markets is based largely on brand reputation, product quality, product innovation and features, and breadth of product offering.

A substantial portion of our plumbing products are made from brass, the major components of which are copper and zinc. We have encountered volatility in the price of brass. We have implemented a hedging strategy to attempt to minimize the impact of commodity price volatility. Legislation enacted in California, Vermont and Maryland mandates new standards for acceptable lead content in plumbing products sold in those states. Federal legislation mandating a national standard for lead content in plumbing products will become effective in January 2014. Faucet and water supply valve manufacturers, including our plumbing product companies, will be required to obtain adequate supplies of lead-free brass or suitable alternative materials for continued production of faucets and certain of our plumbing products.

In 2008, our Delta Faucet business introduced faucets incorporating its TOUCH 2 O technology and, in the future, Delta Faucet plans to expand the use of its capacitance sensing PROXIMITY™ technology in its product offerings. Also in 2008, our Delta Faucet business introduced a new water delivery system known as DIAMOND™ Seal Technology. DIAMOND Seal Technology reduces the number of potential leak points in a faucet, simplifies installation and satisfies the legislation described above regulating the acceptable lead content in plumbing products. Delta Faucet has continued to incorporate DIAMOND Seal Technology into most of its faucets. The success of DIAMOND Seal Technology depends on many factors, including the performance of the technology and the market’s acceptance of the technology as well as Delta Faucet’s ability to successfully integrate the technology into its most popular faucets.

Installation and Other Services

Our Installation and Other Services segment sells installed building products and distributes building products primarily to the new home construction market, and, to a lesser extent, the commercial construction and retro-fit markets, throughout the United States. In order to respond to the significant decrease in demand in the new home construction industry over the past several years, we have implemented various cost savings initiatives including the consolidation and closure of approximately 100 branch locations. This rationalization has been accomplished while maintaining our strategic presence in most of the top 100 Metropolitan Statistical Areas (“MSA”) in the United States. In addition, we have de-emphasized the installation of certain non-insulation building products that are not core to our service offering, including windows and paint. In addition to insulation, we offer gutters, after-paint products, framing components, fireplaces, garage doors and cabinets. The installation and distribution of insulation comprised approximately eight percent, nine percent and eleven percent of our consolidated net sales for the years ended December 31, 2010, 2009 and 2008, respectively. Installed building products are supplied primarily to custom and production homebuilders by our network of branches located across the United States. Distributed products include insulation, insulation accessories, gutters, fireplaces and roofing. Distributed products are sold primarily to contractors and dealers (including lumber yards) from distribution centers in various parts of the United States.

Within this segment, we have launched several new initiatives related to improved energy efficiency, including energy audit and repair services and retrofit installation services delivered directly to homeowners as well as through retailers and dealer outlets.

In addition to price, we believe that competition in this industry is based largely on customer service and the quality of installation service. We believe that we are the largest national provider of installed insulation in

the new home construction industry in the United States. Our competitors include several regional contractors, as well as numerous local contractors and lumber yards. We believe that our financial resources are substantial compared to regional and local contractors.

Decorative Architectural Products

We produce architectural coatings including paints, primers, specialty paint products, stains and waterproofing products. The products are sold in the United States, Canada, China, Mexico and South America under the brand names BEHR[®], KILZ[®] and EXPRESSIONS[®] to “do-it-yourself” and professional customers through home centers, paint stores and other retailers. Net sales of architectural coatings comprised approximately 20 percent, 20 percent and 15 percent of our consolidated net sales for the years ended December 31, 2010, 2009 and 2008, respectively. Competitors in the architectural coatings market include large national and international brands such as Benjamin Moore, Glidden, Olympic, Sherwin-Williams, Valspar and Zinsser, as well as many regional and other national brands. In addition to price, we believe that competition in this industry is based largely on product quality, technology and product innovation, customer service and brand reputation.

Our BEHR products are sold through The Home Depot, the segment's and our largest customer. The paint departments at The Home Depot stores include the Behr color center and computer kiosk with the COLOR SMART BY BEHR[®] computerized color-matching system that enables consumers to select and coordinate their paint-color selection. In 2009, Behr's product offering was enhanced by the introduction of the BEHR PREMIUM PLUS ULTRA interior paint, which is a high-quality, low volatile organic compound, interior paint and primer in one. The loss of this segment's sales to The Home Depot would have a material adverse effect on this segment's business and on our consolidated business as a whole.

Titanium dioxide is a major ingredient in the manufacture of paint. Shortages of supply and cost increases for titanium dioxide in the past have resulted from surges in global demand and from production capacity limitations. Petroleum products are also used in the manufacture of architectural coatings. Significant increases in the cost of crude oil and natural gas lead to higher raw material costs (e.g., for resins, solvents and packaging, as well as titanium dioxide), which can adversely affect the segment's results of operations.

Our Decorative Architectural Products segment also includes LIBERTY[®] branded cabinet, door, window and other hardware, which is manufactured for us and sold to home centers, other retailers, original equipment manufacturers and wholesale markets. Key competitors in North America include Amerock, Top Knobs, Direct Import, Hickory Hardware and Stanley Black & Decker. Decorative bath hardware and shower accessories are sold under the brand names FRANKLIN BRASS[®] and DECOR BATHWARE[®] to distributors, home centers and other retailers. Competitors include Moen and GATCO.

Other Specialty Products

We manufacture and sell vinyl, fiberglass and aluminum windows and patio doors under the MILGARD[®] brand name to the home improvement and new home construction markets, principally in the western United States. MILGARD products are sold primarily through dealers and, to a lesser extent, directly to production homebuilders and through lumber yards and home centers. In late 2010, Milgard introduced the ESSENCE SERIES of wood and fiberglass windows and doors, including the ESSENCE SERIES Wood Window, a window that combines a wood interior with a fiberglass exterior. This segment's competitors in North America include national brands, such as Jeld-Wen, Simonton, Pella and Andersen, and numerous regional brands. In the United Kingdom, we manufacture and sell windows, related products and components under several brand names including GRIFFIN[™], CAMBRIAN[™], PREMIER[™] and DURAFLEX[™]. Sales are primarily through dealers and wholesalers to the repair and remodeling markets, although our Duraflex business is also a supplier to other window fabricators. United Kingdom competitors include many small and mid-sized firms and a few large, vertically integrated competitors. In addition to price, we believe that competition in this industry is based largely on customer service and product quality.

We manufacture and sell a complete line of manual and electric staple gun tackers, staples and other fastening tools under the brand names ARROW[®] and POWERSHOT[®]. We sell these products through various distribution channels including home centers and other retailers and wholesalers. Our principal North American competitor in this product line is Stanley Black & Decker. In 2010, Arrow introduced a new product line of staple guns and nail tackers, which are Reliable, Ergonomic and Durable (RED[®]).

Additional Information

- We hold United States and foreign patents, patent applications, licenses, trademarks, trade names, trade secrets and proprietary manufacturing processes. As a manufacturer and distributor of brand name products, we view our trademarks and other intellectual property rights as important, but do not believe that there is any reasonable likelihood of a loss of such rights that would have a material adverse effect on our present business as a whole.
- All of our operating segments, except the Plumbing Products segment, normally experience stronger sales during the second and third calendar quarters, corresponding with the peak season for new home construction and remodeling.
- We are subject to laws and regulations relating to the protection of the environment. In addition to our responsibilities for environmental remediation, our businesses are subject to other requirements regarding protection of the environment and worker health and safety. Our businesses are subject to requirements relating to the emission of volatile organic compounds which may impact our sourcing of particleboard, require that we install special equipment in manufacturing facilities or that we reformulate paint products. As described above, our Plumbing Products segment is subject to restrictions on lead content in some of its products. Compliance with such laws and regulations could significantly affect product performance as well as our production costs. We monitor applicable laws and regulations relating to the protection of the environment, climate disruption and worker health and safety, and incur ongoing expense relating to compliance. We do not expect compliance with the federal, state and local regulations relating to the discharge of materials into the environment, or otherwise relating to the protection of the environment and worker health and safety, will result in material capital expenditures or have a material adverse effect on our earnings or competitive position.
- We do not consider backlog orders to be material.
- At December 31, 2010, we employed approximately 32,500 people. Satisfactory relations have generally prevailed between us and our employees.

Available Information

Our website is www.masco.com. Our periodic reports and all amendments to those reports required to be filed or furnished pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 are available free of charge through our website as soon as reasonably practicable after those reports are electronically filed with or furnished to the Securities and Exchange Commission. This Report is being posted on our website concurrently with its filing with the Securities and Exchange Commission. Material contained on our website is not incorporated by reference into this Report.

Item 1A. Risk Factors.

There are a number of business risks and uncertainties that could affect our business. These risks and uncertainties could cause our actual results to differ from past performance or expected results. We consider the following risks and uncertainties to be most relevant to our specific business activities. Additional risks and uncertainties not presently known to us, or that we currently believe to be immaterial, also may adversely impact our business, financial condition and results of operations.

A significant portion of our business relies on home improvement and new home construction activity levels, both of which are experiencing a prolonged and substantial downturn.

A significant portion of our business relies on home improvement (including repair and remodeling) and new home construction activity levels, principally in North America and Europe. The new home construction market, which is cyclical in nature, is experiencing a prolonged and substantial downturn marked by continued softness in the demand for new homes, an oversupply of new and existing homes on the market and more stringent standards for homebuyers seeking financing. The oversupply of existing homes held for sale is exacerbated by a growing number of home mortgage foreclosures as well as uncertainties in the home foreclosure process, which are contributing to the downward pressure on home prices.

Unlike most previous cyclical declines in new home construction, this economic decline is also adversely affecting our home improvement businesses. Continued low levels of consumer confidence, high levels of unemployment and the downward pressure on home prices have made consumers increasingly reluctant to make additional investments in existing homes, such as kitchen and bath remodeling projects. The increasing number of households with negative equity in their homes and more conservative lending practices, including for home equity loans which are often used to finance repairs and remodeling, are limiting the ability of consumers to finance home improvements.

Although we believe that the long-term outlook for the home improvement and new home construction markets is favorable, we cannot predict the type, timing or strength of a recovery in our markets. Prolonged depressed activity levels in consumer spending for home improvements and new home construction will continue to adversely affect our results of operations and our financial position and may disproportionately affect certain of our business segments that are most heavily dependent on new home construction markets and large consumer investments in home remodeling projects.

A prolonged economic downturn may reduce our financial resources and flexibility.

Our credit agreement contains various financial covenants we must comply with, including covenants regarding debt to total capitalization. At December 31, 2010, we had additional borrowing capacity, subject to availability, of up to \$113 million; alternatively, we could absorb a reduction in shareholders' equity of \$61 million and remain in compliance with this covenant.

We have recently amended our credit agreement to allow for the add-back to shareholders' equity of the impairment charges we took in 2010 for financial investments, goodwill and other intangible assets and changes to the valuation allowance on our deferred tax assets included in income tax expense aggregating \$986 million, after tax. The amendment (deemed to be effective and applicable as of December 31, 2010) also allows us to add-back, if incurred, up to \$350 million, in the aggregate, of future non-cash charges. We currently have borrowing capacity approximating \$1 billion available under the Credit Agreement. See Footnote K for a detailed discussion of the terms of our credit facility and the recent amendment.

The valuation of assets on our balance sheet, particularly goodwill and other indefinite-lived intangible assets, is largely dependent upon the expectations for future performance of our businesses. A further decline in the expectation of our future performance, or a further deterioration in expectations regarding the timing and the extent of the recovery of the new home construction market, may cause us to recognize additional non-cash, pre-tax impairment charges, which are not determinable at this time, for certain long-lived assets, including goodwill. This could result in additional impairment charges for goodwill and other indefinite-lived intangible assets or other long-lived assets and a further reduction in shareholders' equity. Such charges and potential reduction in shareholders' equity may limit our borrowing capacity under our credit agreement. There can be no assurance that we would be able to further amend the credit agreement or to obtain alternative financing, that any such financing would be on acceptable terms or that we would be permitted to do so under the terms of our existing financing arrangements.

The volatile and challenging economic conditions of the past two years have caused shifts in consumer preferences and purchasing practices.

The volatile and challenging economic environment of the past two years has caused shifts in consumer preferences and purchasing practices and changes in the business models and strategies of our customers. Such shifts, which may or may not be long-term, have altered the type and prices of products demanded by the end-consumer and our customers. Over the past two years, we have seen a downward trend in the size of the new homes being built, resulting in smaller kitchens and baths. In addition, consumers have shown an increasing interest in lower-cost products. If we do not timely and effectively identify and respond to these changing consumer preferences, our relationships with our customers could be harmed, the demand for our products could be reduced and our market share could be negatively affected.

Our response to the prolonged downturn has been to continue our focus on implementation of cost savings initiatives, which have been costly and may not be effective.

During the current downturn in the home improvement and new home construction markets, we have focused on cost saving initiatives, including rationalizing our businesses through business consolidations, plant closures, headcount reductions, system implementations and other cost saving initiatives. During 2010 and 2009, we incurred pre-tax costs and charges of \$208 million and \$94 million, respectively, related to these initiatives. In the future, we may incur costs and charges relating to additional cost savings initiatives.

We may not fully achieve the anticipated cost savings from these initiatives. If we do not effectively balance our focus on cost savings with the need to maintain a strong sales presence for our brands, we could lose market share. If the eventual recovery of our markets is fast-paced and robust, we may not be able to replace our reduced manufacturing and installation capacity in a timely fashion and our ability to respond to increased demand could be limited.

We rely on key customers and may encounter conflicts within and between our distribution channels.

The size and importance of individual customers to our businesses has increased as customers in our major distribution channels have consolidated or exited the business. Larger customers can make significant changes in their volume of purchases and can otherwise significantly affect the prices we receive for our products and services, our costs of doing business with them and the terms and conditions on which we do business. Sales of our home improvement and building products to home centers are substantial. In 2010, sales to our largest customer, The Home Depot, were \$2.0 billion (approximately 26 percent of our consolidated net sales). Lowe's is our second largest customer. In 2010, our sales to Lowe's were less than ten percent of our consolidated net sales. Although homebuilders, dealers and other retailers represent other channels of distribution for our products and services, the loss of a substantial portion of our sales to The Home Depot or the loss of our sales to Lowe's would have a material adverse effect on our business.

As some of our customers expand their markets and their targeted customers, conflicts between our existing distribution channels have and will continue to occur. In addition, we may undermine the business relationships we have with customers who purchase our products through traditional wholesale channels as we increase the amount of business we transact directly with our larger customers. In addition, our large retail customers are increasingly requesting product exclusivity, which may affect our ability to offer products to other customers.

Our principal markets are highly competitive.

The major geographic markets for our products and services are highly competitive and, in recent years, competition has intensified significantly. Competition is further intensified during economic downturns. Home centers are increasing their purchases of products directly from low-cost overseas suppliers for sale as private label and house brand merchandise. Additionally, home centers, which have historically concentrated their sales efforts on retail consumers and remodelers, are increasingly turning their marketing efforts directly

toward professional contractors and installers. We believe that competition in our industries is based on price, product and service quality, brand reputation, customer service and product features and innovation.

In addition to the challenges we have faced as a result of the economic downturn, our ability to maintain our competitive positions in our markets and to grow our businesses depends to a large extent upon successfully maintaining our relationships with major customers, implementing growth strategies in our existing markets and entering new geographic markets, capitalizing on and strengthening our brand names, managing our cost structure, accommodating shorter life-cycles for our products and product development and innovation.

The cost and availability of materials and the performance of our supply chain affect our operating results.

It has been, and likely will continue to be, difficult for us to pass on to customers cost increases for commodities or other materials that are major components of our products or services. In addition, we may incur substantial costs as part of our strategy to hedge against price volatility of certain commodities we purchase and we may make commitments to purchase supplies at prices that subsequently exceed their market prices. Delays in adjusting, or in our inability to adjust, selling prices may be due to factors such as our existing arrangements with customers, competitive considerations and customer resistance to price increases. Further, when commodity prices decline, we receive pressure from our customers to reduce prices for our products and services. Changes in energy costs and certain commodities not only impact our production costs, but also the cost to transport our products.

We manufacture products in Asia and source products and components from third parties in Asia. The distances involved in these arrangements, together with differences in business practices, shipping and delivery requirements, the limited number of suppliers, and laws and regulations, have increased the difficulty of managing our supply chain, the complexity of our supply chain logistics and the potential for interruptions in our production scheduling.

We rely heavily or, in certain cases, exclusively on outside suppliers for certain of our products or key components. Generally, these products and components are obtainable from various sources and in sufficient quantities. However, the loss of, or a substantial decrease in the availability of products or components from our suppliers, or the loss of key supplier arrangements may disrupt our business and could adversely impact our financial condition, operating results and cash flows.

International political, monetary, economic and social developments affect our business.

Over 20 percent of our sales are made outside of North America (principally in Europe) and are transacted in currencies other than U.S. dollars (principally the euro and the British pound sterling). Increased international sales make up an important part of our future strategic plans. In addition, we manufacture products in Asia and source products and components from third parties in Asia. Our international business faces risks associated with changes in political, monetary, economic and social environments, labor conditions and practices, the laws, regulations and policies of foreign governments, cultural differences and differences in enforcement of contract and intellectual property rights. U.S. laws affecting activities of U.S. companies doing business abroad, including tax laws and laws regulating various business practices, also impact our international business. Our international operating results may be influenced, when compared to our North American results, in part due to relative economic conditions in the European markets and due to competitive pricing pressures on certain products. The financial reporting of our consolidated operating results is affected by fluctuations in currency exchange rates, which may present challenges in comparing operating performance from period to period and in forecasting future performance.

We have financial commitments and investments in financial assets, including assets that are not readily marketable and involve financial risk.

We continue to reduce our investment in private equity funds. Since there is no active trading market for investments in private equity funds, they are for the most part illiquid. These investments, by their nature, can also have a relatively higher degree of business risk, including financial leverage, than other financial investments. Future changes in market conditions, the future performance of the underlying investments or new information provided by private equity fund managers could affect the recorded values of such investments or the amounts realized upon liquidation. In addition, we have commitments that require us to contribute additional capital to these private equity funds upon receipt of a capital call from the private equity fund.

Claims and litigation could be costly.

We are, from time to time, involved in various claims, litigation matters and regulatory proceedings that arise in the ordinary course of our business and which could have a material adverse effect on us. These matters may include contract disputes, automobile liability and other personal injury claims, warranty disputes, environmental claims or proceedings, other tort claims, employment and tax matters and other proceedings and litigation, including class actions.

We are subject to product safety regulations, recalls and direct claims for product liability that can result in significant liability and, regardless of the ultimate outcome, can be costly to defend or manage. Also, we increasingly rely on other manufacturers to provide us with products or components for products that we sell. Due to the difficulty of controlling the quality of products or components sourced from other manufacturers, we are exposed to risks relating to the quality of such products and to limitations on our recourse against such suppliers.

We have also experienced class action lawsuits in recent years predicated upon claims for antitrust violations, product liability and wage and hour issues. We have generally denied liability and have vigorously defended these cases. Due to their scope and complexity, however, these lawsuits are particularly costly to resolve and significant exposures have been alleged.

Increasingly, our homebuilder customers are subject to construction defect and home warranty claims in the ordinary course of their business. Our contractual arrangements with these customers may include our agreement to defend and indemnify them against various liabilities caused by our negligence. These claims, often asserted several years after completion of construction, can result in complex lawsuits or claims against the homebuilders and many of their subcontractors, including us, and may require us to incur defense and indemnity costs even when our products or services are not the principal basis for the claims.

Although we intend to defend all claims and litigation matters vigorously, given the inherently unpredictable nature of claims and litigation, we cannot predict with certainty the outcome or effect of any claim or litigation matter.

We maintain insurance against some, but not all, of these risks of loss resulting from claims and litigation. We may elect not to obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. The levels of insurance we maintain may not be adequate to fully cover any and all losses or liabilities. If any significant accident, judgment, claim or other event is not fully insured or indemnified against, it could have a material adverse impact on our business, financial condition and results of operations.

See Note S to the consolidated financial statements included in Item 8 of this Report for additional information about litigation involving our businesses.

Government and industry responses to environmental and health and safety concerns could impact our capital expenditures and operating results.

We are subject to U.S. and foreign government regulations pertaining to health and safety (including protection of employees and consumers), climate disruption and environmental issues. In addition to

complying with current requirements and requirements that will become effective at a future date, even more stringent requirements could be imposed on our industries in the future. Compliance with these regulations may require us to alter our manufacturing and installation processes and our sourcing. Such actions could adversely impact our operating results, and our ability to effectively and timely meet such regulations could adversely impact our competitive position.

The long-term performance of our businesses relies on our ability to attract, develop and retain talented personnel.

To be successful, we must attract, develop and retain highly qualified and talented personnel and, as we consider entering new international markets, skilled personnel familiar with these markets. We compete for employees with a broad range of employers in many different industries, including large multinational firms, and we invest significant resources in recruiting, developing, motivating and retaining them. The failure to attract, develop, motivate and retain key employees could negatively affect our competitive position and our operating results.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The table below lists our principal North American properties for segments other than Installation and Other Services.

Business Segment	Manufacturing	Warehouse and Distribution
Cabinets and Related Products	16	15
Plumbing Products	24	6
Decorative Architectural Products	8	10
Other Specialty Products	13	7
Totals	61	38

Most of our North American facilities range in size from single warehouse buildings of approximately 10,000 square feet to complex manufacturing facilities that exceed 1,000,000 square feet. We own most of our North American manufacturing facilities, none of which are subject to significant encumbrances. A substantial number of our warehouse and distribution facilities are leased.

Our Installation and Other Services segment operates approximately 200 installation branch locations and approximately 70 distribution centers in the United States, most of which are leased.

The table below lists our principal properties outside of North America.

Business Segment	Manufacturing	Warehouse and Distribution
Cabinets and Related Products	5	11
Plumbing Products	14	26
Decorative Architectural Products	—	1
Other Specialty Products	8	1
Totals	27	39

Most of our international facilities are located in China, Denmark, Germany and the United Kingdom. We generally own our international manufacturing facilities, none of which are subject to significant encumbrances. A substantial number of our international warehouse and distribution facilities are leased.

Our corporate headquarters are located in Taylor, Michigan and are owned by us. We own an additional building near our corporate headquarters that is used by our corporate research and development department.

Each of our operating divisions assesses the manufacturing, distribution and other facilities needed to meet its operating requirements. Our buildings, machinery and equipment have been generally well maintained and are in good operating condition. We believe our facilities have sufficient capacity and are adequate for our production and distribution requirements.

Item 3. Legal Proceedings.

Information regarding legal proceedings involving us is set forth in Note S to our consolidated financial statements included in Item 8 of this Report and is incorporated herein by reference.

Item 4. [Removed and Reserved.]

**Supplementary Item. Executive Officers of the Registrant
(Pursuant to Instruction 3 to Item 401(b) of Regulation S-K).**

Name	Position	Age	Executive Officer Since
Timothy Wadhams	President and Chief Executive Officer	62	2001
Donald J. DeMarie	Executive Vice President and Chief Operating Officer	48	2007
John G. Sznwajs	Vice President, Treasurer and Chief Financial Officer	43	2005
William T. Anderson	Vice President – Controller	63	2008
Charles F. Greenwood	Vice President – Human Resources	63	2008
Gregory D. Wittrock	Vice President, General Counsel and Secretary	64	2009

Executive officers are elected annually by our Board of Directors. Each of the executive officers named above has been employed by us for at least the past five years. Mr. DeMarie was elected Executive Vice President in July 2007 and became Chief Operating Officer in December 2007. He had previously served as Group President of our Installation and Other Services segment since 2003. He served as President and Chief Executive Officer of Masco Contractor Services and in other managerial roles since 1995. Mr. Sznwajs was elected to his current position in July 2007. He had previously served as Vice President and Treasurer since 2005 and Vice President – Business Development since 2003. Mr. Anderson has served as our Vice President – Controller since 2007. From 2005 to 2007, he served as Vice President-Controller, Corporate Accounting. From 2001 to 2004, Mr. Anderson served as Group Vice President. Mr. Greenwood has served as Vice President – Human Resources of the Company since July 2007. Prior to 2007, Mr. Greenwood was the Company’s Director of Employee Relations since 1992. Mr. Wittrock was elected Vice President, General Counsel and Secretary in 2009. From May 2009 to November 2009, Mr. Wittrock was Assistant General Counsel and Director – Operations of the Legal Department. Prior to May 2009, Mr. Wittrock served as the Company’s Assistant General Counsel for over 20 years.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The New York Stock Exchange is the principal market on which our common stock is traded. The following table indicates the high and low sales prices of our common stock as reported by the New York Stock Exchange and the cash dividends declared per common share for the periods indicated:

Quarter	Market Price		Dividends Declared
	High	Low	
2010			
Fourth	\$ 13.54	\$ 10.46	\$.075
Third	12.05	9.94	.075
Second	18.78	10.74	.075
First	15.75	12.76	.075
Total			<u>\$.30</u>
2009			
Fourth	\$ 14.89	\$ 11.44	\$.075
Third	15.50	8.15	.075
Second	11.46	6.50	.075
First	12.04	3.64	.075
Total			<u>\$.30</u>

On February 10, 2011, there were approximately 5,500 holders of record of the Company's common stock.

We expect that our practice of paying quarterly dividends on our common stock will continue, although the payment of future dividends is at the discretion of our Board of Directors and will depend upon our earnings, capital requirements, financial condition and other factors.

Equity Compensation Plan Information

The Company grants equity under its 2005 Long Term Stock Incentive Plan (the "Plan"). The following table sets forth information as of December 31, 2010 concerning the Plan, which was approved by our stockholders. The Company does not have any equity compensation plans that are not approved by stockholders.

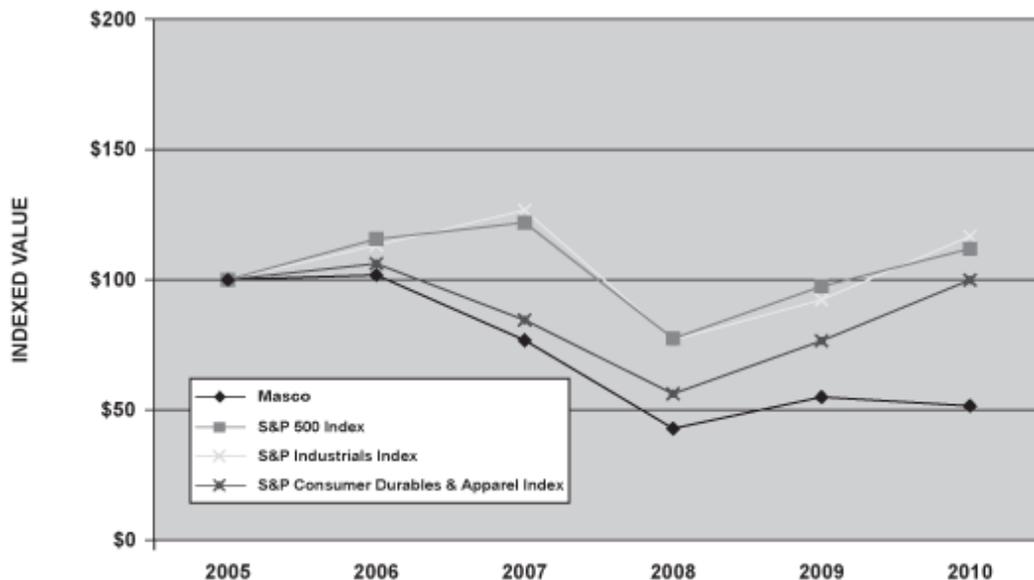
Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by stockholders	37,212,588	\$ 21.46	11,860,100

The remaining information required by this Item will be contained in the Company's definitive Proxy Statement for its 2011 Annual Meeting of Stockholders, to be filed on or before April 30, 2011, and such information is incorporated herein by reference.

Performance Graph

The table below compares the cumulative total shareholder return on our common stock with the cumulative total return of (i) the Standard & Poor’s 500 Composite Stock Index (“S&P 500 Index”), (ii) The Standard & Poor’s Industrials Index (“S&P Industrials Index”) and (iii) the Standard & Poor’s Consumer Durables & Apparel Index (“S&P Consumer Durables & Apparel Index”), from December 31, 2005 through December 31, 2010, when the closing price of our common stock was \$12.66. The graph assumes investments of \$100 on December 31, 2005 in our common stock and in each of the three indices and the reinvestment of dividends.

PERFORMANCE GRAPH



The table below sets forth the value, as of December 31 for each of the years indicated, of a \$100 investment made on December 31, 2005 in each of our common stock, the S&P 500 Index, the S&P Industrials Index and the S&P Consumer Durables & Apparel Index and includes the reinvestment of dividends.

	2006	2007	2008	2009	2010
Masco	\$ 101.79	\$ 76.74	\$ 42.81	\$ 54.89	\$ 51.51
S&P 500 Index	\$ 115.61	\$ 121.95	\$ 77.38	\$ 97.44	\$ 111.89
S&P Industrials Index	\$ 113.16	\$ 126.72	\$ 76.79	\$ 92.30	\$ 116.64
S&P Consumer Durables & Apparel Index	\$ 106.16	\$ 84.50	\$ 56.13	\$ 76.51	\$ 99.87

In July 2007, our Board of Directors authorized the purchase of up to 50 million shares of our common stock in open-market transactions or otherwise. At December 31, 2010, we had remaining authorization to repurchase up to 27 million shares. During 2010, we repurchased and retired three million shares of our common stock, for cash aggregating \$45 million to offset the dilutive impact of the 2010 grant of three million shares of long-term stock awards. We did not purchase any shares during the three months ended December 31, 2010.

Item 6. Selected Financial Data.

	Dollars in Millions (Except Per Common Share Data)				
	2010	2009	2008	2007	2006
Net Sales (1)	\$ 7,592	\$7,792	\$9,484	\$11,413	\$12,390
Operating (loss) profit (1)(2)(3)(4)(5)(6)	\$ (499)	\$ 55	\$ 90	\$ 1,061	\$ 1,115
(Loss) income from continuing operations (1)(2)(3)(4)(5) (6)(7)	\$(1,043)	\$ (140)	\$ (366)	\$ 502	\$ 438
Per share of common stock:					
(Loss) income from continuing operations:					
Basic	\$ (3.00)	\$ (.41)	\$ (1.06)	\$ 1.33	\$ 1.09
Diluted	\$ (3.00)	\$ (.41)	\$ (1.06)	\$ 1.32	\$ 1.08
Dividends declared	\$.30	\$.30	\$.93	\$.92	\$.88
Dividends paid	\$.30	\$.46	\$.925	\$.91	\$.86
At December 31:					
Total assets	\$ 8,140	\$9,175	\$9,483	\$10,907	\$12,325
Long-term debt	4,032	3,604	3,915	3,966	3,533
Shareholders' equity	1,582	2,817	2,981	4,142	4,579

- (1) Amounts exclude discontinued operations.
- (2) The year 2010 includes non-cash impairment charges for goodwill and other intangible assets aggregating \$593 million after tax (\$721 million pre-tax). The year 2010 also includes a valuation allowance on U.S. deferred tax assets of \$371 million.
- (3) The year 2009 includes non-cash impairment charges for goodwill aggregating \$180 million after tax (\$262 million pre-tax).
- (4) The year 2008 includes non-cash impairment charges for goodwill and other intangible assets aggregating \$445 million after tax (\$467 million pre-tax).
- (5) The year 2007 includes non-cash impairment charges for goodwill and other intangible assets aggregating \$100 million after tax (\$119 million pre-tax).
- (6) The year 2006 includes non-cash impairment charges for goodwill aggregating \$317 million after tax (\$317 million pre-tax).
- (7) (Loss) income from continuing operations excludes income from noncontrolling interest of \$41 million, \$38 million, \$39 million, \$37 million and \$27 million in 2010, 2009, 2008, 2007 and 2006, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The financial and business analysis below provides information which we believe is relevant to an assessment and understanding of our consolidated financial position, results of operations and cash flows. This financial and business analysis should be read in conjunction with the consolidated financial statements and related notes.

The following discussion and certain other sections of this Report contain statements reflecting our views about our future performance and constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as "anticipate," "intend," "plan," "believe," "estimate," "expect," "assume," "seek," "appear," "may," "should", "will" and similar references to future periods. These views involve risks and uncertainties that are difficult to predict and, accordingly, our actual results may differ materially from the results discussed in such forward-looking statements. We caution you against relying on any of these forward-looking statements. In addition to the various factors included in the "Executive Level Overview," "Critical Accounting Policies and Estimates" and "Outlook for the Company" sections, our future performance may be affected by our reliance on new home construction and home improvement levels, our reliance on key customers, the cost and availability of raw materials, shifts in consumer preferences and purchasing practices, and our ability to achieve cost savings through the Masco Business System and other initiatives. These and other factors are discussed in detail in Item 1A "Risk Factors" of this Report. Any forward-looking statement made by us in this Report speaks only as of the date on which it was made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to update publicly any forward-looking statements as a result of new information, future events or otherwise.

Executive Level Overview

We manufacture, distribute and install home improvement and building products. These products are sold to the home improvement and new home construction markets through mass merchandisers, hardware stores, home centers, homebuilders, distributors and other outlets for consumers and contractors.

During 2010, we continued to experience further sales volume declines for our cabinets, Installation and Other Services and builders' hardware products. The sales volume decline for our installation and other services is primarily related to reduced revenue per job and the loss of market share in the new home construction market. The sales volume decline for our cabinet products is related to lower repair and remodel activity and shifting consumer preference to lower price point products, which has resulted in loss of market share related to cabinet repair and remodel activity with big box customers. Such sales volume declines were partially offset by a more favorable product mix of plumbing products and paints and stains. Net sales decreased three percent in 2010 from 2009, and operating profit (as adjusted to exclude impairment charges for goodwill and other intangible assets, general corporate expense, net, charge for defined-benefit plan curtailment, charge for litigation settlements, accelerated stock compensation expense, and loss on corporate fixed assets, net — see Footnote O of the consolidated financial statements) declined to 4.4 percent of sales in 2010 from 6.2 percent of sales in 2009.

Factors that affect our results of operations include the levels of home improvement activity and new home construction principally in North America and Europe, the importance of our relationships with key customers (including The Home Depot, which represented approximately 26 percent of net sales in 2010), our ability to maintain our leadership positions in our U.S. and global markets in the face of increasing competition and our ability to effectively manage our overall cost structure, including the cost and availability of materials. Our International businesses face political, monetary, economic and other risks that vary from country to country, as well as fluctuations in currency exchange rates. Further, we have financial commitments and investments in financial assets that are not readily marketable and that involve financial risk. In addition, litigation could be costly. These and other factors are discussed in more detail in Item 1A "Risk Factors" of this Report.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We regularly review our estimates and assumptions, which are based upon historical experience, as well as current economic conditions and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of certain assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions.

We believe that the following critical accounting policies are affected by significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition and Receivables

We recognize revenue as title to products and risk of loss is transferred to customers or when services are rendered. We record revenue for unbilled services performed based upon estimates of labor incurred in the Installation and Other Services segment; such amounts are recorded in Receivables. We record estimated reductions to revenue for customer programs and incentive offerings, including special pricing and co-operative advertising arrangements, promotions and other volume-based incentives. We maintain allowances for doubtful accounts receivable for estimated losses resulting from the inability of customers to make required payments. In addition, we monitor our customer receivable balances and the credit worthiness of our customers on an on-going basis. During downturns in our markets, declines in the financial condition and creditworthiness of customers impact the credit risk of the receivables involved and we have incurred additional bad debt expense related to customer defaults. Our bad debt expense was \$19 million, \$34 million and \$41 million for the years ended December 31, 2010, 2009 and 2008, respectively.

In North America, we manufacture products (principally windows, doors and cabinets) and provide installation of insulation and other products and services to homebuilders. Our bad debt expense related to homebuilders was \$10 million, \$22 million and \$28 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Inventories

We record inventories at the lower of cost or net realizable value, with expense estimates made for obsolescence or unsaleable inventory equal to the difference between the recorded cost of inventories and their estimated market value based upon assumptions about future demand and market conditions. On an on-going basis, we monitor these estimates and record adjustments for differences between estimates and actual experience. Historically, actual results have not significantly deviated from those determined using these estimates.

Financial Investments

On January 1, 2008, we adopted accounting guidance that defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements for our financial investments and liabilities. This guidance defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." Further, it defines a fair value hierarchy, as follows: Level 1 inputs as quoted prices in active markets for identical assets or liabilities; Level 2 inputs as observable inputs other than Level 1 prices, such as quoted market prices for similar assets or liabilities or other inputs that are observable or can be corroborated by market data; and Level 3 inputs as unobservable inputs that are supported by little or no market activity and that are financial instruments whose value is determined using pricing models or instruments for which the determination of fair value requires significant management judgment or estimation.

We have maintained investments in available-for-sale securities and a number of private equity funds, which aggregated \$62 million and \$106 million, respectively, at December 31, 2010. We record investments in available-for-sale securities at fair value, and unrealized gains or losses (that are deemed to be temporary) are recognized, net of tax effect, through shareholders' equity, as a component of other comprehensive income in our consolidated balance sheet. We estimated the fair value of investments in available-for-sale securities using primarily Level 1 inputs.

In the past, we have invested excess cash in auction rate securities. Auction rate securities are investment securities that have interest rates which are reset every 7, 28 or 35 days. At December 31, 2010, our investment in auction rate securities was \$22 million; we have not increased our investment in auction rate securities since 2007. The fair value of auction rate securities is estimated, on a recurring basis, using a discounted cash flow model (Level 3 input). If we changed the discount rate used in the fair value estimate by 75 basis points, the value of the auction rate securities would change by approximately \$1 million.

We carry our investments in private equity funds and other private investments at cost. It is not practicable for us to estimate a fair value for private equity funds and other private investments because there are no quoted market prices, and sufficient information is not readily available for us to utilize a valuation model to determine the fair value for each fund. These investments are evaluated, on a non-recurring basis, for potential other-than-temporary impairment when impairment indicators are present, or when an event or change in circumstances has occurred, that may have a significant adverse effect on the fair value of the investment. Due to the significant unobservable inputs, the fair value measurements used to evaluate impairment are a Level 3 input.

Impairment indicators we consider include the following: whether there has been a significant deterioration in earnings performance, asset quality or business prospects; a significant adverse change in the regulatory, economic or technological environment; a significant adverse change in the general market condition or geographic area in which the investment operates; industry and sector performance; current equity and credit market conditions; and any bona fide offers to purchase the investment for less than the carrying value. We also consider specific adverse conditions related to the financial health of and business outlook for the fund, including industry and sector performance. The significant assumptions utilized in analyzing a fund for potential other-than-temporary impairment include current economic conditions, market analysis for specific funds and performance indicators in residential and commercial construction, bio-technology, health care and information technology sectors in which the applicable funds' investments operate.

At December 31, 2010, we have investments in 17 venture capital funds, with an aggregate carrying value of \$22 million. The venture capital funds invest in start-up or smaller, early-stage established businesses, principally in the information technology, bio-technology and health care sectors. At December 31, 2010, we also have investments in 26 buyout funds, with an aggregate carrying value of \$84 million. The buyout funds invest in later-stage, established businesses and no buyout fund has a concentration in a particular sector.

Since there is no active trading market for these investments, they are for the most part illiquid. These investments, by their nature, can also have a relatively higher degree of business risk, including financial leverage, than other financial investments. The timing of distributions from the funds, which depends on particular events related to the underlying investments, as well as the funds' schedules for making distributions and their needs for cash, can be difficult to predict. As a result, the amount of income we record from these investments can vary substantially from quarter to quarter. Future changes in market conditions, the future performance of the underlying investments or new information provided by private equity fund managers could affect the recorded values of these investments and the amounts realized upon liquidation.

We record an impairment charge to earnings when an investment has experienced a decline in fair value that is deemed to be other-than-temporary. During 2010, we recognized non-cash, pre-tax impairment charges of \$34 million related to our investment in Asahi Tec (\$28 million), three private equity funds (\$4 million) and one private investment (\$2 million).

Goodwill and Other Intangible Assets

We record the excess of purchase cost over the fair value of net tangible assets of acquired companies as goodwill or other identifiable intangible assets. In the fourth quarter of each year, or as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount, we complete the impairment testing of goodwill utilizing a discounted cash flow method. We selected the discounted cash flow methodology because we believe that it is comparable to what would be used by other market participants. We have defined our reporting units and completed the impairment testing of goodwill at the operating segment level, as defined by accounting guidance. Our operating segments are reporting units that engage in business activities, for which discrete financial information, including five-year forecasts, are available.

Determining market values using a discounted cash flow method requires us to make significant estimates and assumptions, including long-term projections of cash flows, market conditions and appropriate discount rates. Our judgments are based upon historical experience, current market trends, consultations with external valuation specialists and other information. While we believe that the estimates and assumptions underlying the valuation methodology are reasonable, different estimates and assumptions could result in different outcomes. In estimating future cash flows, we rely on internally generated five-year forecasts for sales and operating profits, including capital expenditures, and generally a one to three percent long-term assumed annual growth rate of cash flows for periods after the five-year forecast. We generally develop these forecasts based upon, among other things, recent sales data for existing products, planned timing of new product launches, estimated housing starts and repair and remodeling estimates for existing homes.

In 2010, for our reporting units that primarily sell to the new home construction market (including those in the Installation and Other Services segment), we utilized estimated housing starts, from independent industry sources, growing from current levels to 1.5 million units in 2015 (terminal growth year) and operating profit margins improving to approximate historical margins for those business units by 2015 (terminal growth year). We generally utilize our weighted average cost of capital (discount rate) of approximately eight percent to discount the estimated cash flows. However, in 2010, due to market conditions, we increased the discount rate to a range of nine percent to eleven percent for most of our reporting units, based upon a review of the current risks impacting our businesses.

In the fourth quarter of 2010, we estimated that future discounted cash flows projected for most of our reporting units were greater than the carrying values. Any increases in estimated discounted cash flows would have no effect on the reported value of goodwill.

If the carrying amount of a reporting unit exceeds its fair value, we measure the possible goodwill impairment based upon an allocation of the estimate of fair value of the reporting unit to all of the underlying assets and liabilities of the reporting unit, including any previously unrecognized intangible assets (Step Two Analysis). The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized to the extent that a reporting unit's recorded goodwill exceeds the implied fair value of goodwill.

In 2010, we recognized non-cash, pre-tax impairment charges for goodwill aggregating \$711 million (\$587 million, after tax). The pre-tax impairment charge relates to our North American Installation business and reflects the weak level of new home construction activity in 2010, the historic low levels of new housing starts and the expectation that the recovery in the new home construction market will be modestly slower than previously anticipated. We increased the discount rate used to estimate the fair value of our businesses in the new home construction industry, due to the uncertainty regarding the timing and trajectory of the recovery in the new home construction market. These changes resulted in our book value exceeding the estimated fair value of the business, resulting in the impairment charge for goodwill.

A 10 percent decrease in the estimated fair value of our reporting units at December 31, 2010 would not have resulted in any additional analysis of goodwill impairment for any additional business unit.

We review our other indefinite-lived intangible assets for impairment annually, in the fourth quarter, or as events occur or circumstances change that indicate the assets may be impaired without regard to the reporting unit. We consider the implications of both external (e.g., market growth, competition and local economic conditions) and internal (e.g., product sales and expected product growth) factors and their potential impact on cash flows related to the intangible asset in both the near-and long-term. In 2010, we recognized non-cash, pre-tax impairment charges for other indefinite-lived intangible assets of \$10 million (\$6 million, after tax). The pre-tax impairment charges recorded in 2010 were as follows: Plumbing Products segment — \$1 million, and Installation and Other Services segment — \$9 million.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. We evaluate the remaining useful lives of amortizable identifiable intangible assets at each reporting period to determine whether events and circumstances warrant a revision to the remaining periods of amortization.

Stock-Based Compensation

Our 2005 Long Term Stock Incentive Plan (the “2005 Plan”) provides for the issuance of stock-based incentives in various forms to employees and non-employee Directors. At December 31, 2010, outstanding stock-based incentives were in the form of long-term stock awards, stock options, phantom stock awards and stock appreciation rights.

Long-Term Stock Awards

We grant long-term stock awards to key employees and non-employee Directors and do not cause net share dilution inasmuch as we continue the practice of repurchasing and retiring an equal number of shares on the open market. We measure compensation expense for stock awards at the market price of our common stock at the grant date. There was \$127 million (ten million common shares) of total unrecognized compensation expense related to unvested stock awards at December 31, 2010, which was included as a reduction of common stock and paid-in capital. Effective January 1, 2010, the vesting period for stock awards awarded after January 1, 2010 is 5 years. Effective January 1, 2006, we recognize this expense ratably over the shorter of the vesting period of the stock awards, typically 5 to 10 years (except for stock awards held by grantees age 66 or older, which vest over five years), or the length of time until the grantee becomes retirement-eligible at age 65. For stock awards granted prior to January 1, 2006, we recognize this expense over the vesting period of the stock awards, typically 5 to 10 years, or for executive grantees that are, or will become, retirement-eligible during the vesting period, we recognize the expense over five years or immediately upon a grantee’s retirement. Pre-tax compensation expense for the annual vesting of long-term stock awards was \$37 million for 2010.

Stock Options

We grant stock options to key employees. The exercise price equals the market price of our common stock at the grant date. These options generally become exercisable (vest ratably) over five years beginning on the first anniversary from the date of grant and expire no later than 10 years after the grant date.

We measure compensation expense for stock options using a Black-Scholes option pricing model. For stock options granted subsequent to January 1, 2006, we recognize this compensation expense ratably over the shorter of the vesting period of the stock options, typically five years, or the length of time until the grantee becomes retirement-eligible at age 65. The expense for unvested stock options at January 1, 2006 is based upon the grant date fair value of those options as calculated using a Black-Scholes option pricing model. For stock options granted prior to January 1, 2006, we recognize this compensation expense ratably over the vesting period of the stock options, typically five years. Pre-tax compensation expense for stock options was \$22 million for 2010.

We estimated the fair value of stock options at the grant date using a Black-Scholes option pricing model with the following assumptions for 2010: risk-free interest rate — 2.76%, dividend yield — 2.17%, volatility

factor — 46.03% and expected option life — 6 years. For expense calculation purposes, the weighted average grant-date fair value of option shares granted in 2010 was \$5.30 per option share.

If we increased our assumptions for the risk-free interest rate and the volatility factor by 50 percent, the expense related to the fair value of stock options granted in 2010 would increase by 43 percent. If we lowered our assumptions for the risk-free interest rate and the volatility factor by 50 percent, the expense related to the fair value of stock options granted in 2010 would decrease by 53 percent.

Employee Retirement Plans

In March 2009, the Board of Directors approved freezing all future benefit accruals under substantially all of our domestic qualified and non-qualified defined-benefit pension plans. The freeze was effective January 1, 2010. As a result of this action, the liabilities for these plans were remeasured and we recognized a curtailment charge of \$8 million in the first quarter of 2009. In addition, certain assumptions appropriate for on-going plans (e.g., turnover, mortality and compensation increases) were modified or eliminated for the remeasurement.

Accounting for defined-benefit pension plans involves estimating the cost of benefits to be provided in the future, based upon vested years of service, and attributing those costs over the time period each employee works. We develop our pension costs and obligations from actuarial valuations. Inherent in these valuations are key assumptions regarding inflation, expected return on plan assets, mortality rates, compensation increases and discount rates for obligations and expenses. We consider current market conditions, including changes in interest rates, in selecting these assumptions. Changes in assumptions used could result in changes to reported pension costs and obligations within our consolidated financial statements.

In December 2010, we decreased our discount rate for obligations to an average of 5.30 percent from 5.80 percent. The discount rate for obligations was based upon the expected duration of each defined-benefit pension plan's liabilities matched to the December 31, 2010 Towers Watson Rate Link curve. The discount rates we use for our defined-benefit pension plans ranged from 2.30 percent to 5.55 percent, with the most significant portion of the liabilities having a discount rate for obligations of 5.00 percent or higher. The assumed asset return was primarily 7.25 percent, reflecting the expected long-term return on plan assets.

Our net underfunded amount for our qualified defined-benefit pension plans, which is the difference between the projected benefit obligation and plan assets, increased to \$359 million at December 31, 2010 from \$332 million at December 31, 2009, primarily due to lower rates of return in the bond market in 2010. In accordance with accounting guidance, the underfunded amount has been recognized on our consolidated balance sheets at December 31, 2010 and 2009. Qualified domestic pension plan assets in 2010 had a net gain of approximately 12 percent compared to average gains of 13 percent for the corporate funds universe within the Independent Consultant Cooperative.

Our projected benefit obligation for our unfunded non-qualified defined-benefit pension plans was \$163 million at December 31, 2010 compared with \$152 million at December 31, 2009. This unfunded amount has been recognized on our consolidated balance sheets at December 31, 2010 and 2009.

We expect pension expense for our qualified defined-benefit pension plans to be \$24 million in 2011 compared with \$23 million in 2010. If we assumed that the future return on plan assets was one-half percent lower than the assumed asset return and the discount rate decreased by 50 basis points, the 2011 pension expense would increase by \$4 million. We expect pension expense for our non-qualified defined-benefit pension plans to be \$9 million in 2011 compared with \$9 million in 2010.

We have several funding options and credits available and we anticipate that we will be required to contribute approximately \$30 million to \$35 million in 2011 to our qualified defined-benefit plans.

Income Taxes

The accounting guidance for income taxes requires that the future realization of deferred tax assets depends on the existence of sufficient taxable income in future periods. Possible sources of taxable income include taxable income in carryback periods, the future reversal of existing taxable temporary differences recorded as a deferred tax liability, tax-planning strategies that generate future income or gains in excess of anticipated losses in the carryforward period and projected future taxable income.

If, based upon all available evidence, both positive and negative, it is more likely than not (more than 50 percent likely) such deferred tax assets will not be realized, a valuation allowance is recorded. Significant weight is given to positive and negative evidence that is objectively verifiable. A company's three-year cumulative loss position is significant negative evidence in considering whether deferred tax assets are realizable and the accounting guidance restricts the amount of reliance the Company can place on projected taxable income to support the recovery of the deferred tax assets.

In the fourth quarter of 2010, we recorded a \$371 million valuation allowance against our U.S. Federal deferred tax assets as a non-cash charge to income tax expense. In reaching this conclusion, we considered the weaker retail sales of certain of our building products and the slower than anticipated recovery in the U.S. housing market which led to U.S. operating losses and significant U.S. goodwill impairment charges, that primarily occurred in the fourth quarter of 2010, causing us to be in a three-year cumulative U.S. loss position. These factors negatively impact our ability to utilize previously identified tax-planning strategies that included the potential sale of certain non-core operating assets to support the realization of our U.S. Federal deferred tax assets, since current year losses are heavily weighted in determining if sufficient income would exist in the carryforward period to realize the benefit of the strategies.

Recording the valuation allowance does not restrict our ability to utilize the future deductions and net operating losses associated with the deferred tax assets assuming taxable income is recognized in future periods.

A rebound in the U.S. housing market from the current historic lows and retail sales of building products improving from their current levels should have a positive impact on our operating results in the U.S. A return to sustained profitability in the U.S. should result in objective positive evidence thereby warranting consideration of our previously identified tax-planning strategies and the potential reversal of all or a portion of the valuation allowance.

The \$228 million of deferred tax assets at December 31, 2010, for which there are no valuation allowance recorded, is anticipated to be realized through the future reversal of existing taxable temporary differences recorded as deferred tax liabilities at December 31, 2010.

Should we determine that we would not be able to realize our remaining deferred tax assets in the future, an adjustment to the valuation allowance would be recorded in the period such determination is made. The need to maintain a valuation allowance against deferred tax assets may cause greater volatility in our effective tax rate.

The current accounting guidance allows the recognition of only those income tax positions that have a greater than 50 percent likelihood of being sustained upon examination by the taxing authorities. We believe that there is an increased potential for volatility in our effective tax rate because this threshold allows changes in the income tax environment and the inherent complexities of income tax law in a substantial number of jurisdictions to affect the computation of our liability for uncertain tax positions to a greater extent.

While we believe we have adequately provided for our uncertain tax positions, amounts asserted by taxing authorities could vary from our accrued liability for uncertain tax positions. Accordingly, additional provisions for tax-related matters, including interest and penalties, could be recorded in income tax expense in the period revised estimates are made or the underlying matters are settled or otherwise resolved.

Other Commitments and Contingencies

Certain of our products and product finishes and services are covered by a warranty to be free from defects in material and workmanship for periods ranging from one year to the life of the product. At the time of sale, we accrue a warranty liability for estimated costs to provide products, parts or services to repair or replace products in satisfaction of warranty obligations. Our estimate of costs to service our warranty obligations is based upon historical experience and expectations of future conditions. To the extent that we experience any changes in warranty claim activity or costs associated with servicing those claims, our warranty liability is adjusted accordingly.

The majority of our business is at the consumer retail level through home centers and major retailers. A consumer may return a product to a retail outlet that is a warranty return. However, certain retail outlets do not distinguish between warranty and other types of returns when they claim a return deduction from us. Our revenue recognition policy takes into account this type of return when recognizing revenue, and we record deductions at the time of sale.

We are subject to lawsuits and pending or asserted claims in the ordinary course of our business. Liabilities and costs associated with these matters require estimates and judgments based upon our professional knowledge and experience and that of our legal counsel. When estimates of our exposure for lawsuits and pending or asserted claims meet the criteria for recognition under accounting guidance, amounts are recorded as charges to earnings. The ultimate resolution of these exposures may differ due to subsequent developments. See Note S to our consolidated financial statements for information regarding certain of our legal proceedings.

Corporate Development Strategy

Our current business strategy includes the rationalization of our business units, including consolidations, and increasing synergies among our business units. Going forward, we expect to maintain a balanced growth strategy with emphasis on cash flow, organic growth with fewer acquisitions and growth through new product development, start-up businesses related to home energy services and greenfield locations related to certain Installation and Other Services businesses. As part of our strategic planning, we continue to review all of our businesses to determine which businesses may not be core to our long-term growth strategy.

During 2010, we did not sell any business unit or acquire any business. We accounted for the business units which were sold in 2009 and 2008, as discontinued operations. See Note B to the consolidated financial statements for more information. The results of all acquisitions are included in the consolidated financial statements from the respective dates of acquisition.

Liquidity and Capital Resources

Historically, we have largely funded our growth through cash provided by a combination of our operations, long-term bank debt and the issuance of notes in the financial markets, and by the issuance of our common stock, including issuances for certain mergers and acquisitions.

Maintaining high levels of liquidity and focusing on cash generation are among our financial strategies; such strategies have resulted in cash of over \$1.7 billion at December 31, 2010. Our total debt as a percent of total capitalization was 72 percent and 58 percent at December 31, 2010 and 2009, respectively.

On June 21, 2010, the Company entered into a Credit Agreement (the "Credit Agreement") with a bank group, with an aggregate commitment of \$1.25 billion with a maturity date of January 10, 2014. Our previous 5-Year Revolving Credit Agreement dated as of November 5, 2004, as amended, was terminated at that time.

The Credit Agreement provides for an unsecured revolving credit facility available to the Company and one of its foreign subsidiaries, in U.S. dollars, European euros and certain other currencies. Borrowings under the revolver denominated in euros are limited to \$500 million, equivalent. The Company can also borrow swingline loans up to \$150 million and obtain letters of credit of up to \$250 million. Any outstanding Letters of

Credit reduce the Company's borrowing capacity. At December 31, 2010, the Company had \$99 million of outstanding and unused Letters of Credit, reducing the Company's borrowing capacity by such amount.

Our revolving credit loans bear interest under the Credit Agreement, at the Company's option: at (A) a rate per annum equal to the greatest of (i) prime rate, (ii) the Federal Funds effective rate plus 0.50% and (iii) LIBOR plus 1.0% (the "Alternative Base Rate"); plus an applicable margin based upon the then-applicable corporate credit ratings of the Company; or (B) LIBOR plus an applicable margin based upon the then-applicable corporate credit ratings of the Company. The foreign currency revolving credit loans bear interest at a rate equal to LIBOR plus an applicable margin based upon the then-applicable corporate credit ratings of the Company.

The Credit Agreement contains financial covenants requiring the Company to maintain (A) a maximum debt to total capitalization ratio of 65 percent, and (B) a minimum interest coverage ratio equal to or greater than (i) 2.25 to 1.0 through the quarter ending on September 30, 2011 and (ii) 2.50 to 1.0 thereafter. The debt to total capitalization ratio allows the add-back, if incurred, of up to the first \$500 million of certain non-cash charges, including goodwill and other intangible asset impairment charges, occurring from and after April 1, 2010, that would negatively impact shareholders' equity.

Based on the limitations of the debt to total capitalization covenant (before the amendment discussed below), at December 31, 2010, the Company had additional borrowing capacity, subject to availability, of up to \$113 million. Alternatively, at December 31, 2010, the Company could absorb a reduction to shareholders' equity of approximately \$61 million, and remain in compliance with the debt to total capitalization covenant.

In order to borrow under the Credit Agreement, there must not be any default in the Company's covenants in the Credit Agreement (i.e., in addition to the two financial covenants, principally limitations on subsidiary debt, negative pledge restrictions, legal compliance requirements and maintenance of properties and insurance) and the Company's representations and warranties in the Credit Agreement must be true in all material respects on the date of borrowing (i.e., principally no material adverse change or litigation likely to result in a material adverse change, since December 31, 2009, in each case, no material ERISA or environmental non-compliance and no material tax deficiency). The Company was in compliance with all covenants and no borrowings have been made at December 31, 2010.

On February 11, 2011, the Company entered into an amendment (deemed to be effective and applicable as of December 31, 2010) of the Credit Agreement with its bank group (the "Amendment"). The Amendment provides for the add-back to shareholders' equity in the Company's maximum debt to capitalization covenant of (i) certain non-cash charges (including impairment charges for financial investments, goodwill and other intangible assets) and (ii) changes to the valuation allowance on our deferred tax assets included in income tax expense, each taken in 2010, which aggregate \$986 million after tax. The Amendment also permits the Company to add-back, if incurred, up to \$350 million in the aggregate of future non-cash charges. We currently have borrowing capacity approximating \$1 billion available under the Credit Agreement.

We have no scheduled maturities until July 2012 when \$791 million of 5.875% fixed rate notes become due. The holders of the Company's Zero Coupon Convertible Senior Notes ("Notes") have the right to redeem the Notes for cash on July 20, 2011 for approximately \$58 million. The next cash redemption date is July 20, 2016.

We had cash and cash investments of over \$1.7 billion at December 31, 2010, principally as a result of strong cash flows from operations. Our cash and cash investments consist of overnight interest bearing money market demand and time deposit accounts, money market mutual funds containing government securities and treasury obligations. While we attempt to diversify these investments in a prudent manner to minimize risk, it is possible that future changes in the financial markets could affect the security or availability of these investments.

We have maintained investments in available-for-sale and marketable securities and a number of private equity funds, principally as part of our tax planning strategies, as any gains enhance the utilization of any

current and future capital tax losses. We determined that the longer maturity of private equity funds would be advantageous and complement our investment in more liquid available-for-sale and marketable securities to balance risk. Since we have significantly reduced our capital tax losses in part by generating capital gains from investments and other sources, we have and will continue to reduce our investments in long-term financial assets.

During 2010, we paid a quarterly dividend of \$.075 per common share.

Our working capital ratio was 2.3 to 1 and 1.9 to 1 at December 31, 2010 and 2009, respectively.

We have entered into foreign currency forward contracts to manage exposure to currency fluctuations, primarily related to the European euro and the U.S. dollar. We have also entered into commodity contracts related to copper and zinc.

Cash Flows

Significant sources and (uses) of cash in the past three years are summarized as follows, in millions:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net cash from operating activities	\$ 465	\$ 705	\$ 797
Retirement of notes	(359)	—	(100)
Issuance of notes, net of issuance costs	494	—	—
Proceeds from disposition of:			
Businesses, net of cash disposed	—	8	179
Property and equipment	18	23	1
Proceeds from financial investments, net	42	11	58
Proceeds from settlement of swaps	—	—	16
Tax benefit from stock-based compensation	4	7	3
Cash dividends paid	(108)	(166)	(336)
Capital expenditures	(137)	(125)	(200)
Purchase of Company common stock	(45)	(11)	(160)
Decrease in debt, net	(2)	(11)	(33)
Dividends paid to noncontrolling interest	(15)	(16)	(21)
Acquisition of businesses, net of cash acquired	—	(8)	(21)
Effect of exchange rates on cash and cash investments	(14)	(5)	(46)
Other, net	(41)	(27)	(31)
Cash increase	<u>\$ 302</u>	<u>\$ 385</u>	<u>\$ 106</u>

Our cash and cash investments increased \$302 million to \$1,715 million at December 31, 2010, from \$1,413 million at December 31, 2009.

Net cash provided by operations of \$465 million consisted primarily of net (loss) adjusted for non-cash and certain other items, including depreciation and amortization expense of \$279 million, a \$721 million charge for the impairment of goodwill and other intangible assets, a \$168 million net change in deferred taxes, a \$67 million charge for the impairment of long-lived assets related to the closure of a cabinet facility, a \$34 million charge for the impairment of financial investments and other non-cash items, including stock-based compensation expense, amortization expense related to in-store displays and interest expense on the Zero Coupon Convertible Senior Notes, as well as a net decrease in working capital of \$49 million.

We continue to emphasize balance sheet management, including working capital management and cash flow generation. Days sales in accounts receivable were 47 days at December 31, 2010 compared with 48 days at December 31, 2009, and days sales in inventories were 49 days at December 31, 2010 and

48 days at December 31, 2009. Accounts payable days were 51 days at December 31, 2010 and 47 days at December 31, 2009. Working capital (defined as accounts receivable and inventories less accounts payable) as a percent of sales was 13.4 percent at December 31, 2010 and 14.7 percent at December 31, 2009; such improvement was primarily due to improved accounts payable management.

Net cash used for financing activities was \$40 million, and included \$359 million for the retirement of notes (retired \$300 million of floating rate notes on March 12, 2010, the scheduled maturity date and, during the second quarter of 2010, we repurchased \$59 million of 5.875% Notes due July 2012, in open-market transactions), partially offset by \$494 million from the issuance of Notes, net of issuance costs. Financing activities also include cash outflows of \$108 million for cash dividends paid, \$2 million for the net payment of debt and \$45 million for the acquisition of our common stock to offset the dilutive impact of long-term stock awards granted in 2010.

At December 31, 2010, we had remaining Board of Directors' authorization to repurchase up to an additional 27 million shares of our common stock in open-market transactions or otherwise. We believe that our present cash balance and cash flows from operations are sufficient to fund our near-term working capital and other investment needs. We believe that our longer-term working capital and other general corporate requirements will be satisfied through cash flows from operations and, to the extent necessary, from bank borrowings and future financial market activities. Consistent with past practice, we anticipate repurchasing shares in 2011 to offset any dilution from long-term stock awards granted or stock options exercised as part of our compensation programs.

Net cash used for investing activities was \$109 million, and included \$137 million for capital expenditures. Cash provided by investing activities included primarily \$18 million of net proceeds from the disposition of property and equipment and \$42 million from the net sale of financial investments.

We invest in automating our manufacturing operations to increase our productivity, improve customer service and support new product innovation. Capital expenditures for 2010 were \$137 million, compared with \$125 million for 2009 and \$200 million for 2008; for 2011, capital expenditures, excluding any potential 2011 acquisitions, are expected to be approximately \$230 million. Depreciation and amortization expense for 2010 totaled \$279 million, compared with \$254 million for 2009 and \$238 million for 2008; for 2011, depreciation and amortization expense, excluding any potential 2011 acquisitions, is expected to be approximately \$260 million. Amortization expense totaled \$18 million, \$17 million and \$17 million in 2010, 2009 and 2008, respectively.

Costs of environmental responsibilities and compliance with existing environmental laws and regulations have not had, nor do we expect them to have, a material effect on our capital expenditures, financial position or results of operations.

Consolidated Results of Operations

We report our financial results in accordance with generally accepted accounting principles ("GAAP") in the United States. However, we believe that certain non-GAAP performance measures and ratios, used in managing the business, may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. Non-GAAP performance measures and ratios should be viewed in addition to, and not as an alternative for, our reported results.

Sales and Operations

Net sales for 2010 were \$7.6 billion, representing a decrease of three percent from 2009. Excluding results from acquisitions and the effect of currency translation, net sales decreased two percent compared

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with 2009. The following table reconciles reported net sales to net sales excluding acquisitions and the effect of currency translation, in millions:

	Twelve Months Ended December 31	
	2010	2009
Net sales, as reported	\$7,592	\$7,792
– Acquisitions	—	—
Net sales, excluding acquisitions	7,592	7,792
– Currency translation	48	—
Net sales, excluding acquisitions and the effect of currency	<u>\$7,640</u>	<u>\$7,792</u>

Net sales for 2010 were adversely affected by lower sales volume of installation and other services and cabinets, which, in aggregate, reduced sales by approximately three percent compared to 2009. Net sales for 2010 were also negatively affected by lower sales volume of builders' hardware and North American plumbing products, which reduced net sales by approximately one percent compared to 2009. Such declines were partially offset by a more favorable product mix of plumbing products and paints and stains, which increased sales by approximately one percent compared to 2009. Net sales volume in 2010 of our International plumbing products and windows increased in local currencies and increased consolidated net sales by approximately one percent compared to 2009. A stronger U.S. dollar decreased sales by one percent compared to 2009.

Net sales for 2009 were adversely affected by declines in the new home construction market, which reduced sales volume by approximately nine percent compared to 2008. Net sales for 2009 were also negatively affected by declines in consumer spending for home improvement products, which contributed to lower sales volume, reducing net sales by approximately six percent compared to 2008. Such declines were partially offset by net selling price increases for certain products, which increased sales by approximately one percent compared to 2008. Net sales volume in 2009 of our International products declined in local currencies and reduced consolidated net sales by approximately three percent compared to 2008. A stronger U.S. dollar decreased sales by two percent compared to 2008.

Our gross profit margins were 24.2 percent, 25.9 percent and 24.9 percent in 2010, 2009 and 2008, respectively. The decrease in the 2010 gross profit margin reflects lower sales volume, increased depreciation expense related to plant closures and a less favorable relationship between selling prices and commodity costs. Such decreases were partially offset by the benefits associated with our business rationalizations and other cost savings initiatives.

Selling, general and administrative expenses as a percent of sales were 21.3 percent in 2010 compared with 21.8 percent in 2009 and 19.0 percent in 2008. Selling, general and administrative expenses as a percent of sales in 2010 and 2009 reflect lower sales volume, increased advertising expenses related to new product introductions and increased system implementation costs.

Operating (loss) profit in 2010, 2009 and 2008 includes \$208 million, \$94 million and \$78 million, net, respectively, of costs and charges related to our business rationalizations and other cost savings initiatives. Operating (loss) profit in 2010, 2009 and 2008 includes \$721 million, \$262 million and \$467 million, respectively, of impairment charges for goodwill and other intangible assets. Operating (loss) profit in 2009 includes \$7 million of charges for litigation settlements. Operating (loss) profit margins, as reported, were (6.6) percent, 0.7 percent and 0.9 percent in 2010, 2009 and 2008, respectively. Operating profit margins, excluding the items above, were 5.7 percent, 5.4 percent and 6.8 percent in 2010, 2009 and 2008, respectively.

Operating margins in 2010 were positively affected by the benefits associated with business rationalizations and other cost savings initiatives, which more than offset the negative effect of lower sales volume and the less favorable relationship between selling prices and commodity costs.

Operating profit margins in 2009 were negatively affected by lower sales volume and the related under-absorption of fixed costs and lower selling prices related to the decline in the new home construction market in North America as well as lower sales volume of plumbing products in the North American and International home improvement markets. Such declines in 2009 were partially offset by increased sales of paints and stains, the improved relationship between selling prices and commodity costs across our businesses and the benefits associated with business rationalizations and other cost savings initiatives. Operating profit margins in 2008 were adversely affected by accelerating declines in new home construction and a continued decline in consumer spending in North American and International markets, both of which negatively impacted the sales volume in each of our segments.

Other Income (Expense), Net

During 2010, we recognized non-cash, pre-tax impairment charges aggregating \$34 million related to financial investments (\$28 million related to Asahi Tec preferred stock and \$6 million related to private equity funds and other private investments).

Other, net, for 2010 included \$9 million of income from financial investments, net. Other, net, for 2010 also included realized foreign currency losses of \$2 million and other miscellaneous items.

During 2009, we recognized non-cash, pre-tax impairment charges aggregating \$10 million for our investments in private equity funds.

Other, net, for 2009 included \$3 million of income from financial investments, net. Other, net, for 2009 also included realized foreign currency gains of \$17 million and other miscellaneous items.

During 2008, we recognized non-cash, pre-tax impairment charges aggregating \$58 million primarily related to financial investments in TriMas common stock (\$31 million), Asahi Tec common stock (\$1 million), private equity funds (\$23 million) and other investments (\$3 million).

Other, net, for 2008 included \$3 million of realized losses, net, from the sale of marketable securities and \$4 million of income from other investments, net. Other, net, for 2008 also included realized foreign currency losses of \$29 million and other miscellaneous items.

Interest expense was \$251 million, \$225 million and \$228 million in 2010, 2009 and 2008, respectively. The increase in interest expense in 2010 is primarily due to the issuance of \$500 million of 7.125% notes in March.

(Loss) Income and (Loss) Earnings Per Common Share from Continuing Operations (Attributable to Masco Corporation)

(Loss) and diluted (loss) per common share from continuing operations for 2010 were \$(1,043) million and \$(3.00) per common share, respectively. (Loss) and diluted (loss) per common share from continuing operations for 2009 were \$(140) million and \$(.41) per common share, respectively. (Loss) and diluted (loss) per common share from continuing operations for 2008 were \$(366) million and \$(1.06) per common share, respectively. (Loss) from continuing operations for 2010 included non-cash, pre-tax impairment charges for goodwill and other intangible assets of \$721 million (\$593 million or \$1.70 per common share, after tax). (Loss) from continuing operations for 2009 included non-cash, pre-tax impairment charges for goodwill of \$262 million (\$180 million or \$.51 per common share, after tax). (Loss) from continuing operations for 2008 included non-cash, pre-tax impairment charges for goodwill and other intangible assets of \$467 million (\$445 million or \$1.26 per common share, after tax).

Our effective tax rate for the loss from continuing operations was a 29 percent tax expense, a 33 percent tax benefit and a 69 percent tax expense in 2010, 2009 and 2008, respectively. Our effective tax rate for the loss from continuing operations, excluding the \$371 million income tax expense related to a valuation allowance on our U.S. Federal deferred tax assets recorded in 2010 and impairment charges for goodwill and other intangibles, was a 32 percent tax benefit, a 30 percent tax expense and a 57 percent tax expense in 2010, 2009 and 2008, respectively. Compared to our normalized effective tax rate of 36 percent, the lower

effective tax rate in 2009 is due primarily to the reversal of an accrual for uncertain tax positions related to a withholding tax issue from a formerly held European company due to a favorable court decision. The higher effective tax rate in 2008 reflects the additional U.S. tax on a repatriation of low-taxed earnings from certain foreign subsidiaries in order to utilize a foreign tax credit carryforward, combined with a decrease in 2008 pre-tax income.

In the fourth quarter of 2010, we recorded a \$371 million valuation allowance against our U.S. Federal deferred tax assets as a non-cash charge to income tax expense. In reaching this conclusion, we considered the weaker retail sales of certain of our building products and the slower than anticipated recovery in the U.S. housing market which led to U.S. operating losses and significant U.S. goodwill impairment charges, that primarily occurred in the fourth quarter of 2010, causing us to be in a three-year cumulative U.S. loss position. These factors negatively impact our ability to utilize previously identified tax-planning strategies that included the potential sale of certain non-core operating assets to support the realization of our U.S. Federal deferred tax assets, since current year losses are heavily weighted in determining if sufficient income would exist in the carryforward period to realize the benefits of the strategies.

Outlook for the Company

Although we continue to be concerned about foreclosure activity and access to financing, housing starts did improve in 2010 to 588,000 units. The negative trends impacting our business in the second half of 2010, including depressed new home construction, lower big-ticket repair and remodel activity and commodity cost pressures, have continued into 2011. We expect a challenging business environment, particularly in the first half of 2011; we expect the second half of 2011 to be stronger.

In addition to strategic rationalization and the continued emphasis on cash generation, we have identified, directed and encouraged initiatives at our business units that we expect will position us to benefit from future opportunities as the recovery takes shape. We have 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 believe 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.

We believe and are confident that the long-term fundamentals for the new home construction and home improvement markets continue to be positive. We believe that our strong financial position, together with our current strategy of investing in leadership brands, including KRAFTMAID and MERILLAT cabinets, DELTA and HANSGROHE faucets, BEHR paint and MILGARD windows, our continued focus on innovation and our commitment to lean principles, will allow us to drive long-term growth and create value for our shareholders.

Business Segment and Geographic Area Results

The following table sets forth our net sales and operating profit (loss) information by business segment and geographic area, dollars in millions.

	2010	2009	2008	Percent Change		
				2010 vs. 2009	2009 vs. 2008	
Net Sales:						
Cabinets and Related Products	\$ 1,464	\$ 1,674	\$ 2,276	(13)%	(26)%	
Plumbing Products	2,692	2,564	3,002	5 %	(15)%	
Installation and Other Services	1,147	1,256	1,861	(9)%	(33)%	
Decorative Architectural Products	1,693	1,714	1,629	(1)%	5%	
Other Specialty Products	596	584	716	2 %	(18)%	
Total	\$ 7,592	\$ 7,792	\$ 9,484	(3)%	(18)%	
North America	\$ 5,929	\$ 6,135	\$ 7,482	(3)%	(18)%	
International, principally Europe	1,663	1,657	2,002	— %	(17)%	
Total	\$ 7,592	\$ 7,792	\$ 9,484	(3)%	(18)%	
	2010	2010(B)	2009	2009(B)	2008	2008(B)
Operating Profit (Loss): (A)						
Cabinets and Related Products	\$ (250)	\$ (250)	\$ (64)	\$ (64)	\$ 4	\$ 63
Plumbing Products	331	332	237	276	110	313
Installation and Other Services	(834)	(114)	(131)	(131)	(46)	6
Decorative Architectural Products	345	345	375	375	299	299
Other Specialty Products	19	19	(199)	24	(124)	29
Total	\$ (389)	\$ 332	\$ 218	\$ 480	\$ 243	\$ 710
North America	\$ (543)	\$ 178	\$ 93	\$ 316	\$ 493	\$ 555
International, principally Europe	154	154	125	164	(250)	155
Total	(389)	332	218	480	243	710
General corporate expense, net	(110)	(110)	(140)	(140)	(144)	(144)
Charge for defined-benefit curtailment	—	—	(8)	(8)	—	—
Charge for litigation settlements	—	—	(7)	(7)	(9)	(9)
Accelerated stock compensation expense	—	—	(6)	(6)	—	—
Loss on corporate fixed assets, net	—	—	(2)	(2)	—	—
Total operating profit (loss)	\$ (499)	\$ 222	\$ 55	\$ 317	\$ 90	\$ 557
Operating Profit (Loss) Margin: (A)						
Cabinets and Related Products	(17.1)%	(17.1)%	(3.8)%	(3.8)%	.2 %	2.8%
Plumbing Products	12.3 %	12.3 %	9.2 %	10.8 %	3.7 %	10.4%
Installation and Other Services	(72.7)%	(9.9)%	(10.4)%	(10.4)%	(2.5)%	.3%
Decorative Architectural Products	20.4 %	20.4 %	21.9 %	21.9 %	18.4 %	18.4%
Other Specialty Products	3.2 %	3.2 %	(34.1)%	4.1 %	(17.3)%	4.1%
North America	(9.2)%	3.0 %	1.5 %	5.2 %	6.6 %	7.4%
International, principally Europe	9.3 %	9.3 %	7.5 %	9.9 %	(12.5)%	7.7%
Total	(5.1)%	4.4 %	2.8 %	6.2 %	2.6 %	7.5%
Total operating profit (loss) margin, as reported	(6.6)%	N/A	.7 %	N/A	.9 %	N/A

(A) Before general corporate expense, net, charge for defined-benefit plan curtailment, charge for litigation settlements, accelerated stock compensation expense, and loss on corporate fixed assets, net; see Note O to the consolidated financial statements.

(B) Excluding impairment charges for goodwill and other intangible assets. The 2010 impairment charges for goodwill and other intangible assets were as follows: Plumbing Products — \$1 million; and Installation and other Services — \$720 million. The 2009 impairment charges for goodwill were as follows: Plumbing Products — \$39 million; and Other Specialty Products - \$223 million. The 2008 impairment charges for goodwill and other intangible assets were as follows: Cabinets and Related Products — \$59 million; Plumbing Products — \$203 million; Installation and Other Services — \$52 million; and Other Specialty Products — \$153 million.

Business Segment Results Discussion

Changes in operating profit margins in the following Business Segment and Geographic Area Results discussion exclude general corporate expense, net, charge for defined-benefit plan curtailment, charge for litigation settlements, accelerated stock compensation expense, loss on corporate fixed assets, net, and impairment charges for goodwill and other intangible assets in 2010, 2009 and 2008.

Business Rationalizations and Other Initiatives

Over the past several years, we have been focused on the strategic rationalization of our businesses, including business consolidations, plant closures, headcount reductions, system implementations and other cost savings initiatives. For the year ended December 31, 2010, we incurred net costs and charges of \$208 million pre-tax related to these initiatives. For the year ended December 31, 2009, we incurred net costs and charges of \$94 million pre-tax related to these initiatives. For the year ended December 31, 2008, we incurred net costs and charges of \$78 million pre-tax related to these initiatives.

As announced in February 2010, we have combined our Builder Cabinet Group and Retail Cabinet Group to form Masco Cabinetry. In 2010, we incurred costs and charges related to the integration of \$20 million; in 2011, we expect to incur an additional \$10 million of costs and charges related to the integration. In April 2010, Masco Cabinetry decided to discontinue the manufacture of ready-to-assemble and other non-core in-stock assembled cabinet product lines as they are not consistent with Masco Cabinetry's strategy of growth through brand building and innovation. These product lines had aggregate annual sales of approximately \$200 million in 2009. We plan to close two manufacturing facilities associated with these products in the first half of 2011. In 2010, we incurred costs and charges related to the exit of these product lines of \$84 million, including non-cash charges of \$69 million, principally related to accelerated depreciation for property, plant and equipment, and \$15 million of other cash charges. In 2011, we expect to incur an additional \$25 million of costs and charges related to the closure of the facilities associated with these product lines. In 2010, we also decided to close a cabinet manufacturing facility that had been previously idled; we incurred costs and charges related to the closure of \$67 million. As a result of these actions within the Cabinets and Related Products segment, in 2010, we incurred pre-tax \$171 million of total costs and charges related to Masco Cabinetry integration, product line exit and facility closure. In total, as described above, we expect to incur an additional \$35 million of costs and charges related to these actions in 2011.

Based on current plans, we anticipate costs and charges related to our business rationalizations and other initiatives to approximate \$65 million in 2011. We continue to evaluate our businesses and may implement additional rationalization programs based on changes in our markets which could result in further costs and charges.

Cabinets and Related Products

Sales

Net sales of Cabinets and Related Products decreased in 2010 primarily due to lower sales volumes of North American cabinets, which reduced sales by approximately six percent compared to 2009. Sales in this segment in 2010 were also negatively affected by the planned exit of ready-to-assemble and other non-core in-stock assembled cabinet product lines, particle board and door product lines, which reduced sales by approximately four percent compared to 2009. Sales were also negatively affected by lower sales volume of International cabinets, which reduced sales in this segment by approximately three percent compared to 2009. A stronger U.S. dollar decreased sales by one percent in 2010 compared to 2009.

Net sales in this segment decreased in 2009 primarily due to a decline in sales volume in the new home construction and retail markets, as well as a less favorable product mix, which combined to reduce sales by approximately 24 percent compared to 2008. A stronger U.S. dollar decreased sales by two percent in 2009 compared to 2008.

Net sales in this segment in 2008 were negatively affected by a decline in sales volume in the new home construction and retail markets, as well as a less favorable product mix and lower local currency sales of International operations.

Operating Results

Operating margins in the Cabinets and Related Products segment in 2010 were negatively affected by lower sales volume and the related under-absorption of fixed costs, which reduced operating profit margins by approximately three percentage points. Operating profit margins in this segment in 2010 were also negatively affected by increased business rationalization expenses and a less favorable relationship between selling prices and commodity costs; such decreases more than offset the benefits associated with business rationalizations and other cost savings initiatives.

Operating margins in this segment in 2009 were negatively affected by lower sales volume in the new home construction and retail markets and the related under-absorption of fixed costs, as well as a less favorable product mix which, on a combined basis, reduced operating profit margins by approximately three percentage points compared to 2008. In 2009, operating profit margins in this segment were also negatively affected by increased plant closure and system implementation costs which were partially offset by the improved relationship between selling prices and commodity costs and the benefits associated with business rationalizations and other cost savings initiatives.

Operating margins in this segment in 2008 were negatively affected by lower sales volume and the related under-absorption of fixed costs and a less favorable product mix, as well as lower results of International operations included in this segment.

Plumbing Products

Sales

Net sales of Plumbing Products increased in 2010 primarily due to a more favorable product mix to North American retailers and wholesalers, which increased sales by approximately two percent compared to 2009. Sales were also positively affected by increased selling prices, which increased sales by approximately two percent compared to 2009. In local currencies, sales of International operations increased sales in this segment by approximately three percent compared to 2009. Such increases were partially offset by lower sales volume to North American retailers and wholesalers, which reduced sales by one percent compared to 2009. A stronger U.S. dollar decreased sales by one percent in 2010 compared to 2009.

Net sales in this segment decreased in 2009 and 2008 primarily due to lower sales volume to North American retailers and wholesalers, which reduced sales by approximately ten percent in 2009 compared to 2008. Reflecting the weakened global economy, net sales in this segment in 2009 and 2008 were also negatively impacted by lower local currency sales volume of International operations. A stronger U.S. dollar decreased sales by three percent in 2009 compared to 2008.

Operating Results

Operating margins in the Plumbing Products segment in 2010 were positively affected by a more favorable product mix and the positive relationship between selling prices and commodity costs and the benefits associated with business rationalizations and other cost savings initiatives.

Operating margins in this segment in 2009 were positively affected by the improved relationship between selling prices and commodity costs, as well as a more favorable product mix and the benefits associated with business rationalizations and other cost savings initiatives.

Operating margins in this segment in 2008 were negatively affected by the decline in North American and International sales volume; such declines were partially offset by net selling price increases.

Installation and Other Services

Sales

Net sales in the Installation and Other Services segment decreased in 2010 primarily due to lower sales volume related to reduced share in the new home construction market. Sales in this segment were also negatively affected by a downward trend in the size and content of new houses being constructed by our builder customers.

Net sales in this segment decreased in 2009 and 2008, primarily due to significantly lower sales volume related to the decline in the new home construction market, as well as lower selling prices.

Operating Results

Operating margins in the Installation and Other Services segment in 2010 continue to be negatively affected by lower sales volume in the new home construction market and the related under-absorption of fixed costs, as well as a less favorable relationship between selling prices and commodity costs. Additionally, investments in WellHomeSM negatively impacted this segment by approximately one percentage point. Such declines were partially offset by the benefits associated with business rationalization and other cost savings initiatives and lower system implementation costs in 2010.

Operating margins in this segment in 2009 were negatively affected by lower sales volume and the related under-absorption of fixed costs, selling price decreases and increased system implementation costs in 2009.

Operating margins in this segment in 2008 were negatively affected by lower sales volume and the related under-absorption of fixed costs, as well as decreased selling prices and increased bad debt expense; such declines were partially offset by material price decreases.

Decorative Architectural Products

Sales

Net sales of Decorative Architectural Products decreased in 2010, primarily due to lower sales volume of builders' hardware and lower selling prices of paints and stains. Such declines in 2010 were partially offset by a more favorable product mix of paints and stains, related to new product introductions.

Net sales in this segment increased in 2009, primarily due to increased sales volume of paints and stains, which offset lower sales volume of builders' hardware.

Net sales in this segment in 2008 were negatively affected by lower sales volume of paints and stains and builders' hardware, which more than offset selling price increases.

Operating Results

Operating margins in the Decorative Architectural Products segment in 2010 were negatively affected by a less favorable relationship between selling prices and commodity costs related to paints and stains, as well as lower sales volume of builders' hardware. Such declines more than offset the benefit of a more favorable product mix of paints and stains, related to new product introductions.

Operating margins in this segment in 2009 were positively affected by increased sales volume of paints and stains, which more than offset lower sales volume of builders' hardware. The operating profit margins in this segment in 2009 also benefited from the improved relationship between selling prices and commodity costs related to paints and stains and builders' hardware, as well as lower program costs related to builders' hardware.

Operating margins in this segment in 2008 were negatively affected by lower sales volume of paints and stains and builders' hardware, increasing material costs throughout 2008 and program costs for builders' hardware. Such declines more than offset the effect of selling price increases.

Other Specialty Products

Sales

Net sales of Other Specialty Products increased in 2010 primarily due to increased sales volume of windows in North America, principally related to the energy-savings tax credit, which expired at the end of 2010, which increased sales in this segment by approximately one percent compared to 2009. Net sales were also positively affected by increased sales volume of staple gun tackers and other fastening tools, which increased sales in this segment by approximately one percent compared to 2009.

Net sales in this segment in 2009 were negatively affected by lower sales volume of windows, selling price decreases and a less favorable product mix, which decreased sales in this segment by approximately 12 percent in 2009 compared to 2008. A stronger U.S. dollar decreased sales by three percent in 2009 compared to 2008.

Net sales in this segment in 2008 were negatively affected by lower sales volume of windows, as well as a decline in the home improvement market.

Operating Results

Operating margins in the Other Specialty Products segment in 2010 reflect the negative effect of a less favorable relationship between selling prices and commodity costs and a less favorable windows product mix. Such declines offset the benefits associated with business rationalizations and other cost savings initiatives.

Operating margins in this segment in 2009 reflect the benefits associated with business rationalizations and other cost savings initiatives which offset the negative effect of lower sales volume of windows and staple gun tackers and other fastening tools and the related under-absorption of fixed costs, as well as a less favorable product mix.

Operating margins in this segment in 2008 were negatively affected by lower sales volume and the related under-absorption of fixed costs, increased plant closure costs and the lower results of International operations.

Geographic Area Results Discussion

North America

Sales

North American net sales in 2010 were negatively impacted by lower sales volume of installation and other services, cabinets, plumbing products, and builders' hardware, which, in the aggregate, decreased sales by approximately four percent compared to 2009. Such declines were partially offset by a more favorable product mix of plumbing products and paints and stains, which increased sales by approximately one percent compared to 2009.

North American net sales in 2009 were negatively affected by lower sales volume of installation and other services, cabinets and windows in the new home construction market which decreased sales from North American operations by approximately 12 percent in 2009 compared to 2008. In addition, North American net sales in 2009 were negatively affected by lower retail sales volume of cabinets, plumbing products, builder's hardware and staple gun tackers and other fastening tools, which aggregated to a net decrease in North American net sales of approximately nine percent in 2009 compared to 2008.

North American net sales in 2008 were negatively affected by lower sales volume of installation and other services, cabinets and windows and doors in the new home construction market.

Operating Results

The declines in operating profit margins from North American operations in 2010 were primarily due to lower sales volume and the related under-absorption of fixed costs and a less favorable relationship between selling prices and commodity costs, which decreased operating profit margins by two percentage point in 2010 compared to 2009. Operating profit margins were also negatively affected by increased business rationalization costs and charges in 2010 compared to 2009.

The declines in operating profit margins from North American operations in 2009 were primarily due to sales volume declines and the related under-absorption of fixed costs, selling price decreases and a less favorable product mix in new home construction markets, which decreased operating profit margins by one percentage point in 2009 compared to 2008. Operating profit margins were also negatively affected by increased rationalization costs and charges in 2009 compared to 2008. Such declines were partially offset by the improved relationship between selling prices and commodity costs for cabinets, plumbing products and paints and stains, as well as the benefits associated with business rationalizations and other cost savings initiatives.

Operating profit margins from North American operations in 2008 were negatively affected by declines in new home construction and consumer spending, which negatively impacted the sales volume of our products.

International, Principally Europe

Sales

Net sales from International operations increased in local currencies by approximately five percent compared to 2009, primarily due to increased sales volume and increased selling prices of International plumbing products and windows, offset by lower sales volume of International cabinets. A stronger U.S. dollar decreased International net sales by five percent in 2010 compared to 2009.

Net sales from International operations decreased in 2009 primarily due to lower sales volume of plumbing products and cabinets, which reduced sales from International operations in local currencies by approximately 12 percent compared to 2008. Such declines in 2009 were partially offset by selling price increases. A stronger U.S. dollar decreased International net sales by seven percent in 2009 compared to 2008.

Net sales from International operations in 2008 were negatively affected by lower sales volume of plumbing products and cabinets.

Operating Results

Operating profit margins from International operations in 2010 were negatively affected by a less favorable product mix, partially offset by the benefits associated with business rationalizations and other cost savings initiatives.

Operating profit margins in 2009 were positively affected by the improved relationship between selling prices and commodity costs, as well as the benefits associated with business rationalizations and other cost savings initiatives.

Operating profit margins in 2008 were negatively affected by lower sales volumes and the related under-absorption of fixed costs, as well as increased severance and plant closure costs.

Other Matters

Commitments and Contingencies

Litigation

Information regarding our legal proceedings is set forth in Note S to the consolidated financial statements.

Other Commitments

With respect to our investments in private equity funds, we had, at December 31, 2010, commitments to contribute up to \$33 million of additional capital to such funds, representing our aggregate capital commitment to such funds less capital contributions made to date. We are contractually obligated to make additional capital contributions to these private equity funds upon receipt of a capital call from the private equity fund. We have no control over when or if the capital calls will occur. Capital calls are funded in cash and generally result in an increase in the carrying value of our investment in the private equity fund when paid.

We enter into contracts, which include reasonable and customary indemnifications that are standard for the industries in which we operate. Such indemnifications include claims made against builders by homeowners for issues relating to our products and workmanship. In conjunction with divestitures and other transactions, we occasionally provide reasonable and customary indemnifications relating to various items, including: the enforceability of trademarks; legal and environmental issues; and provisions for sales returns. We have never had to pay a material amount related to these indemnifications, and we evaluate the probability that amounts may be incurred and we appropriately record an estimated liability when probable.

Contractual Obligations

The following table provides payment obligations related to current contracts at December 31, 2010, in millions:

	Payments Due by Period					Total
	Less than 1 Year	2-3 Years	4-5 Years	More than 5 Years	Other(D)	
Debt (A)	\$ 66	\$1,010	\$ 502	\$ 2,520	\$ —	\$4,098
Interest (A)	249	425	364	870	—	1,908
Operating leases	75	76	43	51	—	245
Currently payable income taxes	7	—	—	—	—	7
Defined-benefit plans	48	103	108	294	—	553
Private equity funds (B)	17	16	—	—	—	33
Post-retirement obligations	1	1	2	4	—	8
Purchase commitments (C)	231	16	—	—	—	247
Uncertain tax positions, including interest and penalties (D)	5	—	—	—	89	94
Total	<u>\$ 699</u>	<u>\$1,647</u>	<u>\$1,019</u>	<u>\$ 3,739</u>	<u>\$ 89</u>	<u>\$7,193</u>

- (A) We assumed that all debt would be held to maturity, except for the Zero Coupon Convertible Senior Notes which have been classified as short-term debt at December 31, 2010. See Note K to the consolidated financial statements for more information.
- (B) There is no schedule for the capital commitments to the private equity funds; such allocation was estimated.
- (C) Excludes contracts that do not require volume commitments and open or pending purchase orders.
- (D) Due to the high degree of uncertainty regarding the timing of future cash outflows associated with uncertain tax positions, we are unable to make a reasonable estimate for the period beyond the next year in which cash settlements may occur with applicable tax authorities.

Recently Issued Accounting Pronouncements.

Effective January 1, 2010, we adopted new FASB guidance regarding how a company determines when an entity is insufficiently capitalized or is not controlled through voting and should be consolidated. The adoption of this guidance did not have any impact on our consolidated financial condition and results of operations.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We have considered the provisions of accounting guidance regarding disclosure of accounting policies for derivative financial instruments and derivative commodity instruments, and disclosure of quantitative and qualitative information about market risk inherent in derivative financial instruments, other financial instruments and derivative commodity instruments.

We are exposed to the impact of changes in interest rates, foreign currency exchange rates and commodity costs in the normal course of business and to market price fluctuations related to our marketable securities and other investments. We have limited involvement with derivative financial instruments and use such instruments to the extent necessary to manage exposure to foreign currency fluctuations and from time to time commodity fluctuations. See Note F to the consolidated financial statements for additional information regarding our derivative instruments.

At December 31, 2010, we have entered into foreign currency forward contracts to manage exposure to currency fluctuations related primarily to the European euro and the U.S. dollar. At December 31, 2010, we have also entered into several contracts to manage our exposure to increases in the price of copper and zinc.

At December 31, 2010, we performed sensitivity analyses to assess the potential loss in the fair values of market risk sensitive instruments resulting from a hypothetical change of 10 percent in foreign currency exchange rates, a 10 percent decline in the market value of our long-term investments or a 10 percent change in commodity costs. Based upon the analyses performed, such changes would not be expected to materially affect our consolidated financial position, results of operations or cash flows.

Item 8. Financial Statements and Supplementary Data

Management’s Report on Internal Control Over Financial Reporting

The management of Masco Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Masco Corporation’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The management of Masco Corporation assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2010 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in “Internal Control — Integrated Framework.” Based on this assessment, management has determined that the Company’s internal control over financial reporting was effective as of December 31, 2010.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, performed an audit of the Company’s consolidated financial statements and of the effectiveness of Masco Corporation’s internal control over financial reporting as of December 31, 2010. Their report expressed an unqualified opinion on the effectiveness of Masco Corporation’s internal control over financial reporting as of December 31, 2010 and expressed an unqualified opinion on the Company’s 2010 consolidated financial statements. This report appears under Item 8. Financial Statements and Supplementary Data under the heading Report of Independent Registered Public Accounting Firm.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of Masco Corporation:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Masco Corporation and its subsidiaries at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 8. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Detroit, Michigan
February 18, 2011

MASCO CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

at December 31, 2010 and 2009

(In millions, Except Share Data)

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets :		
Cash and cash investments	\$1,715	\$1,413
Receivables	888	983
Inventories	732	743
Prepaid expenses and other	129	312
Total current assets	<u>3,464</u>	<u>3,451</u>
Property and equipment, net	1,737	1,981
Goodwill	2,383	3,108
Other intangible assets, net	269	290
Other assets	287	345
Total Assets	<u>\$8,140</u>	<u>\$9,175</u>
LIABILITIES and EQUITY		
Current Liabilities :		
Accounts payable	\$ 602	\$ 578
Notes payable	66	364
Accrued liabilities	819	839
Total current liabilities	<u>1,487</u>	<u>1,781</u>
Long-term debt	4,032	3,604
Deferred income taxes and other	1,039	973
Total Liabilities	<u>6,558</u>	<u>6,358</u>
Commitments and contingencies		
Equity:		
Masco Corporation's shareholders' equity		
Common shares authorized: 1,400,000,000; issued and outstanding: 2010 – 348,600,000; 2009 – 350,400,000	349	350
Preferred shares authorized: 1,000,000; issued and outstanding: 2010 and 2009 —None	—	—
Paid-in capital	42	42
Retained earnings	720	1,871
Accumulated other comprehensive income	273	366
Total Masco Corporation's shareholders' equity	<u>1,384</u>	<u>2,629</u>
Noncontrolling interest	198	188
Total Equity	<u>1,582</u>	<u>2,817</u>
Total Liabilities and Equity	<u>\$8,140</u>	<u>\$9,175</u>

See notes to consolidated financial statements.

MASCO CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

for the years ended December 31, 2010, 2009 and 2008

	(In Millions, Except Per Common Share Data)		
	2010	2009	2008
Net sales	\$ 7,592	\$7,792	\$9,484
Cost of sales	5,752	5,774	7,125
Gross profit	1,840	2,018	2,359
Selling, general and administrative expenses	1,618	1,701	1,802
Impairment charges for goodwill and other intangible assets	721	262	467
Operating (loss) profit	(499)	55	90
Other income (expense), net:			
Interest expense	(251)	(225)	(228)
Impairment charges for financial investments	(34)	(10)	(58)
Other, net	7	29	3
	(278)	(206)	(283)
Loss from continuing operations before income taxes	(777)	(151)	(193)
Income tax expense (benefit)	225	(49)	134
Loss from continuing operations	(1,002)	(102)	(327)
Loss from discontinued operations, net	—	(43)	(25)
Net loss	(1,002)	(145)	(352)
Less: Net income attributable to noncontrolling interest	41	38	39
Net loss attributable to Masco Corporation	<u>\$ (1,043)</u>	<u>\$ (183)</u>	<u>\$ (391)</u>
Loss per common share attributable to Masco Corporation:			
Basic:			
Loss from continuing operations	\$ (3.00)	\$ (.41)	\$ (1.06)
Loss from discontinued operations, net	—	(.12)	(.07)
Net loss	<u>\$ (3.00)</u>	<u>\$ (.53)</u>	<u>\$ (1.13)</u>
Diluted:			
Loss from continuing operations	\$ (3.00)	\$ (.41)	\$ (1.06)
Loss from discontinued operations, net	—	(.12)	(.07)
Net loss	<u>\$ (3.00)</u>	<u>\$ (.53)</u>	<u>\$ (1.13)</u>
Amounts attributable to Masco Corporation:			
Loss from continuing operations	\$ (1,043)	\$ (140)	\$ (366)
Loss from discontinued operations, net	—	(43)	(25)
Net loss	<u>\$ (1,043)</u>	<u>\$ (183)</u>	<u>\$ (391)</u>

See notes to consolidated financial statements.

MASCO CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2010, 2009 and 2008

	(In Millions)		
	2010	2009	2008
CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:			
Net loss	\$(1,002)	\$ (145)	\$ (352)
Depreciation and amortization	279	254	238
Deferred income taxes	168	(83)	20
Loss on disposition of businesses, net	—	40	38
(Gain) on disposition of investments, net	(8)	(2)	—
Charge for litigation settlements	—	—	9
Impairment charges:			
Financial investments	34	10	58
Goodwill and other intangible assets	721	262	467
Long-lived assets	67	—	—
Stock-based compensation	62	69	74
Other items, net	29	58	84
Decrease in receivables	80	20	294
Decrease in inventories	2	198	104
Increase (decrease) in accounts payable and accrued liabilities, net	33	24	(237)
Net cash from operating activities	<u>465</u>	<u>705</u>	<u>797</u>
CASH FLOWS FROM (FOR) FINANCING ACTIVITIES:			
Increase in debt	4	3	—
Payment of debt	(6)	(14)	(33)
Issuance of notes, net of issuance costs	494	—	—
Credit Agreement costs	(9)	—	—
Retirement of notes	(359)	—	(100)
Proceeds from settlement of swaps	—	—	16
Purchase of Company common stock	(45)	(11)	(160)
Tax benefit from stock-based compensation	4	7	3
Dividends paid to noncontrolling interest	(15)	(16)	(21)
Cash dividends paid	(108)	(166)	(336)
Net cash for financing activities	<u>(40)</u>	<u>(197)</u>	<u>(631)</u>
CASH FLOWS FROM (FOR) INVESTING ACTIVITIES:			
Capital expenditures	(137)	(125)	(200)
Acquisition of businesses, net of cash acquired	—	(8)	(21)
Proceeds from disposition of:			
Marketable securities	22	5	10
Businesses, net of cash disposed	—	8	179
Property and equipment	18	23	1
Other financial investments, net	20	6	48
Other, net	(32)	(27)	(31)
Net cash for investing activities	<u>(109)</u>	<u>(118)</u>	<u>(14)</u>
Effect of exchange rate changes on cash and cash investments	(14)	(5)	(46)
CASH AND CASH INVESTMENTS:			
Increase for the year	302	385	106
At January 1	1,413	1,028	922
At December 31	<u>\$ 1,715</u>	<u>\$ 1,413</u>	<u>\$ 1,028</u>

See notes to consolidated financial statements.

MASCO CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
for the years ended December 31, 2010, 2009 and 2008

	(In Millions, Except Per Share Data)					
	Total	Common Shares (\$1 par value)	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest
Balance, January 1, 2008	\$ 4,142	\$ 359	\$ -	\$ 2,969	\$ 661	\$ 153
Net (loss) income	(352)			(391)		39
Cumulative translation adjustments	(221)				(210)	(11)
Unrealized gain on marketable securities, net of income tax of \$4	7				7	
Unrecognized prior service cost and net loss, net of income tax benefit of \$86	(150)				(150)	
Total comprehensive loss	(716)					
Shares issued	1	1				
Shares retired:						
Repurchased	(160)	(9)	(71)	(80)		
Surrendered (non-cash)	(7)		(7)			
Cash dividends declared	(336)			(336)		
Dividends paid to noncontrolling interest	(21)					(21)
Stock-based compensation	78		78			
Balance, December 31, 2008	\$ 2,981	\$ 351	\$ -	\$ 2,162	\$ 308	\$ 160
Net (loss) income	(145)			(183)		38
Cumulative translation adjustments	28				22	6
Unrealized gain on marketable securities, net of income tax of \$13	22				22	
Unrecognized prior service cost and net loss, net of income tax benefit of \$20	14				14	
Total comprehensive loss	(81)					
Shares issued	1	2	(1)			
Shares retired:						
Repurchased	(11)	(2)	(9)			
Surrendered (non-cash)	(5)	(1)	(4)			
Cash dividends declared	(108)			(108)		
Dividends paid to noncontrolling interest	(16)					(16)
Stock-based compensation	56		56			
Balance, December 31, 2009	\$ 2,817	\$ 350	\$ 42	\$ 1,871	\$ 366	\$ 188
Net (loss) income	(1,002)			(1,043)		41
Cumulative translation adjustments	(57)				(41)	(16)
Unrealized gain on marketable securities, net of income tax of \$ —	1				1	
Unrecognized prior service cost and net loss, net of income tax of \$ —	(53)				(53)	
Total comprehensive loss	(1,111)					
Shares issued	-	2	(2)			
Shares retired:						
Repurchased	(45)	(3)	(42)			
Surrendered (non-cash)	(6)		(6)			
Cash dividends declared	(108)			(108)		
Dividends paid to noncontrolling interest	(15)					(15)
Stock-based compensation	50		50			
Balance, December 31, 2010	<u>\$ 1,582</u>	<u>\$ 349</u>	<u>\$ 42</u>	<u>\$ 720</u>	<u>\$ 273</u>	<u>\$ 198</u>

See notes to consolidated financial statements.

MASCO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. ACCOUNTING POLICIES

Principles of Consolidation. The consolidated financial statements include the accounts of Masco Corporation and all majority-owned subsidiaries. All significant intercompany transactions have been eliminated. The Company consolidates the assets, liabilities and results of operations of variable interest entities, for which the Company is the primary beneficiary.

Use of Estimates and Assumptions in the Preparation of Financial Statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates and assumptions.

Revenue Recognition. The Company recognizes revenue as title to products and risk of loss is transferred to customers or when services are rendered, net of applicable provisions for discounts, returns and allowances. The Company records revenue for unbilled services performed based upon estimates of labor incurred in the Installation and Other Services segment; such amounts are recorded in Receivables. Amounts billed for shipping and handling are included in net sales, while costs incurred for shipping and handling are included in cost of sales.

Customer Promotion Costs. The Company records estimated reductions to revenue for customer programs and incentive offerings, including special pricing and co-operative advertising arrangements, promotions and other volume-based incentives. In-store displays that are owned by the Company and used to market the Company's products are included in other assets in the consolidated balance sheets and are amortized using the straight-line method over the expected useful life of three years; related amortization expense is classified as a selling expense in the consolidated statements of income.

Foreign Currency. The financial statements of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at exchange rates as of the balance sheet date. Revenues and expenses are translated at average exchange rates in effect during the year. The resulting cumulative translation adjustments have been recorded in the accumulated other comprehensive income component of shareholders' equity. Realized foreign currency transaction gains and losses are included in the consolidated statements of income in other income (expense), net.

Cash and Cash Investments. The Company considers all highly liquid investments with an initial maturity of three months or less to be cash and cash investments.

Receivables. The Company does significant business with a number of customers, including certain home centers and homebuilders. The Company monitors its exposure for credit losses on its customer receivable balances and the credit worthiness of its customers on an on-going basis and records related allowances for doubtful accounts. Allowances are estimated based upon specific customer balances, where a risk of default has been identified, and also include a provision for non-customer specific defaults based upon historical collection, return and write-off activity. During downturns in the Company's markets, declines in the financial condition and creditworthiness of customers impacts the credit risk of the receivables involved and the Company has incurred additional bad debt expense related to customer defaults. A separate allowance is recorded for customer incentive rebates and is generally based upon sales activity. Receivables are presented net of certain allowances (including allowances for doubtful accounts) of \$65 million and \$75 million at December 31, 2010 and 2009, respectively. Receivables include unbilled revenue related to the Installation and Other Services segment of \$12 million and \$15 million at December 31, 2010 and 2009, respectively.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A. ACCOUNTING POLICIES – (Continued)

Property and Equipment. Property and equipment, including significant betterments to existing facilities, are recorded at cost. Upon retirement or disposal, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statements of income. Maintenance and repair costs are charged against earnings as incurred.

The Company reviews its property and equipment as an event occurs or circumstances change that would more likely than not reduce the fair value of the property and equipment below the carrying amount. If the carrying amount of property and equipment is not recoverable from its undiscounted cash flows, then the Company would recognize an impairment loss for the difference between the carrying amount and the current fair value. Further, the Company evaluates the remaining useful lives of property and equipment at each reporting period to determine whether events and circumstances warrant a revision to the remaining depreciation periods.

Depreciation. Depreciation expense is computed principally using the straight-line method over the estimated useful lives of the assets. Annual depreciation rates are as follows: buildings and land improvements, 2 to 10 percent, and machinery and equipment, 5 to 33 percent. Depreciation expense was \$261 million, \$237 million and \$220 million in 2010, 2009 and 2008, respectively.

Goodwill and Other Intangible Assets. The Company performs its annual impairment testing of goodwill in the fourth quarter of each year, or as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company has defined its reporting units and completed the impairment testing of goodwill at the operating segment level, as defined by accounting guidance. The Company's operating segments are reporting units that engage in business activities, for which discrete financial information, including five-year forecasts, are available. The Company compares the fair value of the reporting units to the carrying value of the reporting units for goodwill impairment testing. Fair value is determined using a discounted cash flow method, which includes significant unobservable inputs (Level 3 inputs).

Determining market values using a discounted cash flow method requires the Company to make significant estimates and assumptions, including long-term projections of cash flows, market conditions and appropriate discount rates. The Company's judgments are based upon historical experience, current market trends, consultations with external valuation specialists and other information. In estimating future cash flows, the Company relies on internally generated five-year forecasts for sales and operating profits, including capital expenditures, and generally a one to three percent long-term assumed annual growth rate of cash flows for periods after the five-year forecast. The Company generally utilizes its weighted average cost of capital (discount rate) of approximately eight percent to discount the estimated cash flows. However, in 2010 and 2009, due to market conditions, the Company increased the discount rate to a range of nine percent to eleven percent for most of its reporting units, based upon a review of the current risks impacting our businesses. The Company records an impairment to goodwill (adjusting the value to the estimated fair value) if the book value is below the estimated fair value, on a non-recurring basis.

The Company reviews its other indefinite-lived intangible assets for impairment annually in the fourth quarter of each year, or as events occur or circumstances change that indicate the assets may be impaired without regard to the reporting unit. The Company considers the implications of both external (e.g., market growth, competition and local economic conditions) and internal (e.g., product sales and expected product growth) factors and their potential impact on cash flows related to the intangible asset in both the near- and long-term.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. The Company evaluates the remaining useful lives of amortizable identifiable intangible assets at each reporting period to determine whether events and circumstances warrant a revision to the remaining

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A. ACCOUNTING POLICIES – (Continued)

periods of amortization. See Note H for additional information regarding Goodwill and Other Intangible Assets.

Fair Value Accounting. On January 1, 2008, the Company adopted accounting guidance for its financial investments and liabilities which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. On January 1, 2009, the Company adopted this guidance for its non-financial investments and liabilities; such adoption did not have a significant effect on its consolidated financial statements.

The fair value of financial investments and liabilities is determined at each balance sheet date and future declines in market conditions, the future performance of the underlying investments or new information could affect the recorded values of the Company's investments in marketable securities, private equity funds and other private investments.

The Company uses derivative financial instruments to manage certain exposure to fluctuations in earnings and cash flows resulting from changes in foreign currency exchange rates and commodity costs. Derivative financial instruments are recorded in the consolidated balance sheets as either an asset or liability measured at fair value. For each derivative financial instrument that is designated and qualifies as a fair-value hedge, the gain or loss on the derivative instrument, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in determining current earnings during the period of the change in fair values. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in determining current earnings during the period of the change in fair value.

Warranty. At the time of sale, the Company accrues a warranty liability for estimated costs to provide products, parts or services to repair or replace products in satisfaction of warranty obligations. The Company's estimate of costs to service its warranty obligations is based upon historical experience and expectations of future conditions.

A majority of the Company's business is at the consumer retail level through home centers and major retailers. A consumer may return a product to a retail outlet that is a warranty return. However, certain retail outlets do not distinguish between warranty and other types of returns when they claim a return deduction from the Company. The Company's revenue recognition policy takes into account this type of return when recognizing revenue, and deductions are recorded at the time of sale.

Product Liability. The Company provides for expenses associated with product liability obligations when such amounts are probable and can be reasonably estimated. The accruals are adjusted as new information develops or circumstances change that would affect the estimated liability.

Stock-Based Compensation. The Company measures compensation expense for stock awards at the market price of the Company's common stock at the grant date. Effective January 1, 2006, such expense is being recognized ratably over the shorter of the vesting period of the stock awards, typically 5 to 10 years (except for stock awards held by grantees age 66 or older, which vest over five years), or the length of time until the grantee becomes retirement-eligible at age 65. For stock awards granted prior to January 1, 2006, such expense is being recognized over the vesting period of the stock awards, typically 10 years, or for executive grantees that are, or will become, retirement-eligible during the vesting period, the expense is being recognized over five years or immediately upon a grantee's retirement.

The Company measures compensation expense for stock options using a Black-Scholes option pricing model. For stock options granted subsequent to January 1, 2006, such expense is being recognized ratably over the shorter of the vesting period of the stock options, typically five years, or the length of time until the grantee becomes retirement-eligible at age 65. The expense for unvested stock options at January 1, 2006 is based upon the grant date fair value of those options as calculated using a Black-Scholes option pricing

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A. ACCOUNTING POLICIES – (Concluded)

model. For stock options granted prior to January 1, 2006, such expense is being recognized ratably over the vesting period of the stock options, typically five years. The Company utilizes the shortcut method to determine the tax windfall pool associated with stock options.

Noncontrolling Interest. The Company owns 68 percent of Hansgrohe AG at both December 31, 2010 and 2009. The aggregate noncontrolling interest, net of dividends, at December 31, 2010 and 2009 has been recorded as a component of equity on the Company's consolidated balance sheets.

Interest and Penalties on Uncertain Tax Positions. The Company records interest and penalties on its uncertain tax positions in income tax expense.

Reclassifications. Certain prior-year amounts have been reclassified to conform to the 2010 presentation in the consolidated financial statements. In the Company's consolidated statements of cash flows, the cash flows from discontinued operations are not separately classified.

Recently Issued Accounting Pronouncements. Effective January 1, 2010, the Company adopted new FASB guidance regarding how a company determines when an entity is insufficiently capitalized or is not controlled through voting and should be consolidated. The adoption of this guidance did not have any impact on the Company's consolidated financial condition and results of operations.

B. DISCONTINUED OPERATIONS

During 2009 and 2008, the Company sold several business units that were not core to the Company's long-term growth strategy. The presentation of discontinued operations includes a component of the Company, which comprises operations and cash flows, that can be clearly distinguished from the rest of the Company. The Company has accounted for the business units which were sold in 2009 and 2008 as discontinued operations.

During 2009, in separate transactions, the Company completed the sale of Damixa and Breuer, two European business units in the Plumbing Products segment. The Company received gross proceeds of \$9 million and recognized a net pre-tax loss of \$43 million for the sale of these business units.

During 2009, the Company recorded income of \$1 million included in (loss) gain on disposal of discontinued operations, net related to cash received for a disposition completed in prior years. Also during 2009, the Company recorded other income of \$2 million included in (loss) gain on disposal of discontinued operations, net, reflecting the settlement of certain liabilities related to a business unit disposed in prior years.

During 2008, in separate transactions, the Company completed the sale of its Europe-based The Heating Group business unit (Other Specialty Products segment), Glass Idromassaggio (Plumbing Products segment) and Alfred Reinecke (Plumbing Products segment). Total net proceeds from the sale of these business units were \$174 million. The Company recorded an impairment of assets related to these discontinued operations which primarily included the write-down of goodwill of \$24 million and other assets of \$21 million; upon completion of the transactions, the Company recognized a net gain of \$6 million included in (loss) gain on disposal of discontinued operations, net. During 2008, the Company recorded other net expenses of \$3 million included in (loss) gain on disposal of discontinued operations, net, reflecting the adjustment of certain liabilities related to businesses disposed in prior years.

(Losses) gains from these 2009 and 2008 discontinued operations were included in (loss) from discontinued operations, net, in the consolidated statements of income.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

B. DISCONTINUED OPERATIONS – (Concluded)

Selected financial information for the discontinued operations during the period owned by the Company, were as follows, in millions:

	<u>2009</u>	<u>2008</u>
Net sales	\$ 66	\$216
(Loss) from discontinued operations	\$(10)	\$ (5)
Impairment of assets held for sale	—	(45)
(Loss) gain on disposal of discontinued operations, net	(40)	3
(Loss) before income tax	(50)	(47)
Income tax benefit	7	22
(Loss) from discontinued operations, net	<u>\$(43)</u>	<u>\$ (25)</u>

Included in income tax benefit above was income tax benefit related to (loss) from discontinued operations of \$1 million in both 2009 and 2008. The unusual relationship between income taxes and (loss) before income taxes resulted primarily from certain losses providing no current tax benefit.

C. ACQUISITIONS

During 2009, the Company acquired a small business in the Plumbing Products segment; this business allows the Company to expand into a developing market and had annual sales of \$11 million. During 2008, the Company acquired a relatively small countertop business (Cabinet and Related Products segment) which allows the Company to expand the products and services it offers to its customers and had annual sales of over \$40 million.

The results of all acquisitions are included in the consolidated financial statements from the respective dates of acquisition.

The total net cash purchase price of these acquisitions was \$6 million and \$18 million, respectively, in 2009 and 2008.

Certain purchase agreements provided for the payment of additional consideration in cash, contingent upon whether certain conditions are met, including the operating performance of the acquired business. In 2008, the Company paid in cash an additional \$1 million of acquisition-related consideration, contingent consideration and other purchase price adjustments, relating to previously acquired companies. At December 31, 2010 and 2009, there was no outstanding contingent consideration.

D. INVENTORIES

	(In Millions)	
	At December 31	
	<u>2010</u>	<u>2009</u>
Finished goods	\$393	\$405
Raw material	246	247
Work in process	93	91
Total	<u>\$732</u>	<u>\$743</u>

Inventories, which include purchased parts, materials, direct labor and applied manufacturing overhead, are stated at the lower of cost or net realizable value, with cost determined by use of the first-in, first-out method.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

E. FAIR VALUE OF FINANCIAL INVESTMENTS AND LIABILITIES

Accounting Policy. On January 1, 2008, the Company adopted accounting guidance that defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements for its financial investments and liabilities. The guidance defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” Further, it defines a fair value hierarchy, as follows: Level 1 inputs as quoted prices in active markets for identical assets or liabilities; Level 2 inputs as observable inputs other than Level 1 prices, such as quoted market prices for similar assets or liabilities or other inputs that are observable or can be corroborated by market data; and Level 3 inputs as unobservable inputs that are supported by little or no market activity and that are financial instruments whose value is determined using pricing models or instruments for which the determination of fair value requires significant management judgment or estimation.

Financial investments that are available to be traded on readily accessible stock exchanges (domestic or foreign) are considered to have active markets and have been valued using Level 1 inputs. Financial investments that are not available to be traded on a public market or have limited secondary markets, or contain provisions that limit the ability to sell the investment are considered to have inactive markets and have been valued using Level 2 or 3 inputs. The Company incorporated credit risk into the valuations of financial investments by estimating the likelihood of non-performance by the counterparty to the applicable transactions. The estimate included the length of time relative to the contract, financial condition of the counterparty and current market conditions. The criteria for determining if a market was active or inactive were based on the individual facts and circumstances.

Financial Investments. The Company has maintained investments in available-for-sale securities and a number of private equity funds and other private investments, principally as part of its tax planning strategies, as any gains enhance the utilization of any current and future tax capital losses.

Financial investments included in other assets were as follows, in millions:

	At December 31	
	2010	2009
TriMas Corporation common stock	\$ 40	\$ 17
Auction rate securities	22	22
Asahi Tec Corporation — common and preferred stock	—	71
Total recurring investments	62	110
Private equity funds	106	123
Other investments	13	9
Total non-recurring investments	119	132
Total	\$181	\$242

The Company's investments in available-for-sale securities at December 31, 2010 and 2009 were as follows, in millions:

	Cost Basis	Pre-tax		Recorded Basis
		Unrealized Gains	Unrealized Losses	
December 31, 2010	\$ 22	\$ 40	\$ —	\$ 62
December 31, 2009	\$ 71	\$ 39	\$ —	\$ 110

The Company's investments in private equity funds and other private investments are carried at cost. At December 31, 2010, the Company has investments in 17 venture capital funds, with an aggregate carrying

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

E. FAIR VALUE OF FINANCIAL INVESTMENTS AND LIABILITIES – (Continued)

value of \$22 million. The venture capital funds invest in start-up or smaller, early-stage established businesses, principally in the information technology, bio-technology and health care sectors. At December 31, 2010, the Company also has investments in 26 buyout funds, with an aggregate carrying value of \$84 million. The buyout funds invest in later-stage, established businesses and no buyout fund has a concentration in a particular sector.

Recurring Fair Value Measurements. For financial investments measured at fair value on a recurring basis at each reporting period, the unrealized gains or losses (that are deemed to be temporary) are recognized, net of tax effect, through shareholders' equity, as a component of other comprehensive income. Realized gains and losses and charges for other-than-temporary impairments are included in determining net income, with related purchase costs based upon specific identification.

For marketable securities, the Company reviews, on a recurring basis, industry analyst reports, key ratios and statistics, market analyses and other factors for each investment to determine if an unrealized loss is other-than-temporary.

In the past, the Company invested excess cash in auction rate securities. Auction rate securities are investment securities that have interest rates which are reset every 7, 28 or 35 days. The fair values of the auction rate securities held by the Company have been estimated, on a recurring basis, using a discounted cash flow model (Level 3 input). The significant inputs in the discounted cash flow model used to value the auction rate securities include: expected maturity of auction rate securities, discount rate used to determine the present value of expected cash flows and assumptions for credit defaults, since the auction rate securities are backed by credit default swap agreements.

In 2009, the Company sold its holdings of Asahi Tec common stock for proceeds approximating book value.

During the second quarter of 2010, Asahi Tec approached the Company with an offer to amend the terms of the preferred stock held by the Company. The request was made by Asahi Tec in order to facilitate early negotiations with their bank group for debt that matures in early 2011. The Company and Asahi Tec agreed to amend the preferred stock to include a more favorable conversion feature into common stock and to include a mandatory conversion date of February 28, 2011. The Company agreed to this amendment based on favorable tax benefits related to the Asahi Tec investment. Prior to this amendment, the Company could have settled in cash or common stock in 2017. As a result of the amendment, the Company recognized a \$28 million impairment loss based on the current fair value of the preferred stock on an if-converted basis at June 30, 2010. Also, as a result of the amendment, the Company reversed an unrealized gain of \$23 million that was previously included in accumulated other comprehensive income. During the last six months of 2010, the Company converted all its holdings of Asahi Tec preferred stock into common stock which was sold, in its entirety, in open market transactions. The Company realized cash proceeds of \$11 million and realized losses aggregating \$8 million in 2010. As a result of the disposition of the Asahi Tec common stock, the Company will receive a tax refund of \$16 million in 2011 relating to the utilization of a loss carryback to offset taxes paid on prior capital gains.

In the past, the preferred stock of Asahi Tec was valued primarily using a discounted cash flow model, because there were previously no observable prices in an active market for the same or similar securities. The significant inputs in the discounted cash flow model previously used to value the Asahi Tec preferred stock included: the present value of future dividends, present value of redemption rights, fair value of conversion rights and the discount rate based on credit spreads for Japanese-issued preferred securities (approximately 600 basis points at December 31, 2009) and other market factors.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

E. FAIR VALUE OF FINANCIAL INVESTMENTS AND LIABILITIES – (Continued)

During 2010, the Company sold 481,000 shares of its investment in TriMas common stock for cash of \$10 million.

Non-Recurring Fair Value Measurements. It is not practicable for the Company to estimate a fair value for private equity funds and other private investments because there are no quoted market prices, and sufficient information is not readily available for the Company to utilize a valuation model to determine the fair value for each fund. These investments are evaluated, on a non-recurring basis, for potential other-than-temporary impairment when impairment indicators are present, or when an event or change in circumstances has occurred, that may have a significant adverse effect on the fair value of the investment.

Impairment indicators the Company considers include the following: whether there has been a significant deterioration in earnings performance, asset quality or business prospects; a significant adverse change in the regulatory, economic or technological environment; a significant adverse change in the general market condition or geographic area in which the investment operates; industry and sector performance; current equity and credit market conditions; and any bona fide offers to purchase the investment for less than the carrying value. The Company also considers specific adverse conditions related to the financial health of and business outlook for the fund, including industry and sector performance. The significant assumptions utilized in analyzing a fund for potential other-than-temporary impairment include current economic conditions, market analysis for specific funds and performance indicators in the residential and commercial construction, bio-technology, health care and information technology sectors in which the applicable funds' investments operate. Since there is no active trading market for these investments, they are for the most part illiquid. These investments, by their nature, can also have a relatively higher degree of business risk, including financial leverage, than other financial investments. Future changes in market conditions, the future performance of the underlying investments or new information provided by private equity fund managers could affect the recorded values of such investments and the amounts realized upon liquidation. Due to the significant unobservable inputs, the fair value measurements used to evaluate impairment are a Level 3 input.

Recurring Fair Value Measurements. Financial investments and (liabilities) measured at fair value on a recurring basis at each reporting period and the amounts for each level within the fair value hierarchy were as follows, in millions:

	Dec. 31, 2010	Fair Value Measurements Using		
		Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
TriMas Corporation	\$ 40	\$ 40	\$ –	\$ –
Auction rate securities	22	–	–	22
Total	\$ 62	\$ 40	\$ –	\$ 22

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

E. FAIR VALUE OF FINANCIAL INVESTMENTS AND LIABILITIES – (Continued)

	Dec. 31, 2009	Fair Value Measurements Using		
		Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asahi Tec Corporation:				
Preferred stock	\$ 71	\$ –	\$ –	\$ 71
Auction rate securities	22	–	–	22
TriMas Corporation	17	17	–	–
Total	\$ 110	\$ 17	\$ –	\$ 93

The following table summarizes the changes in Level 3 financial investments measured at fair value on a recurring basis for the years ended December 31, 2010 and 2009, in millions:

	Asahi Tec Preferred Stock	Auction Rate Securities	Total
Fair value January 1, 2010	\$ 71	\$ 22	\$ 93
Total losses included in earnings	(28)	–	(28)
Unrealized losses	(23)	–	(23)
Purchases, issuances, settlements	–	–	–
Transfers from Level 3 to Level 2	(20)	–	(20)
Fair value at December 31, 2010	\$ –	\$ 22	\$ 22

	Asahi Tec Preferred Stock	Auction Rate Securities	Total
Fair value January 1, 2009	\$ 72	\$ 22	\$ 94
Total losses included in earnings	–	–	–
Unrealized losses	(1)	–	(1)
Purchases, issuances, settlements	–	–	–
Fair value at December 31, 2009	\$ 71	\$ 22	\$ 93

Non-Recurring Fair Value Measurements. Financial investments measured at fair value on a non-recurring basis during the period and the amounts for each level within the fair value hierarchy were as follows, in millions:

	Dec. 31, 2010	Fair Value Measurements Using			Total Gains (Losses)
		Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Private equity funds	\$ 2	\$ –	\$ –	\$ 2	\$ (4)
Other private investments	–	–	–	–	(2)
	\$ 2	\$ –	\$ –	\$ 2	\$ (6)

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

E. FAIR VALUE OF FINANCIAL INVESTMENTS AND LIABILITIES – (Continued)

	Dec. 31, 2009	Fair Value Measurements Using			Total Gains (Losses)
		Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Private equity funds	\$ 31	\$ –	\$ –	\$ 31	\$ (10)
Other private investments	3	–	–	3	–
	<u>\$ 34</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 34</u>	<u>\$ (10)</u>

The Company's investments in private equity funds for which fair value was determined with unrealized losses, were as follows, in millions:

	Fair Value	Unrealized Loss	
		Less than 12 Months	Over 12 Months
December 31, 2010	\$ –	\$ –	\$ –
December 31, 2009	\$ –	\$ –	\$ –

The remaining private equity investments in 2010 and 2009 with an aggregate carrying value of \$104 million and \$92 million, respectively, were not reviewed for impairment, as there were no indicators of impairment or identified events or changes in circumstances that would have a significant adverse effect on the fair value of the investment.

Realized Gains (Losses) and Impairment Charges. During 2010, based on information from the fund manager, the Company determined that the decline in the estimated value of three private equity funds (with an aggregate carrying value of \$6 million prior to impairment) was other-than-temporary and, accordingly, recognized non-cash, pre-tax impairment charges of \$4 million. During 2010, the Company also determined that the decline in the estimated value of one private investment was and, accordingly, recognized a non-cash, pre-tax impairment charge of \$2 million. The Company did not have any transfers between Level 1 and Level 2 financial assets in 2010 or 2009.

During 2009, the Company determined that the decline in the estimated value of five private equity funds, with an aggregate carrying value of \$41 million prior to impairment, was other-than-temporary. Accordingly, for the year ended December 31, 2009, the Company recognized non-cash, pre-tax impairment charges of \$10 million.

During 2008, based upon its review of marketable securities, the Company recognized non-cash, pre-tax impairment charges of \$31 million related to its investment in TriMas Corporation ("TriMas") common stock (NYSE: TRS) and \$1 million related to its investment in Asahi Tec Corporation ("Asahi Tec") common stock (Tokyo Stock Exchange: 5606.T). During 2008, the Company determined that the decline in the estimated value of certain private equity fund investments, with an aggregate carrying value of \$66 million prior to the impairment, was other-than-temporary. Accordingly, for the year ended December 31, 2008, the Company recognized non-cash, pre-tax impairment charges of \$23 million. A review of sector performance and other factors specific to the underlying investments in six funds having other-than-temporary declines in fair value, including the Heartland Fund (automotive and transportation sector of \$10 million) and five other funds (\$13 million.)

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

E. FAIR VALUE OF FINANCIAL INVESTMENTS AND LIABILITIES – (Concluded)

Income from financial investments, net, included in other, net, within other income (expense), net, and impairment charges for financial investments were as follows, in millions:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Realized gains from marketable securities	\$ 10	\$ –	\$ –
Realized losses from marketable securities	(8)	–	(3)
Dividend income from marketable securities	–	–	–
Income from other investments, net	7	3	4
Dividend income from other investments	–	–	–
Income from financial investments, net	<u>\$ 9</u>	<u>\$ 3</u>	<u>\$ 1</u>
Impairment charges:			
Asahi Tec	\$(28)	\$ –	\$ –
Private equity funds	(4)	(10)	(23)
Other private investments	(2)	–	(3)
TriMas Corporation	–	–	(31)
Marketable securities	–	–	(1)
Total impairment charges	<u>\$(34)</u>	<u>\$(10)</u>	<u>\$(58)</u>

The impairment charges related to the Company's financial investments recognized during 2010, 2009 and 2008 were based upon then-current estimates for the fair value of certain financial investments; such estimates could change in the near-term based upon future events and circumstances.

The fair value of the Company's short-term and long-term fixed-rate debt instruments is based principally upon quoted market prices for the same or similar issues or the current rates available to the Company for debt with similar terms and remaining maturities. The aggregate estimated market value of short-term and long-term debt at December 31, 2010 was approximately \$4.2 billion, compared with the aggregate carrying value of \$4.1 billion. The aggregate estimated market value of short-term and long-term debt at December 31, 2009 was approximately \$3.9 billion, compared with the aggregate carrying value of \$4.0 billion.

F. DERIVATIVES

At December 31, 2010, the Company, including certain European operations, had entered into foreign currency forward contracts with notional amounts of \$43 million and \$6 million to manage exposure to currency fluctuations in the European euro and the U.S. dollar, respectively. At December 31, 2009, the Company, including certain European operations, had entered into foreign currency forward contracts with notional amounts of \$55 million and \$10 million to manage exposure to currency fluctuations in the European euro and the U.S. dollar, respectively. Based upon year-end market prices, the Company had recorded (losses) gains of \$(2) million and \$(1) million to reflect the contract prices at December 31, 2010 and 2009, respectively. Gains (losses) related to these contracts are recorded in the Company's consolidated statements of income in other income (expense), net. In the event that the counterparties fail to meet the terms of the foreign currency forward contracts, the Company's exposure is limited to the aggregate foreign currency rate differential with such institutions.

At December 31, 2010, the Company had entered into foreign currency exchange contracts to hedge currency fluctuations related to intercompany loans denominated in non-functional currencies with notional amounts of \$3 million. At December 31, 2010, the Company had recorded a \$4 million loss on the foreign

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

F. DERIVATIVES – (Concluded)

currency exchange contract, which was more than offset by gains related to the translation of loans and accounts denominated in non-functional currencies.

During 2010, the Company entered into several contracts to manage its exposure to increases in the price of copper and zinc. Based upon period-end market prices, the Company had recorded assets of \$7 million to reflect contract prices at December 31, 2010. Gains (losses) related to these contracts are recorded in the Company's consolidated statements of income in cost of goods sold. For the year ended December 31, 2010, the Company had recorded gains of \$7 million related to these contracts.

The fair value of these derivative contracts is estimated on a recurring basis, quarterly, using Level 2 inputs (significant other observable inputs).

In 2009, the Company recognized a decrease in interest expense of \$10 million related to the amortization of the gains resulting from the terminations (in 2008 and 2004) of two interest rate swap agreements. In 2008, the Company recognized a decrease in interest expense of \$12 million related to the interest rate swap agreements.

G. PROPERTY AND EQUIPMENT

	(In Millions)	
	At December 31	
	2010	2009
Land and improvements	\$ 190	\$ 195
Buildings	1,030	1,044
Machinery and equipment	2,419	2,420
	3,639	3,659
Less: Accumulated depreciation	1,902	1,678
Total	<u>\$1,737</u>	<u>\$1,981</u>

The Company leases certain equipment and plant facilities under noncancellable operating leases. Rental expense recorded in the consolidated statements of income totaled approximately \$111 million, \$135 million and \$161 million during 2010, 2009 and 2008, respectively. Future minimum lease payments at December 31, 2010 were approximately as follows: 2011 — \$75 million; 2012 — \$48 million; 2013 — \$28 million; 2014 — \$18 million; and 2015 and beyond — \$76 million.

The Company leases operating facilities from certain related parties, primarily former owners (and in certain cases, current management personnel) of companies acquired. The Company recorded rental expense to such related parties of approximately \$6 million, \$8 million and \$10 million in 2010, 2009 and 2008, respectively.

During 2010, the Company decided to permanently close and hold for sale a cabinet manufacturing facility that had previously been idled. As a result of this decision, the Company estimated a fair value for the manufacturing facility using a market approach, considering the estimated fair values for other comparable buildings in the area where the facility is located (Level 2 inputs). The Company determined that there had been a decline in the estimated value of the facility and, accordingly, recognized a non-cash, pre-tax impairment charge of \$67 million. The carrying value of the manufacturing facility was \$99 million prior to impairment.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

H. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for 2010 and 2009, by segment, were as follows, in millions:

	Gross Goodwill At December 31, 2010	Accumulated Impairment Losses	Net Goodwill At December 31, 2010
Cabinets and Related Products	\$ 587	\$ (364)	\$ 223
Plumbing Products	536	(340)	196
Installation and Other Services	1,819	(762)	1,057
Decorative Architectural Products	294	—	294
Other Specialty Products	980	(367)	613
Total	<u>\$ 4,216</u>	<u>\$ (1,833)</u>	<u>\$ 2,383</u>

	Gross Goodwill At December 31, 2009	Accumulated Impairment Losses	Net Goodwill At December 31, 2009	Additions(A)	Discontinued Operations	Pre-tax Impairment Charge	Other(B)	Net Goodwill At December 31, 2010
Cabinets and Related Products	\$ 590	\$ (364)	\$ 226	\$ —	\$ —	\$ —	\$ (3)	\$ 223
Plumbing Products	547	(340)	207	—	—	—	(11)	196
Installation and Other Services	1,819	(51)	1,768	—	—	(711)	—	1,057
Decorative Architectural Products	294	—	294	—	—	—	—	294
Other Specialty Products	980	(367)	613	—	—	—	—	613
Total	<u>\$ 4,230</u>	<u>\$ (1,122)</u>	<u>\$ 3,108</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (711)</u>	<u>\$ (14)</u>	<u>\$ 2,383</u>

	Gross Goodwill At December 31, 2008	Accumulated Impairment Losses	Net Goodwill At December 31, 2008	Additions(A)	Discontinued Operations	Pre-tax Impairment Charge	Other(B)	Net Goodwill At December 31, 2009
Cabinets and Related Products	\$ 589	\$ (364)	\$ 225	\$ —	\$ —	\$ —	\$ 1	\$ 226
Plumbing Products	549	(301)	248	4	(13)	(39)	7	207
Installation and Other Services	1,819	(51)	1,768	—	—	—	—	1,768
Decorative Architectural Products	294	—	294	—	—	—	—	294
Other Specialty Products	980	(144)	836	—	—	(223)	—	613
Total	<u>\$ 4,231</u>	<u>\$ (860)</u>	<u>\$ 3,371</u>	<u>\$ 4</u>	<u>\$ (13)</u>	<u>\$ (262)</u>	<u>\$ 8</u>	<u>\$ 3,108</u>

(A) Additions include acquisitions.

(B) Other principally includes the effect of foreign currency translation and purchase price adjustments related to prior-year acquisitions.

In the fourth quarters of 2010 and 2009, the Company completed its annual impairment testing of goodwill and other indefinite-lived intangible assets. During each year, and prior to the fourth quarter testing, there were no events or circumstances that would have indicated potential impairment.

The impairment tests in 2010 and 2009 indicated that goodwill recorded for certain of the Company's reporting units was impaired. The Company recognized the non-cash, pre-tax impairment charges for goodwill of \$711 million (\$587 million, after tax) and \$262 million (\$180 million, after tax) for 2010 and 2009,

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

H. GOODWILL AND OTHER INTANGIBLE ASSETS – (Concluded)

respectively. In 2010, the pre-tax impairment charge in the Installation and Other Services segment reflects the Company's expectation that the recovery in the new home construction market will be modestly slower than previously anticipated. In 2009, the pre-tax impairment charge in the Plumbing Products segment relates to a European shower enclosure manufacturer; the pre-tax impairment charge in the Other Specialty Products segment relates to the Company's North American manufacturer of staple gun tackers and other fastening tools. The impairment charges in 2009 reflect the anticipated long-term outlook for the reporting units, including declining demand for certain products, as well as decreased operating profit margins.

Other indefinite-lived intangible assets were \$185 million and \$196 million at December 31, 2010 and 2009, respectively, and principally included registered trademarks. In 2010, the impairment test indicated that the registered trademark for several small installation service businesses in North America in the Installation and Other Services segment and the registered trademark for a North American business unit in the Plumbing Products segment were impaired due to changes in the anticipated long-term outlook for the business units. The Company recognized non-cash, pre-tax impairment charges for other indefinite-lived intangible assets of \$10 million (\$6 million, after tax) in 2010.

The carrying value of the Company's definite-lived intangible assets was \$84 million at December 31, 2010 (net of accumulated amortization of \$75 million) and \$94 million at December 31, 2009 (net of accumulated amortization of \$67 million) and principally included customer relationships and non-compete agreements, with a weighted average amortization period of 15 years in both 2010 and 2009. Amortization expense related to the definite-lived intangible assets was \$11 million, \$11 million and \$16 million in 2010, 2009 and 2008, respectively.

At December 31, 2010, amortization expense related to the definite-lived intangible assets during each of the next five years was as follows: 2011 — \$11 million; 2012 — \$10 million; 2013 — \$9 million; 2014 — \$9 million; and 2015 — \$9 million.

I. OTHER ASSETS

	(In Millions)	
	At December 31	
	2010	2009
Financial investments (Note E)	\$181	\$242
In-store displays, net	43	44
Debenture expense	34	25
Notes receivable	2	3
Other	27	31
Total	<u>\$287</u>	<u>\$345</u>

In-store displays are amortized using the straight-line method over the expected useful life of three years; the Company recognized amortization expense related to in-store displays of \$33 million, \$44 million and \$43 million in 2010, 2009 and 2008, respectively. Cash spent for displays was \$32 million, \$26 million and \$37 million in 2010, 2009 and 2008, respectively.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

J. ACCRUED LIABILITIES

	(In Millions)	
	At December 31	
	2010	2009
Salaries, wages and commissions	\$177	\$193
Insurance	176	193
Warranty (Note S)	107	109
Advertising and sales promotion	90	80
Interest	78	68
Employee retirement plans	43	36
Property, payroll and other taxes	32	35
Dividends payable	27	27
Litigation	5	9
Plant closures	4	3
Other	80	86
Total	<u>\$819</u>	<u>\$839</u>

K. DEBT

	(In Millions)	
	At December 31	
	2010	2009
Notes and debentures:		
5.875%, due July 15, 2012	\$ 791	\$ 850
7.125%, due Aug. 15, 2013	200	200
4.8%, due June 15, 2015	500	500
6.125%, due Oct. 3, 2016	1,000	1,000
5.85%, due Mar. 15, 2017	300	300
6.625%, due Apr. 15, 2018	114	114
7.125%, due Mar. 15, 2020	500	—
7.75%, due Aug. 1, 2029	296	296
6.5%, due Aug. 15, 2032	300	300
Zero Coupon Convertible Senior Notes due 2031 (accrued value)	57	55
Floating-Rate Notes, due Mar. 12, 2010	—	300
Other	40	53
	<u>4,098</u>	<u>3,968</u>
Less: Current portion	66	364
Total Long-term debt	<u>\$ 4,032</u>	<u>\$ 3,604</u>

All of the notes and debentures above are senior indebtedness and, other than the 6.625% notes due 2018 and the 7.75% notes due 2029, are redeemable at the Company's option.

On March 10, 2010, the Company issued \$500 million of 7.125% Notes ("Notes") due March 15, 2020. The notes are senior indebtedness and are redeemable at the Company's option.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

K. DEBT – (Continued)

The Company retired \$300 million of floating rate notes on March 12, 2010, the scheduled maturity date.

During 2010, the Company repurchased \$59 million of 5.875% Notes due July 2012, in open-market transactions. The Company paid a premium of \$2 million over par value on the purchase of the notes; this cost was included in interest expense.

In July 2001, the Company issued \$1.9 billion principal amount at maturity of Zero Coupon Convertible Senior Notes due 2031 (“Old Notes”), resulting in gross proceeds of \$750 million. The issue price per Note was \$394.45 per \$1,000 principal amount at maturity, which represented a yield to maturity of 3.125% compounded semi-annually. In December 2004, the Company completed an exchange of the outstanding Old Notes for Zero Coupon Convertible Senior Notes Series B due July 2031 (“New Notes or Notes”). The Company will not pay interest in cash on the Notes prior to maturity, except in certain circumstances, including possible contingent interest payments that are not expected to be material. Holders of the Notes have the option to require that the Notes be repurchased by the Company on July 20, 2011 and every five years thereafter. Upon conversion of the Notes, the Company will pay the principal return, equal to the lesser of (1) the accreted value of the Notes in only cash, and (2) the conversion value, as defined, which will be settled in cash or shares of Company common stock, or a combination of both, at the option of the Company. The Notes are convertible if the average price of Company common stock for the 20 days immediately prior to the conversion date exceeds 117%, declining by 1/3% each year thereafter, of the accreted value of the Notes divided by the conversion rate of 12.7317 shares for each \$1,000 principal amount at maturity of the Notes. Notes also become convertible if the Company’s credit rating is reduced to below investment grade, or if certain actions are taken by the Company. The Company may at any time redeem all or part of the Notes at their then accreted value. On January 20, 2007, holders of \$1.8 billion (94 percent) principal amount at maturity of the Notes required the Company to repurchase their Notes at a cash value of \$825 million.

A credit rating agency (i.e., Moody’s or Standard and Poor’s) is an entity that assigns credit ratings for issuers of certain types of debt obligations. In December 2008, one rating agency reduced the credit rating on the Company’s debt to below investment grade; as a result, the Notes are convertible on demand. The Company does not anticipate conversion of the Notes since, based on the terms, it would not currently be profitable for holders of the Notes to exercise the option to convert the Notes.

At both December 31, 2010 and 2009, there were outstanding \$108 million principal amount at maturity of Notes, with an accreted value of \$57 million and \$55 million, respectively, which has been reclassified to short-term debt.

On June 21, 2010, the Company entered into a Credit Agreement (the “Credit Agreement”) with a bank group, with an aggregate commitment of \$1.25 billion with a maturity date of January 10, 2014. The Company’s 5-Year Revolving Credit Agreement dated as of November 5, 2004, as amended, was terminated at that time.

The Credit Agreement provides for an unsecured revolving credit facility available to the Company and one of its foreign subsidiaries, in U.S. dollars, European euros and certain other currencies. Borrowings under the revolver denominated in euros are limited to \$500 million, equivalent. The Company can also borrow swingline loans up to \$150 million and obtain letters of credit of up to \$250 million. Any outstanding Letters of Credit reduce the Company’s borrowing capacity. At December 31, 2010, the Company had \$99 million of outstanding and unused Letters of Credit, reducing the Company’s borrowing capacity by such amount.

Revolving credit loans bear interest under the Credit Agreement, at the Company’s option: at (A) a rate per annum equal to the greatest of (i) prime rate, (ii) the Federal Funds effective rate plus 0.50% and (iii) LIBOR plus 1.0% (the “Alternative Base Rate”); plus an applicable margin based upon the then-applicable corporate credit ratings of the Company; or (B) LIBOR plus an applicable margin based upon the then-applicable

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

K. DEBT – (Concluded)

corporate credit ratings of the Company. The foreign currency revolving credit loans bear interest at a rate equal to LIBOR plus an applicable margin based upon the then-applicable corporate credit ratings of the Company.

The Credit Agreement contains financial covenants requiring the Company to maintain (A) a maximum debt to total capitalization ratio of 65 percent, and (B) a minimum interest coverage ratio equal to or greater than (i) 2.25 to 1.0 through the quarter ending on September 30, 2011 and (ii) 2.50 to 1.0 thereafter. The debt to total capitalization ratio allows the add-back, if incurred, of up to the first \$500 million of certain non-cash charges, including goodwill and other intangible asset impairment charges, occurring from and after April 1, 2010, that would negatively impact shareholders' equity.

Based on the limitations of the debt to total capitalization covenant (before the amendment discussed below), at December 31, 2010, the Company had additional borrowing capacity, subject to availability, of up to \$113 million. Alternatively, at December 31, 2010, the Company could absorb a reduction to shareholders' equity of approximately \$61 million, and remain in compliance with the debt to total capitalization covenant.

In order to borrow under the Credit Agreement, there must not be any default in the Company's covenants in the Credit Agreement (i.e., in addition to the two financial covenants, principally limitations on subsidiary debt, negative pledge restrictions, legal compliance requirements and maintenance of properties and insurance) and the Company's representations and warranties in the Credit Agreement must be true in all material respects on the date of borrowing (i.e., principally no material adverse change or litigation likely to result in a material adverse change, since December 31, 2009, in each case, no material ERISA or environmental non-compliance and no material tax deficiency).

At December 31, 2010 and 2009, the Company was in compliance with the requirements of the New Credit Agreement and the Amended Five-Year Revolving Credit Agreement, as applicable.

There were no borrowings under the Credit Agreement and the Amended Five-Year Revolving Credit Agreement at December 31, 2010 and 2009, as applicable.

Subsequent Event. On February 11, 2011, the Company entered into an amendment (deemed to be effective and applicable as of December 31, 2010) of the Credit Agreement with its bank group (the "Amendment"). The Amendment provides for the add-back to shareholders' equity in the Company's maximum debt to capitalization covenant of (i) certain non-cash charges (including impairment charges for financial investments and goodwill and other intangible assets) and (ii) changes to the valuation allowance on the Company's deferred tax assets included in income tax expense, each taken in 2010, which aggregate \$986 million after tax. The Amendment also permits the Company to add-back, if incurred, up to \$350 million in the aggregate of future non-cash charges. We currently have borrowing capacity approximating \$1 billion available under the Credit Agreement.

At December 31, 2010, the maturities of long-term debt during each of the next five years were as follows: 2011 — \$66 million; 2012 — \$808 million; 2013 — \$201 million; 2014 — \$1 million; and 2015 — \$501 million.

Interest paid was \$241 million, \$226 million and \$232 million in 2010, 2009 and 2008, respectively.

L. STOCK-BASED COMPENSATION

The Company's 2005 Long Term Stock Incentive Plan (the "2005 Plan") provides for the issuance of stock-based incentives in various forms to employees and non-employee Directors of the Company. At December 31, 2010, outstanding stock-based incentives were in the form of long-term stock awards, stock options, phantom stock awards and stock appreciation rights.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

L. STOCK-BASED COMPENSATION – (Continued)

Pre-tax compensation expense (income) and the income tax benefit related to these stock-based incentives were as follows, in millions:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Long-term stock awards	\$37	\$37	\$43
Stock options	22	25	36
Phantom stock awards and stock appreciation rights	3	7	(5)
Total	<u>\$62</u>	<u>\$69</u>	<u>\$74</u>
Income tax benefit	<u>\$23</u>	<u>\$26</u>	<u>\$27</u>

In 2009, the Company recognized \$6 million of accelerated stock compensation expense (for previously granted stock awards and options) related to the retirement from full-time employment of the Company's Executive Chairman of the Board of Directors; he continues to serve as a non-executive, non-employee Chairman of the Board of Directors.

At December 31, 2010, a total of 11,860,100 shares of Company common stock were available under the 2005 Plan for the granting of stock options and other long-term stock incentive awards.

Long-Term Stock Awards

Long-term stock awards are granted to key employees and non-employee Directors of the Company and do not cause net share dilution inasmuch as the Company continues the practice of repurchasing and retiring an equal number of shares on the open market.

The Company's long-term stock award activity was as follows, shares in millions:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Unvested stock award shares at January 1	9	8	9
Weighted average grant date fair value	\$21	\$26	\$28
Stock award shares granted	3	2	2
Weighted average grant date fair value	\$14	\$ 8	\$21
Stock award shares vested	2	1	2
Weighted average grant date fair value	\$23	\$26	\$26
Stock award shares forfeited	—	—	1
Weighted average grant date fair value	\$20	\$24	\$28
Unvested stock award shares at December 31	10	9	8
Weighted average grant date fair value	\$19	\$21	\$26

At December 31, 2010, 2009 and 2008, there was \$127 million, \$126 million and \$155 million, respectively, of unrecognized compensation expense related to unvested stock awards; such awards had a weighted average remaining vesting period of five years.

The total market value (at the vesting date) of stock award shares which vested during 2010, 2009 and 2008 was \$22 million, \$16 million and \$30 million, respectively.

Stock Options

Stock options are granted to key employees of the Company. The exercise price equals the market price of the Company's common stock at the grant date. These options generally become exercisable (vest ratably)

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

L. STOCK-BASED COMPENSATION – (Continued)

over five years beginning on the first anniversary from the date of grant and expire no later than 10 years after the grant date. The 2005 Plan does not permit the granting of restoration stock options, except for restoration options resulting from options previously granted under the 1991 Plan. Restoration stock options become exercisable six months from the date of grant.

The Company granted 5,260,100 of stock option shares, including restoration stock option shares, during 2010 with a grant date exercise price range of \$11 to \$15 per share. During 2010, 3,742,700 stock option shares were forfeited (including options that expired unexercised).

The Company's stock option activity was as follows, shares in millions:

	2010	2009	2008
Option shares outstanding, January 1	36	31	26
Weighted average exercise price	\$ 23	\$ 25	\$ 27
Option shares granted, including restoration options	5	6	6
Weighted average exercise price	\$ 14	\$ 8	\$ 19
Option shares exercised	—	—	—
Aggregate intrinsic value on date of exercise (A)	\$ 1 million	\$ – million	\$– million
Weighted average exercise price	\$ 8	\$ –	\$ 20
Option shares forfeited	4	1	1
Weighted average exercise price	\$ 23	\$ 22	\$ 27
Option shares outstanding, December 31	37	36	31
Weighted average exercise price	\$ 21	\$ 23	\$ 25
Weighted average remaining option term (in years)	6	6	6
Option shares vested and expected to vest, December 31	37	36	31
Weighted average exercise price	\$ 22	\$ 23	\$ 25
Aggregate intrinsic value (A)	\$23 million	\$31 million	\$– million
Weighted average remaining option term (in years)	6	6	6
Option shares exercisable (vested), December 31	22	21	17
Weighted average exercise price	\$ 25	\$ 26	\$ 26
Aggregate intrinsic value (A)	\$ 4 million	\$ – million	\$–million
Weighted average remaining option term (in years)	4	4	5

(A) Aggregate intrinsic value is calculated using the Company's stock price at each respective date, less the exercise price (grant date price) multiplied by the number of shares.

At December 31, 2010, 2009 and 2008, there was \$45 million, \$41 million and \$59 million, respectively, of unrecognized compensation expense (using the Black-Scholes option pricing model at the grant date) related to unvested stock options; such options had a weighted average remaining vesting period of three years.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

L. STOCK-BASED COMPENSATION – (Continued)

The weighted average grant date fair value of option shares granted and the assumptions used to estimate those values using a Black-Scholes option pricing model, was as follows:

	2010	2009	2008
Weighted average grant date fair value	\$ 5.30	\$ 2.28	\$ 3.72
Risk-free interest rate	2.76%	2.60%	3.25%
Dividend yield	2.17%	3.70%	4.96%
Volatility factor	46.03%	39.18%	32.00%
Expected option life	6 years	6 years	6 years

The following table summarizes information for stock option shares outstanding and exercisable at December 31, 2010, shares in millions:

Option Shares Outstanding				Option Shares Exercisable	
Range of Prices	Number of Shares	Weighted Average Remaining Option Term	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
\$ 8-23	21	7 Years	\$15	8	\$19
\$24-28	6	4 Years	\$27	5	\$27
\$29-32	10	5 Years	\$30	9	\$30
\$33-38	—	4 Years	\$34	—	\$34
\$ 8-38	<u>37</u>	6 Years	\$21	<u>22</u>	\$25

Phantom Stock Awards and Stock Appreciation Rights (“SARs”)

The Company grants phantom stock awards and SARs to certain non-U.S. employees.

Phantom stock awards are linked to the value of the Company’s common stock on the date of grant and are settled in cash upon vesting, typically over 5 to 10 years. The Company accounts for phantom stock awards as liability-based awards; the compensation expense is initially measured as the market price of the Company’s common stock at the grant date and is recognized over the vesting period. The liability is remeasured and adjusted at the end of each reporting period until the awards are fully-vested and paid to the employees. The Company recognized expense (income) of \$2 million, \$3 million and \$(2) million related to the valuation of phantom stock awards for 2010, 2009 and 2008, respectively. In 2010, 2009 and 2008, the Company granted 299,650 shares, 318,920 shares and 234,800 shares, respectively, of phantom stock awards with an aggregate fair value of \$4 million, \$3 million and \$5 million, respectively, and paid \$1 million, \$1 million and \$2 million of cash in 2010, 2009 and 2008, respectively, to settle phantom stock awards.

SARs are linked to the value of the Company’s common stock on the date of grant and are settled in cash upon exercise. The Company accounts for SARs using the fair value method, which requires outstanding SARs to be classified as liability-based awards and valued using a Black-Scholes option pricing model at the grant date; such fair value is recognized as compensation expense over the vesting period, typically five years. The liability is remeasured and adjusted at the end of each reporting period until the SARs are exercised and payment is made to the employees or the SARs expire. The Company recognized expense (income) of \$1 million, \$4 million and \$(3) million related to the valuation of SARs for 2010, 2009 and 2008, respectively. During 2010, 2009 and 2008, the Company granted SARs for 429,300 shares, 438,200 shares and 597,200 shares, respectively, with an aggregate fair value of \$2 million, \$1 million and \$2 million in 2010, 2009 and 2008, respectively.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

L. STOCK-BASED COMPENSATION – (Concluded)

Information related to phantom stock awards and SARs was as follows, in millions:

	Phantom Stock Awards		Stock Appreciation Rights	
	At December 31,		At December 31,	
	2010	2009	2010	2009
Accrued compensation cost liability	\$6	\$5	\$5	\$4
Unrecognized compensation cost	\$5	\$5	\$2	\$3
Equivalent common shares	1	1	2	2

M. EMPLOYEE RETIREMENT PLANS

The Company sponsors qualified defined-benefit and defined-contribution retirement plans for most of its employees. In addition to the Company's qualified defined-benefit pension plans, the Company has unfunded non-qualified defined-benefit pension plans covering certain employees, which provide for benefits in addition to those provided by the qualified pension plans. Substantially all salaried employees participate in non-contributory defined-contribution retirement plans, to which payments are determined annually by the Organization and Compensation Committee of the Board of Directors. Aggregate charges to earnings under the Company's defined-benefit and defined-contribution retirement plans were \$37 million and \$47 million in 2010, \$63 million and \$35 million in 2009 and \$38 million and \$30 million in 2008, respectively.

In March 2009, based on management's recommendation, the Board of Directors approved a plan to freeze all future benefit accruals under substantially all of the Company's domestic qualified and non-qualified defined-benefit pension plans. The freeze was effective January 1, 2010. As a result of this action, the liabilities for the plans impacted by the freeze were remeasured and the Company recognized a curtailment charge of \$8 million in the first quarter of 2009.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

M. EMPLOYEE RETIREMENT PLANS – (Continued)

Changes in the projected benefit obligation and fair value of plan assets, and the funded status of the Company's defined-benefit pension plans were as follows, in millions:

	2010		2009	
	Qualified	Non-Qualified	Qualified	Non-Qualified
Changes in projected benefit obligation:				
Projected benefit obligation at January 1	\$ 806	\$ 152	\$ 758	\$ 147
Service cost	3	–	9	1
Interest cost	45	9	45	9
Participant contributions	1	–	1	–
Actuarial loss (gain), net	61	12	27	9
Foreign currency exchange	(10)	–	9	–
Disposition	–	–	(3)	–
Recognized curtailment loss	(1)	–	(3)	(5)
Benefit payments	(37)	(10)	(37)	(9)
Projected benefit obligation at December 31	\$ 868	\$ 163	\$ 806	\$ 152
Changes in fair value of plan assets:				
Fair value of plan assets at January 1	\$ 474	\$ –	\$ 414	\$ –
Actual return on plan assets	46	–	74	–
Foreign currency exchange	(3)	–	7	–
Company contributions	31	10	18	9
Participant contributions	1	–	1	–
Disposition	–	–	(1)	–
Expenses, other	(3)	–	(2)	–
Benefit payments	(37)	(10)	(37)	(9)
Fair value of plan assets at December 31	\$ 509	\$ –	\$ 474	\$ –
Funded status at December 31:	\$ (359)	\$ (163)	\$ (332)	\$ (152)

Amounts in the Company's consolidated balance sheets were as follows, in millions:

	At December 31, 2010		At December 31, 2009	
	Qualified	Non-Qualified	Qualified	Non-Qualified
Accrued liabilities	\$ (3)	\$ (11)	\$ (3)	\$ (10)
Deferred income taxes and other	(356)	(152)	(329)	(142)
Total net liability	\$ (359)	\$ (163)	\$ (332)	\$ (152)

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

M. EMPLOYEE RETIREMENT PLANS – (Continued)

Amounts in accumulated other comprehensive income before income taxes were as follows, in millions:

	At December 31, 2010		At December 31, 2009	
	Qualified	Non-Qualified	Qualified	Non-Qualified
Net loss	\$ 326	\$ 31	\$ 287	\$ 20
Net transition obligation	1	–	1	–
Net prior service cost	(1)	–	(2)	–
Total	<u>\$ 326</u>	<u>\$ 31</u>	<u>\$ 286</u>	<u>\$ 20</u>

Information for defined-benefit pension plans with an accumulated benefit obligation in excess of plan assets was as follows, in millions:

	At December 31			
	2010		2009	
	Qualified	Non-Qualified	Qualified	Non-Qualified
Projected benefit obligation	\$868	\$163	\$797	\$152
Accumulated benefit obligation	\$866	\$163	\$793	\$152
Fair value of plan assets	\$509	\$ –	\$466	\$ –

The projected benefit obligation was in excess of plan assets for all of the Company's qualified defined-benefit pension plans at December 31, 2010 and 2009.

Net periodic pension cost for the Company's defined-benefit pension plans was as follows, in millions:

	2010		2009		2008	
	Qualified	Non-Qualified	Qualified	Non-Qualified	Qualified	Non-Qualified
Service cost	\$ 3	\$ –	\$ 9	\$ 1	\$ 14	\$ 2
Interest cost	45	9	45	9	46	9
Expected return on plan assets	(34)	–	(29)	–	(48)	–
Recognized prior service cost	(1)	–	–	–	–	2
Recognized curtailment loss	–	–	3	5	1	–
Recognized net loss	10	–	12	–	1	–
Net periodic pension cost	<u>\$ 23</u>	<u>\$ 9</u>	<u>\$ 40</u>	<u>\$ 15</u>	<u>\$ 14</u>	<u>\$ 13</u>

The Company expects to recognize \$11 million of pre-tax net loss from accumulated other comprehensive income into net periodic pension cost in 2011 related to its defined-benefit pension plans.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

M. EMPLOYEE RETIREMENT PLANS – (Continued)**Plan Assets**

The Company's qualified defined-benefit pension plan weighted average asset allocation, which is based upon fair value, was as follows:

	At December 31	
	2010	2009
Equity securities	67%	71%
Debt securities	31%	26%
Other	2%	3%
Total	<u>100%</u>	<u>100%</u>

Plan assets included 1.2 million shares for each of the years, of Company common stock valued at \$14 million and \$16 million at December 31, 2010 and 2009, respectively.

The Company's qualified defined-benefit pension plans have adopted accounting guidance that defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Accounting guidance defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010.

Common and preferred stocks, debt securities and short-term and other investments: Valued at the closing price reported on the active market on which the individual securities are traded.

Limited Partnerships: Valued based on an estimated fair value. There is no active trading market for these investments and they are for the most part illiquid. Due to the significant unobservable inputs, the fair value measurements are a Level 3 input.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

M. EMPLOYEE RETIREMENT PLANS – (Continued)

The following table sets forth by level, within the fair value hierarchy, the qualified defined-benefit pension plan assets at fair value as of December 31, 2010 and 2009, in millions.

	Assets at Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Common and preferred stocks	\$ 261	\$ 19	\$ –	\$280
Limited Partnerships	–	–	64	64
Debt securities	100	57	–	157
Short-term and other investments	8	–	–	8
Total assets at fair value	<u>\$ 369</u>	<u>\$ 76</u>	<u>\$ 64</u>	<u>\$509</u>

	Assets at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Common and preferred stocks	\$ 267	\$ 17	\$ –	\$284
Limited Partnerships	–	–	52	52
Debt securities	97	25	–	122
Short-term and other investments	16	–	–	16
Total assets at fair value	<u>\$ 380</u>	<u>\$ 42</u>	<u>\$ 52</u>	<u>\$474</u>

The table below sets forth a summary of changes in the fair value of the qualified defined-benefit pension plan level 3 assets for the year ended December 31, 2010, in millions.

	Year Ended December 31, 2010	Year Ended December 31, 2009
	Limited Partnerships	Limited Partnerships
Balance, beginning of year	\$ 52	\$ 48
Purchases, sales, issuances and settlements (net)	12	4
Unrealized losses	–	–
Balance, end of year	<u>64</u>	<u>52</u>

Assumptions

Major assumptions used in accounting for the Company's defined-benefit pension plans were as follows:

	December 31		
	2010	2009	2008
Discount rate for obligations	5.30%	5.80%	6.10%
Expected return on plan assets	7.25%	8.00%	8.00%
Rate of compensation increase	1.00%	2.00%	4.00%
Discount rate for net periodic pension cost	5.80%	6.10%	6.25%

The discount rate for obligations for 2010 was based upon the expected duration of each defined-benefit pension plan's liabilities matched to the December 31, 2010 Towers Watson Rate Link Curve. Such rates for the Company's defined benefit pension plans ranged from 2.30 percent to 5.55 percent, with the most significant portion of the liabilities having a discount rate for obligations of 5.0 percent or higher at

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

M. EMPLOYEE RETIREMENT PLANS – (Continued)

December 31, 2010. The decline in the weighted average discount rate to 5.3 percent in 2010 from 5.8 percent in 2009 was principally the result of lower long-term interest rates in the bond market in 2010. The discount rate for obligations for 2009 was based upon the expected duration of each defined-benefit plan's liabilities matched to the widely used Citigroup Pension Discount Curve and Liability Index for December 31, 2009. The weighted average discount rates in 2010 and 2009 were also affected by the freezing of all future benefit accruals for substantially all of the Company's domestic qualified and non-qualified defined-benefit plans, which shortened the period of future payments.

The Company determined the expected long-term rate of return on plan assets of 7.25 percent based upon an analysis of expected and historical rates of return of various asset classes utilizing the current and long-term target asset allocation of the plan assets. The projected asset return at December 31, 2010 also considered near term returns, including current market conditions and also that pension assets are long-term in nature. The actual annual rate of return on the Company's pension plan assets was 4.3 percent and 3.3 percent for the 10-year periods ended December 31, 2010 and 2009, respectively. Although these rates of return are less than the Company's current expected long-term rate of return on plan assets, the Company notes that these 10-year periods include two significant declines in the equity markets. Accordingly, the Company believes a 7.25 percent expected long-term rate of return is reasonable.

The investment objectives seek to minimize the volatility of the value of the Company's plan assets relative to pension liabilities and to ensure plan assets are sufficient to pay plan benefits. The Company, based upon discussions with its pension investment advisor, reduced its equity allocation to 70 percent from 80 percent; increased its fixed-income allocation to 25 percent from 10 percent and allocated 5 percent to alternative investments. The revised asset allocation of the investment portfolio was developed with the objective of achieving the Company's expected rate of return and reducing volatility of asset returns, and considered the freezing of future benefits. The equity portfolios are invested in individual securities or funds that are expected to mirror broad market returns for equity securities. The fixed-income portfolio is invested in corporate bonds, bond index funds or U.S. Treasury securities. The increased allocation to fixed-income securities partially matches the bond-like and long-term nature of the pension liabilities. In 2010, the pension investment advisor recommended that, longer term, the Company should achieve the following targeted asset portfolio: 45 percent equities, 25 percent fixed-income, 15 percent global assets (combination of equity and fixed-income) and 15 percent alternative investments (such as private equity, commodities and hedge funds). The Company expects to achieve this allocation by December 31, 2011. This targeted portfolio is expected to yield a long-term rate of return of 7.25 percent.

The fair value of the Company's plan assets is subject to risk including significant concentrations of risk in the Company's plan assets related to equity, interest rate and operating risk. In order to ensure plan assets are sufficient to pay benefits, a portion of plan assets is allocated to equity investments that are expected, over time, to earn higher returns with more volatility than fixed-income investments which more closely match pension liabilities. Within equity, risk is mitigated by targeting a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets are allocated to fixed-income investments that are exposed to interest rate risk. Rate increases generally will result in a decline in fixed-income assets, while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities.

The Company has targeted alternative investments such as hedge funds, private equity funds and commodities that are expected to comprise 15 percent of the pension assets. It is expected that the alternative investments would have a higher rate of return than the targeted overall long-term return of 7.25 percent. However, these investments are subject to greater volatility, due to their nature, than a portfolio

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

M. EMPLOYEE RETIREMENT PLANS – (Continued)

of equities and fixed-income investments, and would be less liquid than financial instruments that trade on public markets.

Potential events or circumstances that could have a negative effect on estimated fair value include the risks of inadequate diversification and other operating risks. To mitigate these risks, investments are diversified across and within asset classes in support of investment objectives. Policies and practices to address operating risks include ongoing manager oversight, plan and asset class investment guidelines and instructions that are communicated to managers, and periodic compliance and audit reviews to ensure adherence to these policies. In addition, the Company periodically seeks the input of its independent advisor to ensure the investment policy is appropriate.

Other

The Company sponsors certain post-retirement benefit plans that provide medical, dental and life insurance coverage for eligible retirees and dependents in the United States based upon age and length of service. The aggregate present value of the unfunded accumulated post-retirement benefit obligation was \$13 million at both December 31, 2010 and 2009.

Cash Flows

At December 31, 2010, the Company expected to contribute approximately \$30 million to \$35 million to its qualified defined-benefit pension plans to meet ERISA requirements in 2011. The Company also expected to pay benefits of \$3 million and \$10 million to participants of its unfunded foreign and non-qualified (domestic) defined-benefit pension plans, respectively, in 2011.

At December 31, 2010, the benefits expected to be paid in each of the next five years, and in aggregate for the five years thereafter, relating to the Company's defined-benefit pension plans, were as follows, in millions:

	<u>Qualified Plans</u>	<u>Non-Qualified Plans</u>
2011	\$ 38	\$10
2012	\$ 40	\$11
2013	\$ 41	\$11
2014	\$ 41	\$12
2015	\$ 43	\$12
2016-2020	\$235	\$59

N. SHAREHOLDERS' EQUITY

In July 2007, the Company's Board of Directors authorized the repurchase for retirement of up to 50 million shares of the Company's common stock in open-market transactions or otherwise. At December 31, 2010, the Company had remaining authorization to repurchase up to 27 million shares. During 2010, the Company repurchased and retired three million shares of Company common stock, for cash aggregating \$45 million to offset the dilutive impact of the 2010 grant of three million shares of long-term stock awards. The Company repurchased and retired two million common shares in 2009 and nine million common shares in 2008 for cash aggregating \$11 million and \$160 million in 2009 and 2008, respectively.

On the basis of amounts paid (declared), cash dividends per common share were \$.30 (\$.30) in 2010, \$.46 (\$.30) in 2009 and \$.925 (\$.93) in 2008, respectively. In 2009, the Company decreased its quarterly cash dividend to \$.075 per common share from \$.235 per common share.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

N. SHAREHOLDERS' EQUITY – (Concluded)**Accumulated Other Comprehensive (Loss) Income**

The components of accumulated other comprehensive income attributable to Masco Corporation were as follows, in millions:

	<u>At December 31</u>	
	<u>2010</u>	<u>2009</u>
Cumulative translation adjustments	\$ 505	\$ 546
Unrealized gain on marketable securities, net	26	25
Unrecognized prior service cost and net loss, net	<u>(258)</u>	<u>(205)</u>
Accumulated other comprehensive income	<u>\$ 273</u>	<u>\$ 366</u>

The unrealized gain on marketable securities, net, is reported net of income tax expense of \$14 million at both December 31, 2010 and 2009. The unrecognized prior service cost and net loss, net, is reported net of income tax benefit of \$105 million at both December 31, 2010 and 2009.

O. SEGMENT INFORMATION

The Company's reportable segments are as follows:

Cabinets and Related Products – principally includes assembled and ready-to-assemble kitchen and bath cabinets; home office workstations; entertainment centers; storage products; bookcases; and kitchen utility products.

Plumbing Products – principally includes faucets; plumbing fittings and valves; showerheads and hand showers; bathtubs and shower enclosures; and spas.

Installation and Other Services – principally includes the sale, installation and distribution of insulation and other building products.

Decorative Architectural Products – principally includes paints and stains; and cabinet, door, window and other hardware.

Other Specialty Products – principally includes windows, window frame components and patio doors; staple gun tackers, staples and other fastening tools.

The above products and services are sold to the home improvement and new home construction markets through mass merchandisers, hardware stores, home centers, builders, distributors and other outlets for consumers and contractors.

The Company's operations are principally located in North America and Europe. The Company's country of domicile is the United States of America.

Corporate assets consist primarily of real property, equipment, cash and cash investments and other investments.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

O.SEGMENT INFORMATION – (Continued)

The Company's segments are based upon similarities in products and services and represent the aggregation of operating units, for which financial information is regularly evaluated by the Company's corporate operating executives in determining resource allocation and assessing performance and is periodically reviewed by the Board of Directors. Accounting policies for the segments are the same as those for the Company. The Company primarily evaluates performance based upon operating profit (loss) and, other than general corporate expense, allocates specific corporate overhead to each segment. The evaluation of segment operating profit also excludes the charge for defined-benefit plan curtailment, the charge for litigation settlements, the accelerated stock compensation expense and the (loss) on corporate fixed assets, net.

Information about the Company by segment and geographic area was as follows, in millions:

	Net Sales (1)(2)(3)(4)(5)			Operating (Loss) Profit (5)(6)			Assets at December 31 (11)(12)		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
The Company's operations by segment were:									
Cabinets and Related Products	\$1,464	\$1,674	\$2,276	\$(250)	\$ (64)	\$ 4	\$1,108	\$1,382	\$1,518
Plumbing Products	2,692	2,564	3,002	331	237	110	1,866	1,815	1,877
Installation and Other Services	1,147	1,256	1,861	(834)	(131)	(46)	1,537	2,339	2,454
Decorative Architectural Products	1,693	1,714	1,629	345	375	299	851	871	878
Other Specialty Products	596	584	716	19	(199)	(124)	1,182	1,197	1,441
Total	<u>\$7,592</u>	<u>\$7,792</u>	<u>\$9,484</u>	<u>\$(389)</u>	<u>\$ 218</u>	<u>\$ 243</u>	<u>\$6,544</u>	<u>\$7,604</u>	<u>\$8,168</u>
The Company's operations by geographic area were:									
North America	\$5,929	\$6,135	\$7,482	\$(543)	\$ 93	\$ 493	\$5,063	\$6,113	\$6,648
International, principally Europe	1,663	1,657	2,002	154	125	(250)	1,481	1,491	1,520
Total, as above	<u>\$7,592</u>	<u>\$7,792</u>	<u>\$9,484</u>	<u>\$(389)</u>	<u>218</u>	<u>243</u>	<u>6,544</u>	<u>7,604</u>	<u>8,168</u>
General corporate expense, net (7)				(110)	(140)	(144)			
Charge for defined-benefit curtailment (8)				–	(8)	–			
Charge for litigation settlements (9)				–	(7)	(9)			
Accelerated stock compensation expense (10)				–	(6)	–			
Loss on corporate fixed assets, net				–	(2)	–			
Operating (loss) profit, as reported				(499)	55	90			
Other income (expense), net				(278)	(206)	(283)			
Loss from continuing operations before income taxes				<u>\$(777)</u>	<u>\$(151)</u>	<u>\$(193)</u>			
Corporate assets							1,596	1,571	1,315
Total assets							<u>\$8,140</u>	<u>\$9,175</u>	<u>\$9,483</u>

	Property Additions(5)			Depreciation and Amortization(5)		
	2010	2009	2008	2010	2009	2008
The Company's operations by segment were:						
Cabinets and Related Products	\$ 34	\$ 30	\$ 50	\$112	\$ 84	\$ 70
Plumbing Products	65	47	72	63	70	72
Installation and Other Services	7	30	45	40	35	23
Decorative Architectural Products	9	7	14	18	18	18
Other Specialty Products	18	7	10	26	28	33
	133	121	191	259	235	216
Unallocated amounts, principally related to corporate assets	4	1	2	20	17	16
Total	<u>\$137</u>	<u>\$122</u>	<u>\$193</u>	<u>\$279</u>	<u>\$252</u>	<u>\$232</u>

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

O. SEGMENT INFORMATION – (Concluded)

- (1) Included in net sales were export sales from the U.S. of \$246 million, \$277 million and \$275 million in 2010, 2009 and 2008, respectively.
- (2) Intra-company sales between segments represented approximately two percent of net sales in 2010, three percent of net sales in 2009 and one percent of net sales in 2008.
- (3) Included in net sales were sales to one customer of \$1,993 million, \$2,053 million and \$2,058 million in 2010, 2009 and 2008, respectively. Such net sales were included in the following segments: Cabinets and Related Products, Plumbing Products, Decorative Architectural Products and Other Specialty Products.
- (4) Net sales from the Company's operations in the U.S. were \$5,618 million, \$5,952 million and \$7,150 million in 2010, 2009 and 2008, respectively.
- (5) Net sales, operating (loss) profit, property additions and depreciation and amortization expense for 2010, 2009 and 2008 excluded the results of businesses reported as discontinued operations in 2010, 2009 and 2008.
- (6) Included in segment operating (loss) profit for 2010 were impairment charges for goodwill and other intangible assets as follows: Plumbing Products – \$1 million; and Installation and Other Services – \$720 million. Included in segment operating profit (loss) for 2009 were impairment charges for goodwill as follows: Plumbing Products – \$39 million; Other Specialty Products – \$223 million. Included in segment operating profit (loss) for 2008 were impairment charges for goodwill and other intangible assets as follows: Cabinets and Related Products – \$59 million; Plumbing Products – \$203 million; Installation and Other Services – \$52 million; and Other Specialty Products – \$153 million.
- (7) General corporate expense, net included those expenses not specifically attributable to the Company's segments.
- (8) During 2009, the Company recognized a curtailment loss related to the plan to freeze all future benefit accruals beginning January 1, 2010 under substantially all of the Company's domestic qualified and non-qualified defined-benefit pension plans. See Note M to the consolidated financial statements.
- (9) The charge for litigation settlement in 2009 relates to a business unit in the Cabinets and Related Products segment. The charge for litigation settlement in 2008 relates to a business unit in the Installation and Other Services segment.
- (10) See Note L to the consolidated financial statements.
- (11) Long-lived assets of the Company's operations in the U.S. and Europe were \$3,684 million and \$617 million, \$4,628 million and \$690 million, and \$4,887 million and \$770 million at December 31, 2010, 2009 and 2008, respectively.
- (12) Segment assets for 2009 and 2008 excluded the assets of businesses reported as discontinued operations.

P. OTHER INCOME (EXPENSE), NET

Other, net, which is included in other income (expense), net, was as follows, in millions:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Income from cash and cash investments	\$ 6	\$ 7	\$ 22
Other interest income	1	2	2
Income from financial investments, net (Note E)	9	3	1
Other items, net	(9)	17	(22)
Total other, net	<u>\$ 7</u>	<u>\$ 29</u>	<u>\$ 3</u>

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

P. OTHER INCOME (EXPENSE), NET – (Concluded)

Other items, net, included realized foreign currency transaction gains (losses) of \$(2) million, \$17 million and \$(29) million in 2010, 2009 and 2008, respectively, as well as other miscellaneous items.

Q. INCOME TAXES

	(In Millions)		
	2010	2009	2008
(Loss) income from continuing operations before income taxes:			
U.S.	\$(964)	\$(301)	\$ 4
Foreign	187	150	(197)
	<u>\$(777)</u>	<u>\$(151)</u>	<u>\$(193)</u>
Income tax expense (benefit) on (loss) income from continuing operations:			
Currently payable:			
U.S. Federal	\$ (24)	\$ (29)	\$ 6
State and local	22	12	20
Foreign	59	45	68
Deferred:			
U.S. Federal	177	(64)	47
State and local	(9)	(2)	4
Foreign	–	(11)	(11)
	<u>\$ 225</u>	<u>\$ (49)</u>	<u>\$ 134</u>
Deferred tax assets at December 31:			
Receivables	\$ 15	\$ 19	
Inventories	35	31	
Other assets, principally stock-based compensation	119	135	
Accrued liabilities	143	171	
Long-term liabilities	227	200	
Net operating loss carryforward	136	63	
Capital loss carryforward	3	–	
Tax credit carryforward	12	6	
	690	625	
Valuation allowance	(462)	(43)	
	<u>228</u>	<u>582</u>	
Deferred tax liabilities at December 31:			
Property and equipment	223	324	
Investment in foreign subsidiaries	–	9	
Intangibles	323	398	
Other, principally notes payable	29	32	
	<u>575</u>	<u>763</u>	
Net deferred tax liability at December 31	<u>\$ 347</u>	<u>\$ 181</u>	

At December 31, 2010 and 2009, the net deferred tax liability consisted of net short-term deferred tax assets included in prepaid expenses and other of \$50 million and \$203 million, respectively, and net long-term deferred tax liabilities included in deferred income taxes and other of \$397 million and \$384 million, respectively.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Q. INCOME TAXES – (Continued)

The accounting guidance for income taxes requires that the future realization of deferred tax assets depends on the existence of sufficient taxable income in future periods. Possible sources of taxable income include taxable income in carryback periods, the future reversal of existing taxable temporary differences recorded as a deferred tax liability, tax-planning strategies that generate future income or gains in excess of anticipated losses in the carryforward period and projected future taxable income.

If, based upon all available evidence, both positive and negative, it is more likely than not (more than 50 percent likely) such deferred tax assets will not be realized, a valuation allowance is recorded. Significant weight is given to positive and negative evidence that is objectively verifiable. A company's three-year cumulative loss position is significant negative evidence in considering whether deferred tax assets are realizable and the accounting guidance restricts the amount of reliance the Company can place on projected taxable income to support the recovery of the deferred tax assets.

In the fourth quarter of 2010, the Company recorded a \$371 million valuation allowance against its U.S. Federal deferred tax assets as a non-cash charge to income tax expense. In reaching this conclusion, the Company considered the weaker retail sales of certain of its building products and the slower than anticipated recovery in the U.S. housing market which led to U.S. operating losses and significant U.S. goodwill impairment charges, that primarily occurred in the fourth quarter of 2010, causing the Company to be in a three-year cumulative U.S. loss position. These factors negatively impacted the Company's ability to utilize previously identified tax-planning strategies that included the potential sale of certain non-core operating assets to support the realization of its U.S. Federal deferred tax assets, since current year losses are heavily weighted in determining if sufficient income would exist in the carryforward period to realize the benefit of the strategies.

Recording the valuation allowance does not restrict the Company's ability to utilize the future deductions and net operating losses associated with the deferred tax assets assuming taxable income is recognized in future periods.

A rebound in the U.S. housing market from the current historic lows and retail sales of building products improving from their current levels should have a positive impact on the Company's operating results in the U.S. A return to sustained profitability in the U.S. should result in objective positive evidence thereby warranting consideration of our previously identified tax-planning strategies and the potential reversal of all or a portion of the valuation allowance.

The \$228 million of deferred tax assets at December 31, 2010, for which there is no valuation allowance recorded, is anticipated to be realized through the future reversal of existing taxable temporary differences recorded as deferred tax liabilities at December 31, 2010.

The valuation allowance of \$43 million as of December 31, 2009 consisted of certain state and foreign net operating loss carryforward and other deferred tax asset balances that the Company believes would not be realized in future periods primarily due to the recent history of losses of certain subsidiaries.

Of the deferred tax asset related to the net operating loss and tax credit carryforwards at December 31, 2010 and 2009, \$143 million and \$65 million will expire between 2019 and 2030 and \$5 million and \$4 million is unlimited, respectively. The capital loss carryforward of \$3 million at December 31, 2010 will expire in 2015.

A \$9 million deferred tax liability has been provided at December 31, 2009 on the undistributed earnings of certain foreign subsidiaries as such earnings are intended to be repatriated in the foreseeable future. A tax provision has not been provided at December 31, 2010 for U.S. income taxes or additional foreign withholding taxes on approximately \$60 million of undistributed earnings of certain foreign subsidiaries that are considered to be permanently reinvested. It is not practicable to determine the amount of deferred tax

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Q. INCOME TAXES – (Continued)

liability on such earnings as the actual U.S. tax would depend on income tax laws and circumstances at the time of distribution.

A reconciliation of the U.S. Federal statutory tax rate to the income tax expense (benefit) on (loss) income from continuing operations was as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
U.S. federal statutory tax rate – (benefit)	(35)%	(35)%	(35)%
State and local taxes, net of U.S. Federal tax benefit	1	4	8
Lower taxes on foreign earnings	(1)	(11)	(11)
Foreign uncertain tax positions	—	(5)	—
Change in U.S. and foreign taxes on distributed and undistributed foreign earnings, including the impact of foreign tax credit	—	5	35
Goodwill impairment charges providing no tax benefit	17	10	73
U.S. Federal valuation allowance	48	—	—
Other, net	(1)	(1)	(1)
Effective tax rate – expense (benefit)	<u>29%</u>	<u>(33)%</u>	<u>69%</u>

During 2010, the Company recorded pre-tax impairment charges for goodwill and other intangible assets of \$721 million (\$593 million after-tax) that increased the effective tax rate as a portion of the impairment charges did not provide a tax benefit. In addition, the Company recorded a \$371 million income tax expense related to a valuation allowance on its U.S. Federal deferred tax assets. Excluding the effects of these items, the Company's effective tax rate in 2010 was approximately a 32% tax benefit on its 2010 pre-tax loss.

During 2009, the Company reversed an accrual for uncertain tax positions of approximately \$8 million related to a withholding tax issue from a formerly held European company due to a favorable court decision which resulted in a decrease in the effective tax rate. In addition, the Company recorded pre-tax impairment charges for goodwill of \$262 million (\$180 million after-tax) in 2009 that increased the effective tax rate as a portion of the impairment charges did not provide a tax benefit. Excluding the effects of these items, the Company's effective tax rate in 2009 was approximately 37 percent.

During 2008, the Company made a substantial repatriation of low-taxed earnings from certain foreign subsidiaries to fully utilize the existing foreign tax credit carryforward by December 31, 2008. Although the majority of the current U.S. tax on this substantial repatriation was offset by the foreign tax credit carryforward, the Company's tax expense was increased by approximately \$65 million. Also during 2008, the Company recorded pre-tax impairment charges for goodwill and other intangibles of \$467 million (\$445 million after-tax) that significantly increased the Company's effective tax rate as the majority of the impairment charges did not provide a tax benefit. Excluding the effects of the substantial repatriation of low-taxed earnings and the impairment charges, the Company's effective tax rate in 2008 was approximately 33 percent.

Income taxes paid were \$47 million, \$25 million and \$117 million in 2010, 2009 and 2008, respectively.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Q. INCOME TAXES – (Concluded)

A reconciliation of the beginning and ending liability for uncertain tax positions, including related interest and penalties, is as follows:

	(In Millions)		
	Uncertain Tax Positions	Interest and Penalties	Total
Balance at January 1, 2009	\$ 81	\$ 25	\$106
Current year tax positions:			
Additions	5		5
Reductions	(1)		(1)
Prior year tax positions:			
Additions	7		7
Reductions	(8)		(8)
Settlements with tax authorities	(13)	(3)	(16)
Lapse of applicable statute of limitations	(6)		(6)
Interest and penalties recognized in income tax expense		(1)	(1)
Balance at December 31, 2009	<u>\$ 65</u>	<u>\$ 21</u>	<u>\$ 86</u>
Current year tax positions:			
Additions	6		6
Prior year tax positions:			
Additions	18		18
Reductions	(5)		(5)
Settlements with tax authorities	(3)	(1)	(4)
Lapse of applicable statute of limitations	(10)		(10)
Interest and penalties recognized in income tax expense		3	3
Balance at December 31, 2010	<u>\$ 71</u>	<u>\$ 23</u>	<u>\$ 94</u>

If recognized, \$47 million and \$44 million of the liability for uncertain tax positions at December 31, 2010 and 2009, respectively, net of any U.S. Federal tax benefit, would impact the Company's effective tax rate.

At December 31, 2010 and 2009, \$97 and \$87 million of the total liability for uncertain tax positions, including related interest and penalties, is recorded in deferred income taxes and other, \$5 and \$8 million is recorded in accrued liabilities and \$8 and \$9 million is recorded in other assets, respectively.

The Company files income tax returns in the U.S. Federal jurisdiction, and various local, state and foreign jurisdictions. The Company continues to participate in the Compliance Assurance Program ("CAP"). CAP is a real-time audit of the U.S. Federal income tax return that allows the Internal Revenue Service ("IRS"), working in conjunction with the Company, to determine tax return compliance with the U.S. Federal tax law prior to filing the return. This program provides the Company with greater certainty about its tax liability for a given year within months, rather than years, of filing its annual tax return and greatly reduces the need for recording a liability for U.S. Federal uncertain tax positions. The IRS has completed their examination of the Company's consolidated U.S. Federal tax returns through 2009. With few exceptions, the Company is no longer subject to state or foreign income tax examinations on filed returns for years before 2000.

As a result of tax audit closings, settlements and the expiration of applicable statutes of limitations in various jurisdictions within the next 12 months, the Company anticipates that it is reasonably possible the liability for uncertain tax positions could be reduced by approximately \$7 million.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

R. EARNINGS PER COMMON SHARE

Reconciliations of the numerators and denominators used in the computations of basic and diluted earnings per common share were as follows, in millions:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Numerator (basic and diluted):			
Loss from continuing operations	\$(1,043)	\$(140)	\$(366)
Allocation to unvested restricted stock awards	<u>(3)</u>	<u>(3)</u>	<u>(7)</u>
Loss from continuing operations attributable to common shareholders	(1,046)	(143)	(373)
Loss from discontinued operations, net	<u>—</u>	<u>(43)</u>	<u>(25)</u>
Net loss available to common shareholders	<u><u>\$(1,046)</u></u>	<u><u>\$(186)</u></u>	<u><u>\$(398)</u></u>
Denominator:			
Basic common shares (based on weighted average)	349	351	353
Add:			
Contingent common shares	—	—	—
Stock option dilution	<u>—</u>	<u>—</u>	<u>—</u>
Diluted common shares	<u><u>349</u></u>	<u><u>351</u></u>	<u><u>353</u></u>

Effective January 1, 2009, the Company adopted accounting guidance regarding determining whether instruments granted in share-based payment transactions are participating securities. This new accounting guidance clarifies that share-based payment awards that entitle their holders to receive non-forfeitable dividends prior to vesting should be considered participating securities. The Company has granted restricted stock awards that contain non-forfeitable rights to dividends on unvested shares; such unvested restricted stock awards are considered participating securities. As participating securities, the unvested shares are required to be included in the calculation of the Company's basic earnings per common share, using the "two-class method." The two-class method of computing earnings per common share is an allocation method that calculates earnings per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Unvested restricted stock awards were previously included in the Company's diluted share calculation using the treasury stock method. For the years ended December 31, 2010, 2009 and 2008, the Company allocated dividends to the unvested restricted stock awards (participating securities).

At December 31, 2010, 2009 and 2008, the Company did not include any common shares related to the Zero Coupon Convertible Senior Notes ("Notes") in the calculation of diluted earnings per common share, as the price of the Company's common stock at December 31, 2010, 2009 and 2008 did not exceed the equivalent accreted value of the Notes.

Additionally, 37 million common shares, 36 million common shares and 31 million common shares for 2010, 2009 and 2008, respectively, related to stock options were excluded from the computation of diluted earnings per common share due to their antidilutive effect.

Common shares outstanding included on the Company's balance sheet and for the calculation of earnings per common share do not include unvested stock awards (10 million and nine million common shares at December 31, 2010 and 2009, respectively); shares outstanding for legal requirements included all common shares that have voting rights (including unvested stock awards).

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

S. OTHER COMMITMENTS AND CONTINGENCIES

Litigation

The Company is subject to lawsuits and pending or asserted claims with respect to matters generally arising in the ordinary course of business.

Early in 2003, a suit was brought against the Company and a number of its insulation installation companies in the federal court in Atlanta, Georgia, alleging that certain practices violate provisions of federal and state antitrust laws. The plaintiff publicized the lawsuit with a press release and stated in that release that the U.S. Department of Justice was investigating the business practices of the Company's insulation installation companies. Although the Company was unaware of any investigation at that time, the Company was later advised that an investigation had been commenced but was subsequently closed without any enforcement action recommended. Two additional lawsuits were subsequently brought in Virginia making similar claims under the antitrust laws. Both of these lawsuits have since been dismissed without any payment or requirement for any change in business practices.

During the second half of 2004, the same counsel who commenced the initial action in Atlanta filed six additional lawsuits on behalf of several of Masco's competitors in the insulation installation business. The plaintiffs then dismissed all of these lawsuits and, represented by the same counsel, filed another action in the same federal court as a putative class action against the Company, a number of its insulation installation companies and certain of their suppliers. All of the Company's suppliers, who were co-defendants in this lawsuit, have settled this case. On February 9, 2009, the federal court in Atlanta issued an Opinion in which the Court certified a class of 377 insulation contractors. In its Opinion, the Court also ruled on various other motions. Two additional lawsuits, seeking class action status and alleging anticompetitive conduct, were filed against the Company and a number of its insulation suppliers. One of these lawsuits was filed in a Florida state court and has been dismissed by the court with prejudice. The other lawsuit was filed in federal court in northern California and was subsequently transferred to federal court in Atlanta, Georgia. This case has been administratively stayed by the court. The Company is vigorously defending the pending active case. Based upon the advice of its outside counsel, the Company believes that the conduct of the Company and its insulation installation companies, which has been the subject of the above-described lawsuits, has not violated any antitrust laws. The Company is unable at this time to reliably estimate any potential liability which might occur from an adverse judgment. There cannot be any assurance that the Company will ultimately prevail in the remaining lawsuits or, if unsuccessful, that the ultimate liability would not be material and would not have a material adverse effect on its businesses or the methods used by its insulation installation companies in doing business.

Warranty

Certain of the Company's products and product finishes and services are covered by a warranty to be free from defects in material and workmanship for periods ranging from one year to the life of the product. At the time of sale, the Company accrues a warranty liability for estimated costs to provide products, parts or services to repair or replace products in satisfaction of warranty obligations. The Company's estimate of costs to service its warranty obligations is based upon historical experience and expectations of future conditions. To the extent that the Company experiences any changes in warranty claim activity or costs associated with servicing those claims, its warranty liability is adjusted accordingly.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

S. OTHER COMMITMENTS AND CONTINGENCIES – (Concluded)

Changes in the Company's warranty liability were as follows, in millions:

	<u>2010</u>	<u>2009</u>
Balance at January 1	\$109	\$119
Accruals for warranties issued during the year	42	32
Accruals related to pre-existing warranties	(4)	5
Settlements made (in cash or kind) during the year	(37)	(44)
Other, net (including currency translation)	(3)	(3)
Balance at December 31	<u>\$107</u>	<u>\$109</u>

Investments

With respect to the Company's investments in private equity funds, the Company had, at December 31, 2010, commitments to contribute up to \$33 million of additional capital to such funds representing the Company's aggregate capital commitment to such funds less capital contributions made to date. The Company is contractually obligated to make additional capital contributions to certain of its private equity funds upon receipt of a capital call from the private equity fund. The Company has no control over when or if the capital calls will occur. Capital calls are funded in cash and generally result in an increase in the carrying value of the Company's investment in the private equity fund when paid.

Other Matters

The Company enters into contracts, which include reasonable and customary indemnifications that are standard for the industries in which it operates. Such indemnifications include customer claims against builders for issues relating to the Company's products and workmanship. In conjunction with divestitures and other transactions, the Company occasionally provides reasonable and customary indemnifications relating to various items including: the enforceability of trademarks; legal and environmental issues; provisions for sales returns; and asset valuations. The Company has never had to pay a material amount related to these indemnifications and evaluates the probability that amounts may be incurred and appropriately records an estimated liability when probable.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

T. INTERIM FINANCIAL INFORMATION (UNAUDITED)

	Total Year	(In Millions, Except Per Common Share Data) Quarters Ended			
		December 31	September 30	June 30	March 31
2010					
Net sales	\$ 7,592	\$ 1,735	\$1,957	\$2,048	\$1,852
Gross profit	\$ 1,840	\$ 308	\$ 494	\$ 546	\$ 492
(Loss) income from continuing operations	\$(1,043)	\$(1,034)	\$ (5)	\$ 3	\$ (7)
Net (loss) income	\$(1,043)	\$(1,034)	\$ (5)	\$ 3	\$ (7)
(Loss) earnings per common share:					
Basic:					
(Loss) income from continuing operations	\$ (3.00)	\$ (2.96)	\$ (.02)	\$.01	\$ (.02)
Net (loss) income	\$ (3.00)	\$ (2.96)	\$ (.02)	\$.01	\$ (.02)
Diluted:					
(Loss) income from continuing operations	\$ (3.00)	\$ (2.96)	\$ (.02)	\$.01	\$ (.02)
Net (loss) income	\$ (3.00)	\$ (2.96)	\$ (.02)	\$.01	\$ (.02)
2009					
Net sales	\$ 7,792	\$ 1,898	\$2,084	\$2,013	\$1,797
Gross profit	\$ 2,018	\$ 495	\$ 567	\$ 543	\$ 413
(Loss) income from continuing operations	\$ (140)	\$ (173)	\$ 51	\$ 67	\$ (85)
Net income (loss)	\$ (183)	\$ (185)	\$ 28	\$ 55	\$ (81)
(Loss) earnings per common share:					
Basic:					
(Loss) income from continuing operations	\$ (.41)	\$ (.49)	\$.14	\$.19	\$ (.24)
Net (loss) income	\$ (.53)	\$ (.53)	\$.08	\$.15	\$ (.23)
Diluted:					
(Loss) income from continuing operations	\$ (.41)	\$ (.49)	\$.14	\$.19	\$ (.24)
Net (loss) income	\$ (.53)	\$ (.53)	\$.08	\$.15	\$ (.23)

(Loss) earnings per common share amounts for the four quarters of 2010 and 2009 may not total to the earnings per common share amounts for the years ended December 31, 2010 and 2009 due to the allocation of income to unvested stock awards.

The first, second and third quarters of 2009 have been recast to reflect the Company's sale of a business unit (discontinued operation) in the fourth quarter of 2009.

Fourth quarter 2010 loss from continuing operations and net loss include non-cash impairment charges for goodwill and other intangible assets of \$593 million after tax (\$721 million pre-tax). Fourth quarter 2010 loss from continuing operations and net loss include a valuation allowance on net U.S. deferred tax assets of \$371 million. Income (loss) from continuing operations and net (loss) income include after-tax impairment charges for financial investments of \$21 million (\$33 million pre-tax) and \$- million (\$1 million pre-tax) in the second and fourth quarters of 2010, respectively.

MASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

T. INTERIM FINANCIAL INFORMATION (UNAUDITED) – (Concluded)

Fourth quarter 2009 loss from continuing operations and net loss include non-cash impairment charges for goodwill of \$180 million after tax (\$262 million pre-tax). Income (loss) from continuing operations and net (loss) income include after-tax impairment charges for financial investments of \$2 million (\$3 million pre-tax) and \$5 million (\$7 million pre-tax) in the first and second quarters of 2009, respectively. Net (loss) income for 2009 includes after-tax income (loss), net, related to discontinued operations of \$4 million (\$(4) million pre-tax), \$(12) million (\$(4) million pre-tax), \$(23) million (\$(24) million pre-tax) and \$(12) million (\$(18) million pre-tax) in the first, second, third and fourth quarters of 2009, respectively.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

The Company, with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of its disclosure controls and procedures as required by Exchange Act Rules 13a-15(b) and 15d-15(b) as of December 31, 2010. Based on this evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective.

(b) Management's Report on Internal Control over Financial Reporting.

Management's report on the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) is included in this Report under Item 8. Financial Statements and Supplementary Data, under the heading, "Management's Report on Internal Control over Financial Reporting" and is incorporated herein by reference. The report of our independent registered public accounting firm is also included under Item 8, under the heading, "Report of Independent Registered Public Accounting Firm" and is incorporated herein by reference.

(c) Changes in Internal Control over Financial Reporting.

The Company continued a phased deployment of a new Enterprise Resource Planning ("ERP") system at Masco Contractor Services, one of the Company's larger business units. This new system represents a process improvement initiative and is not in response to any identified deficiency or weakness in the Company's internal control over financial reporting.

In February 2010, the Company announced plans to combine Masco Builder Cabinet Group and Masco Retail Cabinet Group to form Masco Cabinetry. The Company has combined these business units in order to realize planned efficiency gains.

The system implementation and business integration are designed, in part, to enhance the overall system of internal control over financial reporting through further automation and integration of various business processes. However, these business process initiatives are significant in scale and complexity and have resulted in modifications to certain internal controls.

Item 9B. Other Information.

On February 11, 2011, the Company entered into an amendment (deemed to be effective and applicable as of December 31, 2010) of its Credit Agreement with its bank group (the "Amendment"). The Amendment provides for the add-back to shareholders' equity in the Company's maximum debt to capitalization covenant of (i) certain non-cash charges (including impairment charges for financial investments and goodwill and other intangible assets) and (ii) changes to the valuation allowance on the Company's deferred tax assets included in income tax expense, each taken in 2010, which aggregate \$986 million after tax. The Amendment also permits the Company to add-back, if incurred, up to \$350 million in the aggregate of future non-cash charges. We currently have borrowing capacity approximating \$1 billion available under the Credit Agreement.

Affiliates of The Bank of New York Mellon, a lender under the Credit Agreement, act as the Company's transfer agent and as trustee under the Company's indentures. In the ordinary course of their respective businesses, various lenders that are parties to the Credit Agreement or their affiliates have performed investment banking, commercial banking and other financial services for the Company and its affiliates, including acting as lenders under various loan facilities and as underwriters in offerings of the Company's securities.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Certain information regarding executive officers required by this Item is set forth as a Supplementary Item at the end of Part I hereof (pursuant to Instruction 3 to Item 401(b) of Regulation S-K). The Company's Code of Business Ethics applies to all employees, officers and directors including the Principal Executive Officer and Principal Financial Officer and Principal Accounting Officer, and is posted on the Company's website at www.masco.com. Other information required by this Item will be contained in the Company's definitive Proxy Statement for its 2011 Annual Meeting of Stockholders, to be filed on or before April 1, 2011, and such information is incorporated herein by reference.

Item 11. Executive Compensation.

Information required by this Item will be contained in the Company's definitive Proxy Statement for its 2011 Annual Meeting of Stockholders, to be filed on or before April 1, 2011, and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by this Item will be contained in the Company's definitive Proxy Statement for its 2011 Annual Meeting of Stockholders, to be filed on or before April 1, 2011, and such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by this Item will be contained in the Company's definitive Proxy Statement for its 2011 Annual Meeting of Stockholders, to be filed on or before April 1, 2011, and such information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

Information required by this Item will be contained in the Company's definitive Proxy Statement for its 2011 Annual Meeting of Stockholders, to be filed on or before April 1, 2011, and such information is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Listing of Documents.

- (1) *Financial Statements.* The Company's consolidated financial statements included in Item 8 hereof, as required at December 31, 2010 and 2009, and for the years ended December 31, 2010, 2009 and 2008, consist of the following:

Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Cash Flows
Consolidated Statements of Shareholders' Equity
Notes to Consolidated Financial Statements

- (2) *Financial Statement Schedule.*

- (i) Financial Statement Schedule of the Company appended hereto, as required for the years ended December 31, 2010, 2009 and 2008, consists of the following:

II. Valuation and Qualifying Accounts

- (3) *Exhibits.*

See separate Exhibit Index beginning on pages .

MASCO CORPORATION
SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS
for the years ended December 31, 2010, 2009 and 2008

Column A	Column B	Column C		Column D	(In Millions) Column E
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Allowance for doubtful accounts, deducted from accounts receivable in the balance sheet:					
2010	\$ 75	\$ 16	\$ — (a)	\$ (26) (b)	\$ 65
2009	\$ 75	\$ 30	\$ (1) (a)	\$ (29) (b)	\$ 75
2008	\$ 85	\$ 37	\$ (2) (a)	\$ (45) (b)	\$ 75
Valuation allowance on deferred tax assets:					
2010	\$ 43	\$ 400	\$ 19 (c)	\$ —	\$ 462
2009	\$ 15	\$ 28	\$ —	\$ —	\$ 43
2008	\$ 9	\$ 6	\$ —	\$ —	\$ 15

(a) Allowance of companies acquired and companies disposed of, net.

(b) Deductions, representing uncollectible accounts written off, less recoveries of accounts written off in prior years.

(c) Valuation allowance on deferred tax assets recorded in other comprehensive income.

EXHIBIT INDEX

Exhibit No.	Exhibit Description	Incorporated By Reference			Filed Herewith
		Form	Exhibit	Filing Date	
3.i	Restated Certificate of Incorporation of Masco Corporation and amendments thereto.				X
3.ii	Bylaws of Masco Corporation, as Amended and Restated June 2, 2007.	8-K	3.ii	06/06/2007	
4.a.i	Indenture dated as of December 1, 1982 between Masco Corporation and Bank of New York Trust Company, N.A., as successor trustee under agreement originally with Morgan Guaranty Trust Company of New York, as Trustee and Director's resolutions establishing Masco Corporation's:	2006 10-K	4.a.i	02/27/2007	
	(i) 7 ¹ / ₈ % Debentures Due August 15, 2013;	2008 10-K	4.a.i(i)	02/17/2009	
	(ii) 6.625% Debentures Due April 15, 2018; and	2008 10-K	4.a.i(ii)	02/17/2009	
	(iii) 7 ³ / ₄ % Debentures Due August 1, 2029.	2009 10-K	4.a.i(iii)	02/16/2010	
4.a.ii	Supplemental Indenture dated as of July 26, 1994 between Masco Corporation and Bank of New York Trust Company, N.A., as successor trustee under agreement originally with The First National Bank of Chicago, as Trustee.	2009 10-K	4.a.iii	02/16/2010	
4.b.i	Indenture dated as of February 12, 2001 between Masco Corporation and Bank of New York Trust Company, N.A., as successor trustee under agreement originally with Bank One Trust Company, National Association, as Trustee and Directors' Resolutions establishing Masco Corporation's:	2006 10-K	4.b.i	02/27/2007	
	(i) 5 ⁷ / ₈ % Notes Due July 15, 2012;	2007 10-K	4.b.i(i)	02/22/2008	
	(ii) 6 ¹ / ₂ % Notes Due August 15, 2032;	2007 10-K	4.b.i(ii)	02/22/2008	
	(iii) 4.80% Notes Due June 15, 2015;				X
	(iv) 6.125% Notes Due October 3, 2016;	2006 10-K	4.b.i(vi)	02/27/2007	
	(v) 5.85% Notes Due 2017; and	10-Q	4.b.ii	05/03/2007	
	(vi) 7.125% Notes Due 2020.				X
4.b.ii	Supplemental Indenture dated as of November 30, 2006 to the Indenture dated February 12, 2001 by and between Masco Corporation and Bank of New York Trust Company, N.A., as Trustee.	2006 10-K	4.b.iii	02/27/2007	
4.b.iii	Second Supplemental Indenture dated as of December 23, 2004 to the Indenture dated February 12, 2001 by and between Masco Corporation and J.P. Morgan Trust Company, National Association, as Trustee (including form of Zero Coupon Convertible Senior Note, Series B due 2031).	2009 10-K	4.b.iii	02/16/2010	

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Exhibit No.	Exhibit Description	Incorporated By Reference			Filed Herewith
		Form	Exhibit	Filing Date	
4.c.	Credit Agreement dated as of June 21, 2010 by and among Masco Corporation and Masco Europe, S.à.r.l. as borrowers, the banks party thereto, as lenders, J.P. Morgan Chase Bank, N.A. as Administrative Agent, Citibank, N.A. as Syndication Agent and Royal Bank of Canada, Wells Fargo Bank, N.A. and Deutsche Bank AG New York Branch as Co-Documentation Agents and J.P. Morgan Securities Inc. and Citigroup Global Markets Inc. as Joint Bookrunners and Joint Lead Arrangers.	8-K	4.1	06/25/2010	
Note:	Other instruments, notes or extracts from agreements defining the rights of holders of long-term debt of Masco Corporation or its subsidiaries have not been filed since (i) in each case the total amount of long-term debt permitted thereunder does not exceed 10 percent of Masco Corporation's consolidated assets, and (ii) such instruments, notes and extracts will be furnished by Masco Corporation to the Securities and Exchange Commission upon request.				
Note:	Exhibits 10.a through 10.j constitute the management contracts and executive compensatory plans or arrangements in which certain of the Directors and executive officers of the Company participate.				
10.a	Masco Corporation 1991 Long Term Stock Incentive Plan (as amended and restated October 26, 2006):	2006 10-K	10.a	02/27/2007	
	(i) Forms of Restricted Stock Award Agreement				
	(A) for awards prior to January 1, 2005 and	2009 10-K	10.a.(i)(A)	02/16/2010	
	(B) for awards on and after January 1, 2005;	2009 10-K	10.a.(i)(B)	02/16/2010	
	(ii) Form of Restoration Stock Option;	2009 10-K	10.a(ii)	02/16/2010	
	(iii) Form of Stock Option Grant;	2009 10-K	10.a(iii)	02/16/2010	
	(iv) Form of Stock Option Grant for Non-Employee Directors; and	2009 10-K	10.a(iv)	02/16/2010	
	(v) Form of Amendment to Award Agreements.				X
10.b.i	Masco Corporation 2005 Long Term Stock Incentive Plan (Amended and Restated May 11, 2010):				X
	(i) Form of Restricted Stock Award;				X
	(ii) Form of Stock Option Grant;				X
	(iii) Form of Restoration Stock Option; and				X
	(iv) Form of Stock Option Grant for Non-Employee Directors.				X
10.b.ii	Non-Employee Directors Equity Program under Masco's 2005 Long Term Stock Incentive Plan (Amended October 2010):	10-Q	10	10/28/2010	
	(i) Form of Restricted Stock Award Agreement.	2007 10-K	10.b.ii(i)	02/22/2008	
10.b.iii	Non-Employee Directors Equity Program under Masco's 2005 Long Term Stock Incentive Plan (for awards prior to October 2010):	2007 10-K	10.b.iii	02/22/2008	
	(i) Form of Restricted Stock Award Agreement; and	2007 10-K	10.b.ii(i)		
	(ii) Form of Stock Option Grant Agreement.	2007 10-K	10.b.ii(ii)	02/22/2008	

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Exhibit No.	Exhibit Description	Incorporated By Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.c	Forms of Masco Corporation Supplemental Executive Retirement and Disability Plan and amendments thereto:	2008 10-K	10.c	02/17/2009	
	(i) William T. Anderson (includes amendment freezing benefit accruals)				X
	(ii) Donald J. DeMarie (includes amendment freezing benefit accruals)				X
	(iii) Richard A. Manoogian				X
	(iv) John G. Szniewajs (includes amendment freezing benefit accruals)				X
	(v) Timothy Wadhams (includes amendment freezing benefit accruals)				X
10.d	Masco Corporation 1997 Non-Employee Directors Stock Plan (as amended and restated October 27, 2005):				X
	(i) Form of Restricted Stock Award Agreement;				X
	(ii) Form of Stock Option Grant; and				X
	(iii) Form of Amendment to Award Agreements.				X
10.e	Other compensatory arrangements for executive officers.	2008 10-K	10.e	02/17/2009	
10.f	Masco Corporation 2004 Restricted Stock Award Program.	2009 10-K	10.f	02/16/2010	
10.g	Masco Corporation Retirement Benefit Restoration Plan effective January 1, 1995 (as amended and restated December 22, 2010).				X
10.h	Letter Agreement dated June 29, 2009 between Richard A. Manoogian and Masco Corporation.	10-Q	10	07/30/2009	
10.i	Shareholders Agreement, as amended and restated as of July 19, 2002, by and among Trimas Corporation, Metaldyne Company LLC, and the Heartland Entities listed therein and the Other Shareholders named therein or added as parties thereto from time to time.	2006 10-K	10.j	02/27/2007	
10.j	Amendment No. 1, dated as of August 31, 2006, to Shareholders Agreement, as amended and restated as of July 19, 2002, by and among Trimas Corporation, Metaldyne Company LLC, Heartland Industrial Partners, L.P. and the Heartland Entities listed therein and the parties identified on the signature pages thereto as "Metaldyne Shareholder Parties."	2006 10-K	10.k	02/27/2007	
12	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.				X
21	List of Subsidiaries.				X
23	Consent of Independent Registered Public Accounting Firm relating to Masco Corporation's Consolidated Financial Statements and Financial Statement Schedule.				X

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Exhibit No.	Exhibit Description	Incorporated By Reference			Filed Herewith
		Form	Exhibit	Filing Date	
31.a	Certification by Chief Executive Officer required by Rule 13a-14(a)/15d-14(a).				X
31.b	Certification by Chief Financial Officer required by Rule 13a-14(a)/15d-14(a).				X
32	Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.				X
100	XBRL-Related Documents.				X
101	Interactive Data File.				X

The Company will furnish to its stockholders a copy of any of the above exhibits not included herein upon the written request of such stockholder and the payment to the Company of the reasonable expenses incurred by the Company in furnishing such copy or copies.

**RESTATED CERTIFICATE OF INCORPORATION
OF
MASCO CORPORATION**

MASCO CORPORATION, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is MASCO CORPORATION. The date of filing of its original Certificate of Incorporation with the Secretary of State of the state of Delaware was June 15, 1962.
2. This Restated Certificate of Incorporation was duly adopted by the Board of Directors in accordance with Section 245 of the General Corporation Law of Delaware.
3. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Certificate of Incorporation of this corporation as heretofore amended or supplemented and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.
4. The text of the Certificate of Incorporation as amended or supplemented heretofore is hereby restated without further amendments or changes to read as herein set forth in full:

FIRST: The name of the corporation is MASCO CORPORATION.

SECOND: Its registered office in the State of Delaware is located at the Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name and address of its registered agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801.

THIRD: The nature of the business or objects or purposes to be transacted, promoted or carried on are: To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of stock the Corporation shall have authority to issue is one billion, four hundred one million (1,401,000,000) shares.

One billion, four hundred million (1,400,000,000) of such shares shall consist of common shares, par value one dollar (\$1.00) per share, and one million (1,000,000) of such shares shall consist of preferred shares, par value one dollar (\$1.00) per share.

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof are as follows:

A. Each share of common stock shall be equal in all respects to all other shares of such stock, and each share of outstanding common stock is entitled to one vote.

B. Each share of preferred stock shall have or not have voting rights as determined by the Board of Directors prior to issuance.

Dividends on all outstanding shares of preferred stock must be declared and paid, or set aside for payment, before any dividends can be declared and paid, or set aside for payment, on the shares of common stock with respect to the same dividend period.

In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the holders of the preferred stock shall be entitled, before any assets of the Corporation shall be distributed among or paid over to the holders of the common stock, to an amount per share to be determined before issuance by the Board of Directors, together with a sum of money equivalent to the amount of any dividends declared thereon and remaining unpaid at the date of such liquidation, dissolution or winding up of the Corporation. After the making of such payments to the holders of the preferred stock, the remaining assets of the Corporation shall be distributed among the holders of the common stock alone, according to the number of shares held by each. If, upon such liquidation, dissolution or winding up, the assets of the Corporation distributable as aforesaid among the holders of the preferred stock shall be insufficient to permit the payment to them of said amount, the entire assets shall be distributed ratably among the holders of the preferred stock.

The Board of Directors shall have authority to divide the shares of preferred stock into series and fix, from time to time, before issuance, the number of shares to be included in any series and the designation, relative rights, preferences and limitations of all shares of such series. The authority of the Board of Directors with respect to each series shall include the determination of any or all of the following, and the shares of each series may vary from the shares of any other in the following respects: (a) the number of shares constituting such series and the designation thereof to distinguish the shares of such series from the shares of all other series; (b) the rate of dividend, cumulative or noncumulative, and the extent of further participation in dividend distribution, if any; (c) the prices at which issued (at not less than par) and the terms and conditions upon which the shares may be redeemable by the Corporation; (d) sinking fund provisions for the redemption or purchase of shares; (e) the voting rights; and (f) the terms and conditions upon which the shares are convertible into other classes of stock of the Corporation, if such shares are to be convertible.

C. No holder of any class of stock issued by this Corporation shall be entitled to pre-emptive rights.

FIFTH: The Corporation is to have perpetual existence.

SIXTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

SEVENTH: (a) The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors consisting of not less than five nor more than twelve directors, the exact number of directors to be determined from time to time by resolution adopted by affirmative vote of a majority of the entire Board of Directors. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. At the 1988 Annual Meeting of stockholders, Class I directors shall be elected for a one-year term, Class II directors for a two-year term and Class III directors for a three-year term. At each succeeding Annual Meeting of stockholders beginning in 1989, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement or removal from office. Except as otherwise required by law, any vacancy on the Board of Directors that results from an increase in the number of directors shall be filled only by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring in the Board of Directors shall be filled only by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall serve for the remaining term of his predecessor.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of preferred stock or any other class of stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the Certificate of Designation with respect to such stock, such directors so elected shall not be divided into classes pursuant to this Article SEVENTH, and the number of such directors shall not be counted in determining the maximum number of directors permitted under the foregoing provisions of this Article SEVENTH, in each case unless expressly provided by such terms.

(b) Nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote in the election of directors. Any stockholder entitled to vote

in the election of directors, however, may nominate one or more persons for election as director only if written notice of such stockholder's intent to make such nomination or nominations has been given either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (i) with respect to an election to be held at an Annual Meeting of stockholders, 45 days in advance of the date on which the Corporation's proxy statement was released to stockholders in connection with the previous year's Annual Meeting of stockholders and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the seventh day following the day on which notice of such meeting is first given to stockholders. Each such notice shall include: (A) the name and address of the stockholder who intends to make the nomination or nominations and of the person or persons to be nominated; (B) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (C) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations is or are to be made by the stockholder; (D) such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission if the nominee had been nominated by the Board of Directors; and (E) the written consent of each nominee to serve as a director of the Corporation if elected. The chairman of any meeting of stockholders may refuse to acknowledge the nomination of any person if not made in compliance with the foregoing procedure.

(c) Notwithstanding any other provision of this Certificate of Incorporation or the by-laws (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the by-laws), and in addition to any affirmative vote required by law, the affirmative vote of the holders of at least 80% of the voting power of the outstanding capital stock of the Corporation entitled to vote, voting together as a single class, shall be required to amend, adopt in this Certificate of Incorporation or in the by-laws any provision inconsistent with, or repeal this Article SEVENTH.

EIGHTH: Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by any such holders. Except as otherwise required by law, special meetings of stockholders of the Corporation may be called only by the Chairman of the Board, the President or a majority of the Board of Directors, subject to the rights of holders of any one or more classes or series of preferred stock or any other class of stock issued by the Corporation which shall have the right, voting separately by class or series, to elect directors. Notwithstanding any other provision of this Certificate of Incorporation or the by-laws (and notwithstanding that a lesser percentage may be specified by law, this Certificate of Incorporation or the by-laws), and in addition to any affirmative vote required by law, the affirmative vote of the holders of at least 80% of the voting power of the outstanding capital stock of the Corporation entitled to vote, voting together as a single class, shall be required to amend, adopt in this Certificate of Incorporation or in the by-laws any provision inconsistent with, or repeal this Article EIGHTH.

NINTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

To make, alter or repeal the by-laws of the Corporation.

To authorize and cause to be executed mortgages and liens upon the real and personal property of the Corporation.

To set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created.

By resolution passed by a majority of the whole board, to designate one or more committees, each committee to consist of two or more of the Directors of the Corporation, which, to the extent provided in the resolution or in the by-laws of the Corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in the by-laws of the Corporation or as may be determined from time to time by resolution adopted by the Board of Directors.

When and as authorized by the affirmative vote of the holders of a majority of the stock issued and outstanding having voting power given at a stockholders' meeting duly called for that purpose, to sell, lease or exchange all of the property and assets of the Corporation, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may be in whole or in part shares of stock in, and/or other securities of, any other corporation or corporations, as its Board of Directors shall deem expedient and for the best interests of the Corporation.

TENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

ELEVENTH: Meetings of stockholders may be held outside the State of Delaware, if the by-laws so provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the by-laws of the Corporation. Elections of Directors need not be by ballot unless the by-laws of the Corporation shall so provide.

TWELFTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

THIRTEENTH: 1. The affirmative vote of the holders of 95% of all shares of stock of the Corporation entitled to vote in elections of directors, considered for the purposes of this Article THIRTEENTH as one class, shall be required for the adoption or authorization of a business combination (as hereinafter defined) with any other entity (as hereinafter defined) if, as of the record date for the determination of stockholders entitled to notice thereof and to vote thereon, such other entity is the beneficial owner, directly or indirectly, of 30% or more of the outstanding shares of stock of the Corporation entitled to vote in elections of directors considered for the purposes of this Article THIRTEENTH as one class; provided that such 95% voting requirement shall not be applicable if:

(a) The cash, or fair market value of other consideration, to be received per share by common stockholders of the Corporation in such business combination bears the same or a greater percentage relationship to the market price of the Corporation's common stock immediately prior to the announcement of such business combination as the highest per share price (including brokerage commissions and soliciting dealers' fees) which such other entity has theretofore paid for any of the shares of the Corporation's common stock already owned by it bears to the market price of the common stock of the Corporation immediately prior to the commencement of acquisition of the Corporation's common stock by such other entity;

(b) The cash, or fair market value of other consideration, to be received per share by common stockholders of the Corporation in such business combination (i) is not less than the highest per share price (including brokerage commissions and soliciting dealers' fees) paid by such other entity in acquiring any of its holdings of the Corporation's common stock, and (ii) is not less than the earnings per share of common stock of the Corporation for the four full consecutive fiscal quarters immediately preceding the record date for solicitation of votes on such business combination, multiplied by the then price/earnings multiple (if any) of such other entity as customarily computed and reported in the financial community;

(c) After such other entity has acquired a 30% interest and prior to the consummation of such business combination: (i) such other entity shall have taken steps to ensure that the Corporation's Board of Directors included at all times representation by continuing director(s) (as hereinafter defined) proportionate to the stockholdings of the Corporation's public common

stockholders not affiliated with such other entity (with a continuing director to occupy any resulting fractional board position); (ii) there shall have been no reduction in the rate of dividends payable on the Corporation's common stock except as necessary to insure that a quarterly dividend payment does not exceed 5% of the net income of the Corporation for the four full consecutive fiscal quarters immediately preceding the declaration date of such dividend, or except as may have been approved by a unanimous vote of the directors; (iii) such other entity shall not have acquired any newly issued shares of stock, directly or indirectly, from the Corporation (except upon conversion of convertible securities acquired by it prior to obtaining a 30% interest or as a result of a pro rata stock dividend or stock split); and (iv) such other entity shall not have acquired any additional shares of the Corporation's outstanding common stock or securities convertible into common stock except as a part of the transaction which results in such other entity acquiring its 30% interest;

(d) Such other entity shall not have (i) received the benefit, directly or indirectly (except proportionately as a stockholder) of any loans, advances, guarantees, pledges or other financial assistance or tax credits of or provided by the Corporation, or (ii) made any major change in the Corporation's business or equity capital structure without the unanimous approval of the directors, in either case prior to the consummation of such business combination; and

(e) A proxy statement responsive to the requirements of the United States securities laws shall be mailed to all common stockholders of the Corporation for the purpose of soliciting stockholder approval of such business combination and shall contain on its first page thereof, in a prominent place, any recommendations as to the advisability (or inadvisability) of the business combination which the continuing directors, or any of them, may choose to state and, if deemed advisable by a majority of the continuing directors, an opinion of a reputable investment banking firm as to the fairness (or not) of the terms of such business combination, from the point of view of the remaining public stockholders of the Corporation (such investment banking firm to be selected by a majority of the continuing directors and to be paid a reasonable fee for their services by the Corporation upon receipt of such opinion).

The provisions of this Article THIRTEENTH shall also apply to a business combination with any other entity which at any time has been the beneficial owner, directly or indirectly, of 30% or more of the outstanding shares of stock of the Corporation entitled to vote in elections of directors considered for the purposes of this Article THIRTEENTH as one class, notwithstanding the fact that such other entity has reduced its shareholdings below 30% if, as of the record date for the determination of stockholders entitled to notice of and to vote on to the business combination, such other entity is an "affiliate" of the Corporation (as hereinafter defined).

2. As used in this Article THIRTEENTH, (a) the term "other entity" shall include any corporation, person or other entity and any other entity with which it or its "affiliate" or "associate" (as defined below) has any agreement, arrangement or understanding, directly or indirectly, for the purpose of acquiring, holding, voting or disposing of stock of the Corporation, or which is its "affiliate" or "associate" as those terms are defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934 as in effect on March 31, 1981, together with the successors and assigns of such persons in any transaction or series of

transactions not involving a public offering of the Corporation's stock within the meaning of the Securities Act of 1933; (b) an other entity shall be deemed to be the beneficial owner of any shares of stock of the Corporation which the other entity (as defined above) has the right to acquire pursuant to any agreement, arrangement or understanding or upon exercise of conversion rights, warrants or options, or otherwise; (c) the outstanding shares of any class of stock of the Corporation shall include shares deemed owned through application of clause (b) above but shall not include any other shares which may be issuable pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise; (d) the term "business combination" shall include any merger or consolidation of the Corporation with or into any other entity, or the sale or lease of all or any substantial part of the assets of the Corporation to, or any sale or lease to the Corporation or any subsidiary thereof in exchange for securities of the Corporation of any assets (except assets having an aggregate fair market value of less than \$5,000,000) of any other entity; (e) the term "continuing director" shall mean a person who was a member of the Board of Directors of the Corporation elected by stockholders prior to the time that such other entity acquired in excess of 10% of the stock of the Corporation entitled to vote in the election of directors, or a person recommended to succeed a continuing director by a majority of continuing directors; and (f) for the purposes of subparagraphs l(a) and (b) of this Article THIRTEENTH the term "other consideration to be received" shall mean, in addition to other consideration received, if any, capital stock of the Corporation retained by its existing public stockholders in the event of a business combination with such other entity in which the Corporation is the surviving corporation.

3. A majority of the continuing directors shall have the power and duty to determine for the purposes of this Article THIRTEENTH on the basis of information known to them whether (a) such other entity beneficially owns 30% or more of the outstanding shares of stock of the Corporation entitled to vote in elections of directors; (b) an other entity is an "affiliate" or "associate" (as defined above) of another; (c) an other entity has an agreement, arrangement or understanding with another; or (d) the assets being acquired by the Corporation, or any subsidiary thereof, have an aggregate fair market value of less than \$5,000,000.

4. No amendment to the Certificate of Incorporation of the Corporation shall amend or repeal any of the provisions of this Article THIRTEENTH, unless the amendment effecting such amendment or repeal shall receive the affirmative vote of the holders of 95% of all shares of stock of the corporation entitled to vote in elections of directors, considered for the purposes of this Article THIRTEENTH as one class; provided that this paragraph 4 shall not apply to, and such 95% vote shall not be required for, any amendment or repeal unanimously recommended to the stockholders by the Board of Directors of the Corporation if all of such directors are persons who would be eligible to serve as "continuing directors" within the meaning of paragraph 2 of this Article THIRTEENTH.

5. Nothing contained in this Article THIRTEENTH shall be construed to relieve any other entity from any fiduciary obligation imposed by law.

FOURTEENTH: A director of this Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director,

except for liability (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the Delaware General Corporation Law, or (d) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law hereafter is amended to authorize the further limitation or elimination of the liability of directors, then the liability of a director of the Corporation, in addition to the limitation on liability provided herein, shall be limited to the fullest extent permitted by the Delaware General Corporation Law, as amended. Any repeal or modification of this Article FOURTEENTH shall not increase the liability of any director of this Corporation for any act or occurrence taking place prior to such repeal or modification, or otherwise adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

FIFTEENTH: 1. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director, officer or employee of the Corporation, whether the basis of such proceeding is alleged action in an official capacity as a director, officer or employee or in any other capacity while serving as a director, officer, or employee, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines and amounts paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of such person's heirs, executors and administrators. The Corporation shall indemnify a director, officer or employee in connection with an action, suit or proceeding (other than an action, suit or proceeding to enforce indemnification rights provided for herein or elsewhere) initiated by such director, officer or employee only if such action, suit or proceeding was authorized by the Board of Directors. The right to indemnification conferred in this Paragraph 1 shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any action, suit or proceeding in advance of its final disposition; *provided, however*, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in such person's capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person) in advance of the final disposition of an action, suit or proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such director or officer is not entitled to be indemnified for such expenses under this Article FIFTEENTH or otherwise.

2. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide indemnification and the advancement of expenses, to any agent of the Corporation and to any person (other than directors, officers and employees of the Corporation,

who shall be entitled to indemnification under Paragraph 1 above) who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, to such extent and to such effect as the Board of Directors shall determine to be appropriate and permitted by applicable law, as the same exists or may hereafter be amended.

3. The rights to indemnification and to the advancement of expenses conferred in this Article FIFTEENTH shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation or by-laws of the Corporation, agreement, vote of stockholders or disinterested directors or otherwise.

IN WITNESS WHEREOF, said MASCO CORPORATION has caused this Certificate to be signed by Richard A. Manoogian, its Chairman of the Board and Chief Executive Officer this 23rd day of February, 2006.

MASCO CORPORATION

By: /s/ Richard A. Manoogian
Richard A. Manoogian
Chairman of the Board and
Chief Executive Officer

**RESOLUTIONS OF THE PRICING COMMITTEE
OF THE BOARD OF DIRECTORS OF
MASCO CORPORATION
JUNE 7, 2005**

WHEREAS, Masco Corporation, a Delaware corporation (the "Company") the Company has filed a Registration Statement (No. 100641) on Form S-3 with the Securities and Exchange Commission, which is in effect;

WHEREAS, the Company desires to create a series of securities under the indenture dated as of February 12, 2001 (the "Indenture"), with J. P. Morgan Trust Company, National Association, (as successor to Bank One Trust Company, National Association) (the "Trustee"), providing for the issuance from time to time of unsecured debentures, notes or other evidences of indebtedness of this Company ("Securities") in one or more series under such Indenture; and

WHEREAS, capitalized terms used in these resolutions and not otherwise defined are used with the same meaning ascribed to such terms in the Indenture;

THEREFORE, BE IT RESOLVED, that there is established two series of Securities under the Indenture, the terms of which shall be as follows:

1. The Securities of one series shall be designated as the "4.80% Notes Due 2015."
 2. The aggregate principal amount of Securities of such series which may be authenticated and delivered under the Indenture is limited to Five Hundred Million Dollars (\$500,000,000), except for Securities of such series authenticated and delivered upon registration of, transfer of, or in exchange for, or in lieu of, other Securities of such series pursuant to Sections 3.04, 3.05, 3.06, 9.06 or 11.07 of the Indenture.
 3. The date on which the principal of the Securities of such series shall be payable is December 15, 2015.
 4. The Securities of such series shall bear interest from June 10, 2005 at the rate of 4.80% per annum, payable semi-annually on June 15 and December 15 of each year commencing on December 15, 2005 until the principal thereof is paid or made available for payment. The June 1 or December 1 (whether or not a business day), as the case may be, next preceding each such interest payment date shall be the "record date" for the determination of holders to whom interest is payable.
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5. The Securities of such series shall be issued initially in the form of global securities registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), and will be held by the Trustee as custodian for DTC. The Securities shall be subject to the procedures of DTC and will not be issued in definitive registered form.

6. The principal of and interest on the Securities of such series shall be payable at the office or agency of this Company maintained for such purpose in Chicago, Illinois or at any other office or agency designated by the Company for such purpose pursuant to the Indenture.

7. The Securities of such series shall be subject to redemption in whole or in part prior to maturity, at the Company’s option, at a redemption price established in accordance with current market practice, substantially as follows: the redemption price shall be equal to the greater of (i) 100% of the principal amount of the Securities plus accrued interest to the redemption date, or (ii) the sum of the present values of the remaining principal amount and scheduled payments of interest on the Securities of such series to be redeemed (other than accrued interest to the redemption date), discounted to the redemption date on a semi-annual basis at the appropriate treasury rate plus 15 basis points plus accrued interest to the redemption date.

8. The Securities of such series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any integral multiples thereof.

9. The Securities shall be issuable at a price such that this Company shall receive Four Hundred Ninety Four Million One Hundred Fifty-Five Thousand Dollars (\$494,155,000) after an underwriting discount of Three Million Two Hundred Fifty Thousand Dollars (\$3,250,000).

10. The Securities shall be subject to Defeasance and discharge pursuant to Section 4.02 of the Indenture and to Covenant Defeasance pursuant to Section 10.06 of the Indenture with respect to any term, provision or condition set forth in any negative or restrictive covenant of the Company applicable to the Securities.

FURTHER RESOLVED, that the Securities of each such series are declared to be issued under the Indenture and subject to the provisions hereof;

FURTHER RESOLVED, that the Chairman of the Board, the President or any Vice President of the Company is authorized to execute, on the Company’s behalf and in its name, and the Secretary or any Assistant Secretary of the Company is authorized to attest to such execution and under the Company’s seal (which may be in the form of a facsimile of the Company’s seal), \$500,000,000 aggregate principal amount of the Securities of such series (and in addition, Securities to replace lost, stolen, mutilated or destroyed Securities and Securities required for exchange, substitution or transfer, all as

provided in the Indenture) and to deliver such Securities to the Trustee for authentication, and the Trustee is authorized and directed thereupon to authenticate and deliver the same to or upon the written order of this Company as provided in the Indenture;

FURTHER RESOLVED, that the signatures of the Company officers so authorized to execute the Securities of such series may be the manual or facsimile signatures of the present or any future authorized officers and may be imprinted or otherwise reproduced thereon, and the Company for such purpose adopts each facsimile signature as binding upon it notwithstanding the fact that at the time the respective Securities shall be authenticated and delivered or disposed of, the individual so signing shall have ceased to hold such office;

FURTHER RESOLVED, that Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and J. P. Morgan Securities Inc., appointed underwriters for the issuance and sale of the Securities of such series, and the Chairman of the Board, the President or any Vice President of the Company is authorized, in the Company's name and on its behalf, to execute and deliver an Underwriting Agreement, substantially in the form heretofore approved by the Company's Board of Directors, with such underwriters, with such changes and insertions therein as are appropriate to conform such Underwriting Agreement to the terms set forth herein or otherwise as the officer executing such Underwriting Agreement shall approve and as are not inconsistent with these resolutions, such approval to be conclusively evidenced by such officer's execution and delivery of the Underwriting Agreement;

FURTHER RESOLVED, that J. P. Morgan Trust Company, National Association, the Trustee under the Indenture, is appointed trustee for Securities of such series, and as Agent of this Company for the purpose of effecting the registration, transfer and exchange of the Securities of such series as provided in the Indenture, and the corporate trust office of J. P. Morgan Trust Company, National Association, in Chicago, Illinois is designated pursuant to the Indenture as the office or agency of the Company where such Securities may be presented for registration, transfer and exchange and where notices and demands to or upon this Company in respect of the Securities and the Indenture may be served;

FURTHER RESOLVED, that J. P. Morgan Trust Company, National Association, is appointed Paying Agent of this Company for the payment of interest on and principal of the Securities of such series, and the corporate trust office of J. P. Morgan Trust Company, National Association, is designated, pursuant to the Indenture, as the office or agency of the Company where Securities may be presented for payment; and

FURTHER RESOLVED, that each of the Company's officers is authorized and directed, on behalf of the Company and in its name, to do or cause to be done everything such officer deems advisable to effect the sale and delivery of the Securities of such series pursuant to the Underwriting Agreement and otherwise to carry out the Company's obligations under the Underwriting Agreement, and to do or cause to be done everything

and to execute and deliver all documents as such officer deems advisable in connection with the execution and delivery of the Underwriting Agreement and the execution, authentication and delivery of such Securities (including, without limiting the generality of the foregoing, delivery to the Trustee of the Securities for authentication and of requests or orders for the authentication and delivery of Securities).

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, 55 WATER STREET, NEW YORK, NEW YORK (THE "DEPOSITORY"), TO MASCO CORPORATION OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

MASCO CORPORATION

4.80% Notes Due 2015

\$500,000,000

CUSIP No. 574599BC9

Masco Corporation, a corporation duly organized and existing under the laws of Delaware (herein called the "**Company**," which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO. or registered assigns, the principal sum of Five Hundred Million Dollars on June 15, 2015, and to pay interest thereon from June 10, 2005 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on June 15 and December 15 in each year, commencing December 15, 2005, at the rate of 4.80% per annum, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the June 1 or December 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture. Interest on the Securities shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Payment of the principal of (and premium, if any) and any such interest on this Security will be made at the office or agency of the Company maintained for that purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: June 10, 2005

MASCO CORPORATION

By: _____
John R. Leekley
Senior Vice President and
General Counsel

Attest: _____
Eugene A. Gargaro, Jr.
Secretary

FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Date of Authentication: June 10, 2005

J.P. Morgan Trust Company,
National Association, as Trustee

By: _____
Authorized Officer

REVERSE OF SECURITY

This Security is one of a duly authorized issue of securities of the Company (herein called the “**Securities**”), issued and to be issued in one or more series under an Indenture, dated as of February 12, 2001 (herein called the “**Indenture**”), between the Company and J.P. Morgan Trust Company, National Association (as successor in interest to Bank One Trust Company, National Association), as Trustee (herein called the “**Trustee**,” which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, initially limited in aggregate principal amount to \$500,000,000.

The Notes will be redeemable at the option of the Company, in whole at any time or in part from time to time (each, a “**Redemption Date**”) at a redemption price equal to the greater of (i) 100% of their principal amount plus accrued interest to the Redemption Date and (ii) the sum, as determined by the Independent Investment Banker, of the present values of the principal amount and the remaining scheduled payments of interest on the Notes to be redeemed (exclusive of interest accrued to such Redemption Date), discounted from the scheduled payment dates to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 15 basis points plus accrued but unpaid interest thereon to the Redemption Date. Notwithstanding the foregoing, installments of interest on Notes that are due and payable on an interest payment date falling on or prior to the relevant Redemption Date will be payable to the holders of such Notes registered as such at the close of business on the relevant record date according to their terms and the provisions of the Indenture.

“**Comparable Treasury Issue**” means the United States Treasury security selected by the Independent Investment Banker as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes to be redeemed.

“**Comparable Treasury Price**” means, with respect to any Redemption Date, the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or if the Trustee obtains fewer than three such Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

“**Independent Investment Banker**” means one of the Reference Treasury Dealers appointed by the Trustee after consultation with the Company.

“ **Reference Treasury Dealer** ” means (a) each of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc. and their respective successors, unless either of them ceases to be a primary U.S. Government securities dealer in New York City (a “Primary Treasury Dealer”), in which case the Company shall substitute another Primary Treasury Dealer; and (b) any other Primary Treasury Dealer selected by the Company.

“ **Reference Treasury Dealer Quotations** ” means, with respect to each Reference Treasury Dealer and any Redemption Date for the Notes, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m. New York City time, on the third Business Day preceding such Redemption Date.

“ **Treasury Rate** ” means, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated on the third Business Day preceding such Redemption Date using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury price for such Redemption Date.

This Security will be subject to defeasance and discharge and to defeasance of certain obligations as set forth in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default

as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security herein provided, and at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any) and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

**RESOLUTIONS OF THE PRICING COMMITTEE
OF THE BOARD OF DIRECTORS OF
MASCO CORPORATION
March 5, 2010**

WHEREAS, Masco Corporation, a Delaware corporation (the “Company”) the Company has filed a Registration Statement (No. 333-165047) on Form S-3 with the Securities and Exchange Commission, which is in effect;

WHEREAS, the Company desires to create a series of securities under the Indenture dated as of February 12, 2001, as supplemented by the Supplemental Indenture dated as of November 30, 2006 (the “Indenture”), with The Bank of New York Mellon Trust Company, N.A. (as successor trustee under agreement originally with Bank One Trust Company, National Association) (the “Trustee”), providing for the issuance from time to time of unsecured debentures, notes or other evidences of indebtedness of this Company (“Securities”) in one or more series under such Indenture; and

WHEREAS, capitalized terms used in these resolutions and not otherwise defined are used with the same meaning ascribed to such terms in the Indenture;

THEREFORE, BE IT RESOLVED, that there is established a series of Securities under the Indenture, the terms of which shall be as follows:

1. Such Securities shall be designated as the “7.125% Notes Due 2020.”
 2. The aggregate principal amount of such Securities which may be authenticated and delivered under the Indenture is limited to Five Hundred Million Dollars (\$500,000,000), except for such Securities authenticated and delivered upon registration of, transfer of, or in exchange for, or in lieu of, other Securities of the same series pursuant to Sections 3.04, 3.05, 3.06, 9.06 or 11.07 of the Indenture.
 3. The date on which the principal of such Securities shall be payable is March 15, 2020. Such Securities are not subject to any sinking fund.
 4. Such Securities shall bear interest from March 10, 2010 at the rate of 7.125% per annum, payable semi-annually in arrears on March 15 and September 15 of each year commencing on September 15, 2010 until the principal there of is paid or made available for payment. The March 1 and September 1 (whether or not a business day), as the case may be, next preceding each such interest payment date shall be the “record date” for the determination of holders to whom interest is payable.
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5. Such Securities shall be issued initially in the form of global securities registered in the name of Cede & Co.; as nominee of The Depository Trust Company (“DTC”), and will be held by the Trustee as custodian for DTC. Such Securities shall be subject to the procedures of DTC and will not be issued in definitive registered form.
6. The principal of and interest on such Securities shall be payable at the office or agency of this Company maintained for such purpose in Chicago, Illinois or at any other office or agency designated by the Company for such purpose pursuant to the Indenture.
7. Such Securities shall be subject to redemption in whole or in part prior to maturity, at the Company’s option, at a redemption price established in accordance with current market practice, substantially as follows: the redemption price shall be equal to the greater of (i) 100% of the principal amount of the Securities to be redeemed plus accrued interest to the redemption date, or (ii) the sum of the present values of the remaining principal amount and scheduled payments of interest on such Securities to be redeemed (other than accrued interest to the redemption date), discounted to the redemption date on a semi-annual basis at the appropriate treasury rate plus 50 basis points plus accrued interest to the redemption date.
8. Such Securities shall be issuable in denominations of Two Thousand Dollars (\$2,000) and integral multiples of One Thousand Dollars (\$1,000) above that amount.
9. Such Securities shall be issuable at a price such that this Company shall receive \$494,990,000 Dollars (\$494,990,000) after an underwriting discount of Five Million Dollars (\$5,000,000).
10. Such Securities shall be subject to Defeasance and discharge pursuant to Section 4.02 of the Indenture and to Covenant Defeasance pursuant to Section 10.06 of the Indenture with respect to any term, provision or condition set forth in any negative or restrictive covenant of the Company applicable to such Securities.
11. Such Securities shall be subject to the following change of control repurchase event.

If a Change of Control Repurchase Event occurs, unless the Company has exercised its right to redeem the Securities by giving notice of such redemption to the Holders of the Securities, the Company will make an offer to each holder of Securities to repurchase all or any part (in integral multiples of \$1,000) of that holders’ Securities at a repurchase price in cash equal to 101% of the aggregate principal amount of Securities repurchased plus any accrued and unpaid interest

on the Securities repurchased to the date of purchase. Within 30 days following any Change of Control Repurchase Event or, at the Company's option, prior to any Change of Control, but after the public announcement of the Change of Control, the Company will mail a notice to each holder, with a copy to the Trustee, describing the transaction or transactions that constitute or may constitute the Change of Control Repurchase Event and offering to repurchase Securities on the payment date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed. The notice shall, if mailed prior to the date of consummation of the Change of Control, state that the offer to purchase is conditioned on the Change of Control Repurchase Event occurring on or prior to the payment date specified in the notice. The Company will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Securities as a result of a Change of Control Repurchase Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Repurchase Event provisions of the Securities, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Repurchase Event provisions of the Securities by virtue of such conflict.

On the Change of Control Repurchase Event payment date, the Company will, to the extent lawful:

1. accept for payment all Securities or portions of Securities properly tendered pursuant to the Company's offer;
2. deposit with the paying agent an amount equal to the aggregate purchase price in respect of all Securities or portions of Securities properly tendered; and
3. deliver or cause to be delivered to the Trustee the Securities properly accepted, together with an officers' certificate stating the aggregate principal amount of Securities being purchased by the Company.

The paying agent will promptly mail to each holder of Securities properly tendered the purchase price for the Securities, and the Trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Security equal in principal amount to any unpurchased portion of any Securities surrendered; provided that each new Security will be in a principal amount of \$2,000 or an integral multiple of \$1,000 in excess thereof.

The Company will not be required to make an offer to repurchase the Securities upon a Change of Control Repurchase Event if a third party makes an offer in the manner, at the times and otherwise in compliance with the

requirements for an offer made by the Company and such third party purchases all Securities properly tendered and not withdrawn under it offer.

“Below Investment Grade Rating Event” means the Securities are rated below investment grade by both Rating Agencies on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of a Change of Control (which period shall be extended so long as the rating of the Securities is under publicly announced consideration for possible downgrade by either of the Rating Agencies); provided that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of Change of Control Repurchase Event hereunder) if the rating agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Trustee in writing at the Company’s request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Below Investment Grade Rating Event).

“Change of Control” means the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Exchange Act), becomes the beneficial owner, directly or indirectly, of more than 50% of the Company’s voting stock, measured by voting power rather than number of shares.

“Change of Control Repurchase Event” means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

“Investment Grade” means a rating of Baa3 or better by Moody’s (or its equivalent under any successor rating categories of Moody’s); a rating of BBB-or better by S&P (or its equivalent under any successor rating categories of S&P); and the equivalent investment grade credit rating from any additional rating agency or rating agencies selected by the Company.

“Moody’s” means Moody’s Investors Service Inc.

“Rating Agency” means (1) each of Moody’s and S&P; and (2) if either of Moody’s or S&P ceases to rate the Securities or fails to make a rating of the Securities publicly available for reasons outside of the Company’s control, a “nationally recognized statistical rating organization” within the meaning of Rule 15c3-1 (c)(2)(vi)(F) under the Exchange Act, selected by the Company (as certified by a resolution of the Board of Directors) as a replacement agency for Moody’s or S&P, or both, as the case may be.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGrawHill Companies, Inc.

“Voting Stock” of any specified “person” (as that term is used in Section 13(d)(3) of the Exchange Act) as of any date means the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

FURTHER RESOLVED, that such Securities are declared to be issued under the Indenture and subject to the provisions hereof;

FURTHER RESOLVED, that the Chairman of the Board, the President or any Vice President of the Company is authorized to execute, on the Company’s behalf and in its name, and the Secretary or any Assistant Secretary of the Company is authorized to attest to such execution and under the Company’s seal (which may be in the form of a facsimile of the Company’s seal), \$500,000,000 aggregate principal amount of the Securities authorized hereby (and in addition, Securities to replace lost, stolen, mutilated or destroyed Securities and Securities required for exchange, substitution or transfer, all as provided in the Indenture) and to deliver such Securities to the Trustee for authentication, and the Trustee is authorized and directed thereupon to authenticate and deliver the same to or upon the written order of this Company as provided in the Indenture;

FURTHER RESOLVED, that the signatures of the Company officers so authorized to execute such Securities may be the manual or facsimile signatures of the present or any future authorized officers and may be imprinted or otherwise reproduced thereon, and the Company for such purpose adopts each facsimile signature as binding upon it notwithstanding the fact that at the time the respective Securities shall be authenticated and delivered or disposed of, the individual so signing shall have ceased to hold such office;

FURTHER RESOLVED, that Banc of America Securities LLC, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. are appointed joint bookrunning managers of the underwriters for the issuance and sale of the Securities authorized hereby, and the Chairman of the Board, the President or any Vice President of the Company is authorized, in the Company’s name and on its behalf, to execute and deliver an Underwriting Agreement with the underwriters, relating to the offering and sale of the Securities authorized hereby;

FURTHER RESOLVED, that The Bank of New York Mellon Trust Company, N.A., the Trustee under the Indenture, is appointed trustee for the Securities authorized hereby, and as Agent of this Company for the purpose of effecting the registration, transfer and exchange of such Securities as provided in the Indenture, and the corporate trust office of The Bank of New York Mellon Trust Company, N.A., in Chicago, Illinois is designated pursuant to the Indenture as the office or agency of the Company where such Securities may be presented

for registration, transfer and exchange and where notices and demands to or upon this Company in respect of the Securities and the Indenture may be served;

FURTHER RESOLVED, that The Bank of New York Mellon Trust Company, N.A. is appointed Paying Agent of this Company for the payment of interest on and principal of the Securities authorized hereby and the corporate trust office of The Bank of New York Mellon Trust Company, N. A. in Chicago, Illinois, is designated, pursuant to the Indenture, as the office or agency of the Company where Securities may be presented for payment; and

FURTHER RESOLVED, that each of the Company's officers is authorized and directed, on behalf of the Company and in its name, to do or cause to be done everything such officer deems advisable to effect the sale and delivery of the Securities authorized hereby pursuant to the Underwriting Agreement and otherwise to carry out the Company's obligations under the Underwriting Agreement, and to do or cause to be done everything and to execute and deliver all documents as such officer deems advisable in connection with the execution and delivery of the Underwriting Agreement and the execution, authentication and delivery of such Securities (including, without limiting the generality of the foregoing, delivery to the Trustee of the Securities for authentication and of requests or orders for the authentication and delivery of Securities).

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, 55 WATER STREET, NEW YORK, NEW YORK (THE "DEPOSITORY"), TO MASCO CORPORATION OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

MASCO CORPORATION

7.125% Note Due 2020

CUSIP No. 574599 BGO

\$500,000,000

No. R-1

Masco Corporation, a corporation duly organized and existing under the laws of Delaware (herein called the "**Company**," which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO. or registered assigns, the principal sum of Five Hundred Million Dollars on March 15, 2020, and to pay interest thereon from March 10, 2010 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on September 15 and March 15 in each year, commencing September 15, 2010, at the rate of 7.125% per annum, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the March 1 or September 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date; provided, however, that interest payable at final maturity will be payable to the person to whom the principal hereof will be payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not

less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture. Interest on the Securities of this series shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Payment of the principal of (and premium, if any) and any such interest on this Security will be made at the office or agency of the Company maintained for that purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

The Securities of this series will constitute part of the Company's senior debt and will rank on a parity with all of its other unsecured and unsubordinated debt.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: March 10, 2010

MASCO CORPORATION

By: /s/ John G. Sznewajs
John G. Sznewajs
Vice President, Treasurer and
Chief Financial Officer

Attest: /s/ Gregory D. Wittrock
Gregory D. Wittrock
Vice President, General Counsel
and Secretary

FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Date of Authentication: March 10, 2010

The Bank of New York Mellon Trust
Company, N.A.

By: _____
Authorized Signatory

REVERSE OF SECURITY

This Security is one of a duly authorized issue of securities of the Company (herein called the “**Securities**”), issued and to be issued in one or more series under an Indenture, dated as of February 12, 2001 as supplemented by the Supplemental Indenture dated as of November 30, 2006 (herein called the “**Indenture**”), between the Company and The Bank of New York Mellon Trust Company, N.A. (as successor to Bank One Trust Company, National Association), as Trustee (herein called the “**Trustee**,” which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, initially limited in aggregate principal amount to \$500,000,000.

The Securities of this series will be redeemable at the option of the Company, in whole at any time or in part from time to time (each, a “**Redemption Date**”) at a redemption price (the “**Redemption Price**”) equal to the greater of (i) 100% of the principal amount of the Securities of this series to be redeemed plus accrued and unpaid interest thereon to the Redemption Date and (ii) the sum, as determined by the Independent Investment Banker, of the present values of the principal amount and the remaining scheduled payments of interest on the Securities of this series to be redeemed (exclusive of interest accrued to such Redemption Date), discounted from the scheduled payment dates to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points plus accrued but unpaid interest thereon to the Redemption Date. Notwithstanding the foregoing, installments of interest on Securities of this series that are due and payable on an Interest Payment Date falling on or prior to the relevant Redemption Date will be payable to the Holders of such Securities registered as such at the close of business on the relevant record date according to their terms and the provisions of the Indenture. Notwithstanding Section 11.04 of the Indenture, notice of any such redemption need not set forth the Redemption Price but only the manner of calculation thereof. The Company shall give the Trustee notice of the Redemption Price promptly after the determination thereof and the Trustee shall have no responsibility for determining the Redemption Price.

If a Change of Control Repurchase Event occurs, unless the Company has exercised its right to redeem the Securities of this series by giving notice of such redemption to the Holders of the Securities of this series pursuant to Section 11.04 of the Indenture, the Company will make an offer to the Holders of Securities of this series to repurchase all or any part (in integral multiples of \$1,000) of such Securities at a repurchase price in cash equal to 101% of the aggregate principal

amount of Securities of this series repurchased plus any accrued and unpaid interest on the Securities of this series repurchased to the date of purchase. Within 30 days following any Change of Control Repurchase Event or, at the Company's option, prior to any Change of Control, but after the public announcement of the Change of Control, the Company will mail a notice to each Holder of the Securities of this series, with a copy to the Trustee, describing the transaction or transactions that constitute or may constitute the Change of Control Repurchase Event and offering to repurchase Securities of this series on the Payment Date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed. The notice shall, if mailed prior to the date of consummation of the Change of Control, state that the offer to purchase is conditioned on the Change of Control Repurchase Event occurring on or prior to the Payment Date specified in the notice. The Company will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Securities of this series as a result of a Change of Control Repurchase Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Repurchase Event provisions of the Securities of this series, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Repurchase Event provisions of the Securities of this series by virtue of such conflict.

On the Change of Control Repurchase Event Payment Date, the Company will, to the extent lawful:

1. accept for payment all Securities of this series or portions of Securities of this series properly tendered pursuant to the Company's offer;
2. deposit with the Paying Agent an amount equal to the aggregate purchase price in respect of all Securities of this series or portions of Securities of this series properly tendered; and
3. deliver or cause to be delivered to the Trustee the Securities of this series properly accepted, together with an Officers' Certificate stating the aggregate principal amount of Securities of this series being purchased by the Company.

The Paying Agent will promptly mail to each Holder of Securities of this series properly tendered the purchase price for the Securities of this series, and the Trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder a new Security of this series equal in principal amount to any unpurchased portion of any Securities of this series surrendered; *provided* that

each new Security of this series will be in a principal amount of \$2,000 or an integral multiple of \$1,000 in excess thereof.

The Company will not be required to make an offer to repurchase the Securities of this series upon a Change of Control Repurchase Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by the Company and such third party purchases all Securities of this series properly tendered and not withdrawn under its offer.

“ **Below Investment Grade Rating Event** ” means the Securities of this series are rated below investment grade by both Rating Agencies on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of a Change of Control (which period shall be extended so long as the rating of the Securities of this series is under publicly announced consideration for possible downgrade by either of the rating agencies); *provided* that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of Change of Control Repurchase Event hereunder) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Trustee in writing at the request of the Company that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Below Investment Grade Rating Event).

“ **Change of Control** ” means the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Exchange Act), becomes the beneficial owner, directly or indirectly, of more than 50% of the Company’s voting stock, measured by voting power rather than number of shares.

“ **Change of Control Repurchase Event** ” means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

“ **Comparable Treasury Issue** ” means the United States Treasury security selected by the Independent Investment Banker as having a maturity comparable to the remaining term of the Securities of this series to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Securities of this series to be redeemed.

“ **Comparable Treasury Price** ” means, with respect to any Redemption Date, the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

“ **Independent Investment Banker** ” means one of the Reference Treasury Dealers appointed by the Company.

“ **Investment Grade** ” means a rating of Baa3 or better by Moody’s (or its equivalent under any successor rating categories of Moody’s); a rating of BBB- or better by S&P (or its equivalent under any successor rating categories of S&P); and the equivalent investment grade credit rating from any additional Rating Agency or Rating Agencies selected by the Company.

“ **Moody’s** ” means Moody’s Investors Service Inc.

“ **Paying Agent** ” means The Bank of New York Mellon Trust Company, N.A.

“ **Rating Agency** ” means (1) each of Moody’s and S&P; and (2) if either of Moody’s or S&P ceases to rate the Securities of this series or fails to make a rating of the Securities of this series publicly available for reasons outside of the Company’s control, a “nationally recognized statistical rating organization” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act, selected by the Company (as certified by a resolution of the Company’s board of directors) as a replacement agency for Moody’s or S&P, or both, as the case may be.

“ **Reference Treasury Dealer** ” means (a) each of Banc of America Securities LLC, Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and their respective successors, unless any of them ceases to be a primary U.S. Government securities dealer in New York City (a “Primary Treasury Dealer”), in which case the Company shall substitute another Primary Treasury Dealer; and (b) any other Primary Treasury Dealers selected by the Company.

“ **Reference Treasury Dealer Quotations** ” means, with respect to each Reference Treasury Dealer and any Redemption Date for the Securities of this series, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 5:00 p.m. New York City time, on the third Business Day preceding such Redemption Date.

“ **S&P** ” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc.

“ **Treasury Rate** ” means, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated on the third Business Day preceding such Redemption Date using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury price for such Redemption Date.

“ **Voting Stock** ” of any specified “person” (as that term is used in Section 13(d)(3) of the Exchange Act) as of any date means the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

This Security will be subject to defeasance and discharge and to defeasance of certain obligations as set forth in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security herein provided, and at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein and on face of this Security, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any) and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes (subject to Section 3.07 of the Indenture), whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

AMENDMENT NO. 1

Dated as of February 11, 2011

to

CREDIT AGREEMENT

Dated as of June 21, 2010

THIS AMENDMENT NO. 1 (“Amendment”) is made as of February 11, 2011 by and among Masco Corporation, a Delaware corporation (the “Company”), Masco Europe S.à.r.l., a wholly-owned Subsidiary of the Company organized as a *société à responsabilité limitée* under the laws of the Grand Duchy of Luxembourg (the “Foreign Subsidiary Borrower”; the Company and the Foreign Subsidiary Borrower being referred to collectively as the “Borrowers”), the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, N.A., in its capacity as administrative agent for the Lenders (the “Administrative Agent”), under that certain Credit Agreement dated as of June 21, 2010 by and among the Borrowers, the financial institutions from time to time party thereto (the “Lenders”) and the Administrative Agent (the “Credit Agreement”). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Borrower, the Lenders party hereto and the Administrative Agent have agreed to make certain amendments to the Credit Agreement;

WHEREAS, the parties hereto have agreed to such amendments on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto have agreed to enter into this Amendment.

1. Amendments to Credit Agreement . Upon satisfaction of the conditions precedent set forth in Section 2 below, the Credit Agreement is hereby amended as follows, which amendments shall be deemed to be effective and applicable as of December 31, 2010:

(a) Section 1.01 of the Credit Agreement is hereby amended to add the following defined term in the proper alphabetical location:

“Specified Income Tax Expense Add-Backs” has the meaning set forth in Section 5.07(b).

(b) The definition of “Consolidated Net Income” set forth in Section 1.01 of the Credit Agreement is hereby restated in its entirety as follows:

“Consolidated Net Income” means, with reference to any period, the net income (or loss) of the Company and its Subsidiaries calculated in accordance with GAAP on a consolidated basis (without duplication) for such period, without any adjustment for net income (or loss) attributable to Equity Interests of a Subsidiary of the Company that are not owned by Company

or one of its Subsidiaries (i.e., non-controlling interests); provided that there shall be excluded any income (or loss) of any Person other than the Company or a Subsidiary, but any such income so excluded may be included in such period or any later period to the extent of any cash dividends or distributions actually paid in the relevant period to the Company or any wholly-owned Subsidiary of the Company.

(c) Section 5.07(b) of the Credit Agreement is hereby restated in its entirety as follows:

(b) Maximum Debt to Capitalization . At no time will the ratio of (i) Consolidated Debt to (ii) the sum of (x) Consolidated Debt and (y) Consolidated Adjusted Net Worth exceed 65%; provided, however, that for the purposes of the limitations provided in, and computations under, this Section 5. 07(b) , “Debt” shall not include (a) with respect to the Company, any Refunding Debt of the Company to the extent that and for so long as such Debt constitutes Refunding Debt, and (b) with respect to any Subsidiary, any Debt of such Subsidiary (including any Refunding Debt) to the extent that and for so long as such Debt is exempt from the incurrence test in Section 5. 08(a) as a result of the application of Section 5. 08(b) ; provided, further, that when determining Consolidated Adjusted Net Worth for purposes of clause (ii) above,

the Company shall be entitled to add back, without duplication, the sum of:

- (u) up to \$186,000,000 in the aggregate of Specified Add-Backs attributable to the period from January 1, 2009 through and including March 31, 2010,
- plus (v) up to \$21,700,000 in the aggregate of Specified Add-Backs attributable to the period from April 1, 2010 through and including September 30, 2010,
- plus (w) up to \$593,000,000 of non-cash charges constituting the after-tax amount of impairment of goodwill for the fiscal quarter ending December 31, 2010,
- plus (x) up to \$371,000,000 of Specified Income Tax Expense Add-Backs for the fiscal quarter ended December 31, 2010, and
- plus (y) up to \$350,000,000 in the aggregate of Specified Add-Backs and Specified Income Tax Expense Add-Backs from and after January 1, 2011,

and the Company shall be required to subtract:

- (z) from and after January 1, 2011, the amount of any and all reversals of any valuation allowance adjustment added to Consolidated Adjusted Net Worth as Specified Income Tax Expense Add-Backs pursuant to clauses (x) or (y) above to the extent that such a reversal is applied to reduce the Company's income tax expense; provided that the aggregate amount of all such subtractions during the term of this Agreement shall not exceed the actual aggregate amount added to Consolidated Adjusted Net Worth on account of Specified Income Tax Expense Add-Backs pursuant to clauses (x) and (y) above.

For purposes of this Section 5.07(b):

(1) “ Specified Add-Backs ” shall mean and include the following: (i) non-cash charges constituting impairment of goodwill and other intangible assets; (ii) non-cash charges constituting impairment of financial investments of the type set forth in Note E of the Company’s 2008 Form 10-K; (iii) non-cash charges related to discontinued operations; and (iv) any non-cash net reduction to accumulated other comprehensive income (other than reductions related to pensions, post-retirement benefits and similar retirement adjustments) from the amount reflected on the December 31, 2008 balance sheet of the Company.

(2) “ Specified Income Tax Expense Add-Backs ” shall mean and include non-cash income tax expense related to a valuation allowance adjustment on the Company’s U.S. deferred tax assets.

(d) The second sentence of Section 5.08(b) of the Credit Agreement is hereby restated in its entirety as follows:

For purposes of this subsection (b), Debt (whether constituting Debt of the Company or of any Subsidiary) is deemed to be for the purpose of “ Refunding ” other Debt if and to the extent that (i) no later than five (5) Business Days after the refunding Debt is incurred, the Company delivers to the Administrative Agent written notice stating that the purpose of such Debt is to refund outstanding Debt and specifying the Debt to be refunded, (ii) the proceeds of such refunding Debt are held in the form of cash or Permitted Investments (free of any Lien except a Lien securing the specified Debt to be refunded) until such specified Debt is repaid and (iii) such specified Debt to be refunded is repaid within one hundred fifty (150) days after the refunding Debt is incurred; it being understood and agreed that (x) upon repayment of the specified Debt with proceeds of the refunding Debt, the refunding Debt shall constitute Consolidated Debt for the purposes of Section 5. 07(b) , and (y) to the extent that the specified Debt is not so repaid within one hundred fifty (150) days after the refunding Debt is originally incurred, the refunding Debt shall constitute Consolidated Debt for purposes of Section 5. 07(b) and shall be deemed to be incurred as Debt for the purposes of Section 5. 08(a) on the one hundred fifty-first (151st) day after such original incurrence.

2. Conditions of Effectiveness . The effectiveness of this Amendment is subject to the conditions precedent that (a) the Administrative Agent shall have received counterparts of this Amendment duly executed by the Borrowers, the Required Lenders and the Administrative Agent, (b) the Company shall have paid, for the account of each Lender signatory hereto, an amendment fee in the amount of 5 basis points on such Lender’s Commitment, and (c) the Borrowers shall have paid all other fees and expenses owing in connection with this Amendment and the other Loan Documents.

3. Representations and Warranties of the Borrower . Each Borrower hereby represents and warrants as follows:

(a) The execution, delivery and performance by such Borrower of this Amendment and the Credit Agreement, as amended hereby, are within such Borrower’s respective corporate or other like powers, have been duly authorized by all necessary corporate or other like action, require no action by or in respect of, or filing with, any Governmental Authority (except filings under the Securities Exchange Act of 1934) and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws or other constitutive documents of such Borrower or of (i) any material agreement, indenture or instrument binding upon such Borrower (which, for the avoidance of doubt, shall be deemed to include any agreement, indenture or instrument evidencing Material Obligations), or (ii) any material judgment, injunction, order, decree or other instrument binding

upon such Borrower, or result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries.

(b) This Amendment and the Credit Agreement, as amended hereby, have been duly executed and delivered by such Borrower and constitute legal, valid and binding obligations of such Borrower, enforceable against such party in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.

(c) As of the date hereof and after giving effect to the terms of this Amendment, (i) no Default shall have occurred and be continuing and (ii) the representations and warranties of the Borrower set forth in the Credit Agreement, as amended hereby, are true and correct in all material respects on and as of the date hereof, unless specifically stated to have been made on a previous date, in which case such representation and warranty shall be true and correct in all material respects as of such date.

4. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except as specifically amended above, the Credit Agreement (including, without limitation, the Company's guaranty of the obligations of the Foreign Subsidiary Borrower incorporated therein) and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

5. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or PDF shall have the same force and effect as manual signatures delivered in person.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

MASCO CORPORATION, as a Borrower

By /s/ John G. Sznewajs
Name: John G. Sznewajs
Title: Vice President, Treasurer Chief Financial
Officer

MASCO EUROPE S.À.R.L., as a Borrower

By /s/ John G. Sznewajs
Name: John G. Sznewajs
Title: Manager

By /s/ Jerry W. Mollien
Name: Jerry W. Mollien
Title: Manager

Signature Page to Amendment No. 1
Masco Corporation
Credit Agreement dated as of June 21, 2010

JPMORGAN CHASE BANK, N.A., individually
as a Lender, as the Swingline Lender, as the
Principal Issuing Bank and as Administrative Agent

By /s/ Krys Szremski

Name: Krys Szremski

Title: Vice President

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Citibank, N.A., as a Lender

By /s/ Mark Floyd

Name: Mark Floyd

Title: Vice President

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ROYAL BANK OF CANADA, as a Lender

By /s/ Meredith Majesty

Name: Meredith Majesty

Title: Authorized Signatory

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Wells Fargo Bank, N.A., as a Lender

By /s/ Joseph C. Giampetroni

Name: Joseph C. Giampetroni

Title: Managing Director

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DEUTSCHE BANK AG — NEW YORK
BRANCH, as a Lender

By /s/ Frederick W. Laird
Name: Frederick W. Laird
Title: Managing Director

By /s/ Edward D. Herko
Name: Edward D. Herko
Title: Director

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Sumitomo Mitsui Banking Corporation, as a Lender

By /s/ William M. Ginn

Name: William M. Ginn

Title: Executive Officer

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PNC BANK, NATIONAL ASSOCIATION, as a Lender

By /s/ Richard C. Hampson

Name: Richard C. Hampson

Title: Senior Vice President

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Bank of America N.A., as a Lender

By /s/ Michael J. Balok

Name: Michael J. Balok

Title: Managing Director

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COMERICA BANK, as a Lender

By /s/ Jessica M. Migliore

Name: Jessica M. Migliore

Title: Vice President

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Commerzbank AG, New York and Grand
Cayman Branches, as a Lender

By /s/ Patrick Hartweger
Name: Patrick Hartweger
Title: Managing Director

By /s/ Peter Wesemeier
Name: Peter Wesemeier
Title: Vice President

Signature Page to Amendment No. 1
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Fifth Third Bank, an Ohio banking corporation,
as a Lender

By /s/ Brian Jelinski
Name: Brian Jelinski
Title: Assistant Vice President

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U.S. Bank, NA, as a Lender

By /s/ Jeffrey S. Johnson

Name: Jeffrey S. Johnson

Title: Vice President

Signature Page to Amendment No. 1
Masco Corporation
Credit Agreement dated as of June 21, 2010

THE NORTHERN TRUST COMPANY, as a
Lender

By /s/ Anne Nickel
Name: Anne Nickel
Title: Officer

Signature Page to Amendment No. 1
Masco Corporation
Credit Agreement dated as of June 21, 2010

Dexia Banque Internationale à Luxembourg,
as a Lender

By /s/ André Poorters
Name: André Poorters
Title: Managing Director

By /s/ Tom Lessel
Name: Tom Lessel
Title: Deputy Director

Signature Page to Amendment No. 1
Masco Corporation
Credit Agreement dated as of June 21, 2010

NORDEA BANK FINLAN PLC, NEW YORK
& CAYMAN ISLANDS BRANCHES, as a Lender

By /s/ Henrik M. Steffensen

Name: Henrik M. Steffensen

Title: Executive Vice President

By /s/ Leena Parker

Name: Leena Parker

Title: First Vice President

Signature Page to Amendment No. 1
Masco Corporation
Credit Agreement dated as of June 21, 2010

THE BANK OF NEW YORK MELLON, as a Lender

By /s/ John T. Smathers

Name: John T. Smathers

Title: First Vice President

Signature Page to Amendment No. 1
Masco Corporation
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The Bank of Tokyo-Mitsubishi UFJ, Ltd., as a Lender

By /s/ Victor Pierzchalski

Name: Victor Pierzchalski

Title: Authorized Signatory

Signature Page to Amendment No. 1
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HSBC Bank USA, NA, as a Lender

By /s/ Gregory R. Duval

Name: Gregory R. Duval

Title: Vice President

Signature Page to Amendment No. 1
Masco Corporation
Credit Agreement dated as of June 21, 2010

[For holders of awards under the 1991 Plan]

Masco Letterhead

Date

Name

<Address1>

<Address2>

<Address3>

RE: Enhancements to Awards under the 1991 Long Term Stock Incentive Plan

Dear <Salutation>:

As you may know, the Company recently adopted the 2005 Long Term Stock Incentive Plan (the "2005 Plan"). We are pleased to inform you that the Organization and Compensation Committee of the Board of Directors approved the following enhancements to outstanding awards of stock options and restricted stock under the 1991 Long Term Stock Incentive Plan (the "1991 Plan") in order to conform them to the 2005 Plan.

If you voluntarily terminate your employment, you will have thirty days to exercise any option that is then exercisable; the original exercise period under these circumstances was 10 days. If your employment terminates as a result of your permanent and total disability, all unexercisable installments of an option will immediately become exercisable and will remain exercisable until the earlier of the expiration of their original term or one year after death. Previously, in this situation the Option would continue to vest in accordance with its terms.

For purposes of a "Change in Control" under the 1991 Plan, the definition of "Excluded Director" (i.e., a director who is deemed not to be an incumbent director) will also include directors whose initial assumption of office occurs as a result of certain actual or threatened election contests not by or on behalf of the Board.

Very truly yours,

Richard A. Manoogian
Chairman of the Board and
Chief Executive Officer

Alan H. Barry
President and
Chief Operating Officer

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

SECTION 1. *Purposes.*

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

SECTION 2. *Definitions.*

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

(a) “*Affiliate*” shall mean any entity in which the Company’s direct or indirect equity interest is at least twenty percent, and any other entity in which the Company has a significant direct or indirect equity interest, whether more or less than twenty percent, as determined by the Committee.

(b) “*Award*” shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, or Dividend Equivalent granted under the Plan.

(c) “*Award Agreement*” shall mean any agreement, contract or other instrument or document evidencing any Award granted under the Plan which may, but need not, be executed by the Participant.

(d) “*Board*” shall mean the Board of Directors of the Company.

(e) “*Change in Control*” shall mean at any time during a period of twenty-four consecutive calendar months, the individuals who at the beginning of such period constitute the Company’s Board, and any new directors (other than Excluded Directors, as hereinafter defined), whose election by such Board or nomination for election by stockholders was approved by a vote of at least two-thirds of the members of such Board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason ceasing to constitute at least a majority of the members thereof. For purposes hereof, “**Excluded Directors**” are directors whose (i) election by the Board or approval by the Board for stockholder election occurred within one year after any “person” or “group of persons,” as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 25 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 25 percent or more of such combined voting power or (ii) initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 or Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, corporation, partnership, group, associate or other entity or “person” other than the Board.

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

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

(h) “*Dividend Equivalent*” shall mean any right granted under Section 6(g) of the Plan.

(i) “*Exchange Act*” shall mean the Securities Exchange Act of 1934, as amended.

(j) “*Executive Group*” shall mean every person who the Committee believes may be both (i) a “covered employee” as defined in Section 162(m) of the Code as of the end of the taxable year in which the Company expects to take a deduction of the Award, and (ii) the recipient of compensation of more than \$1,000,000 (as such amount appearing in Section 162(m) of the Code may be adjusted by any subsequent legislation) for that taxable year.

(k) “*Incentive Stock Option*” shall mean an Option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code, or any successor provision thereto.

(l) “*Non-Qualified Stock Option*” shall mean an Option granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option.

(m) “*NYSE*” shall mean the New York Stock Exchange.

(n) “*Option*” shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

(o) “*Participant*” shall mean an employee of or consultant to the Company or any Affiliate or a director of the Company designated to be granted an Award under the Plan or, for the purpose of granting Substitute Awards, a holder of options or other equity based awards relating to the shares of a company acquired by the Company or with which the Company combines.

(p) “*Performance Award*” shall mean any right granted under Section 6(e) of the Plan.

(q) “*Prior Plan*” shall mean the Company’s 1991 Long Term Stock Incentive Plan.

(r) “*Restricted Period*” shall mean the period of time during which Awards of Restricted Stock or Restricted Stock Units are subject to restrictions.

(s) “*Restricted Stock*” shall mean any Share granted under Section 6(d) of the Plan.

(t) “*Restricted Stock Unit*” shall mean any right granted under Section 6(d) of the Plan that is denominated in Shares.

(u) “*Rule 16b-3*” shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act, or any successor rule or regulation.

(v) “*Section 16*” shall mean Section 16 of the Exchange Act, the rules and regulations promulgated by the Securities and Exchange Commission thereunder, or any successor provision, rule or regulation.

(w) “*Shares*” shall mean the Company’s common stock, par value \$1.00 per share, and such other securities or property as may become the subject of Awards, or become subject to Awards, pursuant to an adjustment made under Section 4(c) of the Plan.

(x) “*Stock Appreciation Right*” shall mean any right granted under Section 6(c) of the Plan.

(y) “*Substitute Awards*” shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by a Company or with which the Company combines.

SECTION 3. *Administration.*

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

(i) designate Participants;

(ii) determine the types of Awards to be granted;

(iii) determine the number of Shares to be covered by Awards and any payments, rights or other matters to be calculated in connection therewith;

(iv) determine the terms and conditions of Awards and amend the terms and conditions of outstanding Awards;

(v) determine how, whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended;

(vi) determine how, whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee;

(vii) determine the methods or procedures for establishing the fair market value of any property (including, without limitation, any Shares or other securities) transferred, exchanged, given or received with respect to the Plan or any Award;

(viii) prescribe and amend the forms of Award Agreements and other instruments required under or advisable with respect to the Plan;

(ix) designate Options granted to key employees of the Company or its subsidiaries as Incentive Stock Options;

(x) interpret and administer the Plan, Award Agreements, Awards and any contract, document, instrument or agreement relating thereto;

(xi) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the administration of the Plan;

(xii) decide all questions and settle all controversies and disputes which may arise in connection with the Plan, Award Agreements and Awards;

(xiii) delegate to a committee of at least two directors of the Company the authority to designate Participants and grant Awards, and to amend Awards granted to Participants, but only with respect to Participants who are not officers or directors of the Company for purposes of Section 16 of the Exchange Act;

(xiv) delegate to one or more officers or managers of the Company, or a committee of such officers and managers, the authority, subject to such terms and limitations as the Committee shall determine, to cancel, modify, waive rights with respect to, alter, discontinue, suspend or terminate Awards held by employees who are not officers or directors of the Company for purposes of Section 16 of the Exchange Act; provided, however, that any delegation to management shall conform with the requirements of the NYSE applicable to the Company and Delaware corporate law; and

(xv) make any other determination and take any other action that the Committee deems necessary or desirable for the interpretation, application and administration of the Plan, Award Agreements and Awards.

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

SECTION 4. *Shares Available for Awards.*

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

The maximum number of Shares available for issuance in respect of Awards made under the Plan shall be 40,500,000 Shares, *provided, however,* that if for any reason any Award under the Plan or under the Prior Plan (other than a Substitute Award) is forfeited, the number of Shares available for issuance in respect of Awards under the Plan shall be increased by the number of Shares forfeited. Notwithstanding anything to the contrary

contained herein, the following shall not increase the number of Shares available for issuance in respect of Awards under the Plan: (i) Shares delivered in payment of an Option, (ii) Shares withheld by the Company to satisfy any tax withholding obligation, and (iii) Shares that are repurchased by the Company with Option proceeds. In addition, Shares covered by an SAR, to the extent that it is exercised and settled in Shares, and regardless of whether or not Shares are actually issued to the Participant upon exercise of the SAR, shall be considered issued or transferred pursuant to the Plan. The maximum number of Shares that may be issued and delivered upon vesting of Restricted Stock or Restricted Stock Units (including Restricted Stock or Restricted Stock Units issued as Performance Awards pursuant to Section 6(e) hereof), is 17,500,000. Subject to the foregoing, Shares may be made available from the authorized but unissued Shares of the Company or from Shares reacquired by the Company.

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

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

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

SECTION 5. *Eligibility.*

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

SECTION 6. *Awards.*

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

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

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

(C) the time or times at which an Option may be exercised, in whole or in part, the method or methods by which and the form or forms (including, without limitation, cash, Shares, other Awards or other property, or any combination thereof, having a fair market value on the exercise date equal to the relevant exercise price) in which payment of the exercise price with respect thereto may be made or deemed to have been made.

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

(A) *Exercise.* A Participant electing to exercise an Option shall give written notice to the Company, as may be specified by the Committee, of exercise of the Option and the number of Shares elected for exercise, such notice to be accompanied by such instruments or documents as may be required by the Committee, and shall tender the purchase price of the Shares elected for exercise.

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

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

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

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

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

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

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

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

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

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

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

(5) If a Participant dies, all unexercisable installments of such Option shall thereupon become exercisable and, at any time or times within one year after such death, the Option may be exercised, as to all or any unexercised portion of the Option. The Company may decline to deliver Shares to a designated beneficiary

until it receives indemnity against claims of third parties satisfactory to the Company. Except as so exercised such Option shall expire at the end of such period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) *Performance Awards .*

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

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

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

extraordinary losses (in accordance with generally accepted accounting principles, as currently in effect), the cumulative effect of changes in accounting principles and other unusual, non-recurring items of loss that are separately identified and quantified in the Company's audited financial statements. Performance measures may vary from Performance Award to Performance Award and from Participant to Participant and may be established on a stand-alone basis, in tandem or in the alternative. For any Performance Award, the maximum amount that may be delivered or earned in settlement of all such Awards granted in any year shall be (x) if and to the extent that such Awards are denominated in Shares, 2,000,000 Shares (subject to adjustment as provided in Section 4(c)) and (y) if and to the extent that such Awards are denominated in cash, \$10,000,000. Notwithstanding any provision of the Plan to the contrary, the Committee shall not be authorized to increase the amount payable under any Award to which this Section 6(e)(iii) applies upon attainment of such pre-established formula.

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

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

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

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

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

SECTION 7. *General.*

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

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

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

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

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

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

(A) An Option may be transferred:

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

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

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

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

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

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

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

(iii) The Committee, the Company and its officers, agents and employees may rely upon any beneficiary designation, assignment or other instrument of transfer, copies of trust agreements and any other documents delivered to them by or on behalf of the Participant which they believe genuine and any action taken by them in reliance thereon shall be conclusive and binding upon the Participant, the personal representatives of the Participant's estate and all persons asserting a claim based on an Award. The delivery by a Participant of a beneficiary designation, or an assignment of rights under an Award as permitted hereunder, shall constitute the Participant's irrevocable undertaking to hold the Committee, the Company and its officers, agents and employees

harmless against claims, including any cost or expense incurred in defending against claims, of any person (including the Participant) which may be asserted or alleged to be based on an Award subject to a beneficiary designation or an assignment. In addition, the Company may decline to deliver Shares to a beneficiary until it receives indemnity against claims of third parties satisfactory to the Company.

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

(f) *Change in Control.*

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

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

(B) All determinations required to be made under this Section 7(f)(ii), including whether an Excise Tax Adjustment Payment is required and the amount of such Excise Tax Adjustment Payment, shall be made by PricewaterhouseCoopers LLP, or such other national accounting firm as the Company, or, subsequent to a Change in Control, the Company and the Participant jointly, may designate, for purposes of the Excise Tax, which shall provide detailed supporting calculations to the Company and the affected Participant within 15 business days of the date of the applicable Payment. Except as hereinafter provided, any determination by PricewaterhouseCoopers LLP, or such other national accounting firm, shall be binding upon the Company and the Participant. As a result of the uncertainty in the application of Section 4999 of the Code that may exist at the time of the initial determination hereunder, it is possible that (x) certain Excise Tax Adjustment Payments will not have been made by the Company which should have been made (an "Underpayment"), or (y) certain Excise Tax Adjustment Payments will have been made which should not have been made (an "Overpayment"), consistent with the calculations required to be made hereunder. In the event of an Underpayment, such Underpayment shall be promptly paid by the Company to or for the benefit of the affected Participant. In the event that the Participant discovers that an Overpayment shall have occurred, the amount thereof shall be promptly restored to the Company.

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

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

SECTION 8. *Amendment and Termination.*

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

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

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

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

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

SECTION 10. *General Provisions.*

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

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

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

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

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

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

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

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

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

SECTION 11. *Term.*

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

**RETURN THE ENCLOSED COPY
AFTER YOU HAVE SIGNED AND
PROVIDED THE REQUESTED
INFORMATION; PLEASE RETAIN
THE ORIGINAL**

Restricted Stock Award Agreement
[Date]

<Name>
<Address1>
<Address2>
<Address3>
<Address4>

Dear <Salutation>:

On behalf of the Company, I am pleased to inform you that on [date] the Organization and Compensation Committee of the Board of Directors granted you an Award of Restricted Stock, pursuant to the Company's 2005 Long Term Stock Incentive Plan (the "Plan"), of <In Words> (<Shares>) shares of the Company's \$1.00 par value Common Stock (the "Restricted Shares"). This letter and the attached Appendix (the "Agreement") state the terms of the Award and contain other provisions which on your acceptance commit the Company and you, so I urge you to read them carefully. You should also read the Plan and related Prospectus dated [date], copies of which are available from the Company. Enclosed are copies of these documents as well as our latest annual report to stockholders and proxy statement to the extent our records indicate you may not have previously received them. For purposes of this Agreement, use of the words "employment" or "employed" shall be deemed to refer to employment by the Company and its subsidiaries and unless otherwise stated shall not include employment by an "Affiliate" (as defined in the Plan) which is not a subsidiary of the Company unless the Committee so determines at the time such employment commences.

Certificates for the shares of stock evidencing the Restricted Shares will not be issued but the shares will be registered in your name in book entry form promptly after your acceptance of this Award. You will be entitled to vote and receive any cash dividends (net of required tax withholding) on the Restricted Shares, but you will not be able to obtain a stock certificate or sell, encumber or otherwise transfer the shares except in accordance with the Plan.

Provided since the date of the Award you have been continuously employed by the Company, the restrictions on 10% of the shares will automatically lapse on [date] and on the same date of each year thereafter until all shares are free of restrictions, in each case based on the initial number of shares.

In accordance with Section 6(d)(iv) of the Plan, if your employment should be terminated by reason of your permanent and total disability or if you should die while Restricted Shares remain unvested, the restrictions on all Restricted Shares will lapse and your rights to the shares will become vested on the date of such termination or death. If you are then an employee and your employment should be terminated by reason of retirement on or after your attaining age 65, such restrictions will continue to lapse in the same manner as though your employment had not been terminated, subject to the other provisions of this letter and the Plan.

If in the calendar year in which you attain age 66 there are more than five annual installments remaining to vest, the restricted period for shares that would otherwise vest beyond the next five annual installments will be accelerated to vest evenly in whole shares on the next five original vesting dates, so that you will be fully vested not later than the end of the calendar year in which you attain age 70. Subject to the other terms contained in this letter, if this Award is granted in or after the calendar year in which you attain age 65, this Award will vest in five equal annual installments on the dates specified above.

As restrictions lapse, a certificate for the number of Restricted Shares as to which restrictions have lapsed will be forwarded to you or the person or persons entitled to the shares.

If your employment is terminated for any reason, with or without cause, while restrictions remain in effect, other than for a reason referred to above, all Restricted Shares for which restrictions have not lapsed will be automatically forfeited to the Company.

Notwithstanding the foregoing, if at any time you engage in an activity following your termination of employment which in the sole judgment of the Committee is detrimental to the interests of the Company, a subsidiary or affiliated company, all Restricted Shares for which restrictions have not lapsed will be forfeited to the Company. You acknowledge that such activity includes, but is not limited to, "Business Activities" (as defined in the Appendix) for purposes of this Award and for purposes of all other outstanding awards of restricted stock and options that are subject to comparable forfeiture provisions.

Your acceptance of this Award of Restricted Stock will acknowledge that you have read all of the terms and conditions herein and as set forth in the attached Appendix and will evidence your agreement to all of such terms and conditions and to the incorporation of the Appendix as part of this Agreement.

Please complete your mailing address and social security number as indicated below, sign, date and return one copy of this Award Agreement to Eugene A. Gargaro, Jr., our Vice President and Secretary, as soon as possible in order that this Award may become effective. Since the Restricted Shares cannot be registered in your name until we receive the signed copy of this Agreement, and since dividend, voting and other rights will only become effective at that time, your prompt attention and acceptance will be greatly appreciated.

Very truly yours,

MASCO CORPORATION

Richard A. Manoogian
Chairman of the Board and
Chief Executive Officer

I accept and agree to the foregoing terms and conditions and the terms and conditions contained in the attached Appendix.

(Signature of Recipient)

(Mailing Address)

(Social Security Number)

Dated: _____



Appendix to Award Agreement

Masco Corporation (the “Company”) and you agree that all of the terms and conditions of the award of Restricted Shares (the “Grant”) contained in the foregoing letter agreement into which this Appendix is incorporated (the “Agreement”) are reflected in the Agreement and in the 2005 Long Term Stock Incentive Plan (the “Plan”), and that there are no other commitments or understandings currently outstanding with respect to any awards of options, restricted stock, phantom stock or stock appreciation rights except as may be evidenced by agreements duly executed by you and the Company.

By signing the Agreement you acknowledge acceptance of the Grant and receipt of the documents referred to in the Agreement and represent that you have read the Plan, are familiar with its provisions, and agree to its incorporation in the Agreement and all of the other terms and conditions of the Agreement. Such acceptance, moreover, evidences your agreement promptly to provide such information with respect to shares acquired pursuant to the Grant, as may be requested by the Company or any of its subsidiaries or affiliated companies.

In addition you agree, in consideration for the Grant, and regardless of whether restrictions on shares subject to the Grant have lapsed, while you are employed or retained as a consultant by the Company or any of its subsidiaries and for a period of one year following any termination of your employment and, if applicable, any consulting relationship with the Company or any of its subsidiaries other than a termination in connection with a Change in Control, not to engage in, and not to become associated in a “Prohibited Capacity” (as hereinafter defined) with any other entity engaged in, any “Business Activities” (as hereinafter defined) and not to encourage or assist others in encouraging any employee of the Company or any of its subsidiaries to terminate employment or to become engaged in any such Prohibited Capacity with an entity engaged in any Business Activities. “Business Activities” shall mean the design, development, manufacture, sale, marketing or servicing of any product or providing of services competitive with the products or services of (x) the Company or any subsidiary if you are employed by or consulting with the Company at any time while the Grant is outstanding, or (y) the subsidiary employing or retaining you at any time while the Grant is outstanding, to the extent such competitive products or services are distributed or provided either (1) in the same geographic area as are such products or services of the Company or any of its subsidiaries, or (2) to any of the same customers as such products or services of the Company or any of its subsidiaries are distributed or provided. “Prohibited Capacity” shall mean being associated with an entity as an employee, consultant, investor or another capacity where (1) confidential business information of the Company or any of its subsidiaries could be used in fulfilling any of your duties or responsibilities with such other entity, (2) any of your duties or responsibilities are similar to or include any of those you had while employed or retained as a consultant by the Company or any of its subsidiaries, or (3) an investment by you in such other entity represents more than 1% of such other entity’s capital stock, partnership or other ownership interests.

Should you either breach or challenge in judicial, arbitration or other proceedings the validity of any of the restrictions contained in the preceding paragraph, by accepting this Grant you agree, independent of any equitable or legal remedies that the Company may have and without limiting the Company’s right to any other equitable or legal remedies, to pay to the Company in cash immediately upon the demand of the Company (1) the amount of income realized for income tax purposes from this Grant, net of all federal, state and other taxes payable on the amount of such income, but only to the extent such income is realized from restrictions lapsing on shares on or after your termination of employment or, if applicable, any consulting relationship with the Company or its subsidiary or within the two year period prior to the date of such termination, plus (2) all costs and expenses of the Company in any effort to enforce its rights under this or the preceding paragraph. The Company shall have the right to

set off or withhold any amount owed to you by the Company or any of its subsidiaries or affiliates for any amount owed to the Company by you hereunder.

By accepting this Grant you: (a) agree to comply with the requirements of applicable federal and other laws with respect to withholding or providing for the payment of required taxes; (b) acknowledge that (1) all of your rights to the Grant are embodied in the Agreement and in the Plan, (2) the Grant and acceptance of the Grant does not imply any commitment by the Company, a subsidiary or affiliated company to your continued employment or consulting relationship, and (3) your employment status is that of an employee-at-will and in particular that the Company, its subsidiary or affiliated company has a continuing right with or without cause (unless otherwise specifically agreed to in writing executed by you and the Company) to terminate your employment or other relationship at any time; and (c) agree that your acceptance represents your agreement not to terminate voluntarily your current employment (or consulting arrangement, if applicable) for at least one year from the date of grant unless you have already agreed in writing to a longer period.

Section 3 of the Plan provides, in part, that the Committee appointed by the Company's Board of Directors to administer the Plan shall have the authority to interpret the Plan and Grant agreements, and decide all questions and settle all controversies and disputes relating thereto. It further provides that the determinations, interpretations and decisions of the Committee are within its sole discretion and are final, conclusive and binding on all persons. In addition, you and the Company agree that if for any reason a claim is asserted against the Company or any of its subsidiaries or affiliated companies or any officer, employee or agent of the foregoing (other than a claim involving non-competition restrictions or the Company's, a subsidiary's or an affiliated company's trade secrets, confidential information or intellectual property rights) which (1) are within the scope of the Dispute Resolution Policy (the terms of which are incorporated herein); (2) subverts the provisions of Section 3 of the Plan; or (3) involves any of the provisions of the Agreement or the Plan or the provisions of any other restricted stock awards or option or other agreements relating to Company Common Stock or the claims of yourself or any persons to the benefits thereof, in order to provide a more speedy and economical resolution, the Dispute Resolution Policy shall be the sole and exclusive remedy to resolve all disputes, claims or controversies which are set forth above, except as otherwise agreed in writing by you and the Company or a subsidiary of the Company. It is our mutual intention that any arbitration award entered under the Dispute Resolution Policy will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction. Notwithstanding the provisions of the Dispute Resolution Policy, however, the parties specifically agree that any mediation or arbitration required by this paragraph shall take place at the offices of the American Arbitration Association located in the metropolitan Detroit area or such other location in the metropolitan Detroit area as the parties might agree. The provisions of this paragraph: (a) shall survive the termination or expiration of this Agreement, (b) shall be binding upon the Company's and your respective successors, heirs, personal representatives, designated beneficiaries and any other person asserting a claim based upon the Agreement, (c) shall supersede the provisions of any prior agreement between you and the Company or its subsidiaries or affiliated companies with respect to any of the Company's option, restricted stock or other stock-based incentive plans to the extent the provisions of such other agreement requires arbitration between you and your employer, and (d) may not be modified without the consent of the Company. Subject to the exception set forth above, you and the Company acknowledge that neither of us nor any other person asserting a claim described above has the right to resort to any federal, state or local court or administrative agency concerning any such claim and the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute.

The Agreement shall be governed by and interpreted in accordance with Michigan law.

**PLEASE RETURN THE ENCLOSED
COPY AFTER YOU HAVE SIGNED
AND PROVIDED THE REQUESTED
INFORMATION; PLEASE RETAIN
THE ORIGINAL**

[Date]

<Name>
<Address1>
<Address2>
<Address3>
<Address4>

Dear <Salutation>:

On behalf of the Company, I am pleased to inform you that on [date] the Organization and Compensation Committee of the Board of Directors granted you a non-qualified stock option pursuant to the Company's 2005 Long Term Stock Incentive Plan (the "Plan"), subject to the conditions set forth below and in the Appendix attached hereto. This letter and attached Appendix (the "Agreement") state the terms of the option and contain other provisions which on your acceptance commit the Company and you, so I urge you to read them carefully. You should also read the Plan and the Prospectus dated [date] covering the shares which are the subject of this option. Enclosed are copies of these documents as well as our latest annual report to stockholders and proxy statement to the extent our records indicate you may not have previously received them. Copies are also available upon request to the Company. We suggest that you review each of these documents. The federal income tax attributes of non-qualified stock options are discussed in the Prospectus. This option does not qualify for the federal tax benefits of an "incentive stock option" under the Internal Revenue Code.

For purposes of this Agreement, use of the words "employment" or "employed" shall be deemed to refer to employment by the Company and its subsidiaries and unless otherwise stated shall not include employment by an "Affiliate" (as defined in the Plan) which is not a subsidiary of the Company unless the Committee so determines at the time such employment commences.

This option, if accepted by you, grants you the right to purchase [no. of shares] shares of Company Common Stock, \$1.00 par value, at a price of [\$____] per share, which the Committee has determined is the fair market value of a share of Company Common Stock on the date of grant.

When the Option is Exercisable and Termination

This option is exercisable cumulatively in installments in the following manner:

20%	of	such	shares	1 year after	[date]
20%	”	”	”	2 years after	” ” ”
20%	”	”	”	3 years after	” ” ”
20%	”	”	”	4 years after	” ” ”
20%	”	”	”	5 years after	” ” ” but
				no later than	[date]

provided that, subject to the last sentence of this paragraph, on each date of exercise you qualify under the provisions of the Plan, including Section 6(a), subparagraph (ii) (E), to exercise such option. All installments of the option as above described must be exercised no later than [expiration date]; all unexercised installments or portions thereof shall lapse and the right to purchase shares pursuant to this option shall be of no further effect after such date. If during the option exercise periods your employment is terminated for any reason, the option shall terminate in accordance with Section 6 of the Plan.

Notwithstanding the foregoing, if at any time you engage in an activity following your termination of employment which in the sole judgment of the Committee is detrimental to the interests of the Company, a subsidiary or affiliated company, all unexercised installments or portions thereof will be forfeited to the Company. You acknowledge that such activity includes, but is not limited to, “Business Activities” (as defined in the Appendix) for purposes of this option and for purposes of all other outstanding awards of restricted stock and options that are subject to comparable forfeiture provisions.

Your acceptance of this option will acknowledge that you have read all of the terms and conditions set forth herein and in the attached Appendix and will evidence your agreement to all of such terms and conditions and to the incorporation of the Appendix as part of this Agreement.



Please complete your mailing address and Social Security number as indicated below and sign, date and return one copy of this option agreement to Eugene A. Gargaro, Jr., our Vice President and Secretary, as soon as possible in order that this option grant may become effective.

Very truly yours,

MASCO CORPORATION

Richard A. Manoogian
Chairman of the Board
and Chief Executive Officer

I accept and agree to all of the foregoing terms and conditions and the terms and conditions contained in the attached Appendix.

(Signature of Recipient)

(Mailing Address)

(Social Security Number)

Dated: _____

Appendix to Option Agreement

Masco Corporation (the "Company") and you agree that all of the terms and conditions of the grant of the option (the "Option") contained in the foregoing letter agreement into which this Appendix is incorporated (the "Agreement") are reflected in the Agreement and in the 2005 Long Term Stock Incentive Plan (the "Plan"), and that there are no other commitments or understandings currently outstanding with respect to any other grants of options, restricted stock, phantom stock or stock appreciation rights except as may be evidenced by agreements duly executed by you and the Company.

By signing the Agreement you acknowledge acceptance of the Option and receipt of the documents referred to in the Agreement and represent that you have read the Plan, are familiar with its provisions, and agree to its incorporation in the Agreement and all of the other terms and conditions of the Agreement. Such acceptance, moreover, evidences your agreement promptly to provide such information with respect to shares acquired pursuant to the Option, as may be requested by the Company or any of its subsidiaries or affiliated companies.

If your employment with the Company or any of its subsidiaries is terminated for any reason, other than death, permanent and total disability, retirement on or after normal retirement date or the sale or other disposition of the business or subsidiary employing you, and other than termination of employment in connection with a Change in Control, and if any installments of the Option or any restoration options granted upon any exercise of the Option became exercisable within the two year period prior to the date of such termination (such installments and restoration options being referred to as the "Subject Options"), by accepting the Option you agree that the following provisions will apply:

- (1) Upon the demand of the Company you will pay to the Company in cash within 30 days after the date of such termination the amount of income realized for income tax purposes from the exercise of any Subject Options, net of all federal, state and other taxes payable on the amount of such income, plus all costs and expenses of the Company in any effort to enforce its rights hereunder; and
- (2) Any right you would otherwise have, pursuant to the terms of the Plan and this Agreement, to exercise any Subject Options on or after the date of such termination, shall be extinguished as of the date of such termination.

The Company shall have the right to set off or withhold any amount owed to you by the Company or any of its subsidiaries or affiliates for any amount owed to the Company by you hereunder.

In addition you agree, in consideration for the grant of the Option and regardless of whether the Option becomes exercisable or is exercised, while you are employed or retained as a consultant by the Company or any of its subsidiaries and for a period of one year following any termination of your employment and, if applicable, any consulting relationship with the Company or any of its subsidiaries other than a termination in connection with a Change in Control, not to engage in, and not to become associated in a "Prohibited Capacity" (as hereinafter defined) with any other entity engaged in, any "Business Activities" (as hereinafter defined) and not to encourage or assist others in encouraging any employee of the Company or any of its subsidiaries to terminate employment or to become engaged in any such Prohibited Capacity with an entity engaged in any Business Activities. "Business Activities" shall mean the design, development, manufacture, sale, marketing or servicing of any product or providing of services competitive with the products or services of (x) the Company or any subsidiary if you are employed by or consulting with the Company at any time the Option is outstanding, or (y) the subsidiary employing or retaining you at any time while the Option is outstanding, to the extent such

competitive products or services are distributed or provided either (1) in the same geographic area as are such products or services of the Company or any of its subsidiaries, or (2) to any of the same customers as such products or services of the Company or any of its subsidiaries are distributed or provided. "Prohibited Capacity" shall mean being associated with an entity as an employee, consultant, investor or another capacity where (1) confidential business information of the Company or any of its subsidiaries could be used in fulfilling any of your duties or responsibilities with such other entity, (2) any of your duties or responsibilities are similar to or include any of those you had while employed or retained as a consultant by the Company or any of its subsidiaries, or (3) an investment by you in such other entity represents more than 1% of such other entity's capital stock, partnership or other ownership interests.

Should you either breach or challenge in judicial, arbitration or other proceedings the validity of any of the restrictions contained in the preceding paragraph, by accepting the Option you agree, independent of any equitable or legal remedies that the Company may have and without limiting the Company's right to any other equitable or legal remedies, to pay to the Company in cash immediately upon the demand of the Company (1) the amount of income realized for income tax purposes from the exercise of any portion of the Option, net of all federal, state and other taxes payable on the amount of such income (and reduced by any amount already paid to the Company under the second preceding paragraph), but only to the extent such exercises occurred on or after your termination of employment or, if applicable, any consulting relationship with the Company or its subsidiary or within the two year period prior to the date of such termination, plus (2) all costs and expenses of the Company in any effort to enforce its rights under this or the preceding paragraph. The Company shall have the right to set off or withhold any amount owed to you by the Company or any of its subsidiaries or affiliates for any amount owed to the Company by you hereunder.

By accepting the Option you: (a) agree to comply with the requirements of applicable federal and other laws with respect to withholding or providing for the payment of required taxes; (b) acknowledge that (1) all of your rights to the Option are embodied in the Agreement and in the Plan, (2) the grant and acceptance of the Option does not imply any commitment by the Company, a subsidiary or affiliated company to your continued employment or consulting relationship, and (3) your employment status is that of an employee-at-will and in particular that the Company, its subsidiary or affiliated company has a continuing right with or without cause (unless otherwise specifically agreed to in writing executed by you and the Company) to terminate your employment or other relationship at any time; and (c) agree not to terminate voluntarily your current employment (or consulting arrangement, if applicable) for at least one year from the date of grant unless you have already agreed in writing to a longer period.

Section 3 of the Plan provides, in part, that the Committee appointed by the Company's Board of Directors to administer the Plan shall have the authority to interpret the Plan and award agreements, and decide all questions and settle all controversies and disputes relating thereto. It further provides that the determinations, interpretations and decisions of the Committee are within its sole discretion and are final, conclusive and binding on all persons. In addition, you and the Company agree that if for any reason a claim is asserted against the Company or any of its subsidiaries or affiliated companies or any officer, employee or agent of the foregoing which (1) is within the scope of the Dispute Resolution Policy (the terms of which are incorporated herein); (2) subverts the provisions of Section 3 of the Plan; or (3) involves any of the provisions of the Agreement or the Plan or the provisions of any other option agreements relating to Company Common Stock or restricted stock awards or other agreements relating to Company Common Stock or the claims of yourself or any persons to the benefits thereof, in order to provide a more speedy and economical resolution, the Dispute Resolution Policy shall be the sole and exclusive remedy to resolve all disputes, claims or controversies which are set forth above, except as otherwise agreed in writing by you and the Company or a subsidiary of the Company. It is our mutual intention that any arbitration award entered under the Dispute Resolution Policy will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction. Notwithstanding

the provisions of the Dispute Resolution Policy, however, the parties specifically agree that any mediation or arbitration required by this paragraph shall take place at the offices of the American Arbitration Association located in the metropolitan Detroit area or such other location in the metropolitan Detroit area as the parties might agree. The provisions of this paragraph: (a) shall survive the termination or expiration of this Agreement, (b) shall be binding upon the Company's and your respective successors, heirs, personal representatives, designated beneficiaries and any other person asserting a claim based upon the Agreement, (c) shall supersede the provisions of any prior agreement between you and the Company or its subsidiaries or affiliated companies with respect to any of the Company's option, restricted stock or other stock-based incentive plans to the extent the provisions of such other agreement requires arbitration between you and the Company or one of its subsidiaries, and (d) may not be modified without the consent of the Company. Subject to the exception set forth above, you and the Company acknowledge that neither of us nor any other person asserting a claim described above has the right to resort to any federal, state or local court or administrative agency concerning any such claim and the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute.

The Agreement shall be governed by and interpreted in accordance with Michigan law.

Restoration Stock Option
CURRENT DATE

<Name>
<Address1>
<Address2>
<Address3>
<Address4>

Dear <Salutation>:

You have exercised a non-qualified stock option previously granted to you under the terms of the 1991 Long Term Stock Incentive Plan and you paid all or part of the option exercise price by delivery of Company common stock. In accordance with the program adopted by the Organization and Compensation Committee of the Board of Directors, subject to your acceptance, you are granted a non-qualified Restoration Option for shares of Company common stock, \$1 par value, subject to the terms of this letter and the attached Appendix (the "Agreement") and the 2005 Long Term Stock Incentive Plan (the "Plan"), as follows:

Date of Restoration Option:

Number of Shares Granted:

Option Exercise Price:

Exercisable in full on & after:

This Option expires after:

All installments of the option as above described must be exercised before the Option expires; any portion that remains unexercised on the expiration date shall lapse and the right to purchase such shares pursuant to this option shall be of no further effect after such date. If during the option exercise period your employment is terminated for any reason, the option shall terminate in accordance with Section 6 of the Plan.

If at any time you engage in activity following your termination of employment which in the sole judgment of the Committee is detrimental to the interests of the Company, a subsidiary or affiliated company, all unexercised installments or portions thereof will be forfeited to the Company. You acknowledge that such activity includes, but is not limited to, "Business Activities" (as defined in the Appendix) for purposes of this option and for purposes of all other outstanding awards of restricted stock and options that are subject to comparable forfeiture provisions.

For purposes of this Agreement, use of the words "employment" or "employed" shall be deemed to refer to employment by the Company and its subsidiaries and unless otherwise stated shall not include employment by an "Affiliate" (as defined in the Plan) which is not a subsidiary of the Company unless the Committee so determines at the time such employment commences.

If our records indicate you have not previously received the Company's latest annual report to stockholders and proxy statement, the Prospectus dated [date] covering the shares which are the subject of this option, and the Plan, these documents are enclosed. Copies are also available upon request to the Company. We suggest that you review each of these documents. The federal income tax attributes of non-qualified stock options are discussed in the Prospectus. This option does not qualify for the federal tax benefits of an "incentive stock option" under the Internal Revenue Code.

Your acceptance of this option acknowledges that you have read all of the terms and conditions set forth herein and in the attached Appendix and evidences your agreement to all of such terms and conditions and to the incorporation of the Appendix as part of this Agreement.

Please complete your mailing address and Social Security number as indicated below and sign, date and return one copy of this option agreement to Eugene A. Gargaro, Jr., our Vice President and Secretary, as soon as possible in order that this option grant may become effective.

Very truly yours,

MASCO CORPORATION

By _____
Richard A. Manoogian
Chairman of the Board
and Chief Executive Officer

I accept and agree to all of the foregoing terms and conditions and the terms and conditions contained in the attached Appendix.

(Signature of Recipient)

(Mailing Address)

(Social Security Number)

Dated: _____



Appendix to Option Agreement

Masco Corporation (the “Company”) and you agree that all of the terms and conditions of the grant of the option (the “Option”) contained in the foregoing letter agreement into which this Appendix is incorporated (the “Agreement”) are reflected in the Agreement and in the 2005 Long Term Stock Incentive Plan (the “Plan”), and that there are no other commitments or understandings currently outstanding with respect to any other grants of options, restricted stock, phantom stock or stock appreciation rights except as may be evidenced by agreements duly executed by you and the Company.

By signing the Agreement you acknowledge acceptance of the Option and receipt of the documents referred to in the Agreement and represent that you have read the Plan, are familiar with its provisions, and agree to its incorporation in the Agreement and all of the other terms and conditions of the Agreement. Such acceptance, moreover, evidences your agreement promptly to provide such information with respect to shares acquired pursuant to the Option, as may be requested by the Company or any of its subsidiaries or affiliated companies.

If your employment with the Company or any of its subsidiaries is terminated for any reason, other than death, permanent and total disability, retirement on or after normal retirement date or the sale or other disposition of the business or subsidiary employing you, and other than termination of employment in connection with a Change in Control, and if any installments of the Option or any restoration options granted upon any exercise of the Option became exercisable within the two year period prior to the date of such termination (such installments and restoration options being referred to as the “Subject Options”), by accepting the Option you agree that the following provisions will apply:

- (1) Upon the demand of the Company you will pay to the Company in cash within 30 days after the date of such termination the amount of income realized for income tax purposes from the exercise of any Subject Options, net of all federal, state and other taxes payable on the amount of such income, plus all costs and expenses of the Company in any effort to enforce its rights hereunder; and
- (2) Any right you would otherwise have, pursuant to the terms of the Plan and this Agreement, to exercise any Subject Options on or after the date of such termination, shall be extinguished as of the date of such termination.

The Company shall have the right to set off or withhold any amount owed to you by the Company or any of its subsidiaries or affiliates for any amount owed to the Company by you hereunder.

In addition you agree, in consideration for the grant of the Option and regardless of whether the Option becomes exercisable or is exercised, while you are employed or retained as a consultant by the Company or any of its subsidiaries and for a period of one year following any termination of your employment and, if applicable, any consulting relationship with the Company or any of its subsidiaries other than a termination in connection with a Change in Control, not to engage in, and not to become associated in a “Prohibited Capacity” (as hereinafter defined) with any other entity engaged in, any “Business Activities” (as hereinafter defined) and not to encourage or assist others in encouraging any employee of the Company or any of its subsidiaries to terminate employment or to become engaged in any such Prohibited Capacity with an entity engaged in any Business Activities. “Business Activities” shall mean the design, development, manufacture, sale, marketing or servicing of any product or providing of services competitive with the products or services of (x) the Company or any subsidiary if you are employed by or consulting with the Company at any time the Option is outstanding, or (y) the subsidiary employing or retaining you at any time while the Option is outstanding, to the extent such

competitive products or services are distributed or provided either (1) in the same geographic area as are such products or services of the Company or any of its subsidiaries, or (2) to any of the same customers as such products or services of the Company or any of its subsidiaries are distributed or provided. "Prohibited Capacity" shall mean being associated with an entity as an employee, consultant, investor or another capacity where (1) confidential business information of the Company or any of its subsidiaries could be used in fulfilling any of your duties or responsibilities with such other entity, (2) any of your duties or responsibilities are similar to or include any of those you had while employed or retained as a consultant by the Company or any of its subsidiaries, or (3) an investment by you in such other entity represents more than 1% of such other entity's capital stock, partnership or other ownership interests.

Should you either breach or challenge in judicial, arbitration or other proceedings the validity of any of the restrictions contained in the preceding paragraph, by accepting the Option you agree, independent of any equitable or legal remedies that the Company may have and without limiting the Company's right to any other equitable or legal remedies, to pay to the Company in cash immediately upon the demand of the Company (1) the amount of income realized for income tax purposes from the exercise of any portion of the Option, net of all federal, state and other taxes payable on the amount of such income (and reduced by any amount already paid to the Company under the second preceding paragraph), but only to the extent such exercises occurred on or after your termination of employment or, if applicable, any consulting relationship with the Company or its subsidiary or within the two year period prior to the date of such termination, plus (2) all costs and expenses of the Company in any effort to enforce its rights under this or the preceding paragraph. The Company shall have the right to set off or withhold any amount owed to you by the Company or any of its subsidiaries or affiliates for any amount owed to the Company by you hereunder.

By accepting the Option you: (a) agree to comply with the requirements of applicable federal and other laws with respect to withholding or providing for the payment of required taxes; (b) acknowledge that (1) all of your rights to the Option are embodied in the Agreement and in the Plan, (2) the grant and acceptance of the Option does not imply any commitment by the Company, a subsidiary or affiliated company to your continued employment or consulting relationship, and (3) your employment status is that of an employee-at-will and in particular that the Company, its subsidiary or affiliated company has a continuing right with or without cause (unless otherwise specifically agreed to in writing executed by you and the Company) to terminate your employment or other relationship at any time; and (c) agree not to terminate voluntarily your current employment (or consulting arrangement, if applicable) for at least one year from the date of grant unless you have already agreed in writing to a longer period.

Section 3 of the Plan provides, in part, that the Committee appointed by the Company's Board of Directors to administer the Plan shall have the authority to interpret the Plan and award agreements, and decide all questions and settle all controversies and disputes relating thereto. It further provides that the determinations, interpretations and decisions of the Committee are within its sole discretion and are final, conclusive and binding on all persons. In addition, you and the Company agree that if for any reason a claim is asserted against the Company or any of its subsidiaries or affiliated companies or any officer, employee or agent of the foregoing which (1) is within the scope of the Dispute Resolution Policy (the terms of which are incorporated herein); (2) subverts the provisions of Section 3 of the Plan; or (3) involves any of the provisions of the Agreement or the Plan or the provisions of any other option agreements relating to Company Common Stock or restricted stock awards or other agreements relating to Company Common Stock or the claims of yourself or any persons to the benefits thereof, in order to provide a more speedy and economical resolution, the Dispute Resolution Policy shall be the sole and exclusive remedy to resolve all disputes, claims or controversies which are set forth above, except as otherwise agreed in writing by you and the Company or a subsidiary of the Company. It is our mutual

intention that any arbitration award entered under the Dispute Resolution Policy will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction. Notwithstanding the provisions of the Dispute Resolution Policy, however, the parties specifically agree that any mediation or arbitration required by this paragraph shall take place at the offices of the American Arbitration Association located in the metropolitan Detroit area or such other location in the metropolitan Detroit area as the parties might agree. The provisions of this paragraph: (a) shall survive the termination or expiration of this Agreement, (b) shall be binding upon the Company's and your respective successors, heirs, personal representatives, designated beneficiaries and any other person asserting a claim based upon the Agreement, (c) shall supersede the provisions of any prior agreement between you and the Company or its subsidiaries or affiliated companies with respect to any of the Company's option, restricted stock or other stock-based incentive plans to the extent the provisions of such other agreement requires arbitration between you and the Company or one of its subsidiaries, and (d) may not be modified without the consent of the Company. Subject to the exception set forth above, you and the Company acknowledge that neither of us nor any other person asserting a claim described above has the right to resort to any federal, state or local court or administrative agency concerning any such claim and the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute.

The Agreement shall be governed by and interpreted in accordance with Michigan law.

[Date]

<Name>
<Address1>
<Address2>
<Address3>
<Address4>

Dear <Salutation>:

On behalf of the Company, I am pleased to inform you that on [date], the Board of Directors granted you a non-qualified stock option pursuant to the Company's 2005 Long Term Stock Incentive Plan (the "Plan"), subject to the conditions set forth below and in the Appendix attached hereto. This letter and the attached Appendix (the "Agreement") state the terms of the option and contain other provisions which on your acceptance commit the Company and you, so I urge you to read them carefully. You should also read the Plan and Prospectus dated [date] covering the shares which are the subject of this option. Enclosed are copies of these documents as well as our latest annual report to stockholders and proxy statement to the extent our records indicate you may not have previously received them. Copies are also available upon request to the Company. We suggest that you review each of these documents. The federal income tax attributes of non-qualified stock options are discussed in the Prospectus. This option does not qualify for the federal tax benefits of an "incentive stock option" under the Internal Revenue Code.

This option, if accepted by you, grants you the right to purchase [no. of shares] shares of Company Common Stock, \$1.00 par value, at a price of [\$_____] per share, which the Board has determined is the fair market value of a share of the Company Common Stock on the date of grant.

When the Option is Exercisable and Termination

This option is exercisable cumulatively in installments of 20% commencing as of [date], 20% as of [date], 20% as of [date], 20% as of [date] and 20% as of [date]; provided that, subject to the last sentence of this paragraph, on each date of exercise you are an Eligible Director, as hereinafter defined. An Eligible Director is any Director of the Company who is not an employee of the Company and who receives a fee for services as a Director. All installments of the option as above described must be exercised no later than [expiration date]; all unexercised installments or portions thereof shall lapse and the right to purchase shares pursuant to this option shall be of no further effect after such date. If during the option exercise periods your term as an Eligible Director is terminated for any reason, this option shall terminate in accordance with Section 6 of the Plan.

Notwithstanding the foregoing or anything in the Plan:

(i) If your service as a Director is terminated by reason of permanent and total disability, any portion of the option that is not then exercisable shall become fully exercisable and shall remain exercisable in accordance with its terms and the provision of the Plan until the earlier of the expiration of the original option term or one year after death.

(ii) If you retire on or after normal retirement age as specified in the Company's Corporate Governance Guidelines, the option shall continue to become exercisable and shall remain exercisable in accordance with its terms and the provisions of the Plan.

(iii) If your service as a Director terminates for any reason other than as a result of death, permanent and total disability or retirement due to age, any portion of the option that is then exercisable will remain exercisable until the earlier of the expiration of the original option term or one year after death.

As provided in the Plan, if at any time you engage in an activity following your termination of service which in the sole judgment of the Board of Directors is detrimental to the interests of the Company, a subsidiary or an affiliated company, all unexercised installments or portions of the option will be forfeited to the Company. You acknowledge that such activity includes, but is not limited to, "Business Activities" (as defined in the Appendix) for purposes of this option and for purposes of all other outstanding awards of restricted stock and options that are subject to comparable forfeiture provisions.

Acceptance

We agree that all of the terms and conditions of this option are reflected in this Agreement and the Plan, and that there are no other commitments or understandings currently outstanding with respect to any other awards of stock options or restricted stock except as may be evidenced by agreements duly executed by you and the Company.

By accepting this option you: (a) represent that you are familiar with the provisions of the Plan and agree to its incorporation in this Agreement; (b) agree to provide promptly such information with respect to shares acquired pursuant to this option as may be requested by the Company and to comply with any requirements of applicable federal and other laws with respect to withholding or providing for the payment of required taxes; and (c) acknowledge that all of your rights to this option are embodied herein and in the Plan.

Section 3 of the Plan provides that the Organization and Compensation Committee shall have the authority to make all determinations which may arise in connection with the Plan. It further provides that the Organization and Compensation Committee's interpretation of the terms and provisions of the Plan shall be final and conclusive.

Please complete your mailing address and Social Security number as indicated below and sign, date and return the copy of this Agreement to Eugene A. Gargaro, Jr., our Vice President and Secretary, as soon as possible in order that this option grant may become effective.

Very truly yours,

MASCO CORPORATION

Richard A. Manoogian
Chairman of the Board
and Chief Executive Officer

I accept and agree to all the foregoing terms and conditions.

(Signature of Recipient)

(Mailing Address)

(Social Security Number)

Dated: _____



Appendix to Option Agreement

Masco Corporation (the "Company") and you agree that all of the terms and conditions of the grant of the option (the "Option") contained in the foregoing letter agreement into which this Appendix is incorporated (the "Agreement") are reflected in the Agreement and in the 2005 Long Term Stock Incentive Plan (the "Plan"), and that there are no other commitments or understandings currently outstanding with respect to any other awards except as may be evidenced by agreements duly executed by you and the Company.

By signing the Agreement you acknowledge acceptance of the Option and receipt of the documents referred to in the Agreement and represent that you have read the Plan, are familiar with its provisions, and agree to its incorporation in the Agreement and all of the other terms and conditions of the Agreement. Such acceptance, moreover, evidences your agreement promptly to provide such information with respect to shares acquired pursuant to the Option, as may be requested by the Company.

In addition you agree, in consideration for the grant of the Option and regardless of whether the Option becomes exercisable or is exercised, while you are a Director of the Company and for a period of one year following the termination of your term as a Director of the Company, other than a termination following a Change in Control, not to engage in, and not to become associated in a "Prohibited Capacity" (as hereinafter defined) with any other entity engaged in, any "Business Activities" (as hereinafter defined) and not to encourage or assist others in encouraging any employee of the Company or any of its subsidiaries to terminate employment or to become engaged in any such Prohibited Capacity with an entity engaged in any Business Activities. "Business Activities" shall mean the design, development, manufacture, sale, marketing or servicing of any product or providing of services competitive with the products or services of the Company or any subsidiary at any time the Option is outstanding, to the extent such competitive products or services are distributed or provided either (1) in the same geographic area as are such products or services of the Company or any of its subsidiaries, or (2) to any of the same customers as such products or services of the Company or any of its subsidiaries are distributed or provided. "Prohibited Capacity" shall mean being associated with an entity as a director, employee, consultant, investor or another capacity where (1) confidential business information of the Company or any of its subsidiaries could be used in fulfilling any of your duties or responsibilities with such other entity, or (2) an investment by you in such other entity represents more than 1% of such other entity's capital stock, partnership or other ownership interests.

Should you either breach or challenge in judicial or arbitration proceedings the validity of any of the restrictions contained in the preceding paragraph, by accepting the Option you agree, independent of any equitable or legal remedies that the Company may have and without limiting the Company's right to any other equitable or legal remedies, to pay to the Company in cash immediately upon the demand of the Company (1) the amount of income realized for income tax purposes from the exercise of any portion of the Option, net of all federal, state and other taxes payable on the amount of such income, but only to the extent such exercises occurred on or after the termination of your term as a Director of the Company or within the two year period prior to the date of such termination, plus (2) all costs and expenses of the Company in any effort to enforce its rights under this or the preceding paragraph. The Company shall have the right to set off or withhold any amount owed to you by the Company or any of its subsidiaries or affiliates for any amount owed to the Company by you hereunder.

By accepting the Option you: (a) agree to comply with the requirements of applicable federal and other laws with respect to withholding or providing for the payment of required taxes; and (b) acknowledge that all of your rights to the Option are embodied in the Agreement and in the Plan.

Section 3 of the Plan provides, in part, that the Committee appointed by the Company's Board of Directors to administer the Plan shall have the authority to interpret the Plan and award agreements, and decide all questions and settle all controversies and disputes relating thereto. It further provides that the determinations, interpretations and decisions of the Committee are within its sole discretion and are final, conclusive and binding on all persons. In addition, you and the Company agree that if for any reason a claim is asserted against the Company or any of its subsidiaries or affiliated companies or any officer, employee or agent of the foregoing which (1) is within the scope of the Dispute Resolution Policy (the terms of which are incorporated herein); (2) subverts the provisions of Section 3 of the Plan; or (3) involves any of the provisions of the Agreement or the Plan or the provisions of any other option agreements relating to Company Common Stock or restricted stock awards or other awards or the claims of yourself or any persons to the benefits thereof, in order to provide a more speedy and economical resolution, the Dispute Resolution Policy shall be the sole and exclusive remedy to resolve all disputes, claims or controversies which are set forth above, and you shall be deemed to be an employee within the scope of the Dispute Resolution Policy and you and the Company shall be bound as if you were an employee for all claims within the scope of the Dispute Resolution Policy, except as otherwise agreed in writing by you and the Company. It is our mutual intention that any arbitration award entered under the Dispute Resolution Policy will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction. Notwithstanding the provisions of the Dispute Resolution Policy, however, the parties specifically agree that any mediation or arbitration required by this paragraph shall take place at the offices of the American Arbitration Association located in the metropolitan Detroit area or such other location in the metropolitan Detroit area as the parties might agree. The provisions of this paragraph: (a) shall survive the termination or expiration of this Agreement, (b) shall be binding upon the Company's and your respective successors, heirs, personal representatives, designated beneficiaries and any other person asserting a claim based upon the Agreement, (c) shall supersede the provisions of any prior agreement between you and the Company with respect to any of the Company's option or restricted stock incentive plans or other awards to the extent the provisions of such other agreement requires arbitration between you and the Company, and (d) may not be modified without the consent of the Company. Subject to the exception set forth above, you and the Company acknowledge that neither of us nor any other person asserting a claim described above has the right to resort to any federal, state or local court or administrative agency concerning any such claim and the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute.

The Agreement shall be governed by and interpreted in accordance with Michigan law.

April 12, 2002

[name]
[address]

Dear :

Our company's Board of Directors has adopted a plan whereby supplemental retirement and other benefits, in addition to those provided under the Company's pension and other benefit plans, will be made available to those Company and subsidiary executives as may be designated from time to time by the company's Chief Executive Officer. The plan providing such benefits, as originally made available to designated executives in 1987 and as subsequently amended from time to time heretofore or in the future, is referred to in this letter as the "Plan". I am pleased to inform you that I have designated you as a participant in the Plan, and this Agreement describes in full your benefits pursuant to the Plan and all of the Company's obligations to you, and yours to the Company. These benefits as described below are contractual obligations of the Company.

For the purposes of this Agreement, words and terms are defined as follows:

a. "Average Compensation" shall mean the aggregate of your highest three years' total annual cash compensation paid to you by the Company, consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid, divided by three, provided, however, (x) if you have on the date of determination less than three full years of employment the foregoing calculation shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed, and (y) if the determination of Average Compensation includes any year in which you volunteered to reduce your salary or, as part of a program generally applicable to participants in the Plan, you did not receive an increase in salary compared with the immediately preceding year, the Committee referred to in paragraph 11 shall make a good faith determination of what your Average Compensation would have been absent such salary reduction and absent such generally applicable program.

b. A "Change in Control" shall be deemed to have occurred if, during any period of twenty-four consecutive calendar months, the individuals who at the beginning of such period constitute the Company's Board of Directors, and any new directors (other than Excluded Directors) whose election by such Board or nomination for election by stockholders was approved by a vote of at least two-thirds of the members of such Board who were either directors on such Board at the beginning of the period or whose election

or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof. Excluded Directors are directors whose election by the Board or approval by the Board for stockholder election occurred within one year after any "person" or "group of persons" as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 25 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 25 percent or more of such combined voting power.

c. "Code" means the Internal Revenue Code of 1986, as amended.

d. "Company" shall mean Masco Corporation or any corporation in which Masco Corporation owns directly or indirectly stock possessing in excess of 50% of the total combined voting power of all classes of stock. For purposes of determining "Average Compensation", "Years of Service" and "Years" employed by the Company, Company shall also include Metaldyne Corporation, a Delaware corporation (formerly MascoTech, Inc.).

e. The "Deferred Compensation Trust" shall mean any trust created by the Company to receive the deposit referred to in clause (2) of paragraph 10.

f. "Disability" and "Disabled" shall mean your being unable to perform your duties as a Company executive by reason of your physical or mental condition, prior to your attaining age 65, provided that you have been employed by the Company for two consecutive Years or more at the time you first became Disabled.

g. The "Gross-Up Amount" (i) shall be determined if any payment or distribution by the Company to or for your benefit, whether paid, distributed, payable or distributed or distributable pursuant to the terms of this Agreement, any stock option or stock award plan, retirement plan or otherwise (such payment or distribution, other than an Excise Tax Adjustment Payment under clause (ii), is referred to herein as a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties with respect to such excise tax (such excise tax together with any such interest or penalties are referred to herein as the "Excise Tax"), and (ii) shall mean an additional payment (the "Excise Tax Adjustment Payment") in an amount such that after subtracting from the Excise Tax Adjustment Payment your payment of all applicable Federal, state and local taxes (computed at the maximum marginal rates and including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Excise Tax Adjustment Payment, the balance will be equal to the Excise Tax imposed upon the Payments. All determinations required

to be made with respect to the "Gross-Up Amount", including whether an Excise Tax Adjustment Payment is required and the amount of such Excise Tax Adjustment Payment, shall be made by PricewaterhouseCoopers LLP, or such national accounting firm as the Company may designate prior to a Change in Control, which shall provide detailed supporting calculations to the Company and you. Except as provided in clause (iv) of paragraph 10, all such determinations shall be binding upon you and the Company.

h. "PBGC" shall mean the Pension Benefit Guaranty Corporation.

i. "Present Value" of future benefits means the discounted present value of those benefits (including therein the benefits, if any, your Surviving Spouse would be entitled to receive under this Agreement upon your death), using the UP-1984 Mortality Table and discounted by the interest rate used, for purposes of determining the present value of a lump sum distribution on plan termination, by the PBGC on the first day of the month which is four months prior to the month in which a Change in Control occurs (or if the PBGC has ceased publishing such interest rate, such other interest rate as the Board of Directors deems is an appropriate substitute). The above PBGC interest rate is intended to be determined based on PBGC methodology and regulations in effect on September 1, 1993 (as contained in 29 CFR Part 2619).

j. "Profit Sharing Conversion Factor" shall be a factor equal to the present value of a life annuity payable at the later of age 65 or attained age based on the 1983 Group Annuity Mortality Table using a blend of 50% of the male mortality rates and 50% of the female mortality rates as set forth in Revenue Ruling 95-6 (or such other mortality table that the Internal Revenue Service may prescribe in the future) and an interest rate equal to the average yield for 30-year Treasury Constant Maturities, as reported in Federal Reserve Statistical Releases G.13 and H.15, four months prior to the month of the date of determination (or, if such interest rate ceases to be so reported, such other interest rate as the Board of Directors deems is an appropriate substitute).

k. "Retirement" shall mean your termination of employment with the Company, on or after you attain age 65. Your acting as a consultant shall not be considered employment.

l. "SERP Percentage" of your Average Compensation is 60% if at the date of determination you have completed 15 or more Years of Service, and decreases by increments of four percentage points for each Year or portion thereof less than 15 that you have accumulated at the date of determination. The minimum SERP Percentage is 20% after five Years of Service; prior to completing five Years of Service the SERP Percentage is 0.

m. "Surviving Spouse" shall be the person to whom you shall be legally married (under the law of the jurisdiction of your permanent residence) at the date of (i) your Retirement or death after attaining age 65 (if death terminated employment with the Company) for the purposes of paragraphs 1, 2 and 3, (ii) your death for the purposes of paragraph 5 and, if paragraph 5 is applicable, for the purposes of paragraph 3, (iii) the commencement of your Disability for the purposes of paragraphs 6 and 7 and, as long as paragraphs 6 or 7 are applicable, for the purposes of paragraph 3, (iv) your termination of employment for the purposes of paragraph 4 and, if paragraph 4 is applicable, for purposes of paragraph 3 and (v) a "Change in Control" for the purposes of paragraph 10 if none of clauses (i) through (iv) has become applicable prior to the Change in Control and, if this clause (v) is applicable, for purposes of paragraph 3. For the purposes of paragraphs 11a, 11e, 11f, 11g, 11h, 11i and 11j, "Surviving Spouse" shall be any spouse entitled to any benefits hereunder.

n. If you become Disabled, "Total Compensation" shall mean your annual base salary rate at the time of your Disability plus the regular year-end cash bonus paid to you for the year immediately prior thereto, provided, however, if the determination of Total Compensation is for a year in which you volunteered to reduce your salary or, as part of a program generally applicable to participants in the Plan, you did not receive an increase in salary compared with the immediately preceding year, the Committee referred to in paragraph 11 shall make a good faith determination of what your Total Compensation would have been absent such salary reduction and absent such generally applicable program.

o. "Vested Percentage" shall mean the sum of the following percentages: (i) 2% multiplied by your Years of Service, plus (ii) 8% multiplied by the number of Years you have been designated a participant in the Plan; provided, however, (w) prior to completing five Years of Service the Vested Percentage is 0, (x) on or prior to your fiftieth birthday your Vested Percentage may not exceed 50%, (y) on or prior to each of your birthdays following your fiftieth birthday your Vested Percentage may not exceed the sum of 50% plus the product obtained by multiplying 5% by the number of birthdays that have occurred following your fiftieth birthday, and (z) your Vested Percentage in no event may exceed 100%.

p. "Year" shall mean twelve full consecutive months, and "year" shall mean a calendar year.

q. "Years of Service" shall mean the number of Years during which you were employed by the Company (excluding, however, Years of Service with a corporation prior to the time it became a subsidiary of or otherwise affiliated with Masco Corporation).

r. "MascoTech" shall mean Metaldyne Corporation, a Delaware corporation, formerly incorporated as MascoTech, Inc.

1. In accordance with the Plan, upon your Retirement the Company will pay you annually during your lifetime, subject to paragraph 8 below, the SERP Percentage of your Average Compensation, less: (i) a sum equal to the annual benefit which would be payable to you upon your Retirement if benefits payable to you under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you retire, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon Retirement if your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401 (k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) any retirement benefits paid or payable to you by reason of employment by all other employers (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than such other employers), provided, however, in all cases the amount offset pursuant to these subsections (i) and (ii) shall be determined prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans.

2. Upon your death after Retirement or while employed by the Company after attaining age 65, your Surviving Spouse shall receive for life 75% of the annual benefit pursuant to paragraph 1 of this Agreement which was payable to you prior to your death (or, if death terminated employment after attaining age 65, which would have been payable to you had your Retirement occurred immediately prior to your death).

3. The Company will provide, purchase or at its option provide reimbursement for premiums paid for such supplemental medical insurance as the Company in its sole discretion may deem advisable from time to time (i) for you and your Surviving Spouse for the lifetime of each of you (A) following a termination of your employment with the Company due to Retirement or Disability, and (B) following any other termination of employment with the Company provided (x) you and your Surviving Spouse are not covered by another medical insurance program substantially all of the cost of which is paid by another employer, (y) on the date of such termination your Vested Percentage is not less than 80% and (z) the benefits under this paragraph 3 shall not commence until you have attained age 60 or your earlier death to the

extent you die leaving a Surviving Spouse, and (ii) for your Surviving Spouse for his or her lifetime upon a termination of your employment with the Company due to your death.

4. If your employment with the Company is for any reason terminated prior to Retirement, other than as a result of circumstances described in paragraphs 2, 5 or 6 of this Agreement or following a Change in Control, and if prior to the date of termination you have completed 5 or more Years of Service, upon your attaining age 65 the Company will pay to you annually during your lifetime, subject to paragraph 8 below, the Vested Percentage of the result obtained by (1) multiplying your SERP Percentage at the date your employment terminated by your Average Compensation, less (2) the sum of the following: (i) a sum equal to the annual benefit which would be payable to you upon your attaining age 65 if benefits payable to you under the Company and MascoTech funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's and MascoTech's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you attain age 65, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon your attaining age 65 if an amount equal to your vested accounts at the date of your termination of employment with the Company in the Company's and MascoTech's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's and MascoTech's 401(k) Savings Plans) and the defined contribution (profit sharing) provisions of the Company's and MascoTech's Retirement Benefits Restoration Plan and any similar plan (in each case increased from the date of termination to age 65 at the imputed rate of 4% per annum) were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) to the extent the annual payments described in this clause (iii) and the annual payments you would otherwise be entitled to receive under this paragraph 4 would, in the aggregate exceed (the "excess amount") the annual payments you would have received under paragraph 1 had you remained employed by the Company until Retirement (with your SERP Percentage determined as though you were given credit for additional Years of Service until age 65 but no compensation increases), any retirement benefits paid or payable to you by reason of employment by all other previous or future employers (other than MascoTech), but only to the extent of such excess amount (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than your prior or future employers), provided, however, in all cases the amount offset pursuant to these subsections (i) and (ii) shall be determined prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans. Upon your death on or after age 65 should you be survived by your Surviving Spouse, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit payable to you under the preceding sentence following your attainment of age 65; provided, further, if your death should occur prior to age 65, your Surviving Spouse shall receive for life,

commencing upon the date of your death, 75% of the annual benefit which would have been payable to you under the preceding sentence following your attainment of age 65, reduced by a factor of actuarial equivalence as determined by the Committee, such that the discounted Present Value of the aggregate payments to be received by your Surviving Spouse based on his or her life expectancy as of the date of your death is equal to the discounted Present Value, determined at the date of your death, of the aggregate payments estimated to be received by your Surviving Spouse based on his or her life expectancy at an age, and as if your Surviving Spouse had begun receiving payments, when you would have attained age 65.

5. If while employed by the Company you die prior to your attaining age 65 leaving a Surviving Spouse, and provided you shall have been employed by the Company for two consecutive Years or more, your Surviving Spouse shall receive annually for life, subject to paragraph 8 below, 75% of the SERP Percentage of your Average Compensation (with your SERP Percentage determined as though you were given credit for additional Years of Service but no compensation increases between the date of your death and the date you would have attained age 65), less: (i) a sum equal to the annual benefit which would be payable to your Surviving Spouse under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan if such benefit were converted to a life annuity (such deduction, however, only to commence on the date such benefit is first payable), (ii) a sum equal to the annual payments which would be received by your Surviving Spouse as if your spouse were designated as the beneficiary of your vested accounts in the Company's qualified defined benefit contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan and such accounts were converted to a life annuity at the time of your death in accordance with the Profit Sharing Conversion Factor, and (iii) any retirement benefits paid or payable to you or your Surviving Spouse by reason of your employment by all other employers (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than such other employers), provided, however, in all cases the amount offset pursuant to these subsections (i) and (ii) shall be determined prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans. No death benefits are payable except to your Surviving Spouse.

6. If you shall have been employed by the Company for two Years or more and while employed by the Company you become Disabled prior to your attaining age 65, until the earlier of your death, termination of Disability or attaining age 65 the Company will pay you an annual benefit, subject to paragraph 8 below, equal to 60% of your Total Compensation less any

benefits payable to you pursuant to long-term disability insurance under programs provided by the Company. If your Disability continues until you attain age 65, you shall be considered retired and you shall receive retirement benefits pursuant to paragraph 1 above, based upon your Average Compensation as of the date it is determined you became Disabled and with your SERP Percentage given credit for Years of Service while you were Disabled.

7. If you die leaving a Surviving Spouse while receiving Disability benefits pursuant to paragraph 6 of this Agreement, you will be deemed to have retired on your death and your Surviving Spouse shall receive for life 75% of the annual benefit which would have been payable to you if you had retired on the date of your death and your benefit determined pursuant to paragraph 1, based upon your Average Compensation as of the date you became Disabled and with your SERP Percentage given credit for Years of Service from the date you became Disabled to the date you would have attained age 65.

8. If the age of your Surviving Spouse is more than 20 years younger than your age, then the annual benefit payable under paragraphs 1, 4, 5 and 6 of this Agreement and the benefit payable as "the SERP Percentage of your Average Compensation", as that phrase is used in paragraph 5 of this Agreement, shall be reduced by the percentage obtained by multiplying 1.5% times the number of Years or portion thereof by which your Surviving Spouse is more than 20 years younger than you.

9. If you or your Surviving Spouse is eligible to receive benefits hereunder, unless otherwise specifically agreed by the Company in writing, you and your Surviving Spouse will not be able to receive benefits under any other Company sponsored non-qualified retirement plans other than the Company's Retirement Benefits Restoration Plan. For this purpose benefits received under the Company's non-qualified stock option or stock award plans will not be considered to have been received under a Company sponsored non-qualified retirement plan even though such benefits are received after retirement. Except as provided in the last sentence of paragraph 4 and in paragraph 10 of this Agreement, no benefits will be paid to your Surviving Spouse pursuant to this Agreement unless upon your death you were employed by the Company, Disabled or had taken Retirement from the Company.

10. Change in Control. (i) Immediately upon the occurrence of any Change in Control:

(1) If you are then employed by the Company, (i) your SERP Percentage, if not already 60%, shall be deemed for all purposes of this Agreement to be the lesser of 60% or the percentage resulting by adding to your SERP Percentage immediately prior thereto the product obtained by multiplying 4% by the number of Years which would then have to elapse prior to your attainment of age 65, and (ii) your Vested Percentage, if not already 100%, shall be deemed for all purposes of this Agreement to be 100%.

(2) If the Deferred Compensation Trust has theretofore been established or is established within thirty days after the Change in Control, the Company shall forthwith deposit to an account in your name (or that of your Surviving Spouse if you are then deceased and your Surviving Spouse is entitled to benefits hereunder) in the Deferred Compensation Trust 110% of the sum of the Gross-Up Amount plus:

(A) If you are then employed by the Company, an amount equal to the discounted Present Value of the benefits which would have been payable under paragraphs 1 and 2 of this Agreement upon Retirement at age 65 or attained age if greater, assuming for purposes of this clause, no compensation increases and that if younger than age 65 you and your Surviving Spouse had attained such age;

(B) If employment has previously been terminated but you or your Surviving Spouse is then entitled in the future to receive benefits under paragraph 4 of this Agreement, an amount equal to the discounted Present Value of the benefits which would have been payable under such paragraph;

(C) If you or your Surviving Spouse is then receiving payments under paragraphs 1, 2, 4, 5 or 7 of this Agreement, an amount equal to the Present Value of those benefits payable in the future to you and your Surviving Spouse; and

(D) If you are then receiving payments under paragraph 6 of this Agreement, an amount equal to the Present Value of the benefits which would have been payable under paragraphs 6 and 7 on the assumption you would have continued to receive benefits under paragraph 6 until you had attained age 65 and thereafter continued to receive benefits as though you were deemed to have retired.

(3) The Company shall thereafter be obligated to provide such supplemental medical insurance as has theretofore in the discretion of the Company been generally provided to participants and their Surviving Spouses under the Plan (A) to you and your Surviving Spouse if you or your Surviving Spouse is then receiving benefits under paragraph 3, (B) to you and your Surviving Spouse if you become Disabled if you are employed by the Company at the time of the Change in Control, (C) to your Surviving Spouse upon your death if you are employed by the Company at the time of the Change in Control and (D) to you and your Surviving Spouse upon any termination of employment following any Change in Control but only during the periods when you and your Surviving Spouse are not covered by another medical insurance program substantially all of the cost of which is paid by another employer. The obligations of the Company under this clause (i)(3) shall remain in effect for the lifetime of both you and your Surviving Spouse.

(4) If the Deferred Compensation Trust is not established prior to or within thirty days after the Change in Control, all payments which would have otherwise have been made to you or your Surviving Spouse from the Deferred Compensation Trust shall immediately after such thirty day period be made to you or your Surviving Spouse by the Company.

(ii) Any deposit by the Company to an account in your name or that of your Surviving Spouse in the Deferred Compensation Trust prior to the occurrence of the Change in Control, together with all income then accrued thereon (but only to the extent of the value of such deposited amount and the income accrued thereon on the day of any deposit under clause (i)(2) of this paragraph 10), shall reduce by an equal amount the obligations of the Company to make the deposit required under clause (i)(2) of this paragraph 10.

(iii) At or prior to making the deposit required by clause (i)(2) of this paragraph 10, the Company shall deliver to the Trustee under the Deferred Compensation Trust a certificate specifying that portion, if any, of the amount in the trust account, after giving effect to the deposit, which is represented by the Gross-Up Amount. Payment of 90.91% of the amount required by clause (i)(2) of this paragraph 10 to be paid to the trust account, together with any income accrued thereon from the date of the Change in Control, is to be made to you or your Surviving Spouse, as applicable, under the terms of the Deferred Compensation Trust, at the earlier of (1) immediately upon a Change in Control if you then are deceased or have attained age 65 or are Disabled, (2) your death subsequent to the Change in Control, or (3) the date which is one year after the Change in Control; provided, however, that the Trustee under the Deferred Compensation Trust is required promptly to pay to you or your Surviving Spouse, as applicable, from the trust account from time to time amounts, not exceeding in the aggregate the Gross-Up Amount, upon your or your Surviving Spouse's certification to the Trustee that the amount to be paid has been or within 60 days will be paid by you or your Surviving Spouse to a Federal, state or local taxing authority as a result of the Change in Control and the imposition of the excise tax under Section 4999 of the Code (or any successor provision) on the receipt of any portion of the Gross-Up Amount. All amounts in excess of the amount required to be paid from the trust account by the preceding sentence, after all expenses of the Deferred Compensation Trust have been paid, shall revert to the Company provided that the Company has theretofore expressly affirmed its continuing obligations under clause (i)(3) of this Paragraph 10.

(iv) Subject to the next sentence of this clause (iv), the payment of the Gross-Up Amount to you or your Surviving Spouse or the account in your or your Surviving Spouse's name in the Deferred Compensation Trust will thereby discharge the Company from any obligations it may have under any present or future stock option or stock award plan, retirement plan or otherwise, to make any other payment as a result of your income becoming subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties with respect to such excise tax. As a result of the uncertainty which will be present in the application of Section 4999 of the Code (or any successor provision) at the time of the

determination of the Gross-Up Amount and the possibility that between the date of determination of the Gross-Up Amount and the dates payments are to be made to you or your Surviving Spouse under this Agreement, changes in applicable tax laws will result in an incorrect determination of the Gross-Up Amount having been made, it is possible that (1) payment of a portion of the Gross-Up Amount will not have been made by the Company which should have been made (an "Underpayment"), or (2) payment of a portion of the Gross-Up Amount will have been made which should not have been made (an "Overpayment"), consistent with the calculations required to be made hereunder. In the event of an Underpayment, such Underpayment shall be promptly paid by the Company to or for your benefit. In the event that you or your Surviving Spouse discover that an Overpayment shall have occurred, the amount thereof shall be promptly repaid by you or your Surviving Spouse to the Company.

(v) Prior to the occurrence of a Change in Control, any deposits made by the Company to an account in the Deferred Compensation Trust may be withdrawn by the Company. Upon the occurrence of a Change in Control, all further obligations of the Company under this Agreement (other than under this Paragraph 10 to the extent not theretofore performed) shall terminate in all respects.

11. We also agree upon the following:

- a. Prior to the occurrence of a Change in Control, the Compensation Committee of the Company's Board of Directors, or any other committee however titled which shall be vested with authority with respect to the compensation of the Company's officers and executives (in either case, the "Committee"), shall have the exclusive authority to make all determinations which may be necessary in connection with this Agreement including the dates of and whether you are or continue to be Disabled, the amount of annual benefits payable hereunder by reason of offsets hereunder due to employment by other employers, the interpretation of this Agreement, and all other matters or disputes arising under this Agreement. The determinations and findings of the Committee shall be conclusive and binding, without appeal, upon both of us.
 - b. You will not during your employment or Disability, and after Retirement or the termination of your employment, for any reason disclose or make use of for your own or another person's benefit under any circumstances any of the Company's Proprietary Information. Proprietary Information shall include trade secrets, secret processes, information concerning products, developments, manufacturing techniques, new product or marketing plans, inventions, research and development information or results, sales, pricing and financial data, information relating to the management, operations or planning of the Company and any other information treated as confidential or proprietary.
 - c. You agree that you will not following your termination of employment for any reason (whether on Retirement, Disability or termination prior to attaining age 65)
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thereafter directly or indirectly engage in any business activities, whether as a consultant, advisor or otherwise, in which the Company is engaged in any geographic area in which the products or services of the Company have been sold, distributed or provided during the five year period prior to the date of your termination of employment. In light of ongoing payments to be received by you and your Surviving Spouse for your respective lives, the restrictions contained in the preceding sentence shall be unlimited in duration provided no Change in Control has occurred and, in the event of a Change in Control, all such restrictions shall terminate one year thereafter.

In addition to the foregoing and provided no Change in Control has occurred, if while you or your Surviving Spouse is receiving retirement or other benefits pursuant to this Agreement, in the judgment of the Committee you or your Surviving Spouse directly or indirectly engage in activity or act in a manner which can be considered adverse to the interest of the Company or any of its direct or indirect subsidiaries or affiliated companies, the Committee may terminate rights to any further benefits hereunder.

d. Except as may be provided to the contrary in a duly authorized written agreement between you and the Company you acknowledge that the Company has made no commitments to you of any kind with respect to the continuation of your employment, which we expressly agree is an employment at will, and you or the Company shall have the unrestricted right to terminate your employment with or without cause, at any time in your or its discretion.

e. At the Company's request, expressed through a Company officer, you agree to provide such information with respect to matters which may arise in connection with this Agreement as may be deemed necessary by the Company or the Committee, including for example only and not in limitation, information concerning benefits payable to you from third parties, and you further agree to submit to such medical examinations by duly licensed physicians as may be requested by the Company from time to time. You also agree to direct third parties to provide such information, and your Surviving Spouse's cooperation in providing such information is a condition to the receipt of survivor's benefits under this Agreement.

f. To the extent permitted by law, no interest in this Agreement or benefits payable to you or to your Surviving Spouse shall be subject to anticipation, or to pledge, assignment, sale or transfer in any manner nor shall you or your Surviving Spouse have the power in any manner to charge or encumber such interest or benefits, nor shall such interest or benefits be liable or subject in any manner for the liabilities of you or your Surviving Spouse's debts, contracts, torts or other engagements of any kind.

g. No person other than you and your Surviving Spouse shall have any rights or property interest of any kind whatsoever pursuant to this Agreement, and neither you nor

your Surviving Spouse shall have any rights hereunder other than those expressly provided in this Agreement. Upon the death of you and your Surviving Spouse no further benefits of whatsoever kind or nature shall accrue or be payable pursuant to this Agreement.

h. All benefits payable pursuant to this Agreement, other than pursuant to paragraph 10, shall be paid in installments of one-twelfth of the annual benefit, or at such shorter intervals as may be deemed advisable by the Company in its discretion, upon receipt of your or your Surviving Spouse's written application, or by the applicant's personal representative in the event of any legal disability.

i. Except as provided in paragraph 10, all benefits under this Agreement shall be payable from the Company's general assets, which assets (including all funds in the Deferred Compensation Trust) are subject to the claims of the Company's general creditors, and are not set aside for your or your Surviving Spouse's benefit.

j. You agree that, if the Company establishes the Deferred Compensation Trust, the Company is entitled at any time prior to a Change in Control to revoke such trust and withdraw all funds theretofore deposited in such trust. You acknowledge that although this Agreement refers from time to time to your or your Surviving Spouse's trust account, no separate trust will be created and all assets of any Deferred Compensation Trust will be commingled.

k. For purposes of paragraphs 1, 4 and 5, benefits "payable" but not paid by a former employer shall be disregarded in determining the company's obligations to you hereunder.

l. This Agreement shall be governed by the laws of the State of Michigan.

12. We have agreed that the determinations of the Committee described in paragraph 11a shall be conclusive as provided in such paragraph, but if for any reason a claim is asserted which subverts the provisions of paragraph 11a, we agree that, except for causes of action which may arise under paragraph 11b and the first paragraph of paragraph 11c and provided no Change in Control has occurred, arbitration shall be the sole and exclusive remedy to resolve all disputes, claims or controversies which could be the subject of litigation (hereafter referred to as "dispute") involving or arising out of this Agreement. It is our mutual intention that the arbitration award will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction and enforcement may be had according to its terms.

The arbitrator shall be chosen in accordance with the commercial arbitration rules of the American Arbitration Association and the expenses of the arbitration shall be borne equally by

the parties to the dispute. The place of the arbitration shall be the principal offices of the American Arbitration Association in the metropolitan Detroit area.

The arbitrator's sole authority shall be to apply the clauses of this Agreement.

We agree that the provisions of this paragraph 12, and the decision of the arbitrator with respect to any dispute, with only the exceptions provided in the first paragraph of this paragraph 12, shall be the sole and exclusive remedy for any alleged cause of action in any manner based upon or arising out of this Agreement. Subject to the foregoing exceptions, we acknowledge that since arbitration is the exclusive remedy, neither of us or any party claiming under this Agreement has the right to resort to any federal, state or local court or administrative agency concerning any matters dealt with by this Agreement and that the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute. The arbitration provisions contained in this paragraph shall survive the termination or expiration of this Agreement, and shall be binding on our respective successors, personal representatives and any other party asserting a claim based upon this Agreement.

We further agree that any demand for arbitration must be made within one year of the time any claim accrues which you or any person claiming hereunder may have against the Company; unless demand is made within such period, it is forever barred.

We are pleased to be able to make this supplemental plan available to you. Please examine the terms of this Agreement carefully and at your earliest convenience indicate your assent to all of its terms and conditions by signing and dating where provided below and returning a signed copy to me.

Sincerely,

MASCO CORPORATION

By _____
Richard A. Manoogian
Chief Executive Officer

[name]

DATE: _____



Form of Amendment for: William T. Anderson

November 18, 2002

Dear

As you know the Compensation Committee has approved a revised bonus program for the executive group allowing year-end bonuses to fluctuate within a wide range above and below the normal 50% bonus opportunity historically used by the Company. This change, is not, of course, intended to significantly increase or decrease your retirement or disability benefits under our Supplemental Executive Retirement Plan and to prevent such an effect a modification of your existing SHIP Agreement is necessary. The amendment to your SERP Agreement set forth below limits the bonus paid with respect to any year included in the SERP retirement calculation to 50% of the salary paid during that year. The amount excluded, however, will be added to the bonus paid for any other year in the SERP retirement calculation, as long as the amount added does not adjust the bonus to an amount in excess of 50% of the salary paid during the year for which the adjusted bonus is paid. In the case of disability payments, in order to avoid a calculation based on a year for which the bonus was significantly higher or lower than the historical 50% level, the amendment would define "Total Compensation" as 150% of your then current salary and your overall disability payments would equal 60% of that amount.

The amendments would consist of changing the definitions of "Average Compensation" and "Total Compensation" in your SERP Agreement to read, respectively, as follows:

Average Compensation

"Average Compensation shall mean the aggregate of your highest three years total annual cash compensation paid to you by the Company, consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid (the bonus with respect to any such year, however, only to be included in an amount not in excess of 50% of the base salary paid during such year), divided by three, provided, however, (x) if any portion of a bonus is excluded by the parenthetical contained in clause (ii) above, the total amount excluded will be added to one or both of the other two years included in the calculation as long as the amount so added does not result in a bonus with respect to any year exceeding 50% of the base salary paid during that year, (y) if you have on the date of determination less than three full years of employment the foregoing calculation, including any adjustment required by clause (x) above,

November 18, 2002

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shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed, and (z) if the determination of Average Compensation includes any year in which you volunteered to reduce your salary or, as part of a program generally applicable to participants in the Plan, you did not receive an increase in salary compared with the immediately preceding year, the Committee referred to in paragraph 11 shall make a good faith determination of what your Average Compensation would have been absent such salary reduction and absent such generally applicable program.”

Total Compensation

“If you become Disabled, “Total Compensation” shall mean 150% of your annual base salary rate at the time of your Disability, provided, however, if the determination of Total Compensation is for a year in which you volunteered to reduce your salary or, as part of a program generally applicable to participants in the Plan, you did not receive an increase in salary compared with the immediately preceding year, the Committee referred to in paragraph 11 shall make a good faith determination of what your Total Compensation would have been absent such salary reduction and absent such generally applicable program.”

Should you have any questions regarding the proposed amendment, please feel free to discuss them with Ray Kennedy, Dan Foley, John Leekley or me. If not, I would appreciate your execution and return of a copy of the enclosed amendment to Gene Gargaro, at which time the above-described amendment will become effective.

Sincerely yours,

Richard A. Manoogian
Chairman

I agree to the above amendment of
my SERP Agreement
changing the definition of
“Average Compensation” and -
“Total Compensation” as set
forth above

December 5, 2003

Dear _____,

Masco's Organization and Compensation Committee over the past several years has approved a number of major improvements to the benefits for our executives covered by Masco's program for supplemental retirement and other benefits (the "SERP Plan"). At its October meeting this Committee authorized a significant additional enhancement under your agreement pursuant to the SERP Plan (the "SERP Agreement") by increasing the percentage of your bonus eligible for inclusion in the SERP calculation from 50% to 60% of your base salary. (A corresponding change would be made in the calculation of disability payments by changing the definition of "Total Compensation" to 160% from 150% of your then current salary.) The provisions in your SERP Agreement, allowing certain carry-forwards or carry-backs of bonus payments in excess of what was 50% and is now 60%, would be retained.

This enhancement was, in part, approved to partially offset the effect of the current freeze on your salary. Accordingly, the existing provision in your SERP Agreement, which requires a calculation of benefits on the assumption that all compensation freezes are disregarded, would be eliminated.

In order for these changes to be implemented in your SERP Agreement, the definitions of "Average Compensation" and "Total Compensation" in your SERP Agreement would be amended to read as follows:

Average Compensation

"Average Compensation shall mean the aggregate of your highest three years total annual cash compensation paid to you by the Company, consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid (the bonus with respect to any such year, however, only to be included in an amount not in excess of 60% of the base salary paid during such year), divided by three, provided, however, (x) if any portion of a bonus is excluded by the parenthetical contained in clause (ii) above, the total amount excluded will be added to one or both of the other two years included in the calculation as long as the amount so added does not result in a bonus with respect to any year exceeding 60% of the base salary paid during that year, (y) if you have on the date of determination less than three full years of employment, the foregoing calculation, including any adjustment required by clause (x) above, shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed."

[Name]
December 5, 2003
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Total Compensation

'If you become Disabled, "Total Compensation" shall mean 160% of your annual base salary rate at the time of your Disability.'

Should you have any questions regarding this proposed amendment, please feel free to discuss them with Dan Foley, John Leekley or me. If not, I would appreciate your execution and return of a copy of this letter to Gene Gargaro, at which time the above described amendment will become effective.

Sincerely yours,

Richard A. Manoogian
Chairman

I agree to the above amendment
of my SERP Agreement changing
definition of "Average Compensation"
and "Total Compensation" as set
forth above.

November 3, 2008

[Name]
[Address]

Dear [Name]:

Section 409A of the Internal Revenue Code contains complex provisions regulating the payment of deferred compensation under non-qualified retirement programs, including your agreement (the "SERP Agreement") under Masco's supplemental executive retirement plan (the "Plan"). Under recently issued regulations of the Internal Revenue Service, non-complying payments under the Plan will result in serious adverse tax consequences to recipients, which include an increase in your marginal tax rate by 20 percentage points on all Plan payments not in compliance with Section 409A and an increase in applicable late-payment penalty rates by a full percentage point. The amendments to your SERP Agreement contained in this letter agreement are therefore necessary to bring the payment provisions of your SERP Agreement into compliance with Section 409A.

The principal changes under Section 409A described in this letter apply only to benefits accrued or vested after December 31, 2004 ("Covered Benefits"). Covered Benefits therefore include those under post 2004 SERP Agreements, post 2004 amendments to SERP Agreements and any increase in benefits resulting from higher compensation paid after 2004. Benefits, to the extent they were accrued and vested prior to January 1, 2005 ("Grandfathered Benefits"), may be paid without regard to Section 409A provisions. As a result of Section 409A, Masco will be required under the Plan to determine for each participant the portion of SERP payments attributable to Grandfathered Benefits and the portion attributable to Covered Benefits and, at times, treat these payments differently as described in this letter agreement.

No payment, however, of benefits under your SERP may be made under Section 409A unless a "separation from service" has occurred. Since it is unclear under the Plan if a "separation from service" has occurred if a participant is rendering services to Masco following retirement or during a disability, this letter agreement clarifies that a "separation from service" will have occurred, thereby allowing the commencement of SERP payments, even if a participant following retirement or during disability is providing services to Masco which do not exceed 49% of the individual's prior services as a full-time employee.

Initial monthly payments for Covered Benefits under the Plan must be delayed until six months have elapsed following a separation from service, after which time the delayed payments would be paid in a lump sum without interest. Any portion of your SERP payments represented by Grandfathered Benefits will not be delayed by Section 409A.

In the unlikely event of a change in control, if such a change satisfies the requirements of your existing SERP Agreement but not the more stringent requirements in Section 409A for a change in control, the same seriously adverse tax consequences to you could occur. In order to eliminate these consequences if a change in control does not satisfy both tests, this letter agreement would provide that any Grandfathered Benefits under your SERP Agreement will be paid in a lump sum as currently provided in the existing SERP Agreement with the Covered Benefits subject to Section 409A paid to the Deferred Compensation Trust and thereafter distributed by the Trust as though no change in control has occurred. A new change in control trigger, included in this letter agreement in clause (iii) of Paragraph 13, has been added to ensure that if the requirements of Section 409A have been met, payments of your SERP benefits will be made as currently scheduled in your SERP Agreement.

Finally, in light of the recent increase in your annual cash bonus opportunity from 100% of your base salary, the Organization and Compensation Committee of our Board of Directors has approved a change in your SERP Agreement to increase the amount of your annual bonus which is includible in "Average Compensation", as that term is used in your SERP Agreement. A conforming change would also be made in the definition of "Total Compensation" for purposes of disability payments. As noted above, the increased portion of your benefit attributable to these changes will be a Covered Benefit under Section 409A.

In order to assure ongoing compliance with these new statutory provisions, to avoid potentially severe tax consequences to you and to increase the amount of any bonuses includible in determining payments to be made under your SERP Agreement, we are requesting that you agree to the amendments to your SERP Agreement set forth below.

The definition of "Average Compensation" in clause (a) of your SERP Agreement shall be amended to read as follows:

"Average Compensation" shall mean the aggregate of your highest three years total annual cash compensation paid to you by the Company, consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid (the bonus with respect to any such year, however, only to be included in an amount not in excess of 60% of your maximum bonus opportunity for such year), divided by three, provided, however, (x) if any portion of a bonus is excluded by the parenthetical contained in clause (ii) above, the total amount excluded will be added to one or both of the other two

years included in the calculation as long as the amount so added does not result in a bonus with respect to any year exceeding 60% of your maximum bonus opportunity for such year, (y) if you have on the date of determination less than three full years of employment, the foregoing calculation, including any adjustment required by clause (x) above, shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed.

The definition of Total Compensation in clause (n) of your SERP Agreement shall be amended to read as follows:

“If you become Disabled, “Total Compensation” shall mean the sum of your annual base salary rate and 60% of your then effective bonus opportunity at the time of your Disability”.

The definition of “Surviving Spouse” in clause (m) of your SERP Agreement shall be amended by substituting for the words “the commencement of your Disability” the words “the termination of your employment as a result of Disability”.

The definition of “Retirement” in clause (l) of your SERP Agreement shall be amended to read as follows:

“Retirement” shall mean your termination of employment with the Company on or after you attain age 65. Termination of employment for all purposes under this Agreement shall mean a “separation from service” under Section 409A of the Code which shall only occur if any services which you may continue to provide to the Company as an employee or as a consultant after termination of employment are not in excess of 49% of your prior service level, all as determined in accordance with the regulations under Section 409A of the Code.

Paragraph 6 of your SERP Agreement shall be amended to insert the phrase “resulting in a termination of employment” following the first occurrence of the word “Disabled” and thereby read as follows:

6. If you shall have been employed by the Company for two Years or more and while employed by the Company you become Disabled resulting in a termination of employment prior to your attaining age 65, until the earlier of your death, termination of Disability or attaining age 65 the Company will pay you an annual benefit, subject to paragraph 8 below, equal to 60% of your Total Compensation less any benefits payable to you pursuant to long-term disability insurance under programs provided by the Company. If your Disability continues until you attain age 65, you shall be considered retired and you shall receive retirement benefits pursuant to paragraph 1 above, based upon your Average Compensation as of the date it is determined you became Disabled and with your SERP Percentage given credit for Years of Service while you were Disabled.

Paragraph 9 of your SERP Agreement shall be amended by substituting for the word “Disabled” in the last sentence thereof the words “terminated from employment by reason of Disability”.

Paragraph 10(iii) of your SERP Agreement shall be amended by deleting the word “Disabled” in clause (1) thereof and substituting therefore the phrase “are terminated as a result of Disability”.

A new or modified Paragraph 13 for your SERP Agreement shall read as follows and replace any existing Paragraph 13 in your SERP Agreement:

13. Section 409A (i) This Agreement shall be administered so as to impose (if required in order to avoid a violation of Section 409A (a)(2) (B)(i) of the Code) a six-month waiting period for payments of Covered Benefits (hereinafter defined), to begin following your termination of employment. If such waiting period is applicable, the first payment following the waiting period shall include any payments (with no payment for interest) delayed under this provision.

(ii) If a “Change in Control” has occurred which is also a “Change of Control” as defined in Section 13(iii) below, then all of the provisions of the Agreement, including the provisions of Paragraph 10, shall apply without change. However, if there is a “Change in Control” which is not a “Change of Control” as defined in Section 13(iii) then (A) as to that portion of your benefits under this Agreement which is not subject to the provisions of Section 409A of the Code (the “Grandfathered Benefits”), all of the provisions of this Agreement, including Section 10, shall apply without change, and (B) as to that portion of your benefits under this Agreement which is subject to Section 409A of the Code (the “Covered Benefits”), the only provisions of Paragraph 10 which shall be applicable thereto are clauses (1), (2) and (3) of Paragraph 10(i) and Paragraphs 10(ii), 10(iv) and 10(v). The amount deposited in the Deferred Compensation Trust representing 110% of the Gross-Up Amount attributable to the Grandfathered Benefits, the Covered Benefits or otherwise shall be held in and distributed from the Deferred Compensation Trust in accordance with the provisions of Paragraph 10. The amount so deposited representing the Covered Benefits shall be held and invested by the Deferred Compensation Trust and paid to you or your Surviving Spouse as an annuity under the applicable circumstances of Paragraphs 1, 2, 4 (disregarding the inapplicability of Paragraph 4 in the event of a “Change in Control”), 5, 6 or 7 of this Agreement. If, for any reason, the monthly benefit paid by the Deferred Compensation Trust to you or your Surviving Spouse is less than the monthly benefit used to calculate the amount deposited under the next preceding sentence, the Company shall pay the deficiency directly to you or your Surviving Spouse.

(iii) A “Change of Control” for purposes of Section 409A of the Code shall be deemed to have occurred if during any period of twelve consecutive calendar months, the individuals who at the beginning of such period constitute the Company’s Board of Directors, and any new directors (other than Excluded

Directors) whose election by such Board or nomination for election by stockholders was approved by a vote of at least a majority of the members of such board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof. Excluded Directors are directors whose election by the Board or approval by the Board for stockholder election occurred within one year after any "person" or "group of persons" as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 30 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 30 percent or more of such combined voting power.

Should you have any questions regarding these proposed amendments, please feel free to discuss them with Chuck Greenwood, John Leekley or me. If not, I would appreciate your execution and return of a copy of this letter to Gene Gargaro, at which time the above-described amendments will become effective.

Sincerely yours,

Timothy Wadhams
President and Chief Executive Officer

I agree to the above-described
Amendments to my SERP
Agreement.

[Name]

October 26, 2009

Mr. William T. Anderson

Dear Bill:

As you know, the Organization and Compensation Committee of the Company's Board of Directors has determined that benefit accruals under your Supplemental Executive Retirement Plan are to be frozen effective January 1, 2010. In order to implement this change, the definitions of "Average Compensation," "Total Compensation," and several other relevant definitions must be changed.

In addition, language must be added to the definition of "Profit Sharing Conversion Factor" and to Paragraphs 1, 4 and 5 to provide that the offsets to your SERP which are derived from Company contributions to the Future Service Profit Sharing Plan and other similar sources are also frozen, with provision for future account growth using imputed interest.

Consequently, in order to implement this change, effective January 1, 2010, the following provisions of your SERP are amended to read as follows:

The definition of Average Compensation in paragraph (a) of your SERP Agreement is changed to read as follows:

a. "Average Compensation" shall mean the aggregate of your highest three years total annual cash compensation paid to you by the Company consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid (the bonus with respect to any such year, however, only to be included in an amount not in excess of 60% of your maximum bonus opportunity for such year), divided by three, provided, however, (x) if any portion of a bonus is excluded by the parenthetical contained in clause (ii) above, the total amount excluded will be added to one or both of the other two years included in the calculation as long as the amount so added does not result in a bonus with respect to any year exceeding 60% of your maximum bonus opportunity for such year, (y) if you have on the date of determination less than three full years of employment, the foregoing calculation, including any adjustment required by clause (x) above, shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed. Notwithstanding the foregoing, any base salary paid after December 31, 2009, and any bonus earned (or maximum bonus opportunity for) any period after that date, shall be disregarded.

The definition of Profit Sharing Conversion Factor in clause (j) of your SERP Agreement shall be amended to read as follows:

j. "Profit Sharing Conversion Factor" shall be a factor equal to the present value of a life annuity payable at the later of age 65 or attained age based on the 1983 Group Annuity Mortality Table using a blend of 50% of the male mortality rates and 50% of the female mortality rates as set forth in Revenue Ruling 95-6 (or such other mortality table that the Internal Revenue Service may prescribe in the future) and an interest rate equal to the average yield for 30-year Treasury Constant Maturities as of January, 2010 as reported in Federal Reserve Statistical Release G.13 and H.15 (or, if such interest rate ceases to be so reported prior to January, 2010, such other interest rate as the Board of Directors deems is an appropriate substitute).

The definition of Total Compensation in clause (n) of your SERP Agreement shall be amended to read as follows:

n. If you become Disabled, "Total Compensation" shall mean the sum of your annual base salary rate and 60% of your then effective bonus opportunity at the earlier of the time of your Disability or January 1, 2010.

The definition of Year in clause (p) of your SERP Agreement shall be amended to read as follows:

p. "Year" shall mean twelve full consecutive months, and "year" shall mean a calendar year; provided, however, to the extent required to determine your SERP Percentage, "year" and "Year" shall include only time periods prior to and including January 1, 2010.

The definition of Years of Service in clause (q) of your SERP Agreement shall be amended to read as follows:

q. "Years of Service" shall mean the number of Years during which you were employed by the Company (including Years of Service for the time you were employed by Metaldyne and its predecessors but excluding Years of Service with any other corporation prior to the time it became a subsidiary of or otherwise affiliated with Masco Corporation); provided, however, to the extent required to determine your SERP Percentage, "Year of Service" shall include only time periods prior to and including January 1, 2010.

Paragraph 1 of your SERP Agreement shall be amended to read as follows:

1. In accordance with the Plan, upon your Retirement the Company will pay you annually during your lifetime, subject to paragraph 8 below, the SERP Percentage of your Average Compensation, less: (i) a sum equal to the annual benefit which would be payable to

Mr. William T. Anderson

October 26, 2009

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you upon your Retirement if benefits payable to you under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you retire, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon Retirement if your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) any retirement benefits paid or payable to you by reason of employment by all other employers (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than such other employers); provided, however, in all cases the amount offset pursuant to these subsections (i), (ii) and (iii) shall be determined (x) prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans and (y) if Retirement occurs on or after January 1, 2010, based on offsetting values as of January 1, 2010, except that any defined contribution individual account values as of January 1, 2010 (including any pro forma, rather than actual, account balance at such date, including imputed interest thereon with respect to amounts previously withdrawn, and including any Company contribution or allocation with respect to 2009 which is made on or after January 1, 2010) utilized under subsections (ii) and (iii) above shall be projected to the date of determination at the imputed rate of 4% per annum prior to application of the Profit Sharing Conversation Factor.

Paragraph 4 of your SERP Agreement shall be amended to read as follows:

4. If your employment with the Company is for any reason terminated prior to Retirement, other than as a result of circumstances described in paragraphs 2, 5 or 6 of this Agreement or following a Change in Control, and if prior to the date of termination you have completed 5 or more Years of Service, upon your attaining age 65 the Company will pay to you annually during your lifetime, subject to paragraph 8 below, the Vested Percentage of the result obtained by (1) multiplying your SERP Percentage at the date your employment terminated by your Average Compensation, less (2) the sum of the following: (i) a sum equal to the annual benefit which would be payable to you upon your attaining age 65 if benefits payable to you under the Company and Metaldyne funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's and Metaldyne's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you attain age 65, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon your attaining age 65 if an amount equal to your vested

Mr. William T. Anderson

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accounts at the date of your termination of employment with the Company in the Company's and Metaldyne's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's and Metaldyne's Retirement Benefits Restoration Plan and any similar plan (in each case increased from the date of termination to age 65 at the imputed rate of 4% per annum) were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) to the extent the annual payments described in this clause (iii) and the annual payments you would otherwise be entitled to receive under this paragraph 4 would, in the aggregate exceed (the "excess amount") the annual payments you would have received under paragraph 1 had you remained employed by the Company until Retirement, any retirement benefits paid or payable to you by reason of employment by all other previous or future employers (other than Metaldyne), but only to the extent of such excess amount (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than your prior or future employers); provided, however, in all cases the amount offset pursuant to these subsections (i), (ii) and (iii) shall be determined (x) prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans and (y) if termination occurs on or after January 1, 2010, based on offsetting values as of January 1, 2010, except that any defined contribution individual account values as of January 1, 2010 (including any pro forma, rather than actual, account balance at such date, including imputed interest thereon with respect to amounts previously withdrawn, and including any Company contribution or allocation with respect to 2009 which is made on or after January 1, 2010) utilized under above subsections (ii) and (iii) shall be projected to the date of determination at the imputed rate of 4% per annum prior to application of the Profit Sharing Conversion Factor. Upon your death on or after age 65 should you be survived by your Surviving Spouse, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit payable to you under the preceding sentence following your attainment of age 65; provided, further, if your death should occur prior to age 65, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit which would have been payable to you under the preceding sentence following your attainment of age 65, reduced by a factor of actuarial equivalence as determined by the Committee, such that the Present Value of the aggregate payments to be received by your Surviving Spouse based on his or her life expectancy as of the date of your death is equal to the Present Value, determined at the date of your death, of the aggregate payments estimated to be received by your Surviving Spouse based on his or her life expectancy at an age, and as if your Surviving Spouse had begun receiving payments, when you would have attained age 65.

Paragraph 5 of your SERP Agreement shall be amended to read as follows:

5. If while employed by the Company you die prior to your attaining age 65 leaving a Surviving Spouse, and provided you shall have been employed by the Company for two consecutive Years or more, your Surviving Spouse shall receive annually for life, subject to paragraph 8 below, 75% of the SERP Percentage of your Average Compensation, less: (i) a sum equal to the annual benefit which would be payable to your Surviving Spouse under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan if such benefit were converted to a life annuity (such deduction, however, only to commence on the date such benefit is first payable), (ii) a sum equal to the annual payments which would be received by your Surviving Spouse as if your spouse were designated as the beneficiary of your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan and such accounts were converted to a life annuity at the time of your death in accordance with the Profit Sharing Conversion Factor, and (iii) any retirement benefits paid or payable to you or your Surviving Spouse by reason of your employment by all other employers (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than such other employers); provided, however, in all cases the amount offset pursuant to these subsections (i),(ii) and (iii) shall be determined (x) prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans and (y) if death occurs on or after January 1, 2010, based on off-setting values as of January 1, 2010, except that any defined contribution individual account values as of January 1, 2010 (including any pro forma, rather than actual, account balance at such date, including imputed interest thereon with respect to amounts previously withdrawn, and including any Company contribution or allocation with respect to 2009 which is made on or after January 1, 2010) utilized under above subsections (ii) and (iii) shall be projected to the date of determination at the imputed rate of 4% per annum prior to application of the Profit Sharing Conversion Factor. No death benefits are payable except to your Surviving Spouse.

Mr. William T. Anderson
October 26, 2009
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In order to make these changes effective, please sign the enclosed copy of this letter agreement and return it to Barry Silverman.

Sincerely yours,

Timothy Wadhams
President and Chief Executive Officer

I agree to the above-described amendments
to my Supplemental Executive Retirement
Plan with the Company.

William T. Anderson

Date: _____

July 1, 2006

Mr. Donald J. DeMarie, Jr.
[Address]

Dear Donny:

Our Company's Board of Directors has adopted a plan whereby supplemental retirement and other benefits, in addition to those provided under the Company's pension and other benefit plans, will be made available to those Company and subsidiary executives as may be designated from time to time by the Company's Chief Executive Officer. The plan providing such benefits, as originally made available to designated executives in 1987 and as subsequently amended from time to time heretofore or in the future, is referred to in this letter as the "Plan". I am pleased to inform you that I have designated you as a participant in the Plan, and this Agreement describes in full your benefits pursuant to the Plan and all of the Company's obligations to you, and yours to the Company with respect to the Plan. These benefits as described below are contractual obligations of the Company.

For the purposes of this Agreement, words and terms are defined as follows:

a. "Average Compensation" shall mean the aggregate of your highest three years' total annual cash compensation paid to you by the Company, consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid (the bonus with respect to any such year, however, only to be included in an amount not in excess of 60% of the base salary in effect at the end of such year), divided by three, provided, however, (x) if any portion of a bonus is excluded by the parenthetical contained in clause (ii) above, the total amount excluded will be added to one or both of the other two years included in the calculation as long as the amount so added does not result in a bonus with respect to any year exceeding 60% of the base salary in effect at the end of that year, and (y) if you have on the date of determination less than three full years of employment the foregoing calculation, including any adjustment required by clause (x) above, shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed.

b. A "Change in Control" shall be deemed to have occurred if, during any period of twenty-four consecutive calendar months, the individuals who at the beginning of such period constitute the Company's Board of Directors, and any new directors (other than Excluded Directors) whose election by such Board or nomination for election by stockholders was approved by a vote of at least two-thirds of the members of such Board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof. Excluded Directors are directors whose election by the Board or approval by the Board for stockholder election occurred within one year after any "person" or "group of persons" as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 25 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 25 percent or more of such combined voting power.

c. "Code" means the Internal Revenue Code of 1986, as amended.

d. "Company" shall mean Masco Corporation or any corporation in which Masco Corporation owns directly or indirectly stock possessing in excess of 50% of the total combined voting power of all classes of stock.

e. The "Deferred Compensation Trust" shall mean any trust created by the Company to receive the deposit referred to in clause (2) of paragraph 10.

f. "Disability" and "Disabled" shall mean your being unable to perform your duties as a Company executive by reason of your physical or mental condition, prior to your attaining age 65, provided that you have been employed by the Company for two consecutive Years or more at the time you first became Disabled.

g. The "Gross-Up Amount" (i) shall be determined if any payment or distribution by the Company to or for your benefit, whether paid, distributed, payable or distributed or distributable pursuant to the terms of this Agreement, any stock option or stock award plan, retirement plan or otherwise (such payment or distribution, other than an Excise Tax Adjustment Payment under clause (ii), is referred to herein as a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties with respect to such excise tax (such excise tax together with any such interest or penalties are referred to herein as the "Excise Tax"), and (ii) shall mean an additional payment (the "Excise Tax Adjustment Payment") in an amount such that after subtracting from the Excise Tax Adjustment Payment your payment of all applicable Federal, state and local taxes (computed at the maximum marginal rates and including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Excise Tax Adjustment Payment, the balance will be equal to the Excise Tax imposed upon the Payments. All determinations required to be made with respect to the "Gross-Up Amount", including whether an Excise Tax Adjustment Payment is required and the amount of such Excise Tax Adjustment Payment, shall be made by PricewaterhouseCoopers LLP, or such national accounting firm as the Company may designate prior to a Change in Control, which shall provide detailed supporting calculations to the Company and you. Except as provided in clause (iv) of paragraph 10, all such determinations shall be binding upon you and the Company.

h. "PBGC" shall mean the Pension Benefit Guaranty Corporation.

i. "Present Value" of future benefits means the discounted present value of those benefits (including therein the benefits, if any, your Surviving Spouse would be entitled to receive under this Agreement upon your death), using the UP-1984 Mortality Table and discounted by the interest rate used, for purposes of determining the present value of a lump sum distribution on plan termination, by the PBGC on the first day of the month which is (i) four months prior to the month in which a Change in Control occurs or (ii) the month in which your death occurs if the Present Value is to be calculated under the proviso in the last sentence of paragraph 4 (or if the PBGC has ceased publishing such interest rate, such other interest rate as the Board of Directors deems is an appropriate substitute). The above PBGC interest rate is intended to be determined based on PBGC methodology and regulations in effect on September 1, 1993 (as contained in 29 CFR Part 2619).

j. "Profit Sharing Conversion Factor" shall be a factor equal to the present value of a life annuity payable at the later of age 65 or attained age based on the 1983 Group Annuity Mortality Table using a blend of 50% of the male mortality rates and 50% of the female mortality rates as set forth in Revenue Ruling 95-6 (or such other mortality table that the Internal Revenue Service may prescribe in the future) and an interest rate equal to the average yield for 30-year Treasury Constant Maturities, as reported in Federal Reserve Statistical Releases G.13 and H.15, four months prior to the month of the date of determination (or, if such interest rate ceases to be so reported, such other interest rate as the Board of Directors deems is an appropriate substitute).

k. "Retirement" shall mean your termination of employment with the Company, on or after you attain age 65. Your acting as a consultant shall not be considered employment.

l. "SERP Percentage" of your Average Compensation is 60% if at the date of determination you have completed 15 or more Years of Service, and decreases by increments of four percentage points for each Year or portion thereof less than 15 that you have accumulated at the date of determination. The minimum SERP Percentage is 20% after five Years of Service; prior to completing five Years of Service the SERP Percentage is 0.

m. "Surviving Spouse" shall be the person to whom you shall be legally married (under the law of the jurisdiction of your permanent residence) at the date of (i) your Retirement or death after attaining age 65 (if death terminated employment with the Company) for the purposes of paragraphs 1, 2 and 3, (ii) your death for the purposes of paragraph 5 and, if paragraph 5 is applicable, for the purposes of paragraph 3, (iii) the commencement of your Disability for the purposes of paragraphs 6 and 7 and, as long as paragraphs 6 or 7 are applicable, for the purposes of paragraph 3, (iv) your termination of employment for the purposes of paragraph 4 and, if paragraph 4 is applicable, for purposes of paragraph 3 and (v) a "Change in Control" for the purposes of paragraph 10 if none of clauses (i) through (iv) has become applicable prior to the Change in Control and, if this clause (v) is applicable, for purposes of paragraph 3. For the purposes of paragraphs 11a, 11e, 11f, 11g, 11h, 11i and 11j, "Surviving Spouse" shall be any spouse entitled to any benefits hereunder.

n. If you become Disabled, "Total Compensation" shall mean 160% of your annual base salary rate at the time of your Disability.

o. "Vested Percentage" shall mean the sum of the following percentages: (i) 2% multiplied by your Years of Service, plus (ii) 8% multiplied by the number of Years, while an employee of the Company, you have been designated a participant in the Plan; provided, however, (w) prior to your fiftieth birthday the Vested Percentage is 0, (x) on your fiftieth birthday your Vested Percentage may not exceed 50%, (y) on or prior to each of your birthdays following your fiftieth birthday your Vested Percentage may not exceed the sum of 50% plus the product obtained by multiplying 10% by the number of birthdays that have occurred following your fiftieth birthday, and (z) your Vested Percentage in no event may exceed 100%.

p. "Year" shall mean twelve full consecutive months, and "year" shall mean a calendar year.

q. "Years of Service" shall mean the number of Years during which you were employed by the Company (excluding, however, Years of Service with a corporation prior to the time it became a subsidiary of or otherwise affiliated with Masco Corporation).

1. In accordance with the Plan, upon your Retirement the Company will pay you annually during your lifetime, subject to paragraph 8 below, the SERP Percentage of your Average Compensation, less: (i) a sum equal to the annual benefit which would be payable to you upon your Retirement if benefits payable to you under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you retire, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon Retirement if your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401 (k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) unless you have at least 25 Years of Service, any retirement benefits paid or payable to you by reason of employment by all other employers (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than such other employers), provided, however, in all cases the amount offset pursuant to these subsections (i),(ii) and (iii) shall be determined prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans.

2. Upon your death after Retirement or while employed by the Company after attaining age 65, your Surviving Spouse shall receive for life 75% of the annual benefit pursuant to paragraph 1 of this Agreement which was payable to you prior to your death (or, if death terminated employment after attaining age 65, which would have been payable to you had your Retirement occurred immediately prior to your death).

3. The Company will provide, purchase or at its option provide reimbursement for premiums paid for such supplemental medical insurance as the Company in its sole discretion may deem advisable from time to time (i) for you and your Surviving Spouse for the lifetime of each of you (A) following a termination of your employment with the Company due to Retirement or Disability, and (B) following any other termination of employment with the Company provided (x) you and your Surviving Spouse are not covered by another medical insurance program substantially all of the cost of which is paid by another employer, (y) on the date of such termination your Vested Percentage is not less than 80% and (z) the benefits under this paragraph 3 shall not commence until you have attained age 60 or your earlier death to the extent you die leaving a Surviving Spouse, and (ii) for your Surviving Spouse for his or her lifetime upon a termination of your employment with the Company due to your death.

4. If your employment with the Company is for any reason terminated prior to Retirement, other than as a result of circumstances described in paragraphs 2, 5 or 6 of this Agreement or following a Change in Control, and if prior to the date of termination you have completed 5 or more Years of Service, upon your attaining age 65 the Company will pay to you annually during your lifetime, subject to paragraph 8 below, the Vested Percentage of the result obtained by (1)

multiplying your SERP Percentage at the date your employment terminated by your Average Compensation, less (2) the sum of the following: (i) a sum equal to the annual benefit which would be payable to you upon your attaining age 65 if benefits payable to you under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you attain age 65, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon your attaining age 65 if an amount equal to your vested accounts at the date of your termination of employment with the Company in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan (in each case increased from the date of termination to age 65 at the imputed rate of 4% per annum) were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) to the extent the annual payments described in this clause (iii) and the annual payments you would otherwise be entitled to receive under this paragraph 4 would, in the aggregate exceed (the "excess amount") the annual payments you would have received under paragraph 1 had you remained employed by the Company until Retirement (with your SERP Percentage determined as though you were given credit for additional Years of Service until age 65 but no compensation increases), any retirement benefits paid or payable to you by reason of employment by all other previous or future employers, but only to the extent of such excess amount (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than your prior or future employers), provided, however, in all cases the amount offset pursuant to these subsections (i),(ii) and (iii) shall be determined prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans. Upon your death on or after age 65 should you be survived by your Surviving Spouse, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit payable to you under the preceding sentence following your attainment of age 65; provided, further, if your death should occur prior to age 65, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit which would have been payable to you under the preceding sentence following your attainment of age 65, reduced by a factor of actuarial equivalence as determined by the Committee, such that the Present Value of the aggregate payments to be received by your Surviving Spouse based on his or her life expectancy as of the date of your death is equal to the Present Value, determined at the date of your death, of the aggregate payments estimated to be received by your Surviving Spouse based on his or her life expectancy at an age, and as if your Surviving Spouse had begun receiving payments, when you would have attained age 65.

5. If while employed by the Company you die prior to your attaining age 65 leaving a Surviving Spouse, and provided you shall have been employed by the Company for two consecutive Years or more, your Surviving Spouse shall receive annually for life, subject to paragraph 8 below, 75% of the SERP Percentage of your Average Compensation (with your SERP Percentage determined as though you were given credit for additional Years of Service but no compensation increases between the date of your death and the date you would have attained age 65), less: (i) a sum equal to the annual benefit which would be payable to your Surviving Spouse under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan if such benefit were converted to a life annuity (such deduction, however, only to commence on the date

such benefit is first payable), (ii) a sum equal to the annual payments which would be received by your Surviving Spouse as if your spouse were designated as the beneficiary of your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan and such accounts were converted to a life annuity at the time of your death in accordance with the Profit Sharing Conversion Factor, and (iii) unless you have at least 25 Years of Service, any retirement benefits paid or payable to you or your Surviving Spouse by reason of your employment by all other employers (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than such other employers), provided, however, in all cases the amount offset pursuant to these subsections (i),(ii) and (iii) shall be determined prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans. No death benefits are payable except to your Surviving Spouse.

6. If you shall have been employed by the Company for two Years or more and while employed by the Company you become Disabled prior to your attaining age 65, until the earlier of your death, termination of Disability or attaining age 65 the Company will pay you an annual benefit, subject to paragraph 8 below, equal to 60% of your Total Compensation less any benefits payable to you pursuant to long-term disability insurance under programs provided by the Company. If your Disability continues until you attain age 65, you shall be considered retired and you shall receive retirement benefits pursuant to paragraph 1 above, based upon your Average Compensation as of the date it is determined you became Disabled and with your SERP Percentage given credit for Years of Service while you were Disabled.

7. If you die leaving a Surviving Spouse while receiving Disability benefits pursuant to paragraph 6 of this Agreement, you will be deemed to have retired on your death and your Surviving Spouse shall receive for life 75% of the annual benefit which would have been payable to you if you had retired on the date of your death and your benefit determined pursuant to paragraph 1, based upon your Average Compensation as of the date you became Disabled and with your SERP Percentage given credit for Years of Service from the date you became Disabled to the date you would have attained age 65.

8. If the age of your Surviving Spouse is more than 20 years younger than your age, then the annual benefit payable under paragraphs 1, 4, 5 and 6 of this Agreement and the benefit payable as "the SERP Percentage of your Average Compensation", as that phrase is used in paragraph 5 of this Agreement, shall be reduced by the percentage obtained by multiplying 1.5% times the number of Years or portion thereof by which your Surviving Spouse is more than 20 years younger than you.

9. If you or your Surviving Spouse is eligible to receive benefits hereunder, unless otherwise specifically agreed by the Company in writing, you and your Surviving Spouse will not be able to receive benefits under any other Company sponsored non-qualified retirement plans other than the Company's Retirement Benefits Restoration Plan. For this purpose benefits received under the Company's non-qualified stock option or stock award plans will not be considered to have been received under a Company sponsored non-qualified retirement plan even though such benefits are received after retirement. Except as provided in Paragraph 3, the last sentence of paragraph 4 and in paragraph 10 of this Agreement, no benefits will be paid to your Surviving Spouse pursuant to

this Agreement unless upon your death you were employed by the Company, Disabled or had taken Retirement from the Company.

10. Change in Control. (i) Immediately upon the occurrence of any Change in Control:

(1) If you are then employed by the Company, (i) your SERP Percentage, if not already 60%, shall be deemed for all purposes of this Agreement to be the lesser of 60% or the percentage resulting by adding to your SERP Percentage immediately prior thereto the product obtained by multiplying 4% by the number of Years which would then have to elapse prior to your attainment of age 65, and (ii) your Vested Percentage, if not already 100%, shall be deemed for all purposes of this Agreement to be 100%.

(2) If the Deferred Compensation Trust has theretofore been established or is established within thirty days after the Change in Control, the Company shall forthwith deposit to an account in your name (or that of your Surviving Spouse if you are then deceased and your Surviving Spouse is entitled to benefits hereunder) in the Deferred Compensation Trust 110% of the sum of the Gross-Up Amount plus:

(A) If you are then employed by the Company, an amount equal to the discounted Present Value of the benefits which would have been payable under paragraphs 1 and 2 of this Agreement upon Retirement at age 65 or attained age if greater, assuming for purposes of this clause, no compensation increases and that if younger than age 65 you and your Surviving Spouse had attained such age;

(B) If employment has previously been terminated but you or your Surviving Spouse is then entitled in the future to receive benefits under paragraph 4 of this Agreement, an amount equal to the discounted Present Value of the benefits which would have been payable under such paragraph;

(C) If you or your Surviving Spouse is then receiving payments under paragraphs 1, 2, 4, 5 or 7 of this Agreement, an amount equal to the Present Value of those benefits payable in the future to you and your Surviving Spouse; and

(D) If you are then receiving payments under paragraph 6 of this Agreement, an amount equal to the Present Value of the benefits which would have been payable under paragraphs 6 and 7 on the assumption you would have continued to receive benefits under paragraph 6 until you had attained age 65 and thereafter continued to receive benefits as though you were deemed to have retired.

(3) The Company shall thereafter be obligated to provide such supplemental medical insurance as has theretofore in the discretion of the Company been generally provided to participants and their Surviving Spouses under the Plan (A) to you and your Surviving Spouse if you or your Surviving Spouse is then receiving benefits under paragraph 3, (B) to you and your Surviving Spouse if you become Disabled if you are employed by the Company at the time of the Change in Control, (C) to your Surviving Spouse upon your death if you are employed by the Company at the time of the Change in Control and (D) to you and your Surviving Spouse upon any termination of employment following any Change in Control but only during the periods when you and your Surviving Spouse are not covered by another medical insurance program substantially all of the cost of which is paid by another employer. The obligations of the Company under this clause (i)(3) shall remain in effect for the lifetime of both you and your Surviving Spouse.

(4) If the Deferred Compensation Trust is not established prior to or within thirty days after the Change in Control, all payments which would have otherwise have been made to you or your Surviving Spouse from the Deferred Compensation Trust shall immediately after such thirty day period be made to you or your Surviving Spouse by the Company.

(ii) Any deposit by the Company to an account in your name or that of your Surviving Spouse in the Deferred Compensation Trust prior to the occurrence of the Change in Control, together with all income then accrued thereon (but only to the extent of the value of such deposited amount and the income accrued thereon on the day of any deposit under clause (i)(2) of this paragraph 10), shall reduce by an equal amount the obligations of the Company to make the deposit required under clause (i)(2) of this paragraph 10.

(iii) At or prior to making the deposit required by clause (i)(2) of this paragraph 10, the Company shall deliver to the Trustee under the Deferred Compensation Trust a certificate specifying that portion, if any, of the amount in the trust account, after giving effect to the deposit, which is represented by the Gross-Up Amount. Payment of 90.91% of the amount required by clause (i)(2) of this paragraph 10 to be paid to the trust account, together with any income accrued thereon from the date of the Change in Control, is to be made to you or your Surviving Spouse, as applicable, under the terms of the Deferred Compensation Trust, at the earlier of (1) immediately upon a Change in Control if you then are deceased or have attained age 65 or are Disabled, (2) your death subsequent to the Change in Control, or (3) the date which is one year after the Change in Control; provided, however, that the Trustee under the Deferred Compensation Trust is required promptly to pay to you or your Surviving Spouse, as applicable, from the trust account from time to time amounts, not exceeding in the aggregate the Gross-Up Amount, upon your or your Surviving Spouse's certification to the Trustee that the amount to be paid has been or within 60 days will be paid by you or your Surviving Spouse to a Federal, state or local taxing authority as a result of the Change in Control and the imposition of the excise tax under Section 4999 of the Code (or any

successor provision) on the receipt of any portion of the Gross-Up Amount. All amounts in excess of the amount required to be paid from the trust account by the preceding sentence, after all expenses of the Deferred Compensation Trust have been paid, shall revert to the Company provided that the Company has theretofore expressly affirmed its continuing obligations under clause (i)(3) of this Paragraph 10.

(iv) Subject to the next sentence of this clause (iv), the payment of the Gross-Up Amount to you or your Surviving Spouse or the account in your or your Surviving Spouse's name in the Deferred Compensation Trust will thereby discharge the Company from any obligations it may have under any present or future stock option or stock award plan, retirement plan or otherwise, to make any other payment as a result of your income becoming subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties with respect to such excise tax. As a result of the uncertainty which will be present in the application of Section 4999 of the Code (or any successor provision) at the time of the determination of the Gross-Up Amount and the possibility that between the date of determination of the Gross-Up Amount and the dates payments are to be made to you or your Surviving Spouse under this Agreement, changes in applicable tax laws will result in an incorrect determination of the Gross-Up Amount having been made, it is possible that (1) payment of a portion of the Gross-Up Amount will not have been made by the Company which should have been made (an "Underpayment"), or (2) payment of a portion of the Gross-Up Amount will have been made which should not have been made (an "Overpayment"), consistent with the calculations required to be made hereunder. In the event of an Underpayment, such Underpayment shall be promptly paid by the Company to or for your benefit. In the event that you or your Surviving Spouse discover that an Overpayment shall have occurred, the amount thereof shall be promptly repaid by you or your Surviving Spouse to the Company.

(v) Prior to the occurrence of a Change in Control, any deposits made by the Company to an account in the Deferred Compensation Trust may be withdrawn by the Company. Upon the occurrence of a Change in Control, all further obligations of the Company under this Agreement (other than under this Paragraph 10 to the extent not theretofore performed) shall terminate in all respects.

11. We also agree upon the following:

a. Prior to the occurrence of a Change in Control, the Organization and Compensation Committee of the Company's Board of Directors, or any other committee however titled which shall be vested with authority with respect to the compensation of the Company's officers and executives (in either case, the "Committee"), shall have the exclusive authority to make all determinations which may be necessary in connection with this Agreement including the dates of and whether you are or continue to be Disabled, the amount of annual benefits payable hereunder by reason of offsets hereunder due to employment by other employers, the interpretation of this Agreement, and all other matters or disputes arising under this Agreement. The determinations and findings of the Committee shall be conclusive and binding, without appeal, upon both of us.

b. You will not during your employment or Disability, and after Retirement or the termination of your employment, for any reason disclose or make use of for your own or another person's benefit under any circumstances any of the Company's Proprietary Information. Proprietary Information shall include trade secrets, secret processes, information concerning products, developments, manufacturing techniques, new product or

marketing plans, inventions, research and development information or results, sales, pricing and financial data, information relating to the management, operations or planning of the Company and any other information treated as confidential or proprietary.

c. You agree that you will not following your termination of employment for any reason (whether on Retirement, Disability or termination prior to attaining age 65) thereafter directly or indirectly engage in any business activities, whether as a consultant, advisor or otherwise, in which the Company is engaged in any geographic area in which the products or services of the Company have been sold, distributed or provided during the five year period prior to the date of your termination of employment. In light of ongoing payments to be received by you and your Surviving Spouse for your respective lives, the restrictions contained in the preceding sentence shall be unlimited in duration provided no Change in Control has occurred and, in the event of a Change in Control, all such restrictions shall terminate one year thereafter.

In addition to the foregoing and provided no Change in Control has occurred, if while you or your Surviving Spouse is receiving retirement or other benefits pursuant to this Agreement, in the judgment of the Committee you or your Surviving Spouse directly or indirectly engage in activity or act in a manner which can be considered adverse to the interest of the Company or any of its direct or indirect subsidiaries or affiliated companies, the Committee may terminate rights to any further benefits hereunder.

d. Except as may be provided to the contrary in a duly authorized written agreement between you and the Company you acknowledge that the Company has made no commitments to you of any kind with respect to the continuation of your employment, which we expressly agree is an employment at will, and you or the Company shall have the unrestricted right to terminate your employment with or without cause, at any time in your or its discretion.

e. At the Company's request, expressed through a Company officer, you agree to provide such information with respect to matters which may arise in connection with this Agreement as may be deemed necessary by the Company or the Committee, including for example only and not in limitation, information concerning benefits payable to you from third parties, and you further agree to submit to such medical examinations by duly licensed physicians as may be requested by the Company from time to time. You also agree to direct third parties to provide such information, and your Surviving Spouse's cooperation in providing such information is a condition to the receipt of survivor's benefits under this Agreement.

f. To the extent permitted by law, no interest in this Agreement or benefits payable to you or to your Surviving Spouse shall be subject to anticipation, or to pledge, assignment, sale or transfer in any manner nor shall you or your Surviving Spouse have the power in any manner to charge or encumber such interest or benefits, nor shall such interest or benefits be liable or subject in any manner for the liabilities of you or your Surviving Spouse's debts, contracts, torts or other engagements of any kind.

g. No person other than you and your Surviving Spouse shall have any rights or property interest of any kind whatsoever pursuant to this Agreement, and neither you nor your Surviving Spouse shall have any rights hereunder other than those expressly provided in this Agreement. Upon the death of you and your Surviving Spouse no further benefits of whatsoever kind or nature shall accrue or be payable pursuant to this Agreement.

h. All benefits payable pursuant to this Agreement, other than pursuant to paragraph 10, shall be paid in installments of one-twelfth of the annual benefit, or at such shorter intervals as may be deemed advisable by the Company in its discretion, upon receipt of your or your Surviving Spouse's written application, or by the applicant's personal representative in the event of any legal disability.

i. Except as provided in paragraph 10, all benefits under this Agreement shall be payable from the Company's general assets, which assets (including all funds in the Deferred Compensation Trust) are subject to the claims of the Company's general creditors, and are not set aside for your or your Surviving Spouse's benefit.

j. You agree that, if the Company establishes the Deferred Compensation Trust, the Company is entitled at any time prior to a Change in Control to revoke such trust and withdraw all funds theretofore deposited in such trust. You acknowledge that although this Agreement refers from time to time to your or your Surviving Spouse's trust account, no separate trust will be created and all assets of any Deferred Compensation Trust will be commingled.

k. This Agreement shall be governed by the laws of the State of Michigan.

12. We have agreed that the determinations of the Committee described in paragraph 11a shall be conclusive as provided in such paragraph, but if for any reason a claim is asserted which subverts the provisions of paragraph 11a, we agree that, except for causes of action which may arise under paragraph 11b and the first paragraph of paragraph 11c and provided no Change in Control has occurred, arbitration shall be the sole and exclusive remedy to resolve all disputes, claims or controversies which could be the subject of litigation (hereafter referred to as "dispute") involving or arising out of this Agreement. It is our mutual intention that the arbitration award will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction and enforcement may be had according to its terms.

The arbitrator shall be chosen in accordance with the commercial arbitration rules of the American Arbitration Association and the expenses of the arbitration shall be borne equally by the parties to the dispute. The place of the arbitration shall be the principal offices of the American Arbitration Association in the metropolitan Detroit area.

The arbitrator's sole authority shall be to apply the clauses of this Agreement.

We agree that the provisions of this paragraph 12, and the decision of the arbitrator with respect to any dispute, with only the exceptions provided in the first paragraph of this paragraph 12, shall be the sole and exclusive remedy for any alleged cause of action in any manner based upon or arising out of this Agreement. Subject to the foregoing exceptions, we acknowledge that since arbitration is the exclusive remedy, neither of us or any party claiming under this Agreement has the right to resort to any federal, state or local court or administrative agency concerning any matters dealt with by this Agreement and that the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute. The arbitration provisions contained in this paragraph shall survive the termination or expiration of this Agreement, and shall be binding on our respective successors, personal representatives and any other party asserting a claim based upon this Agreement.

February 6, 2008

Mr. Donald J. DeMarie, Jr.
[Address]

Dear Donny:

In light of the recent increase in your annual cash bonus opportunity from 100% of your base salary, the Organization and Compensation Committee of our Board of Directors has approved a change in your Supplemental Executive Retirement Plan to increase the amount of your annual bonus which is includible in "Average Compensation", as that term is used in your SERP Agreement. In order to implement this change, the definition of "Average Compensation" in your SERP Agreement would be changed to read as follows:

Average Compensation

"Average Compensation" shall mean the aggregate of your highest three years total annual cash compensation paid to you by the Company, consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid (the bonus with respect to any such year, however, only to be included in an amount not in excess of 60% of your maximum bonus opportunity for such year), divided by three, provided, however, (x) if any portion of a bonus is excluded by the parenthetical contained in clause (ii) above, the total amount excluded will be added to one or both of the other two years included in the calculation as long as the amount so added does not result in a bonus with respect to any year exceeding 60% of your maximum bonus opportunity for such year, (y) if you have on the date of determination less than three full years of employment, the foregoing calculation, including any adjustment required by clause (x) above, shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed.

In addition, the Organization and Compensation Committee has also determined that it is no longer appropriate to prevent any vesting of benefits from occurring until your fiftieth birthday. In order to implement this change, the definition of "Vested Percentage" in your SERP Agreement would be changed to read as follows:

Vested Percentage

"Vested Percentage" shall mean the sum of the following percentages: (i) 2% multiplied by your Years of Service, plus (ii) 8% multiplied by the number of Years, while an employee of the Company, you have been designated a participant in the Plan; provided, however, (w) prior to completing five Years of Service the Vested Percentage is 0, (x) on your fiftieth birthday your Vested Percentage may not exceed 50%, (y) on or prior to each of your birthdays following your fiftieth birthday your Vested Percentage may not exceed the sum of 50% plus the product obtained by multiplying 10% by the number of birthdays that have occurred following your fiftieth birthday, and (z) your Vested Percentage in no event may exceed 100%.

In order to make these changes effective, please sign the enclosed copy of this letter agreement and return it to Gene Gargaro.

Sincerely yours,

/s/ Timothy Wadhams

Timothy Wadhams

President and Chief Executive Officer

I agree to the above-described amendments
to my Supplemental Executive Retirement
Plan with the Company

/s/ Donald J. DeMarie, Jr.

Donald J. DeMarie, Jr.

November 3, 2008

Dear:

Section 409A of the Internal Revenue Code contains complex provisions regulating the payment of deferred compensation under non-qualified retirement programs, including your agreement (the "SERP Agreement") under Masco's supplemental executive retirement plan (the "Plan"). Under recently issued regulations of the Internal Revenue Service, non-complying payments under the Plan will result in serious adverse tax consequences to recipients, which include an increase in your marginal tax rate by 20 percentage points on all Plan payments not in compliance with Section 409A and an increase in applicable late-payment penalty rates by a full percentage point. The amendments to your SERP Agreement contained in this letter agreement are therefore necessary to bring the payment provisions of your SERP Agreement into compliance with Section 409A.

The principal changes under Section 409A described in this letter apply only to benefits accrued or vested after December 31, 2004 ("Covered Benefits"). Covered Benefits therefore include those under post 2004 SERP Agreements, post 2004 amendments to SERP Agreements and any increase in benefits resulting from higher compensation paid after 2004. Benefits, to the extent they were accrued and vested prior to January 1, 2005 ("Grandfathered Benefits"), may be paid without regard to Section 409A provisions. As a result of Section 409A, Masco will be required under the Plan to determine for each participant the portion of SERP payments attributable to Grandfathered Benefits and the portion attributable to Covered Benefits and, at times, treat these payments differently as described in this letter agreement.

No payment, however, of benefits under your SERP may be made under Section 409A unless a "separation from service" has occurred. Since it is unclear under the Plan if a "separation from service" has occurred if a participant is rendering services to Masco following retirement or during a disability, this letter agreement clarifies that a "separation from service" will have occurred, thereby allowing the commencement of SERP payments, even if a participant following retirement or during disability is providing services to Masco which do not exceed 49% of the individual's prior services as a full-time employee.

Initial monthly payments for Covered Benefits under the Plan must be delayed until six months have elapsed following a separation from service, after which time the delayed payments would be paid in a lump sum without interest. Any portion of your SERP payments represented by Grandfathered Benefits will not be delayed by Section 409A.

In the unlikely event of a change in control, if such a change satisfies the requirements of your existing SERP Agreement but not the more stringent requirements in Section 409A for a change in control, the same seriously adverse tax consequences to you could occur. In order to eliminate these consequences if a change in control does not satisfy both tests, this letter agreement would provide that any Grandfathered Benefits under your SERP Agreement will be paid in a lump sum as currently provided in the existing SERP Agreement with the Covered

Benefits subject to Section 409A paid to the Deferred Compensation Trust and thereafter distributed by the Trust as though no change in control has occurred. A new change in control trigger, included in this letter agreement in clause (iii) of Paragraph 13, has been added to ensure that if the requirements of Section 409A have been met, payments of your SERP benefits will be made as currently scheduled in your SERP Agreement.

Finally, in light of the recent increase in your annual cash bonus opportunity, the amount of your annual bonus includible in "Average Compensation" was increased earlier this year. A conforming change, which should then have been made in the definition of "Total Compensation" for purposes of disability payments, is being made in this letter agreement.

In order to assure ongoing compliance with these new statutory provisions and to avoid potentially severe tax consequences to you, we are requesting that you agree to the amendments to your SERP Agreement set forth below.

The definition of Total Compensation in clause (n) of your SERP Agreement shall be amended to read as follows:

"If you become Disabled, "Total Compensation" shall mean the sum of your annual base salary rate and 60% of your then effective bonus opportunity at the time of your Disability".

The definition of "Surviving Spouse" in clause (m) of your SERP Agreement shall be amended by substituting for the words "the commencement of your Disability" the words "the termination of your employment as a result of Disability".

The definition of "Retirement" in clause (1) of your SERP Agreement shall be amended to read as follows:

"Retirement" shall mean your termination of employment with the Company on or after you attain age 65. Termination of employment for all purposes under this Agreement shall mean a "separation from service" under Section 409A of the Code which shall only occur if any services which you may continue to provide to the Company as an employee or as a consultant after termination of employment are not in excess of 49% of your prior service level, all as determined in accordance with the regulations under Section 409A of the Code.

Paragraph 6 of your SERP Agreement shall be amended to insert the phrase "resulting in a termination of employment" following the first occurrence of the word "Disabled" and thereby read as follows:

6. If you shall have been employed by the Company for two Years or more and while employed by the Company you become Disabled resulting in a termination of employment prior to your attaining age 65, until the earlier of your death, termination of Disability or attaining age 65 the Company will pay you an annual benefit, subject to paragraph 8 below, equal to 60% of your Total Compensation less any benefits payable

to you pursuant to long-term disability insurance under programs provided by the Company. If your Disability continues until you attain age 65, you shall be considered retired and you shall receive retirement benefits pursuant to paragraph 1 above, based upon your Average Compensation as of the date it is determined you became Disabled and with your SERP Percentage given credit for Years of Service while you were Disabled.

Paragraph 9 of your SERP Agreement shall be amended by substituting for the word “Disabled” in the last sentence thereof the words “terminated from employment by reason of Disability”.

Paragraph 10(iii) of your SERP Agreement shall be amended by deleting the word “Disabled” in clause (1) thereof and substituting therefore the phrase “are terminated as a result of Disability”.

A new or modified Paragraph 13 for your SERP Agreement shall read as follows and replace any existing Paragraph 13 in your SERP Agreement:

13. Section 409A (i) This Agreement shall be administered so as to impose (if required in order to avoid a violation of Section 409A (a)(2) (B)(i) of the Code) a six-month waiting period for payments of Covered Benefits (hereinafter defined), to begin following your termination of employment. If such waiting period is applicable, the first payment following the waiting period shall include any payments (with no payment for interest) delayed under this provision.

(ii) If a “Change in Control” has occurred which is also a “Change of Control” as defined in Section 13(iii) below, then all of the provisions of the Agreement, including the provisions of Paragraph 10, shall apply without change. However, if there is a “Change in Control” which is not a “Change of Control” as defined in Section 13(iii) then (A) as to that portion of your benefits under this Agreement which is not subject to the provisions of Section 409A of the Code (the “Grandfathered Benefits”), all of the provisions of this Agreement, including Section 10, shall apply without change, and (B) as to that portion of your benefits under this Agreement which is subject to Section 409A of the Code (the “Covered Benefits”), the only provisions of Paragraph 10 which shall be applicable thereto are clauses (1), (2) and (3) of Paragraph 10(i) and Paragraphs 10(ii), 10(iv) and 10(v). The amount deposited in the Deferred Compensation Trust representing 110% of the Gross-Up Amount attributable to the Grandfathered Benefits, the Covered Benefits or otherwise shall be held in and distributed from the Deferred Compensation Trust in accordance with the provisions of Paragraph 10. The amount so deposited representing the Covered Benefits shall be held and invested by the Deferred Compensation Trust and paid to you or your Surviving Spouse as an annuity under the applicable circumstances of Paragraphs 1, 2, 4 (disregarding the inapplicability of Paragraph 4 in the event of a “Change in Control”), 5, 6 or 7 of this Agreement. If, for any reason, the monthly benefit paid by the Deferred Compensation Trust to you or your Surviving Spouse is less than the monthly benefit used to calculate the amount deposited

under the next preceding sentence, the Company shall pay the deficiency directly to you or your Surviving Spouse.

(iii) A "Change of Control" for purposes of Section 409A of the Code shall be deemed to have occurred if during any period of twelve consecutive calendar months, the individuals who at the beginning of such period constitute the Company's Board of Directors, and any new directors (other than Excluded Directors) whose election by such Board or nomination for election by stockholders was approved by a vote of at least a majority of the members of such board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof. Excluded Directors are directors whose election by the Board or approval by the Board for stockholder election occurred within one year after any "person" or "group of persons" as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 30 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 30 percent or more of such combined voting power.

Should you have any questions regarding these proposed amendments, please feel free to discuss them with Chuck Greenwood, John Leekley or me. If not, I would appreciate your execution and return of a copy of this letter to Gene Gargaro, at which time the above-described amendments will become effective.

Sincerely yours,

Timothy Wadhams
President and Chief Executive Officer

I agree to the above-described
Amendments to my SERP
Agreement.

[Name]

Dear:

As you know, the Organization and Compensation Committee of the Company's Board of Directors has determined that benefit accruals under your Supplemental Executive Retirement Plan are to be frozen effective January 1, 2010. In order to implement this change, the definitions of "Average Compensation," "Total Compensation," and several other relevant definitions must be changed.

In addition, language must be added to the definition of "Profit Sharing Conversion Factor" and to Paragraphs 1, 4 and 5 to provide that the offsets to your SERP which are derived from Company contributions to the Future Service Profit Sharing Plan and other similar sources are also frozen, with provision for future account growth using imputed interest.

Consequently, in order to implement this change, effective January 1, 2010, the following provisions of your SERP are amended to read as follows:

The definition of Average Compensation in paragraph (a) of your SERP Agreement is changed to read as follows:

a. "Average Compensation" shall mean the aggregate of your highest three years total annual cash compensation paid to you by the Company consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid (the bonus with respect to any such year, however, only to be included in an amount not in excess of 60% of your maximum bonus opportunity for such year), divided by three, provided, however, (x) if any portion of a bonus is excluded by the parenthetical contained in clause (ii) above, the total amount excluded will be added to one or both of the other two years included in the calculation as long as the amount so added does not result in a bonus with respect to any year exceeding 60% of your maximum bonus opportunity for such year, (y) if you have on the date of determination less than three full years of employment, the foregoing calculation, including any adjustment required by clause (x) above, shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed Notwithstanding the foregoing, any base salary paid after December 31, 2009, and any bonus earned (or maximum bonus opportunity for) any period after that date, shall be disregarded.

The definition of Profit Sharing Conversion Factor in clause (j) of your SERP Agreement shall be amended to read as follows:

j. "Profit Sharing Conversion Factor" shall be a factor equal to the present value of a life annuity payable at the later of age 65 or attained age based on the 1983 Group Annuity Mortality Table using a blend of 50% of the male mortality rates and 50% of the female mortality rates as set forth in Revenue Ruling 95-6 (or such other mortality table that the Internal

Revenue Service may prescribe in the future) and an interest rate equal to the average yield for 30-year Treasury Constant Maturities as of January, 2010 as reported in Federal Reserve Statistical Release G.13 and H.15 (or, if such interest rate ceases to be so reported prior to January, 2010, such other interest rate as the Board of Directors deems is an appropriate substitute).

The definition of Total Compensation in clause (n) of your SERP Agreement shall be amended to read as follows:

n. If you become Disabled, "Total Compensation" shall mean the sum of your annual base salary rate and 60% of your then effective bonus opportunity at the earlier of the time of your Disability or January 1, 2010.

The definition of Year in clause (p) of your SERP Agreement shall be amended to read as follows:

p. "Year" shall mean twelve full consecutive months, and "year" shall mean a calendar year; provided, however, to the extent required to determine your SERP Percentage, "year" and "Year" shall include only time periods prior to and including January 1, 2010.

The definition of Years of Service in clause (q) of your SERP Agreement shall be amended to read as follows:

q. "Years of Service" shall mean the number of Years during which you were employed by the Company excluding Years of Service with any other corporation prior to the time it became a subsidiary of or otherwise affiliated with Masco Corporation; provided, however, to the extent required to determine your SERP Percentage, "Year of Service" shall include only time periods prior to and including January 1, 2010.

Paragraph 1 of your SERP Agreement shall be amended to read as follows:

1. In accordance with the Plan, upon your Retirement the Company will pay you annually during your lifetime, subject to paragraph 8 below, the SERP Percentage of your Average Compensation, less: (i) a sum equal to the annual benefit which would be payable to you upon your Retirement if benefits payable to you under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you retire, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon Retirement if your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401 (k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) unless you have at least 25 Years of Service, any retirement benefits paid or payable to you by reason of employment by all other employers (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis

by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than such other employers); provided, however, in all cases the amount offset pursuant to these subsections (i), (ii) and (iii) shall be determined (x) prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans and (y) if Retirement occurs on or after January 1, 2010, based on offsetting values as of January 1, 2010, except that any defined contribution individual account values as of January 1, 2010 (including any pro forma, rather than actual, account balance at such date, including imputed interest thereon with respect to amounts previously withdrawn, and including any Company contribution or allocation with respect to 2009 which is made on or after January 1, 2010) utilized under subsections (ii) and (iii) above shall be projected to the date of determination at the imputed rate of 4% per annum prior to application of the Profit Sharing Conversation Factor.

Paragraph 4 of your SERP Agreement shall be amended to read as follows:

4. If your employment with the Company is for any reason terminated prior to Retirement, other than as a result of circumstances described in paragraphs 2, 5 or 6 of this Agreement or following a Change in Control, and if prior to the date of termination you have completed 5 or more Years of Service, upon your attaining age 65, the Company will pay to you annually during your lifetime, subject to paragraph 8 below, the Vested Percentage of the result obtained by (1) multiplying your SERP Percentage at the date your employment terminated by your Average Compensation, less (2) the sum of the following: (i) a sum equal to the annual benefit which would be payable to you upon your attaining age 65, if benefits payable to you under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you attain age 65, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon your attaining age 65, if an amount equal to your vested accounts at the date of your termination of employment with the Company in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan (in each case increased from the date of termination to age 65 at the imputed rate of 4% per annum) were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) to the extent the annual payments described in this clause (iii) and the annual payments you would otherwise be entitled to receive under this paragraph 4 would, in the aggregate exceed (the "excess amount") the annual payments you would have received under paragraph 1 had you remained employed by the Company until Retirement (with your SERP Percentage determined as though you were given credit for additional Years of Service until age 65 but no compensation increases), any retirement benefits paid or payable to you by reason of employment by all other previous or future employers, but only to the extent of such excess amount (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather

than your prior or future employers); provided, however, in all cases the amount offset pursuant to these subsections (i), (ii) and (iii) shall be determined (x) prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans and (y) if termination occurs on or after January 1, 2010, based on offsetting values as of January 1, 2010, except that any defined contribution individual account values as of January 1, 2010 (including any pro forma, rather than actual, account balance at such date, including imputed interest thereon with respect to amounts previously withdrawn, and including any Company contribution or allocation with respect to 2009 which is made on or after January 1, 2010) utilized under above subsections (ii) and (iii) shall be projected to the date of determination at the imputed rate of 4% per annum prior to application of the Profit Sharing Conversion Factor. Upon your death on or after age 65 should you be survived by your Surviving Spouse, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit payable to you under the preceding sentence following your attainment of age 65; provided, further, if your death should occur prior to age 65, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit which would have been payable to you under the preceding sentence following your attainment of age 65, reduced by a factor of actuarial equivalence as determined by the Committee, such that the Present Value of the aggregate payments to be received by your Surviving Spouse based on his or her life expectancy as of the date of your death is equal to the Present Value, determined at the date of your death, of the aggregate payments estimated to be received by your Surviving Spouse based on his or her life expectancy at an age, and as if your Surviving Spouse had begun receiving payments, when you would have attained age 65.

Paragraph 5 of your SERP Agreement shall be amended to read as follows:

5. If while employed by the Company you die prior to your attaining age 65, leaving a Surviving Spouse, and provided you shall have been employed by the Company for two consecutive Years or more, your Surviving Spouse shall receive annually for life, subject to paragraph 8 below, 75% of the SERP Percentage of your Average Compensation, less: (i) a sum equal to the annual benefit which would be payable to your Surviving Spouse under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan if such benefit were converted to a life annuity (such deduction, however, only to commence on the date such benefit is first payable), (ii) a sum equal to the annual payments which would be received by your Surviving Spouse as if your spouse were designated as the beneficiary of your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan and such accounts were converted to a life annuity at the time of your death in accordance with the Profit Sharing Conversion Factor, and (iii) unless you have at least 25 Years of Service any retirement benefits paid or payable to you or your Surviving Spouse by reason of your employment by all other employers (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon,

determined by such Committee to have been contributed by you rather than such other employers); provided, however, in all cases the amount offset pursuant to these subsections (i),(ii) and (iii) shall be determined (x) prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans and (y) if death occurs on or after January 1, 2010, based on off-setting values as of January 1, 2010 except that any defined contribution individual account values as of January 1, 2010 (including any pro forma, rather than actual, account balance at such date, including imputed interest thereon with respect to amounts previously withdrawn, and including any Company contribution or allocation with respect to 2009 which is made on or after January 1, 2010) utilized under above subsections (ii) and (iii) shall be projected to the date of determination at the imputed rate of 4% per annum prior to application of the Profit Sharing Conversion Factor. No death benefits are payable except to your Surviving Spouse.

In order to make these changes effective, please sign the enclosed copy of this letter agreement and return it to Barry Silverman.

Sincerely yours,

Timothy Wadhams
President and Chief Executive Officer

I agree to the above-described amendments
to my Supplemental Executive Retirement
Plan with the Company.

Donald J. DeMarie, Jr.

Date: _____

Form for: Richard A. Manoogian

October 2, 2000

Dear :

Our company's Board of Directors has adopted a plan whereby supplemental retirement and other benefits, in addition to those provided under the Company's pension and other benefit plans, will be made available to those Company and subsidiary executives as may be designated from time to time by the company's Chief Executive Officer. The plan providing such benefits, as originally made available to designated executives in 1987 and as subsequently amended from time to time heretofore or in the future, is referred to in this letter as the "Plan". You are currently a participant in the Plan upon the terms of a letter agreement signed by you and dated , . This Agreement amends and replaces in its entirety your previously signed letter agreement and describes in full your benefits pursuant to the Plan and all of the Company's obligations to you, and yours to the Company. These benefits as described below are contractual obligations of the Company.

For the purposes of this Agreement, words and terms are defined as follows:

a. "Average Compensation" shall mean the aggregate of your highest three years' total annual cash compensation paid to you by the Company, consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid, divided by three, provided, however, (x) if you have on the date of determination less than three full years of employment the foregoing calculation shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed, and (y) if the determination of Average Compensation includes any year in which you volunteered to reduce your salary or, as part of a program generally applicable to participants in the Plan, you did not receive an increase in salary compared with the immediately preceding year, the Committee referred to in paragraph 11 shall make a good faith determination of what your Average Compensation would have been absent such salary reduction and absent such generally applicable program.

b. A "Change in Control" shall be deemed to have occurred if during any period of twenty-four consecutive calendar months, the individuals who at the beginning of such period constitute the Company's Board of Directors, and any new directors (other than Excluded Directors) whose election by such Board or nomination for election by stockholders was approved by a vote of at least two-thirds of the members of such Board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof. Excluded Directors are directors whose election by the Board or approval by the Board for stockholder election occurred within one year after any "person" or "group of persons" as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 commencing a tender offer for, or

becoming the beneficial owner of, voting securities representing 25 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 25 percent or more of such combined voting power.

c. "Code" means the Internal Revenue Code of 1986, as amended.

d. "Company" shall mean Masco Corporation or any corporation in which Masco Corporation owns directly or indirectly stock possessing in excess of 50% of the total combined voting power of all classes of stock.

e. The "Deferred Compensation Trust" shall mean any trust created by the Company to receive the deposit referred to in clause (2) of paragraph 10.

f. "Disability" and "Disabled" shall mean your being unable to perform your duties as a Company executive by reason of your physical or mental condition, prior to your attaining age 65, provided that you have been employed by the Company for two consecutive Years or more at the time you first became Disabled.

g. The "Gross-Up Amount" (i) shall be determined if any payment or distribution by the Company to or for your benefit, whether paid, distributed, payable or distributed or distributable pursuant to the terms of this Agreement, any stock option or stock award plan, retirement plan or otherwise (such payment or distribution, other than an Excise Tax Adjustment Payment under clause (ii), is referred to herein as a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties with respect to such excise tax (such excise tax together with any such interest or penalties are referred to herein as the "Excise Tax"), and (ii) shall mean an additional payment (the "Excise Tax Adjustment Payment") in an amount such that after subtracting from the Excise Tax Adjustment Payment your payment of all applicable Federal, state and local taxes (computed at the maximum marginal rates and including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Excise Tax Adjustment Payment, the balance will be equal to the Excise Tax imposed upon the Payments. All determinations required to be made with respect to the "Gross-Up Amount", including whether an Excise Tax Adjustment Payment is required and the amount of such Excise Tax Adjustment Payment, shall be made by PricewaterhouseCoopers LLP, or such national accounting firm as the Company may designate prior to a Change in Control, which shall provide detailed supporting calculations to the Company and you. Except as provided in clause (iv) of paragraph 10, all such determinations shall be binding upon you and the Company.

h. "PBGC" shall mean the Pension Benefit Guaranty Corporation.

i. "Present Value" of future benefits means the discounted present value of those benefits (including therein the benefits, if any, your Surviving Spouse would be entitled to receive under this Agreement upon your death), using the UP- 1984 Mortality Table and discounted by the interest rate used, for purposes of determining the present value of a lump sum distribution on plan termination, by the PBGC on the first day of the month which is four months prior to the month in which a Change in Control occurs (or if the PBGC has ceased publishing such interest rate, such other interest rate as the Board of Directors deems is an appropriate substitute). The above PBGC interest rate is intended to

be determined based on PBGC methodology and regulations in effect on September 1, 1993 (as contained in 29 CFR Part 2619).

j. "Profit Sharing Conversion Factor" shall be a factor equal to the present value of a life annuity payable at the later of age 65 or attained age based on the 1983 Group Annuity Mortality Table using a blend of 50% of the male mortality rates and 50% of the female mortality rates as set forth in Revenue Ruling 95-6 (or such other mortality table that the Internal Revenue Service may prescribe in the future) and an interest rate equal to the average yield for 30-year Treasury Constant Maturities, as reported in Federal Reserve Statistical Releases G.13 and H.15, four months prior to the month of the date of determination (or, if such interest rate ceases to be so reported, such other interest rate as the Board of Directors deems is an appropriate substitute).

k. "Retirement" shall mean your termination of employment with the Company, on or after you attain age 65. Your acting as a consultant shall not be considered employment.

l. "SERP Percentage" of your Average Compensation is 60%.

m. "Surviving Spouse" shall be the person to whom you shall be legally married (under the law of the jurisdiction of your permanent residence) at the date of (i) your Retirement or death after attaining age 65 (if death terminated employment with the Company) for the purposes of paragraphs 1, 2 and 3, (ii) your death for the purposes of paragraph 5 and, if paragraph 5 is applicable, for the purposes of paragraph 3, (iii) the commencement of your Disability for the purposes of paragraphs 6 and 7 and, as long as paragraphs 6 or 7 are applicable, for the purposes of paragraph 3, (iv) your termination of employment for the purposes of paragraph 4 and, if paragraph 4 is applicable, for purposes of paragraph 3 and (v) a "Change in Control" for the purposes of paragraph 10 if none of clauses (i) through (iv) has become applicable prior to the Change in Control and, if this clause (v) is applicable, for purposes of paragraph 3. For the purposes of paragraphs 11a, 11e, 11f, 11g, 11h, 11i and 11j, "Surviving Spouse" shall be any spouse entitled to any benefits hereunder.

n. If you become Disabled, "Total Compensation" shall mean your annual base salary rate at the time of your Disability plus the regular year-end cash bonus paid to you for the year immediately prior thereto, provided, however, if the determination of Total Compensation is for a year in which you volunteered to reduce your salary or, as part of a program generally applicable to participants in the Plan, you did not receive an increase in salary compared with the immediately preceding year, the Committee referred to in paragraph 11 shall make a good faith determination of what your Total Compensation would have been absent such salary reduction and absent such generally applicable program.

o. "Vested Percentage" shall mean the sum of the following percentages: (i) 2% multiplied by your Years of Service, plus (ii) 8% multiplied by the number of Years you have been designated a participant in the Plan; provided, however, (w) prior to completing five Years of Service the Vested Percentage is 0, (x) on or prior to your fiftieth birthday your Vested Percentage may not exceed 50%, (y) on or prior to each of your birthdays following your fiftieth birthday your Vested Percentage may not exceed the sum of 50% plus the product obtained by multiplying 5% by the number of birthdays that have occurred

following your fiftieth birthday, and (z) your Vested Percentage in no event may exceed 100%.

p. "Year" shall mean twelve full consecutive months, and "year" shall mean a calendar year.

q. "Years of Service" shall mean the number of Years during which you were employed by the Company (excluding, however, Years of Service with a corporation prior to the time it became a subsidiary of or otherwise affiliated with Masco Corporation).

1. In accordance with the Plan, upon your Retirement the Company will pay you annually during your lifetime, subject to paragraph 8 below, the SERP Percentage of your Average Compensation, less: (i) a sum equal to the annual benefit which would be payable to you upon your Retirement if benefits payable to you under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you retire, to a 50% joint and spouse survivor life annuity, and (ii) a sum equal to the annual benefit which would be payable to you upon Retirement if your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401 (k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, provided, however, in all cases the amount offset pursuant to these subsections (i) and (ii) shall be determined prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans.

2. Upon your death after Retirement or while employed by the Company after attaining age 65, your Surviving Spouse shall receive for life 75% of the annual benefit pursuant to paragraph 1 of this Agreement which was payable to you prior to your death (or, if death terminated employment after attaining age 65, which would have been payable to you had your Retirement occurred immediately prior to your death).

3. The Company will provide, purchase or at its option provide reimbursement for premiums paid for such supplemental medical insurance as the Company in its sole discretion may deem advisable from time to time (i) for you and your Surviving Spouse for the lifetime of each of you (A) following a termination of your employment with the Company due to Retirement or Disability, and (B) following any other termination of employment with the Company provided (x) you and your Surviving Spouse are not covered by another medical insurance program substantially all of the cost of which is paid by another employer, (y) on the date of such termination your Vested Percentage is not less than 80% and (z) the benefits under this paragraph 3 shall not commence until you have attained age 60 or your earlier death to the extent you die leaving a Surviving Spouse, and (ii) for your Surviving Spouse for his or her lifetime upon a termination of your employment with the Company due to your death.

4. If your employment with the Company is for any reason terminated prior to Retirement, other than as a result of circumstances described in paragraphs 2, 5 or 6 of this Agreement or following a Change in Control, and if prior to the date of termination you have completed 5 or more Years of Service, upon your attaining age 65 the Company will pay to you annually during your lifetime, subject to paragraph 8 below, the Vested Percentage of the result obtained by (1) multiplying your SERP Percentage at the date your employment terminated by your Average

Compensation, less (2) the sum of the following: (i) a sum equal to the annual benefit which would be payable to you upon your attaining age 65 if benefits payable to you under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you attain age 65, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon your attaining age 65 if an amount equal to your vested accounts at the date of your termination of employment with the Company in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan (in each case increased from the date of termination to age 65 at the imputed rate of 4% per annum) were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) to the extent the annual payments described in this clause (iii) and the annual payments you would otherwise be entitled to receive under this paragraph 4 would, in the aggregate exceed (the "excess amount") the annual payments you would have received under paragraph 1 had you remained employed by the Company until Retirement (assuming for purposes of this clause no compensation increases), any retirement benefits paid or payable to you by reason of employment by all other previous or future employers, but only to the extent of such excess amount (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than your prior or future employers), provided, however, in all cases the amount offset pursuant to these subsections (i) and (ii) shall be determined prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans. Upon your death on or after age 65 should you be survived by your Surviving Spouse, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit payable to you under the preceding sentence following your attainment of age 65; provided, further, if your death should occur prior to age 65, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit which would have been payable to you under the preceding sentence following your attainment of age 65, reduced by a factor of actuarial equivalence as determined by the Committee, such that the Present Value of the aggregate payments to be received by your Surviving Spouse based on his or her life expectancy as of the date of your death is equal to the discounted Present Value, determined at the date of your death, of the aggregate payments estimated to be received by your Surviving Spouse based on his or her life expectancy at an age, and as if your Surviving Spouse had begun receiving payments, when you would have attained age 65.

5. If while employed by the Company you die prior to your attaining age 65 leaving a Surviving Spouse, and provided you shall have been employed by the Company for two consecutive Years or more, your Surviving Spouse shall receive annually for life, subject to paragraph 8 below, 75% of the SERP Percentage of your Average Compensation (assuming no compensation increases between the date of your death and the date you would have attained age 65), less: (i) a sum equal to the annual benefit which would be payable to your Surviving Spouse under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan if such benefit were converted to a life annuity (such deduction, however, only to commence on the date such benefit is first payable), and (ii) a sum equal to the annual payments which would be received by your Surviving Spouse as if your spouse were designated as the beneficiary of your vested accounts in the Company's qualified defined benefit contribution plans (excluding your

contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan and such accounts were converted to a life annuity at the time of your death in accordance with the Profit Sharing Conversion Factor, provided, however, in all cases the amount offset pursuant to these subsections (i) and (ii) shall be determined prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans. No death benefits are payable except to your Surviving Spouse.

6. If you shall have been employed by the Company for two Years or more and while employed by the Company you become Disabled prior to your attaining age 65, until the earlier of your death, termination of Disability or attaining age 65 the Company will pay you an annual benefit, subject to paragraph 8 below, equal to 60% of your Total Compensation less any benefits payable to you pursuant to long-term disability insurance under programs provided by the Company. If your Disability continues until you attain age 65, you shall be considered retired and you shall receive retirement benefits pursuant to paragraph 1 above, based upon your Average Compensation as of the date it is determined you became Disabled.

7. If you die leaving a Surviving Spouse while receiving Disability benefits pursuant to paragraph 6 of this Agreement, you will be deemed to have retired on your death and your Surviving Spouse shall receive for life 75% of the annual benefit which would have been payable to you if you had retired on the date of your death and your benefit determined pursuant to paragraph 1, based upon your Average Compensation as of the date you became Disabled.

8. If the age of your Surviving Spouse is more than 20 years younger than your age, then the annual benefit payable under paragraphs 1, 4, 5 and 6 of this Agreement and the benefit payable as "the SERP Percentage of your Average Compensation", as that phrase is used in paragraph 5 of this Agreement, shall be reduced by the percentage obtained by multiplying 1.5% times the number of Years or portion thereof by which your Surviving Spouse is more than 20 years younger than you.

9. If you or your Surviving Spouse is eligible to receive benefits hereunder, unless otherwise specifically agreed by the Company in writing, you and your Surviving Spouse will not be able to receive benefits under any other Company sponsored non-qualified retirement plans other than the Company's Retirement Benefits Restoration Plan. For this purpose benefits received under the Company's non-qualified stock option or stock award plans will not be considered to have been received under a Company sponsored non-qualified retirement plan even though such benefits are received after retirement. Except as provided in the last sentence of paragraph 4 and in paragraph 10 of this Agreement, no benefits will be paid to your Surviving Spouse pursuant to this Agreement unless upon your death you were employed by the Company, Disabled or had taken Retirement from the Company.

10. Change in Control. (i) Immediately upon the occurrence of any Change in Control:

(1) If you are then employed by the Company, your Vested Percentage, if not already 100%, shall be deemed for all purposes of this Agreement to be 100%.

(2) If the Deferred Compensation Trust has theretofore been established or is established within thirty days after the Change in Control, the Company shall forthwith deposit to an account in your name (or that of your Surviving Spouse if you are then

deceased and your Surviving Spouse is entitled to benefits hereunder) in the Deferred Compensation Trust 110% of the sum of the Gross-Up Amount plus:

(A) If you are then employed by the Company, an amount equal to the discounted Present Value of the benefits which would have been payable under paragraphs 1 and 2 of this Agreement upon Retirement at age 65 or attained age if greater, assuming for purposes of this clause, no compensation increases and that if younger than age 65 you and your Surviving Spouse had attained such age;

(B) If employment has previously been terminated but you or your Surviving Spouse is then entitled in the future to receive benefits under paragraph 4 of this Agreement, an amount equal to the discounted Present Value of the benefits which would have been payable under such paragraph;

(C) If you or your Surviving Spouse is then receiving payments under paragraphs 1, 2, 4, 5 or 7 of this Agreement, an amount equal to the Present Value of those benefits payable in the future to you and your Surviving Spouse; and

(D) If you are then receiving payments under paragraph 6 of this Agreement, an amount equal to the Present Value of the benefits which would have been payable under paragraphs 6 and 7 on the assumption you would have continued to receive benefits under paragraph 6 until you had attained age 65 and thereafter continued to receive benefits as though you were deemed to have retired.

(3) The Company shall thereafter be obligated to provide such supplemental medical insurance as has theretofore in the discretion of the Company been generally provided to participants and their Surviving Spouses under the Plan (A) to you and your Surviving Spouse if you or your Surviving Spouse is then receiving benefits under paragraph 3, (B) to you and your Surviving Spouse if you become Disabled if you are employed by the Company at the time of the Change in Control, (C) to your Surviving Spouse upon your death if you are employed by the Company at the time of the Change in Control and (D) to you and your Surviving Spouse upon any termination of employment following any Change in Control but only during the periods when you and your Surviving Spouse are not covered by another medical insurance program substantially all of the cost of which is paid by another employer. The obligations of the Company under this clause (i)(3) shall remain in effect for the lifetime of both you and your Surviving Spouse.

(4) If the Deferred Compensation Trust is not established prior to or within thirty days after the Change in Control, all payments which would have otherwise have been made to you or your Surviving Spouse from the Deferred Compensation Trust shall immediately after such thirty day period be made to you or your Surviving Spouse by the Company.

(ii) Any deposit by the Company to an account in your name or that of your Surviving Spouse in the Deferred Compensation Trust prior to the occurrence of the Change in Control, together with all income then accrued thereon (but only to the extent of the value of such deposited amount and the income accrued thereon on the day of any deposit under clause (i)(2) of this paragraph 10), shall reduce by an equal amount the obligations of the Company to make the deposit required under clause (i)(2) of this paragraph 10.

(iii) At or prior to making the deposit required by clause (i)(2) of this paragraph 10, the Company shall deliver to the Trustee under the Deferred Compensation Trust a certificate

specifying that portion, if any, of the amount in the trust account, after giving effect to the deposit, which is represented by the Gross-Up Amount. Payment of 90.91% of the amount required by clause (i)(2) of this paragraph 10 to be paid to the trust account, together with any income accrued thereon from the date of the Change in Control, is to be made to you or your Surviving Spouse, as applicable, under the terms of the Deferred Compensation Trust, at the earlier of (1) immediately upon a Change in Control if you then are deceased or have attained age 65 or are Disabled, (2) your death subsequent to the Change in Control, or (3) the date which is one year after the Change in Control; provided, however, that the Trustee under the Deferred Compensation Trust is required promptly to pay to you or your Surviving Spouse, as applicable, from the trust account from time to time amounts, not exceeding in the aggregate the Gross-Up Amount, upon your or your Surviving Spouse's certification to the Trustee that the amount to be paid has been or within 60 days will be paid by you or your Surviving Spouse to a Federal, state or local taxing authority as a result of the Change in Control and the imposition of the excise tax under Section 4999 of the Code (or any successor provision) on the receipt of any portion of the Gross-Up Amount. All amounts in excess of the amount required to be paid from the trust account by the preceding sentence, after all expenses of the Deferred Compensation Trust have been paid, shall revert to the Company provided that the Company has theretofore expressly affirmed its continuing obligations under clause (i)(3) of this Paragraph 10.

(iv) Subject to the next sentence of this clause (iv), the payment of the Gross-Up Amount to you or your Surviving Spouse or the account in your or your Surviving Spouse's name in the Deferred Compensation Trust will thereby discharge the Company from any obligations it may have under any present or future stock option or stock award plan, retirement plan or otherwise, to make any other payment as a result of your income becoming subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties with respect to such excise tax. As a result of the uncertainty which will be present in the application of Section 4999 of the Code (or any successor provision) at the time of the determination of the Gross-Up Amount and the possibility that between the date of determination of the Gross-Up Amount and the dates payments are to be made to you or your Surviving Spouse under this Agreement, changes in applicable tax laws will result in an incorrect determination of the Gross-Up Amount having been made, it is possible that (1) payment of a portion of the Gross-Up Amount will not have been made by the Company which should have been made (an "Underpayment"), or (2) payment of a portion of the Gross-Up Amount will have been made which should not have been made (an "Overpayment"), consistent with the calculations required to be made hereunder. In the event of an Underpayment, such Underpayment shall be promptly paid by the Company to or for your benefit. In the event that you or your Surviving Spouse discover that an Overpayment shall have occurred, the amount thereof shall be promptly repaid by you or your Surviving Spouse to the Company.

(v) Prior to the occurrence of a Change in Control, any deposits made by the Company to an account in the Deferred Compensation Trust may be withdrawn by the Company. Upon the occurrence of a Change in Control, all further obligations of the Company under this Agreement (other than under this Paragraph 10 to the extent not theretofore performed) shall terminate in all respects.

11. We also agree upon the following:

a. Prior to the occurrence of a Change in Control, the Compensation Committee of the Company's Board of Directors, or any other committee however titled which shall be vested with authority with respect to the compensation of the Company's officers and executives (in either case, the "Committee"), shall have the exclusive authority to make all determinations which may be necessary in connection with this Agreement including the

dates of and whether you are or continue to be Disabled, the amount of annual benefits payable hereunder by reason of offsets hereunder due to employment by other employers, the interpretation of this Agreement, and all other matters or disputes arising under this Agreement. The determinations and findings of the Committee shall be conclusive and binding, without appeal, upon both of us.

b. You will not during your employment or Disability, and after Retirement or the termination of your employment, for any reason disclose or make use of for your own or another person's benefit under any circumstances any of the Company's Proprietary Information. Proprietary Information shall include trade secrets, secret processes, information concerning products, developments, manufacturing techniques, new product or marketing plans, inventions, research and development information or results, sales, pricing and financial data, information relating to the management, operations or planning of the Company and any other information treated as confidential or proprietary.

c. You agree that you will not following your termination of employment for any reason (whether on Retirement, Disability or termination prior to attaining age 65) thereafter directly or indirectly engage in any business activities, whether as a consultant, advisor or otherwise, in which the Company is engaged in any geographic area in which the products or services of the Company have been sold, distributed or provided during the five year period prior to the date of your termination of employment. In light of ongoing payments to be received by you and your Surviving Spouse for your respective lives, the restrictions contained in the preceding sentence shall be unlimited in duration provided no Change in Control has occurred and, in the event of a Change in Control, all such restrictions shall terminate one year thereafter.

In addition to the foregoing and provided no Change in Control has occurred, if while you or your Surviving Spouse is receiving retirement or other benefits pursuant to this Agreement, in the judgment of the Committee you or your Surviving Spouse directly or indirectly engage in activity or act in a manner which can be considered adverse to the interest of the Company or any of its direct or indirect subsidiaries or affiliated companies, the Committee may terminate rights to any further benefits hereunder.

d. Except as may be provided to the contrary in a duly authorized written agreement between you and the Company you acknowledge that the Company has made no commitments to you of any kind with respect to the continuation of your employment, which we expressly agree is an employment at will, and you or the Company shall have the unrestricted right to terminate your employment with or without cause, at any time in your or its discretion.

e. At the Company's request, expressed through a Company officer, you agree to provide such information with respect to matters which may arise in connection with this Agreement as may be deemed necessary by the Company or the Committee, including for example only and not in limitation, information concerning benefits payable to you from third parties, and you further agree to submit to such medical examinations by duly licensed physicians as may be requested by the Company from time to time. You also agree to direct third parties to provide such information, and your Surviving Spouse's cooperation in providing such information is a condition to the receipt of survivor's benefits under this Agreement.

f. To the extent permitted by law, no interest in this Agreement or benefits payable to you or to your Surviving Spouse shall be subject to anticipation, or to pledge, assignment, sale or transfer in any manner nor shall you or your Surviving Spouse have the power in any manner to charge or encumber such interest or benefits, nor shall such interest or benefits be liable or subject in any manner for the liabilities of you or your Surviving Spouse's debts, contracts, torts or other engagements of any kind.

g. No person other than you and your Surviving Spouse shall have any rights or property interest of any kind whatsoever pursuant to this Agreement, and neither you nor your Surviving Spouse shall have any rights hereunder other than those expressly provided in this Agreement. Upon the death of you and your Surviving Spouse no further benefits of whatsoever kind or nature shall accrue or be payable pursuant to this Agreement.

h. All benefits payable pursuant to this Agreement, other than pursuant to paragraph 10, shall be paid in installments of one-twelfth of the annual benefit, or at such shorter intervals as may be deemed advisable by the Company in its discretion, upon receipt of your or your Surviving Spouse's written application, or by the applicant's personal representative in the event of any legal disability.

i. Except as provided in paragraph 10, all benefits under this Agreement shall be payable from the Company's general assets, which assets (including all funds in the Deferred Compensation Trust) are subject to the claims of the Company's general creditors, and are not set aside for your or your Surviving Spouse's benefit.

j. You agree that, if the Company establishes the Deferred Compensation Trust, the Company is entitled at any time prior to a Change in Control to revoke such trust and withdraw all funds theretofore deposited in such trust. You acknowledge that although this Agreement refers from time to time to your or your Surviving Spouse's trust account, no separate trust will be created and all assets of any Deferred Compensation Trust will be commingled.

k. This Agreement shall be governed by the laws of the State of Michigan.

12. We have agreed that the determinations of the Committee described in paragraph 11a shall be conclusive as provided in such paragraph, but if for any reason a claim is asserted which subverts the provisions of paragraph 11a, we agree that, except for causes of action which may arise under paragraph 11b and the first paragraph of paragraph 11c and provided no Change in Control has occurred, arbitration shall be the sole and exclusive remedy to resolve all disputes, claims or controversies which could be the subject of litigation (hereafter referred to as "dispute") involving or arising out of this Agreement. It is our mutual intention that the arbitration award will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction and enforcement may be had according to its terms.

The arbitrator shall be chosen in accordance with the commercial arbitration rules of the American Arbitration Association and the expenses of the arbitration shall be borne equally by the parties to the dispute. The place of the arbitration shall be the principal offices of the American Arbitration Association in the metropolitan Detroit area.

The arbitrator's sole authority shall be to apply the clauses of this Agreement.

We agree that the provisions of this paragraph 12, and the decision of the arbitrator with respect to any dispute, with only the exceptions provided in the first paragraph of this paragraph 12, shall be the sole and exclusive remedy for any alleged cause of action in any manner based upon or arising out of this Agreement. Subject to the foregoing exceptions, we acknowledge that since arbitration is the exclusive remedy, neither of us or any party claiming under this Agreement has the right to resort to any federal, state or local court or administrative agency concerning any matters dealt with by this Agreement and that the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute. The arbitration provisions contained in this paragraph shall survive the termination or expiration of this Agreement, and shall be binding on our respective successors, personal representatives and any other party asserting a claim based upon this Agreement.

We further agree that any demand for arbitration must be made within one year of the time any claim accrues which you or any person claiming hereunder may have against the Company; unless demand is made within such period, it is forever barred.

We are pleased to be able to make this supplemental plan available to you. Please examine the terms of this Agreement carefully and at your earliest convenience indicate your assent to all of its terms and conditions by signing and dating where provided below and returning a signed copy to me.

Sincerely,

MASCO CORPORATION

By _____
Richard A. Manoogian
Chief Executive Officer

DATE: _____

November 18, 2002

Dear

As you know the Compensation Committee has approved a revised bonus program for the executive group allowing year-end bonuses to fluctuate within a wide range above and below the normal 50% bonus opportunity historically used by the Company. This change, is not, of course, intended to significantly increase or decrease your retirement or disability benefits under our Supplemental Executive Retirement Plan and to prevent such an effect a modification of your existing SHIP Agreement is necessary. The amendment to your SERP Agreement set forth below limits the bonus paid with respect to any year included in the SERP retirement calculation to 50% of the salary paid during that year. The amount excluded, however, will be added to the bonus paid for any other year in the SERP retirement calculation, as long as the amount added does not adjust the bonus to an amount in excess of 50% of the salary paid during the year for which the adjusted bonus is paid. In the case of disability payments, in order to avoid a calculation based on a year for which the bonus was significantly higher or lower than the historical 50% level, the amendment would define "Total Compensation" as 150% of your then current salary and your overall disability payments would equal 60% of that amount.

The amendments would consist of changing the definitions of "Average Compensation" and "Total Compensation" in your SERP Agreement to read, respectively, as follows:

Average Compensation

"Average Compensation shall mean the aggregate of your highest three years total annual cash compensation, paid to you by the Company, consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid (the bonus with respect to any such year, however, only to be included in an amount not in excess of 50% of the base salary paid during such year), divided by three, provided, however, (x) if any portion of a bonus is excluded by the parenthetical contained in clause (ii) above, the total amount excluded will be added to one or both of the other two years included in the calculation as long as the amount so added does not result in a bonus with respect to any year exceeding 50% of the base salary paid during that year, (y) if you have on the date of determination less than three full years of employment the foregoing calculation, including any adjustment required by clause (x) above,

November 18, 2002

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shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed, and (z) if the determination of Average Compensation includes any year in which you volunteered to reduce your salary or, as part of a program generally applicable to participants in the Plan, you did not receive an increase in salary compared with the immediately preceding year, the Committee referred to in paragraph 11 shall make a good faith determination of what your Average Compensation would have been absent such salary reduction and absent such generally applicable program.”

Total Compensation

“If you become Disabled, “Total Compensation” shall mean 150% of your annual base salary rate at the time of your Disability, provided, however, if the determination of Total Compensation is for a year in which you volunteered to reduce your salary or, as part of a program generally applicable to participants in the Plan, you did not receive an increase in salary compared with the immediately preceding year, the Committee referred to in paragraph 11 shall make a good faith determination of what your Total Compensation would have been absent such salary reduction and absent such generally applicable program.”

Should you have any questions regarding the proposed amendment, please feel free to discuss them with Ray Kennedy, Dan Foley, John Leekley or me. If not, I would appreciate your execution and return of a copy of the enclosed amendment to Gene Gargaro, at which time the above-described amendment will become effective.

Sincerely yours,

Richard A. Manoogian
Chairman

I agree to the above amendment of
my SERP Agreement
changing the definition of
“Average Compensation” and -
“Total Compensation” as set
forth above

March 31, 2004

[Participant]

Dear [Participant],

Masco's Organization and Compensation Committee over the past several years has approved a number of major improvements to the benefits for our executives covered by Masco's program for supplemental retirement and other benefits (the "SERP Plan"). At its October meeting this Committee authorized a significant additional enhancement under your agreement pursuant to the SERP Plan (the "SERP Agreement") by increasing the percentage of your bonus eligible for inclusion in the SERP calculation from 50% of your base salary to 60% of your maximum bonus opportunity. An additional change would be made in the calculation of disability payments by changing the definition of "Total Compensation" from 150% of your then current salary to the sum of your then current salary and 60% of your then current bonus opportunity.) The provisions in your SERP Agreement, allowing certain carry-forwards or carry-backs of bonus payments in excess of what was 50% of your base salary would also be modified.

This enhancement was, in part, approved to partially offset the effect of the current freeze on your salary. Accordingly, the existing provision in your SERP Agreement, which requires a calculation of benefits on the assumption that all compensation freezes are disregarded, would be eliminated.

In order for these changes to be implemented in your SERP Agreement, the definitions of "Average Compensation" and "Total Compensation" in your SERP Agreement would be amended to read as follows:

Average Compensation

"Average Compensation shall mean the aggregate of your highest three years total annual cash compensation paid to you by the Company, consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid (the bonus with respect to any such year, however, only to be included in an amount not in excess of 60% of your maximum bonus opportunity for such year), divided by three, provided, however, (x) if any portion of a bonus is excluded by the parenthetical contained in clause (ii) above, the total amount excluded will be added to one or both of the other two years included in the calculation as long as the amount so added does not result in a bonus with respect to any year exceeding 60% of your maximum bonus opportunity for such year, (y) if you have on the date of determination less than three full years of employment, the foregoing calculation, including any adjustment required by clause (x) above, shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed."

[Participant]
March 31, 2004
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Total Compensation

If you become Disabled, "Total Compensation" shall mean the sum of your annual base salary rate and 60% of your then effective bonus opportunity at the time of your Disability."

Should you have any questions regarding this proposed amendment, please feel free to discuss them with Dan Foley, John Leekley or me. If not, I would appreciate your execution and return of a copy of this letter to Gene Gargaro, at which time the above described amendment will become effective.

This letter supersedes the letter agreement of December 5, 2003 between you and the Company.

Sincerely yours,

I agree to the above amendment
of my SERP Agreement changing
definition of "Average Compensation"
and "Total Compensation" as set
forth above.

November 3, 2008

Dear:

Section 409A of the Internal Revenue Code contains complex provisions regulating the payment of deferred compensation under non-qualified retirement programs, including your agreement (the "SERP Agreement") under Masco's supplemental executive retirement plan (the "Plan"). Under recently issued regulations of the Internal Revenue Service, non-complying payments under the Plan will result in serious adverse tax consequences to recipients, which include an increase in your marginal tax rate by 20 percentage points on all Plan payments not in compliance with Section 409A and an increase in applicable late-payment penalty rates by a full percentage point. The amendments to your SERP Agreement contained in this letter agreement are therefore necessary to bring the payment provisions of your SERP Agreement into compliance with Section 409A.

The principal changes under Section 409A described in this letter apply only to benefits accrued or vested after December 31, 2004 ("Covered Benefits"). Covered Benefits therefore include those under post 2004 SERP Agreements, post 2004 amendments to SERP Agreements and any increase in benefits resulting from higher compensation paid after 2004. Benefits, to the extent they were accrued and vested prior to January 1, 2005 ("Grandfathered Benefits"), may be paid without regard to Section 409A provisions. As a result of Section 409A, Masco will be required under the Plan to determine for each participant the portion of SERP payments attributable to Grandfathered Benefits and the portion attributable to Covered Benefits and, at times, treat these payments differently as described in this letter agreement.

No payment, however, of benefits under your SERP may be made under Section 409A unless a "separation from service" has occurred. Since it is unclear under the Plan if a "separation from service" has occurred if a participant is rendering services to Masco following retirement or during a disability, this letter agreement clarifies that a "separation from service" will have occurred, thereby allowing the commencement of SERP payments, even if a participant following retirement or during disability is providing services to Masco which do not exceed 49% of the individual's prior services as a full-time employee.

Initial monthly payments for Covered Benefits under the Plan must be delayed until six months have elapsed following a separation from service, after which time the delayed payments would be paid in a lump sum without interest. Any portion of your SERP payments represented by Grandfathered Benefits will not be delayed by Section 409A.

In the unlikely event of a change in control, if such a change satisfies the requirements of your existing SERP Agreement but not the more stringent requirements in Section 409A for a change in control, the same seriously adverse tax consequences to you could occur. In order to eliminate these consequences if a change in control does not satisfy both tests, this letter

agreement would provide that any Grandfathered Benefits under your SERP Agreement will be paid in a lump sum as currently provided in the existing SERP Agreement with the Covered Benefits subject to Section 409A paid to the Deferred Compensation Trust and thereafter distributed by the Trust as though no change in control has occurred. A new change in control trigger, included in this letter agreement in clause (iii) of Paragraph 13, has been added to ensure that if the requirements of Section 409A have been met, payments of your SERP benefits will be made as currently scheduled in your SERP Agreement.

In order to assure ongoing compliance with these new statutory provisions and to avoid potentially severe tax consequences to you, we are requesting that you agree to the amendments to your SERP Agreement set forth below.

The definition of "Surviving Spouse" in clause (m) of your SERP Agreement shall be amended by substituting for the words "the commencement of your Disability" the words "the termination of your employment as a result of Disability".

The definition of "Retirement" in clause (1) of your SERP Agreement shall be amended to read as follows:

"Retirement" shall mean your termination of employment with the Company on or after you attain age 65. Termination of employment for all purposes under this Agreement shall mean a "separation from service" under Section 409A of the Code which shall only occur if any services which you may continue to provide to the Company as an employee or as a consultant after termination of employment are not in excess of 49% of your prior service level, all as determined in accordance with the regulations under Section 409A of the Code.

Paragraph 6 of your SERP Agreement shall be amended to insert the phrase "resulting in a termination of employment" following the first occurrence of the word "Disabled" and thereby read as follows:

6. If you shall have been employed by the Company for two Years or more and while employed by the Company you become Disabled resulting in a termination of employment prior to your attaining age 65, until the earlier of your death, termination of Disability or attaining age 65 the Company will pay you an annual benefit, subject to paragraph 8 below, equal to 60% of your Total Compensation less any benefits payable to you pursuant to long-term disability insurance under programs provided by the Company. If your Disability continues until you attain age 65, you shall be considered retired and you shall receive retirement benefits pursuant to paragraph 1 above, based upon your Average Compensation as of the date it is determined you became Disabled and with your SERP Percentage given credit for Years of Service while you were Disabled.

Paragraph 9 of your SERP Agreement shall be amended by substituting for the word "Disabled" in the last sentence thereof the words "terminated from employment by reason of Disability".

Paragraph 10(iii) of your SERP Agreement shall be amended by deleting the word “Disabled” in clause (1) thereof and substituting therefore the phrase “are terminated as a result of Disability”.

A new or modified Paragraph 13 for your SERP Agreement shall read as follows and replace any existing Paragraph 13 in your SERP Agreement:

13. Section 409A (i) This Agreement shall be administered so as to impose (if required in order to avoid a violation of Section 409A (a)(2) (B)(i) of the Code) a six-month waiting period for payments of Covered Benefits (hereinafter defined), to begin following your termination of employment, if such waiting period is applicable, the first payment following the waiting period shall include any payments (with no payment for interest) delayed under this provision.

(ii) If a “Change in Control” has occurred which is also a “Change of Control” as defined in Section 13(iii) below, then all of the provisions of the Agreement, including the provisions of Paragraph 10, shall apply without change. However, if there is a “Change in Control” which is not a “Change of Control” as defined in Section 13(iii) then (A) as to that portion of your benefits under this Agreement which is not subject to the provisions of Section 409A of the Code (the “Grandfathered Benefits”), all of the provisions of this Agreement, including Section 10, shall apply without change, and (B) as to that portion of your benefits under this Agreement which is subject to Section 409A of the Code (the “Covered Benefits”), the only provisions of Paragraph 10 which shall be applicable thereto are clauses (1), (2) and (3) of Paragraph 10(i) and Paragraphs 10(ii), 10(iv) and 10(v). The amount deposited in the Deferred Compensation Trust representing 110% of the Gross-Up Amount attributable to the Grandfathered Benefits, the Covered Benefits or otherwise shall be held in and distributed from the Deferred Compensation Trust in accordance with the provisions of Paragraph 10. The amount so deposited representing the Covered Benefits shall be held and invested by the Deferred Compensation Trust and paid to you or your Surviving Spouse as an annuity under the applicable circumstances of Paragraphs 1, 2, 4 (disregarding the inapplicability of Paragraph 4 in the event of a “Change in Control”), 5, 6 or 7 of this Agreement. If, for any reason, the monthly benefit paid by the Deferred Compensation Trust to you or your Surviving Spouse is less than the monthly benefit used to calculate the amount deposited under the next preceding sentence, the Company shall pay the deficiency directly to you or your Surviving Spouse.

(iii) A “Change of Control” for purposes of Section 409A of the Code shall be deemed to have occurred if during any period of twelve consecutive calendar months, the individuals who at the beginning of such period constitute the Company’s Board of Directors, and any new directors (other than Excluded Directors) whose election by such Board or nomination for election by stockholders was approved by a vote of at least a majority of the members of such board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the

members thereof. Excluded Directors are directors whose election by the Board or approval by the Board for stockholder election occurred within one year after any "person" or "group of persons" as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 30 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 30 percent or more of such combined voting power.

Should you have any questions regarding these proposed amendments, please feel free to discuss them with Chuck Greenwood, John Leekley or me. If not, I would appreciate your execution and return of a copy of this letter to Gene Gargaro, at which time the above-described amendments will become effective.

Sincerely yours,

Timothy Wadhams
President and Chief Executive Officer

I agree to the above-described
Amendments to my SERP
Agreement.

[Name]

December 4, 2007

Mr. John G. Sznawajs
[Address]

Dear John:

Our Company's Board of Directors has adopted a plan whereby supplemental retirement and other benefits, in addition to those provided under the Company's pension and other benefit plans, will be made available to those Company and subsidiary executives as may be designated from time to time by the Company's Chief Executive Officer. The plan providing such benefits, as originally made available to designated executives in 1987 and as subsequently amended from time to time heretofore or in the future, is referred to in this letter as the "Plan". I am pleased to inform you that I have designated you as a participant in the Plan, and this Agreement describes in full your benefits pursuant to the Plan and all of the Company's obligations to you, and yours to the Company with respect to the Plan. These benefits as described below are contractual obligations of the Company.

For the purposes of this Agreement, words and terms are defined as follows:

a. "Average Compensation" shall mean the aggregate of your highest three years' total annual cash compensation paid to you by the Company, consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid (the bonus with respect to any such year, however, only to be included in an amount not in excess of 60% of the base salary in effect at the end of such year), divided by three, provided, however, (x) if any portion of a bonus is excluded by the parenthetical contained in clause (ii) above, the total amount excluded will be added to one or both of the other two years included in the calculation as long as the amount so added does not result in a bonus with respect to any year exceeding 60% of the base salary in effect at the end of that year, and (y) if you have on the date of determination less than three full years of employment the foregoing calculation, including any adjustment required by clause (x) above, shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed.

b. A "Change in Control" shall be deemed to have occurred if, during any period of twenty-four consecutive calendar months, the individuals who at the beginning of such period constitute the Company's Board of Directors, and any new directors (other than Excluded Directors) whose election by such Board or nomination for election by stockholders was approved by a vote of at least two-thirds of the members of such Board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof. Excluded Directors are directors whose election by the Board or approval by the Board for stockholder election occurred within one year after any "person" or "group of persons" as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 25 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 25 percent or more of such combined voting power.

c. "Code" means the Internal Revenue Code of 1986, as amended.

d. "Company" shall mean Masco Corporation or any corporation in which Masco Corporation owns directly or indirectly stock possessing in excess of 50% of the total combined voting power of all classes of stock.

e. The "Deferred Compensation Trust" shall mean any trust created by the Company to receive the deposit referred to in clause (2) of paragraph 10.

f. "Disability" and "Disabled" shall mean your being unable to perform your duties as a Company executive by reason of your physical or mental condition, prior to your attaining age 65, provided that you have been employed by the Company for two consecutive Years or more at the time you first became Disabled.

g. The "Gross-Up Amount" (i) shall be determined if any payment or distribution by the Company to or for your benefit, whether paid, distributed, payable or distributed or distributable pursuant to the terms of this Agreement, any stock option or stock award plan, retirement plan or otherwise (such payment or distribution, other than an Excise Tax Adjustment Payment under clause (ii), is referred to herein as a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties with respect to such excise tax (such excise tax together with any such interest or penalties are referred to herein as the "Excise Tax"), and (ii) shall mean an additional payment (the "Excise Tax Adjustment Payment") in an amount such that after subtracting from the Excise Tax Adjustment Payment your payment of all applicable Federal, state and local taxes (computed at the maximum marginal rates and including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Excise Tax Adjustment Payment, the balance will be equal to the Excise Tax imposed upon the Payments. All determinations required to be made with respect to the "Gross-Up Amount", including whether an Excise Tax Adjustment Payment is required and the amount of such Excise Tax Adjustment Payment, shall be made by PricewaterhouseCoopers LLP, or such national accounting firm as the Company may designate prior to a Change in Control, which shall provide detailed supporting calculations to the Company and you. Except as provided in clause (iv) of paragraph 10, all such determinations shall be binding upon you and the Company.

h. "PBGC" shall mean the Pension Benefit Guaranty Corporation.

i. "Present Value" of future benefits means the discounted present value of those benefits (including therein the benefits, if any, your Surviving Spouse would be entitled to receive under this Agreement upon your death), using the UP-1984 Mortality Table and discounted by the interest rate used, for purposes of determining the present value of a lump sum distribution on plan termination, by the PBGC on the first day of the month which is (i) four months prior to the month in which a Change in Control occurs or (ii) the month in which your death occurs if the Present Value is to be calculated under the proviso in the last sentence of paragraph 4 (or if the PBGC has ceased publishing such interest rate, such other interest rate as the Board of Directors deems is an appropriate substitute). The above PBGC interest rate is intended to be determined based on PBGC methodology and regulations in effect on September 1, 1993 (as contained in 29 CFR Part 2619).

j. "Profit Sharing Conversion Factor" shall be a factor equal to the present value of a life annuity payable at the later of age 65 or attained age based on the 1983 Group Annuity Mortality Table using a blend of 50% of the male mortality rates and 50% of the female mortality rates as set forth in Revenue Ruling 95-6 (or such other mortality table that the Internal Revenue Service may prescribe in the future) and an interest rate equal to the average yield for 30-year Treasury Constant Maturities, as reported in Federal Reserve Statistical Releases G.13 and H.15, four months prior to the month of the date of determination (or, if such interest rate ceases to be so reported, such other interest rate as the Board of Directors deems is an appropriate substitute).

k. "Retirement" shall mean your termination of employment with the Company, on or after you attain age 65. Your acting as a consultant shall not be considered employment.

l. "SERP Percentage" of your Average Compensation is 60% if at the date of determination you have completed 15 or more Years of Service, and decreases by increments of four percentage points for each Year or portion thereof less than 15 that you have accumulated at the date of determination. The minimum SERP Percentage is 20% after five Years of Service; prior to completing five Years of Service the SERP Percentage is 0.

m. "Surviving Spouse" shall be the person to whom you shall be legally married (under the law of the jurisdiction of your permanent residence) at the date of (i) your Retirement or death after attaining age 65 (if death terminated employment with the Company) for the purposes of paragraphs 1, 2 and 3, (ii) your death for the purposes of paragraph 5 and, if paragraph 5 is applicable, for the purposes of paragraph 3, (iii) the commencement of your Disability for the purposes of paragraphs 6 and 7 and, as long as paragraphs 6 or 7 are applicable, for the purposes of paragraph 3, (iv) your termination of employment for the purposes of paragraph 4 and, if paragraph 4 is applicable, for purposes of paragraph 3 and (v) a "Change in Control" for the purposes of paragraph 10 if none of clauses (i) through (iv) has become applicable prior to the Change in Control and, if this clause (v) is applicable, for purposes of paragraph 3. For the purposes of paragraphs 11a, 11e, 11f, 11g, 11h, 11i and 11j, "Surviving Spouse" shall be any spouse entitled to any benefits hereunder.

n. If you become Disabled, "Total Compensation" shall mean 160% of your annual base salary rate at the time of your Disability.

o. "Vested Percentage" shall mean the sum of the following percentages: (i) 2% multiplied by your Years of Service, plus (ii) 8% multiplied by the number of Years, while an employee of the Company, you have been designated a participant in the Plan; provided, however, (w) prior to completing five Years of Service the Vested Percentage is 0, (x) on your fiftieth birthday your Vested Percentage may not exceed 50%, (y) on or prior to each of your birthdays following your fiftieth birthday your Vested Percentage may not exceed the sum of 50% plus the product obtained by multiplying 10% by the number of birthdays that have occurred following your fiftieth birthday, and (z) your Vested Percentage in no event may exceed 100%.

p. "Year" shall mean twelve full consecutive months, and "year" shall mean a calendar year.

q. "Years of Service" shall mean the number of Years during which you were employed by the Company (excluding, however, Years of Service with a corporation prior to the time it became a subsidiary of or otherwise affiliated with Masco Corporation).

1. In accordance with the Plan, upon your Retirement the Company will pay you annually during your lifetime, subject to paragraph 8 below, the SERP Percentage of your Average Compensation, less: (i) a sum equal to the annual benefit which would be payable to you upon your Retirement if benefits payable to you under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you retire, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon Retirement if your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) unless you have at least 25 Years of Service, any retirement benefits paid or payable to you by reason of employment by all other employers (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than such other employers), provided, however, in all cases the amount offset pursuant to these subsections (i), (ii) and (iii) shall be determined prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans.

2. Upon your death after Retirement or while employed by the Company after attaining age 65, your Surviving Spouse shall receive for life 75% of the annual benefit pursuant to paragraph 1 of this Agreement which was payable to you prior to your death (or, if death terminated employment after attaining age 65, which would have been payable to you had your Retirement occurred immediately prior to your death).

3. The Company will provide, purchase or at its option provide reimbursement for premiums paid for such supplemental medical insurance as the Company in its sole discretion may deem advisable from time to time (i) for you and your Surviving Spouse for the lifetime of each of you (A) following a termination of your employment with the Company due to Retirement or Disability, and (B) following any other termination of employment with the Company provided (x) you and your Surviving Spouse are not covered by another medical insurance program substantially all of the cost of which is paid by another employer, (y) on the date of such termination your Vested Percentage is not less than 80% and (z) the benefits under this paragraph 3 shall not commence until you have attained age 60 or your earlier death to the extent you die leaving a Surviving Spouse, and (ii) for your Surviving Spouse for his or her lifetime upon a termination of your employment with the Company due to your death.

4. If your employment with the Company is for any reason terminated prior to Retirement, other than as a result of circumstances described in paragraphs 2, 5 or 6 of this Agreement or following a Change in Control, and if prior to the date of termination you have completed 5 or more Years of Service, upon your attaining age 65 the Company will pay to you annually during your lifetime, subject to paragraph 8 below, the Vested Percentage of the result obtained by (1) multiplying your SERP Percentage at the date your employment terminated by your Average

Compensation, less (2) the sum of the following: (i) a sum equal to the annual benefit which would be payable to you upon your attaining age 65 if benefits payable to you under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you attain age 65, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon your attaining age 65 if an amount equal to your vested accounts at the date of your termination of employment with the Company in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan (in each case increased from the date of termination to age 65 at the imputed rate of 4% per annum) were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) to the extent the annual payments described in this clause (iii) and the annual payments you would otherwise be entitled to receive under this paragraph 4 would, in the aggregate exceed (the "excess amount") the annual payments you would have received under paragraph 1 had you remained employed by the Company until Retirement (with your SERP Percentage determined as though you were given credit for additional Years of Service until age 65 but no compensation increases), any retirement benefits paid or payable to you by reason of employment by all other previous or future employers, but only to the extent of such excess amount (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than your prior or future employers), provided, however, in all cases the amount offset pursuant to these subsections (i),(ii) and (iii) shall be determined prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans. Upon your death on or after age 65 should you be survived by your Surviving Spouse, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit payable to you under the preceding sentence following your attainment of age 65; provided, further, if your death should occur prior to age 65, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit which would have been payable to you under the preceding sentence following your attainment of age 65, reduced by a factor of actuarial equivalence as determined by the Committee, such that the Present Value of the aggregate payments to be received by your Surviving Spouse based on his or her life expectancy as of the date of your death is equal to the Present Value, determined at the date of your death, of the aggregate payments estimated to be received by your Surviving Spouse based on his or her life expectancy at an age, and as if your Surviving Spouse had begun receiving payments, when you would have attained age 65.

5. If while employed by the Company you die prior to your attaining age 65 leaving a Surviving Spouse, and provided you shall have been employed by the Company for two consecutive Years or more, your Surviving Spouse shall receive annually for life, subject to paragraph 8 below, 75% of the SERP Percentage of your Average Compensation (with your SERP Percentage determined as though you were given credit for additional Years of Service but no compensation increases between the date of your death and the date you would have attained age 65), less: (i) a sum equal to the annual benefit which would be payable to your Surviving Spouse under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan if such benefit were converted to a life annuity (such deduction, however, only to commence on the date such benefit is first payable), (ii) a sum equal to the annual payments which would be received by

your Surviving Spouse as if your spouse were designated as the beneficiary of your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan and such accounts were converted to a life annuity at the time of your death in accordance with the Profit Sharing Conversion Factor, and (iii) unless you have at least 25 Years of Service, any retirement benefits paid or payable to you or your Surviving Spouse by reason of your employment by all other employers (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than such other employers), provided, however, in all cases the amount offset pursuant to these subsections (i),(ii) and (iii) shall be determined prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans. No death benefits are payable except to your Surviving Spouse.

6. If you shall have been employed by the Company for two Years or more and while employed by the Company you become Disabled prior to your attaining age 65, until the earlier of your death, termination of Disability or attaining age 65 the Company will pay you an annual benefit, subject to paragraph 8 below, equal to 60% of your Total Compensation less any benefits payable to you pursuant to long-term disability insurance under programs provided by the Company. If your Disability continues until you attain age 65, you shall be considered retired and you shall receive retirement benefits pursuant to paragraph 1 above, based upon your Average Compensation as of the date it is determined you became Disabled and with your SERP Percentage given credit for Years of Service while you were Disabled.

7. If you die leaving a Surviving Spouse while receiving Disability benefits pursuant to paragraph 6 of this Agreement, you will be deemed to have retired on your death and your Surviving Spouse shall receive for life 75% of the annual benefit which would have been payable to you if you had retired on the date of your death and your benefit determined pursuant to paragraph 1, based upon your Average Compensation as of the date you became Disabled and with your SERP Percentage given credit for Years of Service from the date you became Disabled to the date you would have attained age 65.

8. If the age of your Surviving Spouse is more than 20 years younger than your age, then the annual benefit payable under paragraphs 1, 4, 5 and 6 of this Agreement and the benefit payable as "the SERP Percentage of your Average Compensation", as that phrase is used in paragraph 5 of this Agreement, shall be reduced by the percentage obtained by multiplying 1.5% times the number of Years or portion thereof by which your Surviving Spouse is more than 20 years younger than you.

9. If you or your Surviving Spouse is eligible to receive benefits hereunder, unless otherwise specifically agreed by the Company in writing, you and your Surviving Spouse will not be able to receive benefits under any other Company sponsored non-qualified retirement plans other than the Company's Retirement Benefits Restoration Plan. For this purpose benefits received under the Company's non-qualified stock option or stock award plans will not be considered to have been received under a Company sponsored non-qualified retirement plan even though such benefits are received after retirement. Except as provided in Paragraph 3, the last sentence of paragraph 4 and in paragraph 10 of this Agreement, no benefits will be paid to your Surviving Spouse pursuant to this Agreement unless upon your death you were employed by the Company, Disabled or had taken

Retirement from the Company.

10. Change in Control. (i) Immediately upon the occurrence of any Change in Control:

(1) If you are then employed by the Company, (i) your SERP Percentage, if not already 60%, shall be deemed for all purposes of this Agreement to be the lesser of 60% or the percentage resulting by adding to your SERP Percentage immediately prior thereto the product obtained by multiplying 4% by the number of Years which would then have to elapse prior to your attainment of age 65, and (ii) your Vested Percentage, if not already 100%, shall be deemed for all purposes of this Agreement to be 100%.

(2) If the Deferred Compensation Trust has theretofore been established or is established within thirty days after the Change in Control, the Company shall forthwith deposit to an account in your name (or that of your Surviving Spouse if you are then deceased and your Surviving Spouse is entitled to benefits hereunder) in the Deferred Compensation Trust 110% of the sum of the Gross-Up Amount plus:

(A) If you are then employed by the Company, an amount equal to the discounted Present Value of the benefits which would have been payable under paragraphs 1 and 2 of this Agreement upon Retirement at age 65 or attained age if greater, assuming for purposes of this clause, no compensation increases and that if younger than age 65 you and your Surviving Spouse had attained such age;

(B) If employment has previously been terminated but you or your Surviving Spouse is then entitled in the future to receive benefits under paragraph 4 of this Agreement, an amount equal to the discounted Present Value of the benefits which would have been payable under such paragraph;

(C) If you or your Surviving Spouse is then receiving payments under paragraphs 1, 2, 4, 5 or 7 of this Agreement, an amount equal to the Present Value of those benefits payable in the future to you and your Surviving Spouse; and

(D) If you are then receiving payments under paragraph 6 of this Agreement, an amount equal to the Present Value of the benefits which would have been payable under paragraphs 6 and 7 on the assumption you would have continued to receive benefits under paragraph 6 until you had attained age 65 and thereafter continued to receive benefits as though you were deemed to have retired.

(3) The Company shall thereafter be obligated to provide such supplemental medical insurance as has theretofore in the discretion of the Company been generally provided to participants and their Surviving Spouses under the Plan (A) to you and your Surviving Spouse if you or your Surviving Spouse is then receiving benefits under paragraph 3, (B) to you and your Surviving Spouse if you become Disabled if you are employed by the Company at the time of the Change in Control, (C) to your Surviving Spouse upon your death if you are employed by the Company at the time of the Change in Control and (D) to you and your Surviving Spouse upon any termination of employment following any Change in Control but only during the periods when you and your Surviving Spouse are not covered by another medical insurance program substantially all of the cost of which is paid by another employer. The obligations of the Company under this clause (i)(3) shall remain in effect for the lifetime of both you and your Surviving Spouse.

(4) If the Deferred Compensation Trust is not established prior to or within thirty days after the Change in Control, all payments which would have otherwise have been made to you or your Surviving Spouse from the Deferred Compensation Trust shall immediately after such thirty day period be made to you or your Surviving Spouse by the Company.

(ii) Any deposit by the Company to an account in your name or that of your Surviving Spouse in the Deferred Compensation Trust prior to the occurrence of the Change in Control, together with all income then accrued thereon (but only to the extent of the value of such deposited amount and the income accrued thereon on the day of any deposit under clause (i)(2) of this paragraph 10), shall reduce by an equal amount the obligations of the Company to make the deposit required under clause (i)(2) of this paragraph 10.

(iii) At or prior to making the deposit required by clause (i)(2) of this paragraph 10, the Company shall deliver to the Trustee under the Deferred Compensation Trust a certificate specifying that portion, if any, of the amount in the trust account, after giving effect to the deposit, which is represented by the Gross-Up Amount. Payment of 90.91% of the amount required by clause (i)(2) of this paragraph 10 to be paid to the trust account, together with any income accrued thereon from the date of the Change in Control, is to be made to you or your Surviving Spouse, as applicable, under the terms of the Deferred Compensation Trust, at the earlier of (1) immediately upon a Change in Control if you then are deceased or have attained age 65 or are Disabled, (2) your death subsequent to the Change in Control, or (3) the date which is one year after the Change in Control; provided, however, that the Trustee under the Deferred Compensation Trust is required promptly to pay to you or your Surviving Spouse, as applicable, from the trust account from time to time amounts, not exceeding in the aggregate the Gross-Up Amount, upon your or your Surviving Spouse's certification to the Trustee that the amount to be paid has been or within 60 days will be paid by you or your Surviving Spouse to a Federal, state or local taxing authority as a result of the Change in Control and the imposition of the excise tax under Section 4999 of the Code (or any successor provision) on the receipt of any portion of the Gross-Up Amount. All amounts in excess of the amount required to be paid from the trust account by the preceding sentence, after all expenses of the Deferred Compensation Trust have been paid, shall revert to the Company provided that the Company has theretofore expressly affirmed its continuing obligations under clause (i)(3) of this Paragraph 10.

(iv) Subject to the next sentence of this clause (iv), the payment of the Gross-Up Amount to you or your Surviving Spouse or the account in your or your Surviving Spouse's name in the Deferred Compensation Trust will thereby discharge the Company from any obligations it may have under any present or future stock option or stock award plan, retirement plan or otherwise, to make any other payment as a result of your income becoming subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties with respect to such excise tax. As a result of the uncertainty which will be present in the application of Section 4999 of the Code (or any successor provision) at the time of the determination of the Gross-Up Amount and the possibility that between the date of determination of the Gross-Up Amount and the dates payments are to be made to you or your Surviving Spouse under this Agreement, changes in applicable tax laws will result in an incorrect determination of the Gross-Up Amount having been made, it is possible that (1) payment of a portion of the Gross-Up Amount will not have been made by the Company which should have been made (an "Underpayment"), or (2) payment of a portion of the Gross-Up Amount will have been made which should not have been made (an "Overpayment"), consistent with the calculations required to be made hereunder. In the event of an Underpayment, such Underpayment shall be promptly paid by the Company to or for your benefit. In the event that you or your Surviving Spouse discover that an Overpayment shall have occurred, the amount thereof shall be promptly repaid by you or your Surviving Spouse to the Company.

(v) Prior to the occurrence of a Change in Control, any deposits made by the Company to an account in the Deferred Compensation Trust may be withdrawn by the Company. Upon the occurrence of a Change in Control, all further obligations of the Company under this Agreement (other than under this Paragraph 10 to the extent not theretofore performed) shall terminate in all respects.

11. We also agree upon the following:

a. Prior to the occurrence of a Change in Control, the Organization and Compensation Committee of the Company's Board of Directors, or any other committee however titled which shall be vested with authority with respect to the compensation of the Company's officers and executives (in either case, the "Committee"), shall have the exclusive authority to make all determinations which may be necessary in connection with this Agreement including the dates of and whether you are or continue to be Disabled, the amount of annual benefits payable hereunder by reason of offsets hereunder due to employment by other employers, the interpretation of this Agreement, and all other matters or disputes arising under this Agreement. The determinations and findings of the Committee shall be conclusive and binding, without appeal, upon both of us.

b. You will not during your employment or Disability, and after Retirement or the termination of your employment, for any reason disclose or make use of for your own or another person's benefit under any circumstances any of the Company's Proprietary Information. Proprietary Information shall include trade secrets, secret processes, information concerning products, developments, manufacturing techniques, new product or marketing plans, inventions, research and development information or results, sales, pricing and financial data, information relating to the management, operations or planning of the Company and any other information treated as confidential or proprietary.

c. You agree that you will not following your termination of employment for any reason (whether on Retirement, Disability or termination prior to attaining age 65) thereafter directly or indirectly engage in any business activities, whether as a consultant, advisor or otherwise, in which the Company is engaged in any geographic area in which the products or services of the Company have been sold, distributed or provided during the five year period prior to the date of your termination of employment. In light of ongoing payments to be received by you and your Surviving Spouse for your respective lives, the restrictions contained in the preceding sentence shall be unlimited in duration provided no Change in Control has occurred and, in the event of a Change in Control, all such restrictions shall terminate one year thereafter.

In addition to the foregoing and provided no Change in Control has occurred, if while you or your Surviving Spouse is receiving retirement or other benefits pursuant to this Agreement, in the judgment of the Committee you or your Surviving Spouse directly or indirectly engage in activity or act in a manner which can be considered adverse to the interest of the Company or any of its direct or indirect subsidiaries or affiliated companies, the Committee may terminate rights to any further benefits hereunder.

d. Except as may be provided to the contrary in a duly authorized written agreement between you and the Company you acknowledge that the Company has made no commitments to you of any kind with respect to the continuation of your employment, which we expressly agree is an employment at will, and you or the Company shall have the

unrestricted right to terminate your employment with or without cause, at any time in your or its discretion.

e. At the Company's request, expressed through a Company officer, you agree to provide such information with respect to matters which may arise in connection with this Agreement as may be deemed necessary by the Company or the Committee, including for example only and not in limitation, information concerning benefits payable to you from third parties, and you further agree to submit to such medical examinations by duly licensed physicians as may be requested by the Company from time to time. You also agree to direct third parties to provide such information, and your Surviving Spouse's cooperation in providing such information is a condition to the receipt of survivor's benefits under this Agreement.

f. To the extent permitted by law, no interest in this Agreement or benefits payable to you or to your Surviving Spouse shall be subject to anticipation, or to pledge, assignment, sale or transfer in any manner nor shall you or your Surviving Spouse have the power in any manner to charge or encumber such interest or benefits, nor shall such interest or benefits be liable or subject in any manner for the liabilities of you or your Surviving Spouse's debts, contracts, torts or other engagements of any kind.

g. No person other than you and your Surviving Spouse shall have any rights or property interest of any kind whatsoever pursuant to this Agreement, and neither you nor your Surviving Spouse shall have any rights hereunder other than those expressly provided in this Agreement. Upon the death of you and your Surviving Spouse no further benefits of whatsoever kind or nature shall accrue or be payable pursuant to this Agreement.

h. All benefits payable pursuant to this Agreement, other than pursuant to paragraph 10, shall be paid in installments of one-twelfth of the annual benefit, or at such shorter intervals as may be deemed advisable by the Company in its discretion, upon receipt of your or your Surviving Spouse's written application, or by the applicant's personal representative in the event of any legal disability.

i. Except as provided in paragraph 10, all benefits under this Agreement shall be payable from the Company's general assets, which assets (including all funds in the Deferred Compensation Trust) are subject to the claims of the Company's general creditors, and are not set aside for your or your Surviving Spouse's benefit.

j. You agree that, if the Company establishes the Deferred Compensation Trust, the Company is entitled at any time prior to a Change in Control to revoke such trust and withdraw all funds theretofore deposited in such trust. You acknowledge that although this Agreement refers from time to time to your or your Surviving Spouse's trust account, no separate trust will be created and all assets of any Deferred Compensation Trust will be commingled.

k. This Agreement shall be governed by the laws of the State of Michigan.

12. We have agreed that the determinations of the Committee described in paragraph 11a shall be conclusive as provided in such paragraph, but if for any reason a claim is asserted which subverts the provisions of paragraph 11a, we agree that, except for causes of action which may arise under paragraph 11b and the first paragraph of paragraph 11c and provided no Change in Control has occurred, arbitration shall be the sole and exclusive remedy to resolve all disputes,

claims or controversies which could be the subject of litigation (hereafter referred to as "dispute") involving or arising out of this Agreement. It is our mutual intention that the arbitration award will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction and enforcement may be had according to its terms.

The arbitrator shall be chosen in accordance with the commercial arbitration rules of the American Arbitration Association and the expenses of the arbitration shall be borne equally by the parties to the dispute. The place of the arbitration shall be the principal offices of the American Arbitration Association in the metropolitan Detroit area.

The arbitrator's sole authority shall be to apply the clauses of this Agreement.

We agree that the provisions of this paragraph 12, and the decision of the arbitrator with respect to any dispute, with only the exceptions provided in the first paragraph of this paragraph 12, shall be the sole and exclusive remedy for any alleged cause of action in any manner based upon or arising out of this Agreement. Subject to the foregoing exceptions, we acknowledge that since arbitration is the exclusive remedy, neither of us or any party claiming under this Agreement has the right to resort to any federal, state or local court or administrative agency concerning any matters dealt with by this Agreement and that the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute. The arbitration provisions contained in this paragraph shall survive the termination or expiration of this Agreement, and shall be binding on our respective successors, personal representatives and any other party asserting a claim based upon this Agreement.

We further agree that any demand for arbitration must be made within one year of the time any claim accrues which you or any person claiming hereunder may have against the Company; unless demand is made within such period, it is forever barred.

13. This Agreement shall be administered so as to be compliant with Section 409K of the Code including the six-month waiting period for payments to begin following a separation of employment, if applicable. If such waiting period is applicable, the first payment following the waiting period shall include any payments deferred under this provision.

We are pleased to be able to make this supplemental plan available to you. Please examine the terms of this Agreement carefully and at your earliest convenience indicate your assent to all of its terms and conditions by signing and dating where provided below and returning a signed copy to me.

Sincerely,

MASCO CORPORATION

By /s/ Timothy Wadhams
President and Chief Executive Officer

/s/ John G. Sznewajs
John G. Sznewajs

DATE: December 21, 2007

Form of Amendment for:

John G. Szniewajs

November 3, 2008

Dear:

Section 409A of the Internal Revenue Code contains complex provisions regulating the payment of deferred compensation under non-qualified retirement programs, including your agreement (the "SERP Agreement") under Masco's supplemental executive retirement plan (the "Plan"). Under recently issued regulations of the Internal Revenue Service, non-complying payments under the Plan will result in serious adverse tax consequences to recipients, which include an increase in your marginal tax rate by 20 percentage points on all Plan payments not in compliance with Section 409A and an increase in applicable late-payment penalty rates by a full percentage point. The amendments to your SERP Agreement contained in this letter agreement are therefore necessary to bring the payment provisions of your SERP Agreement into compliance with Section 409A.

The principal changes under Section 409A described in this letter apply only to benefits accrued or vested after December 31, 2004 ("Covered Benefits"). Covered Benefits therefore include those under post 2004 SERP Agreements, post 2004 amendments to SERP Agreements and any increase in benefits resulting from higher compensation paid after 2004. Benefits, to the extent they were accrued and vested prior to January 1, 2005 ("Grandfathered Benefits"), may be paid without regard to Section 409A provisions. As a result of Section 409A, Masco will be required under the Plan to determine for each participant the portion of SERP payments attributable to Grandfathered Benefits and the portion attributable to Covered Benefits and, at times, treat these payments differently as described in this letter agreement.

No payment, however, of benefits under your SERP may be made under Section 409A unless a "separation from service" has occurred. Since it is unclear under the Plan if a "separation from service" has occurred if a participant is rendering services to Masco following retirement or during a disability, this letter agreement clarifies that a "separation from service" will have occurred, thereby allowing the commencement of SERP payments, even if a participant following retirement or during disability is providing services to Masco which do not exceed 49% of the individual's prior services as a full-time employee.

Initial monthly payments for Covered Benefits under the Plan must be delayed until six months have elapsed following a separation from service, after which time the delayed payments would be paid in a lump sum without interest. Any portion of your SERP payments represented by Grandfathered Benefits will not be delayed by Section 409A.

In the unlikely event of a change in control, if such a change satisfies the requirements of your existing SERP Agreement but not the more stringent requirements in Section 409A for a change in control, the same seriously adverse tax consequences to you could occur. In order to eliminate these consequences if a change in control does not satisfy both tests, this letter agreement would provide that any Grandfathered Benefits under your SERP Agreement will be paid in a lump sum as currently provided in the existing SERP Agreement with the Covered Benefits subject to Section 409A paid to the Deferred Compensation Trust and thereafter distributed by the Trust as though no change in control has occurred. A new change in control trigger, included in this letter agreement in clause (iii) of Paragraph 13, has been added to ensure that if the requirements of Section 409A have been met, payments of your SERP benefits will be made as currently scheduled in your SERP Agreement.

Finally, in light of the recent increase in your annual cash bonus opportunity from 100% of your base salary, the Organization and Compensation Committee of our Board of Directors has approved a change in your SERP Agreement to increase the amount of your annual bonus which is includible in "Average Compensation", as that term is used in your SERP Agreement. A conforming change would also be made in the definition of "Total Compensation" for purposes of disability payments. As noted above, the increased portion of your benefit attributable to these changes will be a Covered Benefit under Section 409A.

In order to assure ongoing compliance with these new statutory provisions, to avoid potentially severe tax consequences to you and to increase the amount of any bonuses includible in determining payments to be made under your SERP Agreement, we are requesting that you agree to the amendments to your SERP Agreement set forth below.

The definition of "Average Compensation" in clause (a) of your SERP Agreement shall be amended to read as follows:

"Average Compensation" shall mean the aggregate of your highest three years total annual cash compensation paid to you by the Company, consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid (the bonus with respect to any such year, however, only to be included in an amount not in excess of 60% of your maximum bonus opportunity for such year), divided by three, provided, however, (x) if any portion of a bonus is excluded by the parenthetical contained in clause (ii) above, the total amount excluded will be added to one or both of the other two years included in the calculation as long as the amount so added does not result in a bonus with respect to any year exceeding 60% of your maximum bonus opportunity for such year, (y) if you have on the date of determination less than three full years of employment, the foregoing calculation, including any adjustment required by clause(x) above, shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed.

The definition of Total Compensation in clause (n) of your SERP Agreement shall be amended to read as follows:

“If you become Disabled, “Total Compensation” shall mean the sum of your annual base salary rate and 60% of your then effective bonus opportunity at the time of your Disability”.

The definition of “Surviving Spouse” in clause (m) of your SERP Agreement shall be amended by substituting for the words “the commencement of your Disability” the words “the termination of your employment as a result of Disability”.

The definition of “Retirement” in clause (l) of your SERP Agreement shall be amended to read as follows:

“Retirement” shall mean your termination of employment with the Company on or after you attain age 65. Termination of employment for all purposes under this Agreement shall mean a “separation from service” under Section 409A of the Code which shall only occur if any services which you may continue to provide to the Company as an employee or as a consultant after termination of employment are not in excess of 49% of your prior service level, all as determined in accordance with the regulations under Section 409A of the Code.

Paragraph 6 of your SERP Agreement shall be amended to insert the phrase “resulting in a termination of employment” following the first occurrence of the word “Disabled” and thereby read as follows:

6. If you shall have been employed by the Company for two Years or more and while employed by the Company you become Disabled resulting in a termination of employment prior to your attaining age 65, until the earlier of your death, termination of Disability or attaining age 65 the Company will pay you an annual benefit, subject to paragraph 8 below, equal to 60% of your Total Compensation less any benefits payable to you pursuant to long-term disability insurance under programs provided by the Company. If your Disability continues until you attain age 65, you shall be considered retired and you shall receive retirement benefits pursuant to paragraph 1 above, based upon your Average Compensation as of the date it is determined you became Disabled and with your SERP Percentage given credit for Years of Service while you were Disabled.

Paragraph 9 of your SERP Agreement shall be amended by substituting for the word “Disabled” in the last sentence thereof the words “terminated from employment by reason of Disability”.

Paragraph 10(iii) of your SERP Agreement shall be amended by deleting the word “Disabled” in clause (1) thereof and substituting therefore the phrase “are terminated as a result of Disability”.

A new or modified Paragraph 13 for your SERP Agreement shall read as follows and replace any existing Paragraph 13 in your SERP Agreement:

13. Section 409A (i) This Agreement shall be administered so as to impose (if required in order to avoid a violation of Section 409A (a)(2) (B)(i) of the Code) a six-month waiting period for payments of Covered Benefits (hereinafter defined), to begin following your termination of employment. If such waiting period is applicable, the first payment following the waiting period shall include any payments (with no payment for interest) delayed under this provision.

(ii) If a “Change in Control” has occurred which is also a “Change of Control” as defined in Section 13(iii) below, then all of the provisions of the Agreement, including the provisions of Paragraph 10, shall apply without change. However, if there is a “Change in Control” which is not a “Change of Control” as defined in Section 13(iii) then (A) as to that portion of your benefits under this Agreement which is not subject to the provisions of Section 409A of the Code (the “Grandfathered Benefits”), all of the provisions of this Agreement, including Section 10, shall apply without change, and (B) as to that portion of your benefits under this Agreement which is subject to Section 409A of the Code (the “Covered Benefits”), the only provisions of Paragraph 10 which shall be applicable thereto are clauses (1), (2) and (3) of Paragraph 10(i) and Paragraphs 10(ii), 10(iv) and 10(v). The amount deposited in the Deferred Compensation Trust representing 110% of the Gross-Up Amount attributable to the Grandfathered Benefits, the Covered Benefits or otherwise shall be held in and distributed from the Deferred Compensation Trust in accordance with the provisions of Paragraph 10. The amount so deposited representing the Covered Benefits shall be held and invested by the Deferred Compensation Trust and paid to you or your Surviving Spouse as an annuity under the applicable circumstances of Paragraphs 1, 2, 4 (disregarding the inapplicability of Paragraph 4 in the event of a “Change in Control”), 5, 6 or 7 of this Agreement. If, for any reason, the monthly benefit paid by the Deferred Compensation Trust to you or your Surviving Spouse is less than the monthly benefit used to calculate the amount deposited under the next preceding sentence, the Company shall pay the deficiency directly to you or your Surviving Spouse.

(iii) A “Change of Control” for purposes of Section 409A of the Code shall be deemed to have occurred if during any period of twelve consecutive calendar months, the individuals who at the beginning of such period constitute the Company’s Board of Directors, and any new directors (other than Excluded Directors) whose election by such Board or nomination for election by stockholders was approved by a vote of at least a majority of the members of such board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof. Excluded Directors are directors whose election by the Board or approval by the Board for stockholder election occurred within one year after any “person” or “group of persons” as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 30 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock

acquisitions approved by the Board prior to their representing 30 percent or more of such combined voting power.

Should you have any questions regarding these proposed amendments, please feel free to discuss them with Chuck Greenwood, John Leekley or me. If not, I would appreciate your execution and return of a copy of this letter to Gene Gargaro, at which time the above-described amendments will become effective.

Sincerely yours,

Timothy Wadhams
President and Chief Executive Officer

I agree to the above-described
Amendments to my SERP
Agreement.

[Name]

Dear:

As you know, the Organization and Compensation Committee of the Company's Board of Directors has determined that benefit accruals under your Supplemental Executive Retirement Plan are to be frozen effective January 1, 2010. In order to implement this change, the definitions of "Average Compensation," "Total Compensation," and several other relevant definitions must be changed.

In addition, language must be added to the definition of "Profit Sharing Conversion Factor" and to Paragraphs 1, 4 and 5 to provide that the offsets to your SERP which are derived from Company contributions to the Future Service Profit Sharing Plan and other similar sources are also frozen, with provision for future account growth using imputed interest.

Consequently, in order to implement this change, effective January 1, 2010, the following provisions of your SERP are amended to read as follows:

The definition of Average Compensation in paragraph (a) of your SERP Agreement is changed to read as follows:

a. "Average Compensation" shall mean the aggregate of your highest three years total annual cash compensation paid to you by the Company consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid (the bonus with respect to any such year, however, only to be included in an amount not in excess of 60% of your maximum bonus opportunity for such year), divided by three, provided, however, (x) if any portion of a bonus is excluded by the parenthetical contained in clause (ii) above, the total amount excluded will be added to one or both of the other two years included in the calculation as long as the amount so added does not result in a bonus with respect to any year exceeding 60% of your maximum bonus opportunity for such year, (y) if you have on the date of determination less than three full years of employment, the foregoing calculation, including any adjustment required by clause (x) above, shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed. Notwithstanding the foregoing, any base salary paid after December 31, 2009, and any bonus earned (or maximum bonus opportunity for) any period after that date, shall be disregarded.

The definition of Profit Sharing Conversion Factor in clause (j) of your SERP Agreement shall be amended to read as follows:

j. "Profit Sharing Conversion Factor" shall be a factor equal to the present value of a life annuity payable at the later of age 65 or attained age based on the 1983 Group Annuity Mortality Table using a blend of 50% of the male mortality rates and 50% of the female mortality rates as set forth in Revenue Ruling 95-6 (or such other mortality table that the Internal Revenue Service may prescribe in the future) and an interest rate equal to the average yield for

30-year Treasury Constant Maturities as of January, 2010 as reported in Federal Reserve Statistical Release G.13 and H.15 (or, if such interest rate ceases to be so reported prior to January, 2010, such other interest rate as the Board of Directors deems is an appropriate substitute).

The definition of Total Compensation in clause (n) of your SERP Agreement shall be amended to read as follows:

n. If you become Disabled, "Total Compensation" shall mean the sum of your annual base salary rate and 60% of your then effective bonus opportunity at the earlier of the time of your Disability or January 1, 2010.

The definition of Year in clause (p) of your SERP Agreement shall be amended to read as follows:

p. "Year" shall mean twelve full consecutive months, and "year" shall mean a calendar year; provided, however, to the extent required to determine your SERP Percentage, "year" and "Year" shall include only time periods prior to and including January 1, 2010.

The definition of Years of Service in clause (q) of your SERP Agreement shall be amended to read as follows:

q. "Years of Service" shall mean the number of Years during which you were employed by the Company excluding Years of Service with any other corporation prior to the time it became a subsidiary of or otherwise affiliated with Masco Corporation; provided, however, to the extent required to determine your SERP Percentage, "Year of Service" shall include only time periods prior to and including January 1, 2010.

Paragraph 1 of your SERP Agreement shall be amended to read as follows:

1. In accordance with the Plan, upon your Retirement the Company will pay you annually during your lifetime, subject to paragraph 8 below, the SERP Percentage of your Average Compensation, less: (i) a sum equal to the annual benefit which would be payable to you upon your Retirement if benefits payable to you under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you retire, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon Retirement if your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401 (k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) unless you have at least 25 Years of Service, any retirement benefits paid or payable to you by reason of employment by all other employers (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion

thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than such other employers); provided, however, in all cases the amount offset pursuant to these subsections (i), (ii) and (iii) shall be determined (x) prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans and (y) if Retirement occurs on or after January 1, 2010, based on offsetting values as of January 1, 2010, except that any defined contribution individual account values as of January 1, 2010 (including any pro forma, rather than actual, account balance at such date, including imputed interest thereon with respect to amounts previously withdrawn, and including any Company contribution or allocation with respect to 2009 which is made on or after January 1, 2010) utilized under subsections (ii) and (iii) above shall be projected to the date of determination at the imputed rate of 4% per annum prior to application of the Profit Sharing Conversion Factor.

Paragraph 4 of your SERP Agreement shall be amended to read as follows:

4. If your employment with the Company is for any reason terminated prior to Retirement, other than as a result of circumstances described in paragraphs 2, 5 or 6 of this Agreement or following a Change in Control, and if prior to the date of termination you have completed 5 or more Years of Service, upon your attaining age 65, the Company will pay to you annually during your lifetime, subject to paragraph 8 below, the Vested Percentage of the result obtained by (1) multiplying your SERP Percentage at the date your employment terminated by your Average Compensation, less (2) the sum of the following: (i) a sum equal to the annual benefit which would be payable to you upon your attaining age 65, if benefits payable to you under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you attain age 65, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon your attaining age 65, if an amount equal to your vested accounts at the date of your termination of employment with the Company in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan (in each case increased from the date of termination to age 65 at the imputed rate of 4% per annum) were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) to the extent the annual payments described in this clause (iii) and the annual payments you would otherwise be entitled to receive under this paragraph 4 would, in the aggregate exceed (the "excess amount") the annual payments you would have received under paragraph 1 had you remained employed by the Company until Retirement (with your SERP Percentage determined as though you were given credit for additional Years of Service until age 65 but no compensation increases), any retirement benefits paid or payable to you by reason of employment by all other previous or future employers, but only to the extent of such excess amount (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than your prior or future employers); provided, however, in all cases the amount offset pursuant

to these subsections (i), (ii) and (iii) shall be determined (x) prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans and (y) if termination occurs on or after January 1, 2010, based on offsetting values as of January 1, 2010, except that any defined contribution individual account values as of January 1, 2010 (including any pro forma, rather than actual, account balance at such date, including imputed interest thereon with respect to amounts previously withdrawn, and including any Company contribution or allocation with respect to 2009 which is made on or after January 1, 2010) utilized under above subsections (ii) and (iii) shall be projected to the date of determination at the imputed rate of 4% per annum prior to application of the Profit Sharing Conversion Factor. Upon your death on or after age 65 should you be survived by your Surviving Spouse, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit payable to you under the preceding sentence following your attainment of age 65; provided, further, if your death should occur prior to age 65, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit which would have been payable to you under the preceding sentence following your attainment of age 65, reduced by a factor of actuarial equivalence as determined by the Committee, such that the Present Value of the aggregate payments to be received by your Surviving Spouse based on his or her life expectancy as of the date of your death is equal to the Present Value, determined at the date of your death, of the aggregate payments estimated to be received by your Surviving Spouse based on his or her life expectancy at an age, and as if your Surviving Spouse had begun receiving payments, when you would have attained age 65.

Paragraph 5 of your SERP Agreement shall be amended to read as follows:

5. If while employed by the Company you die prior to your attaining age 65, leaving a Surviving Spouse, and provided you shall have been employed by the Company for two consecutive Years or more, your Surviving Spouse shall receive annually for life, subject to paragraph 8 below, 75% of the SERP Percentage of your Average Compensation, less: (i) a sum equal to the annual benefit which would be payable to your Surviving Spouse under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan if such benefit were converted to a life annuity (such deduction, however, only to commence on the date such benefit is first payable), (ii) a sum equal to the annual payments which would be received by your Surviving Spouse as if your spouse were designated as the beneficiary of your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan and such accounts were converted to a life annuity at the time of your death in accordance with the Profit Sharing Conversion Factor, and (iii) unless you have at least 25 Years of Service any retirement benefits paid or payable to you or your Surviving Spouse by reason of your employment by all other employers (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than such other

employers); provided, however, in all cases the amount offset pursuant to these subsections (i),(ii) and (iii) shall be determined (x) prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans and (y) if death occurs on or after January 1, 2010, based on off-setting values as of January 1, 2010 except that any defined contribution individual account values as of January 1, 2010 (including any pro forma, rather than actual, account balance at such date, including imputed interest thereon with respect to amounts previously withdrawn, and including any Company contribution or allocation with respect to 2009 which is made on or after January 1, 2010) utilized under above subsections (ii) and (iii) shall be projected to the date of determination at the imputed rate of 4% per annum prior to application of the Profit Sharing Conversion Factor. No death benefits are payable except to your Surviving Spouse.

In order to make these changes effective, please sign the enclosed copy of this letter agreement and return it to Barry Silverman.

Sincerely yours,

Timothy Wadhams
President and Chief Executive Officer

I agree to the above-described amendments
to my Supplemental Executive Retirement
Plan with the Company.

Donald J. DeMarie, Jr.

Date: _____

March 15, 2005

Mr. Timothy Wadhams

Dear Mr. Wadhams:

Our Company's Board of Directors has adopted a plan whereby supplemental retirement and other benefits, in addition to those provided under the Company's pension and other benefit plans, will be made available to those Company and subsidiary executives as may be designated from time to time by the Company's Chief Executive Officer. The plan providing such benefits, as originally made available to designated executives in 1987 and as subsequently amended from time to time heretofore or in the future, is referred to in this letter as the "Plan". You are currently a participant in a similar plan maintained by Metaldyne Corporation (formerly known as MascoTech, Inc.) ("Metaldyne") upon the terms of a letter agreement signed by you and dated November 21, 2000 as modified by paragraph 6 of an employment, release and consulting agreement ("the November 22 Agreement") dated November 22, 2000 (such plan as so modified referred to herein as the "Existing Agreement"). Concurrently with your execution of this Agreement you have waived and released Metaldyne Corporation from all rights to which you were previously entitled under the Existing Agreement. The agreements contained in this letter, once accepted by you, establish your participation in the Plan as of the date hereof and describe in full your benefits pursuant to the Plan and all of the Company's obligations to you, and yours to the Company with respect to the Plan. These benefits as described below are contractual obligations of the Company.

For the purposes of this Agreement, words and terms are defined as follows:

a. "Average Compensation" shall mean the aggregate of your highest three year's total annual cash compensation paid to you by the Company, consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid (the bonus with respect to any such year, however, only to be included in an amount not in excess of 60% of the base salary in effect at the end of such year), divided by three, provided, however, (x) if any portion of a bonus is excluded by the parenthetical contained in clause (ii) above, the total amount excluded will be added to one or both of the other two years included in the calculation as long as the amount so added does not result in a bonus with respect to any year exceeding 60% of the base salary in effect at the end of that year, and (y) if you have on the date of determination less than three full years of employment the foregoing calculation, including any adjustment required by clause (x) above, shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed.

b. A "Change in Control" shall be deemed to have occurred if, during any period of twenty-four consecutive calendar months, the individuals who at the beginning of such period constitute the Company's Board of Directors, and any new directors (other than Excluded Directors) whose election by such Board or nomination for election by stockholders was approved by a vote of at least two-thirds of the members of such Board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof. Excluded Directors are directors

whose election by the Board or approval by the Board for stockholder election occurred within one year after any "person" or "group of persons" as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 25 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 25 percent or more of such combined voting power.

c. "Code" means the Internal Revenue Code of 1986, as amended.

d. "Company" shall mean Masco Corporation or any corporation in which Masco Corporation owns directly or indirectly stock possessing in excess of 50% of the total combined voting power of all classes of stock.

e. The "Deferred Compensation Trust" shall mean any trust created by the Company to receive the deposit referred to in clause (2) of paragraph 10.

f. "Disability" and "Disabled" shall mean your being unable to perform your duties as a Company executive by reason of your physical or mental condition, prior to your attaining age 65, provided that you have been employed by the Company for two consecutive Years or more at the time you first became Disabled.

g. The "Gross-Up Amount" (i) shall be determined if any payment or distribution by the Company to or for your benefit, whether paid, distributed, payable or distributed or distributable pursuant to the terms of this Agreement, any stock option or stock award plan, retirement plan or otherwise (such payment or distribution, other than an Excise Tax Adjustment Payment under clause (ii), is referred to herein as a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties with respect to such excise tax (such excise tax together with any such interest or penalties are referred to herein as the "Excise Tax"), and (ii) shall mean an additional payment (the "Excise Tax Adjustment Payment") in an amount such that after subtracting from the Excise Tax Adjustment Payment your payment of all applicable Federal, state and local taxes (computed at the maximum marginal rates and including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Excise Tax Adjustment Payment, the balance will be equal to the Excise Tax imposed upon the Payments. All determinations required to be made with respect to the "Gross-Up Amount", including whether an Excise Tax Adjustment Payment is required and the amount of such Excise Tax Adjustment Payment, shall be made by PricewaterhouseCoopers LLP, or such national accounting firm as the Company may designate prior to a Change in Control, which shall provide detailed supporting calculations to the Company and you. Except as provided in clause (iv) of paragraph 10, all such determinations shall be binding upon you and the Company.

h. "PBGC" shall mean the Pension Benefit Guaranty Corporation.

i. "Present Value" of future benefits means the discounted present value of those benefits (including therein the benefits, if any, your Surviving Spouse would be entitled to receive under this Agreement upon your death), using the UP-1984 Mortality Table and discounted by the interest rate used, for purposes of determining the present value of a lump sum distribution on plan termination, by the PBGC on the first day of the month

which is (i) four months prior to the month in which a Change in Control occurs or (ii) the month in which your death occurs if the Present Value is being calculated under the proviso in the last sentence of paragraph 4 (or if the PBGC has ceased publishing such interest rate, such other interest rate as the Board of Directors deems is an appropriate substitute). The above PBGC interest rate is intended to be determined based on PBGC methodology and regulations in effect on September 1, 1993 (as contained in 29 CFR Part 2619).

j. "Profit Sharing Conversion Factor" shall be a factor equal to the present value of a life annuity payable at the later of age 65 or attained age based on the 1983 Group Annuity Mortality Table using a blend of 50% of the male mortality rates and 50% of the female mortality rates as set forth in Revenue Ruling 95-6 (or such other mortality table that the Internal Revenue Service may prescribe in the future) and an interest rate equal to the average yield for 30-year Treasury Constant Maturities, as reported in Federal Reserve Statistical Releases G.13 and H. 15, four months prior to the month of the date of determination (or, if such interest rate ceases to be so reported, such other interest rate as the Board of Directors deems is an appropriate substitute).

k. "Retirement" shall mean your termination of employment with the Company, on or after you attain age 65. Your acting as a consultant shall not be considered employment.

l. "SERP Percentage" of your Average Compensation is 60%.

m. "Surviving Spouse" shall be the person to whom you shall be legally married (under the law of the jurisdiction of your permanent residence) at the date of (i) your Retirement or death after attaining age 65 (if death terminated employment with the Company) for the purposes of paragraphs 1, 2 and 3, (ii) your death for the purposes of paragraph 5 and, if paragraph 5 is applicable, for the purposes of paragraph 3, (iii) the commencement of your Disability for the purposes of paragraphs 6 and 7 and, as long as paragraphs 6 or 7 are applicable, for the purposes of paragraph 3, (iv) your termination of employment for the purposes of paragraph 4 and, if paragraph 4 is applicable, for purposes of paragraph 3 and (v) a "Change in Control" for the purposes of paragraph 10 if none of clauses (i) through (iv) has become applicable prior to the Change in Control and, if this clause (v) is applicable, for purposes of paragraph 3. For the purposes of paragraphs 11a, 11e, 11f, 11g, 11h, 11i and 11j, "Surviving Spouse" shall be any spouse entitled to any benefits hereunder.

n. If you become Disabled, "Total Compensation" shall mean 160% of your annual base salary rate at the time of your Disability.

o. "Vested Percentage" shall mean 100%.

p. "Year" shall mean twelve full consecutive months, and "year" shall mean a calendar year.

q. "Years of Service" shall mean the number of Years during which you were employed by the Company (including Years of Service for the time you were employed by Metaldyne and its predecessors but excluding Years of Service with any other corporation prior to the time it became a subsidiary of or otherwise affiliated with Masco Corporation).

1. In accordance with the Plan, upon your Retirement the Company will pay you annually during your lifetime, subject to paragraph 8 below, the SERP Percentage of your Average Compensation, less: (i) a sum equal to the annual benefit which would be payable to you upon your Retirement if benefits payable to you under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you retire, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon Retirement if your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401 (k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) any retirement benefits paid or payable to you by reason of employment by all other employers (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than such other employers); provided, however, in all cases the amount offset pursuant to these subsections (i), (ii) and (iii) shall be determined prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans.

2. Upon your death after Retirement or while employed by the Company after attaining age 65, your Surviving Spouse shall receive for life 75% of the annual benefit pursuant to paragraph 1 of this Agreement which was payable to you prior to your death (or, if death terminated employment after attaining age 65, which would have been payable to you had your Retirement occurred immediately prior to your death).

3. The Company will provide, purchase or at its option provide reimbursement for premiums paid for such supplemental medical insurance as the Company in its sole discretion may deem advisable from time to time (i) for you and your Surviving Spouse for the lifetime of each of you (A) following a termination of your employment with the Company due to Retirement or Disability, and (B) following any other termination of employment with the Company provided you and your Surviving Spouse are not covered by another medical insurance program substantially all of the cost of which is paid by another employer and (ii) for your Surviving Spouse for his or her lifetime upon a termination of your employment with the Company due to your death. In addition to the foregoing, the Company guarantees the performance by Metaldyne of its obligations under clause (ii) of paragraph 4(b) of the November 22 Agreement.

4. If your employment with the Company is for any reason terminated prior to Retirement, other than as a result of circumstances described in paragraphs 2, 5 or 6 of this Agreement or following a Change in Control, and if prior to the date of termination you have completed 5 or more Years of Service, upon your attaining age 65 the Company will pay to you annually during your lifetime, subject to paragraph 8 below, the Vested Percentage of the result obtained by (1) multiplying your SERP Percentage at the date your employment terminated by your Average Compensation, less (2) the sum of the following: (i) a sum equal to the annual benefit which would be payable to you upon your attaining age 65 if benefits payable to you under the Company and Metaldyne funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's and Metaldyne's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you attain age 65, to a 50% joint and spouse

survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon your attaining age 65 if an amount equal to your vested accounts at the date of your termination of employment with the Company in the Company's and Metaldyne's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's and Metaldyne's Retirement Benefits Restoration Plan and any similar plan (in each case increased from the date of termination to age 65 at the imputed rate of 4% per annum) were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) to the extent the annual payments described in this clause (iii) and the annual payments you would otherwise be entitled to receive under this paragraph 4 would, in the aggregate exceed (the "excess amount") the annual payments you would have received under paragraph 1 had you remained employed by the Company until Retirement (assuming for purposes of this clause no compensation increases), any retirement benefits paid or payable to you by reason of employment by all other previous or future employers (other than Metaldyne), but only to the extent of such excess amount (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than your prior or future employers); provided, however, in all cases the amount offset pursuant to these subsections (i), (ii) and (iii) shall be determined prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans. Upon your death on or after age 65 should you be survived by your Surviving Spouse, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit payable to you under the preceding sentence following your attainment of age 65; provided, further, if your death should occur prior to age 65, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit which would have been payable to you under the preceding sentence following your attainment of age 65, reduced by a factor of actuarial equivalence as determined by the Committee, such that the Present Value of the aggregate payments to be received by your Surviving Spouse based on his or her life expectancy as of the date of your death is equal to the Present Value, determined at the date of your death, of the aggregate payments estimated to be received by your Surviving Spouse based on his or her life expectancy at an age, and as if your Surviving Spouse had begun receiving payments, when you would have attained age 65.

5. If while employed by the Company you die prior to your attaining age 65 leaving a Surviving Spouse, and provided you shall have been employed by the Company for two consecutive Years or more, your Surviving Spouse shall receive annually for life, subject to paragraph 8 below, 75% of the SERP Percentage of your Average Compensation, less: (i) a sum equal to the annual benefit which would be payable to your Surviving Spouse under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan if such benefit were converted to a life annuity (such deduction, however, only to commence on the date such benefit is first payable), (ii) a sum equal to the annual payments which would be received by your Surviving Spouse as if your spouse were designated as the beneficiary of your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan and such accounts were converted to a life annuity at the time of your death in accordance with the Profit Sharing Conversion Factor, and (iii) any retirement benefits paid or payable to you or your Surviving Spouse by reason of your employment by all other employers (the amount of such deduction, in the case of benefits paid or

payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than such other employers); provided, however, in all cases the amount offset pursuant to these subsections (i),(ii) and (iii) shall be determined prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans. No death benefits are payable except to your Surviving Spouse.

6. If you shall have been employed by the Company for two Years or more and while employed by the Company you become Disabled prior to your attaining age 65, until the earlier of your death, termination of Disability or attaining age 65 the Company will pay you an annual benefit, subject to paragraph 8 below, equal to 60% of your Total Compensation less any benefits payable to you pursuant to long-term disability insurance under programs provided by the Company. If your Disability continues until you attain age 65, you shall be considered retired and you shall receive retirement benefits pursuant to paragraph 1 above, based upon your Average Compensation as of the date it is determined you became Disabled.

7. If you die leaving a Surviving Spouse while receiving Disability benefits pursuant to paragraph 6 of this Agreement, you will be deemed to have retired on your death and your Surviving Spouse shall receive for life 75% of the annual benefit which would have been payable to you if you had retired on the date of your death and your benefit determined pursuant to paragraph 1, based upon your Average Compensation as of the date you became Disabled.

8. If the age of your Surviving Spouse is more than 20 years younger than your age, then the annual benefit payable under paragraphs 1, 4, 5 and 6 of this Agreement and the benefit payable as "the SERP Percentage of your Average Compensation", as that phrase is used in paragraph 5 of this Agreement, shall be reduced by the percentage obtained by multiplying 1.5% times the number of Years or portion thereof by which your Surviving Spouse is more than 20 years younger than you.

9. If you or your Surviving Spouse is eligible to receive benefits hereunder, unless otherwise specifically agreed by the Company in writing, you and your Surviving Spouse will not be able to receive benefits under any other Company sponsored non-qualified retirement plans other than the Company's Retirement Benefits Restoration Plan. For this purpose benefits received under the Company's non-qualified stock option or stock award plans will not be considered to have been received under a Company sponsored non-qualified retirement plan even though such benefits are received after retirement. Except as provided in the last sentence of paragraph 3, the last sentence of paragraph 4 and in paragraph 10 of this Agreement, no benefits will be paid to your Surviving Spouse pursuant to this Agreement unless upon your death you were employed by the Company, Disabled or had taken Retirement from the Company.

10. Change in Control. (i) Immediately upon the occurrence of any Change in Control:

(1) If you are then employed by the Company, your Vested Percentage, if not already 100%, shall be deemed for all purposes of this Agreement to be 100%.

(2) If the Deferred Compensation Trust has theretofore been established or is established within thirty days after the Change in Control, the Company shall forthwith deposit to an account in your name (or that of your Surviving Spouse if you are then

deceased and your Surviving Spouse is entitled to benefits hereunder) in the Deferred Compensation Trust 110% of the sum of the Gross-Up Amount plus:

(A) If you are then employed by the Company, an amount equal to the discounted Present Value of the benefits which would have been payable under paragraphs 1 and 2 of this Agreement upon Retirement at age 65 or attained age if greater, assuming for purposes of this clause, no compensation increases and that if younger than age 65 you and your Surviving Spouse had attained such age;

(B) If employment has previously been terminated but you or your Surviving Spouse is then entitled in the future to receive benefits under paragraph 4 of this Agreement, an amount equal to the discounted Present Value of the benefits which would have been payable under such paragraph;

(C) If you or your Surviving Spouse is then receiving payments under paragraphs 1, 2, 4, 5 or 7 of this Agreement, an amount equal to the Present Value of those benefits payable in the future to you and your Surviving Spouse; and

(D) If you are then receiving payments under paragraph 6 of this Agreement, an amount equal to the Present Value of the benefits which would have been payable under paragraphs 6 and 7 on the assumption you would have continued to receive benefits under paragraph 6 until you had attained age 65 and thereafter continued to receive benefits as though you were deemed to have retired.

(3) The Company shall thereafter be obligated to provide such supplemental medical insurance as has theretofore in the discretion of the Company been generally provided to participants and their Surviving Spouses under the Plan (after giving effect to the last sentence of paragraph 3 and the provisions of clause (ii) of paragraph 4(b) of the November 22 Agreement)(A) to you and your Surviving Spouse if you or your Surviving Spouse is then receiving benefits under paragraph 3, (B) to you and your Surviving Spouse if you become Disabled if you are employed by the Company at the time of the Change in Control, (C) to your Surviving Spouse upon your death if you are employed by the Company at the time of the Change in Control and (D) to you and your Surviving Spouse upon any termination of employment following any Change in Control but only during the periods when you and your Surviving Spouse are not covered by another medical insurance program substantially all of the cost of which is paid by another employer. The obligations of the Company under this clause (i)(3) shall remain in effect for the lifetime of both you and your Surviving Spouse.

(4) If the Deferred Compensation Trust is not established prior to or within thirty days after the Change in Control, all payments which would have otherwise have been made to you or your Surviving Spouse from the Deferred Compensation Trust shall immediately after such thirty day period be made to you or your Surviving Spouse by the Company.

(ii) Any deposit by the Company to an account in your name or that of your Surviving Spouse in the Deferred Compensation Trust prior to the occurrence of the Change in Control, together with all income then accrued thereon (but only to the extent of the value of such deposited amount and the income accrued thereon on the day of any deposit under clause (i)(2) of this paragraph 10), shall reduce by an equal amount the obligations of the Company to make the deposit required under clause (i)(2) of this paragraph 10.

(iii) At or prior to making the deposit required by clause (i)(2) of this paragraph 10, the Company shall deliver to the Trustee under the Deferred Compensation Trust a certificate specifying that portion, if any, of the amount in the trust account, after giving effect to the deposit, which is represented by the Gross-Up Amount. Payment of 90.91% of the amount required by clause (i)(2) of this paragraph 10 to be paid to the trust account, together with any income accrued thereon from the date of the Change in Control, is to be made to you or your Surviving Spouse, as applicable, under the terms of the Deferred Compensation Trust, at the earlier of (1) immediately upon a Change in Control if you then are deceased or have attained age 65 or are Disabled, (2) your death subsequent to the Change in Control, or (3) the date which is one year after the Change in Control; provided, however, that the Trustee under the Deferred Compensation Trust is required promptly to pay to you or your Surviving Spouse, as applicable, from the trust account from time to time amounts, not exceeding in the aggregate the Gross-Up Amount, upon your or your Surviving Spouse's certification to the Trustee that the amount to be paid has been or within 60 days will be paid by you or your Surviving Spouse to a Federal, state or local taxing authority as a result of the Change in Control and the imposition of the excise tax under Section 4999 of the Code (or any successor provision) on the receipt of any portion of the Gross-Up Amount. All amounts in excess of the amount required to be paid from the trust account by the preceding sentence, after all expenses of the Deferred Compensation Trust have been paid, shall revert to the Company provided that the Company has theretofore expressly affirmed its continuing obligations under clause (i)(3) of this Paragraph 10.

(iv) Subject to the next sentence of this clause (iv), the payment of the Gross-Up Amount to you or your Surviving Spouse or the account in your or your Surviving Spouse's name in the Deferred Compensation Trust will thereby discharge the Company from any obligations it may have under any present or future stock option or stock award plan, retirement plan or otherwise, to make any other payment as a result of your income becoming subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties with respect to such excise tax. As a result of the uncertainty which will be present in the application of Section 4999 of the Code (or any successor provision) at the time of the determination of the Gross-Up Amount and the possibility that between the date of determination of the Gross-Up Amount and the dates payments are to be made to you or your Surviving Spouse under this Agreement, changes in applicable tax laws will result in an incorrect determination of the Gross-Up Amount having been made, it is possible that (1) payment of a portion of the Gross-Up Amount will not have been made by the Company which should have been made (an "Underpayment"), or (2) payment of a portion of the Gross-Up Amount will have been made which should not have been made (an "Overpayment"), consistent with the calculations required to be made hereunder. In the event of an Underpayment, such Underpayment shall be promptly paid by the Company to or for your benefit. In the event that you or your Surviving Spouse discover that an Overpayment shall have occurred, the amount thereof shall be promptly repaid by you or your Surviving Spouse to the Company.

(v) Prior to the occurrence of a Change in Control, any deposits made by the Company to an account in the Deferred Compensation Trust may be withdrawn by the Company. Upon the occurrence of a Change in Control, all further obligations of the Company under this Agreement (other than under this Paragraph 10 to the extent not theretofore performed) shall terminate in all respects.

11. We also agree upon the following:

a. Prior to the occurrence of a Change in Control, the Compensation Committee of the Company's Board of Directors, or any other committee however titled which shall be

vested with authority with respect to the compensation of the Company's officers and executives (in either case, the "Committee"), shall have the exclusive authority to make all determinations which may be necessary in connection with this Agreement including the dates of and whether you are or continue to be Disabled, the amount of annual benefits payable hereunder by reason of offsets hereunder due to employment by other employers, the interpretation of this Agreement, and all other matters or disputes arising under this Agreement. The determinations and findings of the Committee shall be conclusive and binding, without appeal, upon both of us.

b. You will not during your employment or Disability, and after Retirement or the termination of your employment, for any reason disclose or make use of for your own or another person's benefit under any circumstances any of the Company's Proprietary Information. Proprietary Information shall include trade secrets, secret processes, information concerning products, developments, manufacturing techniques, new product or marketing plans, inventions, research and development information or results, sales, pricing and financial data, information relating to the management, operations or planning of the Company and any other information treated as confidential or proprietary.

c. You agree that you will not following your termination of employment for any reason (whether on Retirement, Disability or termination prior to attaining age 65) thereafter directly or indirectly engage in any business activities, whether as a consultant, advisor or otherwise, in which the Company is engaged in any geographic area in which the products or services of the Company have been sold, distributed or provided during the five year period prior to the date of your termination of employment. In light of ongoing payments to be received by you and your Surviving Spouse for your respective lives, the restrictions contained in the preceding sentence shall be unlimited in duration provided no Change in Control has occurred and, in the event of a Change in Control, all such restrictions shall terminate one year thereafter.

In addition to the foregoing and provided no Change in Control has occurred, if while you or your Surviving Spouse is receiving retirement or other benefits pursuant to this Agreement, in the judgment of the Committee you or your Surviving Spouse directly or indirectly engage in activity or act in a manner which can be considered adverse to the interest of the Company or any of its direct or indirect subsidiaries or affiliated companies, the Committee may terminate rights to any further benefits hereunder.

d. Except as may be provided to the contrary in a duly authorized written agreement between you and the Company you acknowledge that the Company has made no commitments to you of any kind with respect to the continuation of your employment, which we expressly agree is an employment at will, and you or the Company shall have the unrestricted right to terminate your employment with or without cause, at any time in your or its discretion.

e. At the Company's request, expressed through a Company officer, you agree to provide such information with respect to matters which may arise in connection with this Agreement as may be deemed necessary by the Company or the Committee, including for example only and not in limitation, information concerning benefits payable to you from third parties, and you further agree to submit to such medical examinations by duly licensed physicians as may be requested by the Company from time to time. You also agree to direct third parties to provide such information, and your Surviving Spouse's

cooperation in providing such information is a condition to the receipt of survivor's benefits under this Agreement.

f. To the extent permitted by law, no interest in this Agreement or benefits payable to you or to your Surviving Spouse shall be subject to anticipation, or to pledge, assignment, sale or transfer in any manner nor shall you or your Surviving Spouse have the power in any manner to charge or encumber such interest or benefits, nor shall such interest or benefits be liable or subject in any manner for the liabilities of you or your Surviving Spouse's debts, contracts, torts or other engagements of any kind.

g. No person other than you and your Surviving Spouse shall have any rights or property interest of any kind whatsoever pursuant to this Agreement, and neither you nor your Surviving Spouse shall have any rights hereunder other than those expressly provided in this Agreement. Upon the death of you and your Surviving Spouse no further benefits of whatsoever kind or nature shall accrue or be payable pursuant to this Agreement.

h. All benefits payable pursuant to this Agreement, other than pursuant to paragraph 10, shall be paid in installments of one-twelfth of the annual benefit, or at such shorter intervals as may be deemed advisable by the Company in its discretion, upon receipt of your or your Surviving Spouse's written application, or by the applicant's personal representative in the event of any legal disability.

i. Except as provided in paragraph 10, all benefits under this Agreement shall be payable from the Company's general assets, which assets (including all funds in the Deferred Compensation Trust) are subject to the claims of the Company's general creditors, and are not set aside for your or your Surviving Spouse's benefit.

j. You agree that, if the Company establishes the Deferred Compensation Trust, the Company is entitled at any time prior to a Change in Control to revoke such trust and withdraw all funds theretofore deposited in such trust. You acknowledge that although this Agreement refers from time to time to your or your Surviving Spouse's trust account, no separate trust will be created and all assets of any Deferred Compensation Trust will be commingled.

k. This Agreement shall be governed by the laws of the State of Michigan.

12. We have agreed that the determinations of the Committee described in paragraph 11a shall be conclusive as provided in such paragraph, but if for any reason a claim is asserted which subverts the provisions of paragraph 11a, we agree that, except for causes of action which may arise under paragraph 11b and the first paragraph of paragraph 11c and provided no Change in Control has occurred, arbitration shall be the sole and exclusive remedy to resolve all disputes, claims or controversies which could be the subject of litigation (hereafter referred to as "dispute") involving or arising out of this Agreement. It is our mutual intention that the arbitration award will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction and enforcement may be had according to its terms.

The arbitrator shall be chosen in accordance with the commercial arbitration rules of the American Arbitration Association and the expenses of the arbitration shall be borne equally by the parties to the dispute. The place of the arbitration shall be the principal offices of the American Arbitration Association in the metropolitan Detroit area.

The arbitrator's sole authority shall be to apply the clauses of this Agreement.

We agree that the provisions of this paragraph 12, and the decision of the arbitrator with respect to any dispute, with only the exceptions provided in the first paragraph of this paragraph 12, shall be the sole and exclusive remedy for any alleged cause of action in any manner based upon or arising out of this Agreement. Subject to the foregoing exceptions, we acknowledge that since arbitration is the exclusive remedy, neither of us or any party claiming under this Agreement has the right to resort to any federal, state or local court or administrative agency concerning any matters dealt with by this Agreement and that the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute. The arbitration provisions contained in this paragraph shall survive the termination or expiration of this Agreement, and shall be binding on our respective successors, personal representatives and any other party asserting a claim based upon this Agreement.

We further agree that any demand for arbitration must be made within one year of the time any claim accrues which you or any person claiming hereunder may have against the Company; unless demand is made within such period, it is forever barred.

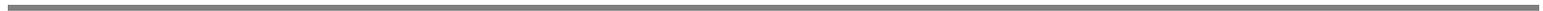
We are pleased to be able to make this supplemental plan available to you. Please examine the terms of this Agreement carefully and at your earliest convenience indicate your assent to all of its terms and conditions by signing and dating where provided below and returning a signed copy to me.

Sincerely,

MASCO CORPORATION

By _____
Richard A. Manoogian
Chief Executive Officer

DATE: _____



February 6, 2008

Mr. Timothy Wadhams
[Address]

Dear Tim:

In light of the recent increase in your annual cash bonus opportunity from 100% of your base salary, the Organization and Compensation Committee of our Board of Directors has approved a change in your Supplemental Executive Retirement Plan to increase the amount of your annual bonus which is includible in "Average Compensation", as that term is used in your SERP Agreement. In order to implement this change, the definition of "Average Compensation" in your SERP Agreement would be changed to read as follows:

Average Compensation

"Average Compensation" shall mean the aggregate of your highest three years total annual cash compensation paid to you by the Company, consisting of (i) base salaries and (ii) regular year- end cash bonuses paid with respect to the years in which such salaries are paid (the bonus with respect to any such year, however, only to be included in an amount not in excess of 60% of your maximum bonus opportunity for such year), divided by three, provided, however, (x) if any portion of a bonus is excluded by the parenthetical contained in clause (ii) above, the total amount excluded will be added to one or both of the other two years included in the calculation as long as the amount so added does not result in a bonus with respect to any year exceeding 60% of your maximum bonus opportunity for such year, (y) if you have on the date of determination less than three full years of employment, the foregoing calculation, including any adjustment required by clause (x) above, shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed.

In order to make this change effective, please sign the enclosed copy of this letter agreement and return it to Gene Gargaro.

Sincerely yours,

/s/ Richard A. Manoogian
Richard A. Manoogian
Executive Chairman

I agree to the above-described amendment
to my Supplemental Executive Retirement
Plan with the Company

/s/ Timothy Wadhams

November 3, 2008

Dear:

Section 409A of the Internal Revenue Code contains complex provisions regulating the payment of deferred compensation under non-qualified retirement programs, including your agreement (the "SERP Agreement") under Masco's supplemental executive retirement plan (the "Plan"). Under recently issued regulations of the Internal Revenue Service, non-complying payments under the Plan will result in serious adverse tax consequences to recipients, which include an increase in your marginal tax rate by 20 percentage points on all Plan payments not in compliance with Section 409A and an increase in applicable late-payment penalty rates by a full percentage point. The amendments to your SERP Agreement contained in this letter agreement are therefore necessary to bring the payment provisions of your SERP Agreement into compliance with Section 409A.

The principal changes under Section 409A described in this letter apply only to benefits accrued or vested after December 31, 2004 ("Covered Benefits"). Covered Benefits therefore include those under post 2004 SERP Agreements, post 2004 amendments to SERP Agreements and any increase in benefits resulting from higher compensation paid after 2004. Benefits, to the extent they were accrued and vested prior to January 1, 2005 ("Grandfathered Benefits"), may be paid without regard to Section 409A provisions. As a result of Section 409A, Masco will be required under the Plan to determine for each participant the portion of SERP payments attributable to Grandfathered Benefits and the portion attributable to Covered Benefits and, at times, treat these payments differently as described in this letter agreement.

No payment, however, of benefits under your SERP may be made under Section 409A unless a "separation from service" has occurred. Since it is unclear under the Plan if a "separation from service" has occurred if a participant is rendering services to Masco following retirement or during a disability, this letter agreement clarifies that a "separation from service" will have occurred, thereby allowing the commencement of SERP payments, even if a participant following retirement or during disability is providing services to Masco which do not exceed 49% of the individual's prior services as a full-time employee.

Initial monthly payments for Covered Benefits under the Plan must be delayed until six months have elapsed following a separation from service, after which time the delayed payments would be paid in a lump sum without interest. Any portion of your SERP payments represented by Grandfathered Benefits will not be delayed by Section 409A.

In the unlikely event of a change in control, if such a change satisfies the requirements of your existing SERP Agreement but not the more stringent requirements in Section 409A for a change in control, the same seriously adverse tax consequences to you could occur. In order to eliminate these consequences if a change in control does not satisfy both tests, this letter

agreement would provide that any Grandfathered Benefits under your SERP Agreement will be paid in a lump sum as currently provided in the existing SERP Agreement with the Covered Benefits subject to Section 409A paid to the Deferred Compensation Trust and thereafter distributed by the Trust as though no change in control has occurred. A new change in control trigger, included in this letter agreement in clause (iii) of Paragraph 13, has been added to ensure that if the requirements of Section 409A have been met, payments of your SERP benefits will be made as currently scheduled in your SERP Agreement.

Finally, in light of the recent increase in your annual cash bonus opportunity, the amount of your annual bonus includible in "Average Compensation" was increased earlier this year. A conforming change, which should then have been made in the definition of "Total Compensation" for purposes of disability payments, is being made in this letter agreement.

In order to assure ongoing compliance with these new statutory provisions and to avoid potentially severe tax consequences to you, we are requesting that you agree to the amendments to your SERP Agreement set forth below.

The definition of Total Compensation in clause (n) of your SERP Agreement shall be amended to read as follows:

"If you become Disabled, "Total Compensation" shall mean the sum of your annual base salary rate and 60% of your then effective bonus opportunity at the time of your Disability".

The definition of "Surviving Spouse" in clause (m) of your SERP Agreement shall be amended by substituting for the words "the commencement of your Disability" the words "the termination of your employment as a result of Disability".

The definition of "Retirement" in clause (1) of your SERP Agreement shall be amended to read as follows:

"Retirement" shall mean your termination of employment with the Company on or after you attain age 65. Termination of employment for all purposes under this Agreement shall mean a "separation from service" under Section 409A of the Code which shall only occur if any services which you may continue to provide to the Company as an employee or as a consultant after termination of employment are not in excess of 49% of your prior service level, all as determined in accordance with the regulations under Section 409A of the Code.

Paragraph 6 of your SERP Agreement shall be amended to insert the phrase "resulting in a termination of employment" following the first occurrence of the word "Disabled" and thereby read as follows:

6. If you shall have been employed by the Company for two Years or more and while employed by the Company you become Disabled resulting in a termination of employment prior to your attaining age 65, until the earlier of your death, termination of

Disability or attaining age 65 the Company will pay you an annual benefit, subject to paragraph 8 below, equal to 60% of your Total Compensation less any benefits payable to you pursuant to long-term disability insurance under programs provided by the Company. If your Disability continues until you attain age 65, you shall be considered retired and you shall receive retirement benefits pursuant to paragraph 1 above, based upon your Average Compensation as of the date it is determined you became Disabled and with your SERP Percentage given credit for Years of Service while you were Disabled.

Paragraph 9 of your SERP Agreement shall be amended by substituting for the word “Disabled” in the last sentence thereof the words “terminated from employment by reason of Disability”.

Paragraph 10(iii) of your SERP Agreement shall be amended by deleting the word “Disabled” in clause (1) thereof and substituting therefore the phrase “are terminated as a result of Disability”.

A new or modified Paragraph 13 for your SERP Agreement shall read as follows and replace any existing Paragraph 13 in your SERP Agreement:

13. Section 409A (i) This Agreement shall be administered so as to impose (if required in order to avoid a violation of Section 409A (a)(2) (B)(i) of the Code) a six- month waiting period for payments of Covered Benefits (hereinafter defined), to begin following your termination of employment. If such waiting period is applicable, the first payment following the waiting period shall include any payments (with no payment for interest) delayed under this provision.

(ii) If a “Change in Control” has occurred which is also a “Change of Control” as defined in Section 13(iii) below, then all of the provisions of the Agreement, including the provisions of Paragraph 10, shall apply without change. However, if there is a “Change in Control” which is not a “Change of Control” as defined in Section 13(iii) then (A) as to that portion of your benefits under this Agreement which is not subject to the provisions of Section 409A of the Code (the “Grandfathered Benefits”), all of the provisions of this Agreement, including Section 10, shall apply without change, and (B) as to that portion of your benefits under this Agreement which is subject to Section 409A of the Code (the “Covered Benefits”), the only provisions of Paragraph 10 which shall be applicable thereto are clauses (1), (2) and (3) of Paragraph 10(i) and Paragraphs 10(ii), 10(iv) and 10(v). The amount deposited in the Deferred Compensation Trust representing 110% of the Gross-Up Amount attributable to the Grandfathered Benefits, the Covered Benefits or otherwise shall be held in and distributed from the Deferred Compensation Trust in accordance with the provisions of Paragraph 10. The amount so deposited representing the Covered Benefits shall be held and invested by the Deferred Compensation Trust and paid to you or your Surviving Spouse as an annuity under the applicable circumstances of Paragraphs 1, 2, 4 (disregarding the inapplicability of Paragraph 4 in the event of a “Change in Control”), 5, 6 or 7 of this Agreement. If, for any reason, the monthly benefit paid by the Deferred Compensation Trust to you or your

Surviving Spouse is less than the monthly benefit used to calculate the amount deposited under the next preceding sentence, the Company shall pay the deficiency directly to you or your Surviving Spouse.

(iii) A "Change of Control" for purposes of Section 409A of the Code shall be deemed to have occurred if during any period of twelve consecutive calendar months, the individuals who at the beginning of such period constitute the Company's Board of Directors, and any new directors (other than Excluded Directors) whose election by such Board or nomination for election by stockholders was approved by a vote of at least a majority of the members of such board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof. Excluded Directors are directors whose election by the Board or approval by the Board for stockholder election occurred within one year after any "person" or "group of persons" as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 30 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 30 percent or more of such combined voting power.

Should you have any questions regarding these proposed amendments, please feel free to discuss them with Chuck Greenwood, John Leekley or me. If not, I would appreciate your execution and return of a copy of this letter to Gene Gargaro, at which time the above-described amendments will become effective.

Sincerely yours,

Richard A. Manoogian
Executive Chairman

I agree to the above-described
Amendments to my SERP
Agreement.

[Name]

October 26, 2009

As you know, the Organization and Compensation Committee of the Company's Board of Directors has determined that benefit accruals under your Supplemental Executive Retirement Plan are to be frozen effective January 1, 2010. In order to implement this change, the definitions of "Average Compensation," "Total Compensation," and several other relevant definitions must be changed.

In addition, language must be added to the definition of "Profit Sharing Conversion Factor" and to Paragraphs 1, 4 and 5 to provide that the offsets to your SERP which are derived from Company contributions to the Future Service Profit Sharing Plan and other similar sources are also frozen, with provision for future account growth using imputed interest.

Consequently, in order to implement this change, effective January 1, 2010, the following provisions of your SERP are amended to read as follows:

The definition of Average Compensation in paragraph (a) of your SERP Agreement is changed to read as follows:

a. "Average Compensation" shall mean the aggregate of your highest three years total annual cash compensation paid to you by the Company consisting of (i) base salaries and (ii) regular year-end cash bonuses paid with respect to the years in which such salaries are paid (the bonus with respect to any such year, however, only to be included in an amount not in excess of 60% of your maximum bonus opportunity for such year), divided by three, provided, however, (x) if any portion of a bonus is excluded by the parenthetical contained in clause (ii) above, the total amount excluded will be added to one or both of the other two years included in the calculation as long as the amount so added does not result in a bonus with respect to any year exceeding 60% of your maximum bonus opportunity for such year, (y) if you have on the date of determination less than three full years of employment, the foregoing calculation, including any adjustment required by clause (x) above, shall be based on the average base salaries and regular year-end cash bonuses paid to you while so employed. Notwithstanding the foregoing, any base salary paid after December 31, 2009, and any bonus earned (or maximum bonus opportunity for) any period after that date, shall be disregarded.

The definition of Profit Sharing Conversion Factor in clause (j) of your SERP Agreement shall be amended to read as follows:

j. "Profit Sharing Conversion Factor" shall be a factor equal to the present value of a life annuity payable at the later of age 65 or attained age based on the 1983 Group Annuity Mortality Table using a blend of 50% of the male mortality rates and 50% of the female

mortality rates as set forth in Revenue Ruling 95-6 (or such other mortality table that the Internal Revenue Service may prescribe in the future) and an interest rate equal to the average yield for 30-year Treasury Constant Maturities as of January, 2010 as reported in Federal Reserve Statistical Release G.13 and H.15 (or, if such interest rate ceases to be so reported prior to January, 2010, such other interest rate as the Board of Directors deems is an appropriate substitute).

The definition of Total Compensation in clause (n) of your SERP Agreement shall be amended to read as follows:

n. If you become Disabled, "Total Compensation" shall mean the sum of your annual base salary rate and 60% of your then effective bonus opportunity at the earlier of the time of your Disability or January 1, 2010.

The definition of Year in clause (p) of your SERP Agreement shall be amended to read as follows:

p. "Year" shall mean twelve full consecutive months, and "Year" shall mean a calendar year; provided, however, to the extent required to determine your SERP Percentage, "Year" and "Year" shall include only time periods prior to and including January 1, 2010.

The definition of Years of Service in clause (q) of your SERP Agreement shall be amended to read as follows:

q. "Years of Service" shall mean the number of Years during which you were employed by the Company (including Years of Service for the time you were employed by Metaldyne and its predecessors but excluding Years of Service with any other corporation prior to the time it became a subsidiary of or otherwise affiliated with Masco Corporation); provided, however, to the extent required to determine your SERP Percentage, "Year of Service" shall include only time periods prior to and including January 1, 2010.

Paragraph 1 of your SERP Agreement shall be amended to read as follows:

1. In accordance with the Plan, upon your Retirement the Company will pay you annually during your lifetime, subject to paragraph 8 below, the SERP Percentage of your Average Compensation, less: (i) a sum equal to the annual benefit which would be payable to you upon your Retirement if benefits payable to you under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you retire, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon Retirement if your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings

thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity in accordance with the Profit Sharing Conversion Factor, and (iii) any retirement benefits paid or payable to you by reason of employment by all other employers (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than such other employers); provided, however, in all cases the amount offset pursuant to these subsections (i), (ii) and (iii) shall be determined (x) prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans and (y) if Retirement occurs on or after January 1, 2010, based on offsetting values as of January 1, 2010, except that any defined contribution individual account values as of January 1, 2010 (including any pro forma, rather than actual, account balance at such date, including imputed interest thereon with respect to amounts previously withdrawn, and including any Company contribution or allocation with respect to 2009 which is made on or after January 1, 2010) utilized under subsections (ii) and (iii) above shall be projected to the date of determination at the imputed rate of 4% per annum prior to application of the Profit Sharing Conversion Factor.

Paragraph 4 of your SERP Agreement shall be amended to read as follows:

4. If your employment with the Company is for any reason terminated prior to Retirement, other than as a result of circumstances described in paragraphs 2, 5 or 6 of this Agreement or following a Change in Control, and if prior to the date of termination you have completed 5 or more Years of Service, upon your attaining age 65 the Company will pay to you annually during your lifetime, subject to paragraph 8 below, the Vested Percentage of the result obtained by (1) multiplying your SERP Percentage at the date your employment terminated by your Average Compensation, less (2) the sum of the following: (i) a sum equal to the annual benefit which would be payable to you upon your attaining age 65 if benefits payable to you under the Company and Metaldyne funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's and Metaldyne's Retirement Benefits Restoration Plan and any similar plan were converted to a life annuity, or if you are married when you attain age 65, to a 50% joint and spouse survivor life annuity, (ii) a sum equal to the annual benefit which would be payable to you upon your attaining age 65 if an amount equal to your vested accounts at the date of your termination of employment with the Company in the Company's and Metaldyne's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401 (k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's and Metaldyne's Retirement Benefits Restoration Plan and any similar plan (in each case increased from the date of termination to age 65 at the imputed rate of 4% per annum) were converted to a life annuity in accordance with the Profit Sharing

Conversion Factor, and (iii) to the extent the annual payments described in this clause (iii) and the annual payments you would otherwise be entitled to receive under this paragraph 4 would, in the aggregate exceed (the "excess amount") the annual payments you would have received under paragraph 1 had you remained employed by the Company until Retirement (assuming for purposes of this clause no compensation increases), any retirement benefits paid or payable to you by reason of employment by all other previous or future employers (other than Metaldyne), but only to the extent of such excess amount (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than your prior or future employers); provided, however, in all cases the amount offset pursuant to these subsections (i), (ii) and (iii) shall be determined (x) prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans and (y) if termination occurs on or after January 1, 2010, based on offsetting values as of January 1, 2010, except that any defined contribution individual account values as of January 1, 2010 (including any pro forma, rather than actual, account balance at such date, including imputed interest thereon with respect to amounts previously withdrawn, and including any Company contribution or allocation with respect to 2009 which is made on or after January 1, 2010) utilized under above subsections (ii) and (iii) shall be projected to the date of determination at the imputed rate of 4% per annum prior to application of the Profit Sharing Conversion Factor. Upon your death on or after age 65, should you be survived by your Surviving Spouse, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit payable to you under the preceding sentence following your attainment of age 65; provided, further, if your death should occur prior to age 65, your Surviving Spouse shall receive for life, commencing upon the date of your death, 75% of the annual benefit which would have been payable to you under the preceding sentence following your attainment of age 65, reduced by a factor of actuarial equivalence as determined by the Committee, such that the Present Value of the aggregate payments to be received by your Surviving Spouse based on his or her life expectancy as of the date of your death is equal to the Present Value, determined at the date of your death, of the aggregate payments estimated to be received by your Surviving Spouse based on his or her life expectancy at an age, and as if your Surviving Spouse had begun receiving payments, when you would have attained age 65.

Paragraph 5 of your SERP Agreement shall be amended to read as follows:

5. If while employed by the Company you die prior to your attaining age 65, leaving a Surviving Spouse, and provided you shall have been employed by the Company for two consecutive Years or more, your Surviving Spouse shall receive annually for life, subject to paragraph 8 below, 75% of the SERP Percentage of your Average Compensation, less: (i) a sum

equal to the annual benefit which would be payable to your Surviving Spouse under the Company funded qualified pension plans and the defined benefit (pension) plan provisions of the Company's Retirement Benefits Restoration Plan and any similar plan if such benefit were converted to a life annuity (such deduction, however, only to commence on the date such benefit is first payable), (ii) a sum equal to the annual payments which would be received by your Surviving Spouse as if your spouse were designated as the beneficiary of your vested accounts in the Company's qualified defined contribution plans (excluding your contributions and earnings thereon in the Company's 401(k) Savings Plan) and the defined contribution (profit sharing) provisions of the Company's Retirement Benefits Restoration Plan and any similar plan and such accounts were converted to a life annuity at the time of your death in accordance with the Profit Sharing Conversion Factor, and (iii) any retirement benefits paid or payable to you or your Surviving Spouse by reason of your employment by all other employers (the amount of such deduction, in the case of benefits paid or payable other than on an annual basis, to be determined on an annualized basis by the Committee referred to in paragraph 11 and excluding from such deduction any portion thereof, and earnings thereon, determined by such Committee to have been contributed by you rather than such other employers); provided, however, in all cases the amount offset pursuant to these subsections (i), (ii) and (iii) shall be determined (x) prior to the effect of any payments from the plans and trusts referred to therein which are authorized pursuant to any Qualified Domestic Relations Order under ERISA, or other comparable order allocating marital or other rights under state law as applied to retirement benefits from non-qualified plans and (y) if death occurs on or after January 1, 2010, based on off-setting values as of January 1, 2010, except that any defined contribution individual account values as of January 1, 2010 (including any pro forma, rather than actual, account balance at such date, including imputed interest thereon with respect to amounts previously withdrawn, and including any Company contribution or allocation with respect to 2009 which is made on or after January 1, 2010) utilized under above subsections (ii) and (iii) shall be projected to the date of determination at the imputed rate of 4% per annum prior to application of the Profit Sharing Conversion Factor. No death benefits are payable except to your Surviving Spouse.

Mr. Timothy Wadhams
October 26, 2009
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In order to make these changes effective, please sign the enclosed copy of this letter agreement and return it to Barry Silverman.

Sincerely yours,

Richard A. Manoogian
Chairman of the Board

I agree to the above-described amendments
to my Supplemental Executive Retirement
Plan with the Company.

Timothy Wadhams

Date: _____

MASCO CORPORATION
1997 NON-EMPLOYEE DIRECTORS STOCK PLAN
(Amended and Restated October 27, 2005)

Section 1. Purpose

The purpose of this Plan is to ensure that the non-employee Directors of Masco Corporation (the "Company") have an equity interest in the Company and thereby have a direct and long term interest in the growth and prosperity of the Company by payment of part of their compensation in the form of common stock of the Company.

Section 2. Administration of the Plan

This Plan will be administered by the Company's Board of Directors (the "Board"). The Board shall be authorized to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. The Board's interpretation of the terms and provisions of this Plan shall be final and conclusive. The Secretary of the Company shall be authorized to implement the Plan in accordance with its terms and to take such actions of a ministerial nature as shall be necessary to effectuate the intent and purposes thereof. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Michigan and applicable Federal law.

Section 3. Eligibility

Participation will be limited to individuals who are Eligible Directors, as hereinafter defined. Eligible Director shall mean any Director of the Company who is not an employee of the Company and who receives a fee for services as a Director.

Section 4. Shares Subject to the Plan

(a) Subject to the adjustments set forth below, the aggregate number of shares of Company Common Stock, par value \$1.00 per share ("Shares"), which may be the subject of awards issued under the Plan shall be 1,000,000.

(b) Any Shares to be delivered under the Plan shall be made available from newly issued Shares or from Shares reacquired by the Company, including Shares purchased in the open market.

(c) To the extent a Stock Option award, as hereinafter defined, terminates without having been exercised, or an award of Restricted Stock, as hereinafter defined, is forfeited, the Shares subject to such Stock Option or Restricted Stock award shall again be available for distribution in connection with future awards under the Plan. Shares equal in number to the Shares surrendered to the Company in payment of the option price or withholding taxes (if any) relating to or arising in connection with any Restricted Stock or Stock Option hereunder shall be added to the number of Shares then available for future awards under clause (a) above.

(d) In the event of any merger, reorganization, consolidation, recapitalization, stock split, stock dividend, or other change in corporate structure affecting the Shares, the aggregate number of Shares which may be issued under the Plan, the number of Shares subject to Stock Options to be granted under Section 6(a) hereof and the number of Shares subject to any outstanding award of Restricted Stock or unexercised Stock Option shall be adjusted to avoid enhancement or diminution of the benefits intended to be made available hereunder.

Section 5. Director Stock Compensation

(a) The compensation of each Eligible Director for the five year period beginning January 1, 1997 shall be payable in part with an award of Restricted Stock determined as set forth below, and in part in cash. Compensation for this purpose means annual retainer fees but does not include supplemental retainer fees for committee positions or fees for attendance at meetings, which shall be paid in cash. The portion of compensation payable in Restricted Stock during the five year period shall be equal to one-half of the annual compensation paid to Eligible Directors in the year immediately prior to the award multiplied by five, and the balance of compensation, unless otherwise determined by the Board, shall be payable in cash. Each award of Restricted Stock shall vest in twenty percent annual installments (disregarding fractional shares) on January 1 of each of the five consecutive years following the year in which the award is made. Subject to the approval of this Plan by the Company's stockholders, each Eligible

Director on February 18, 1997 is awarded as of that date 6,940 Shares of Restricted Stock, based on the closing price of the Shares as reported on the New York Stock Exchange Composite Tape (the "NYSE") on February 18, 1997. Cash shall be paid to an Eligible Director in lieu of a fractional share.

(b) Subject to the approval of this Plan by the Company's stockholders, each Eligible Director who is first elected or appointed to the Board on or after the date of the Company's 1997 annual meeting of stockholders shall receive, as of the date of such election or appointment, an award of Restricted Stock determined in accordance with Section 5(a) for the five year period beginning on January 1 of the year in which such election or appointment occurred; provided, however, that the price of the Shares used in determining the number of Shares of Restricted Stock which shall be issued to such Eligible Director shall be the fair market value of the Shares as determined by the Board of Directors on the date on which such Eligible Director is elected or appointed, and provided, further, that the amount of Restricted Stock awarded to any Eligible Director who begins serving as a Director other than at the beginning of a calendar year shall be prorated to reflect the partial service of the initial year of the Director's term, such proration to be effected in the initial vesting.

(c) Upon the full vesting of any award of Restricted Stock awarded pursuant to Section 5(a) or 5(b), each affected Eligible Director shall be eligible to receive a new award of Restricted Stock, subject to Section 4. The number of Shares subject to such award shall be determined generally in accordance with the provisions of Section 5(b); provided, however, that the Board shall have sole discretion to adjust the amount of compensation then to be paid in the form of Shares and the terms of any such award of Shares. Except as the Board may otherwise determine, any increase or decrease in an Eligible Director's annual compensation during the period when such Director has an outstanding award of Restricted Stock shall be implemented by increasing or decreasing the cash portion of such Director's compensation.

(d) Eligible Director shall be entitled to vote and receive dividends on the unvested portion of his or her Restricted Stock, but will not be able to obtain a stock certificate or sell, encumber or otherwise transfer such Restricted Stock except in accordance with the terms of the Company's 1991 Long Term Stock Incentive Plan (the "Long Term Plan"). If an Eligible Director's term of service as a director is terminated for any reason other than death or permanent and total disability or retirement on or after normal retirement age as specified in the Company's Corporate Governance Guidelines, all shares of Restricted Stock theretofore awarded to the Eligible Director which are still subject to restrictions shall upon such termination be forfeited and transferred back to the Company; provided, however, that a pro rata portion of the Restricted Stock which would have vested on January 1 of the year following the year of the Eligible Director's termination shall vest on the date of termination, based upon the portion of the year during which the Eligible Director served as a Director of the Company.

(e) Notwithstanding the foregoing or clause (g) below, if an Eligible Director continues to hold an award of Restricted Stock following termination of service as a director (including retirement), the Shares of Restricted Stock which remain subject to restrictions shall nonetheless be forfeited and transferred back to the Company if the Board at any time thereafter determines that the former Director has engaged in any activity detrimental to the interests of the Company.

(f) If an Eligible Director's term is terminated by reason of death or permanent and total disability or if following retirement as a director a former Director continues to have rights under an Award of Restricted Stock and thereafter dies, the restrictions contained in the Award shall lapse with respect to such Restricted Stock.

(g) If an Eligible Director's term is terminated by reason of retirement on or after normal retirement age as specified in the Company's Corporate Governance Guidelines, the restrictions contained in the Award of Restricted Stock shall continue to lapse in the same manner as though the term had not terminated.

Section 6. Stock Option Grant

(a) Subject to approval of this Plan by the Company's stockholders, each Eligible Director on the date of such approval will be granted on such date a stock option to purchase 8,000 Shares (the "Stock Option"). Thereafter, on the date of each of the Company's subsequent annual stockholders meetings, each person who is or becomes an Eligible Director on that date and whose service on the Board will continue after such date shall be granted a Stock Option, subject to Section 4, effective as of the date of such meeting.

(b) Stock Options granted under this Section 6 shall be non-qualified stock options and shall have the following terms and conditions.

1. *Option Price* . The option price per Share shall be equal to the fair market value of the Shares on the date of grant as determined by the Board of Directors.

2. *Term of Option* . The term of the Stock Option shall be ten years from the date of grant, subject to earlier termination in the event of termination of service as an Eligible Director. If an Eligible Director's term of service as a director is terminated for any reason other than death, the Director may thereafter exercise the Stock Option as provided below, except that the Board may terminate the unexercised portion of the Stock Option concurrently with or at any time following termination if it shall determine that the former Director has engaged in any activity detrimental to the interests of the Company. If an Eligible Director's term is terminated for any reason other than death or permanent and total disability or retirement on or after normal retirement age as specified in the Company's Corporate Governance Guidelines, at a time when such Director is entitled to purchase an outstanding Stock Option, then such Stock Option may be exercised as to all or any of the Shares which the Eligible Director was entitled to purchase at the date of termination (A) for Stock Options granted prior to October 27, 2005, until the later of (i) the 15th day of the third month following the date at which such Stock Option would otherwise have terminated in connection with the termination of service, which date prior to the October 27, 2005 Plan amendments was three months after termination of the Director's service, or (ii) December 31 of the calendar year in which the Stock Option would otherwise have terminated in connection with the termination of service; and (B) for Stock Options granted on or after October 27, 2005, until the earlier of (i) the expiration of the original term, or (ii) one year after death. That portion of the Stock Option not exercisable at the time of such termination shall be forfeited and transferred back to the Company on the date of such termination. If an Eligible Director's term is terminated by reason of permanent and total disability, any portion of a Stock Option that is not then exercisable shall become fully exercisable and shall remain exercisable until the earlier of the expiration of the original option term or one year after death. If an Eligible Director retires from service as a director on or after normal retirement age as specified in the Company's Corporate Governance Guidelines, such Stock Option shall continue to become exercisable and shall remain exercisable in accordance with its terms and the provisions of this Plan. If an Eligible Director dies, all unexercisable installments of the Stock Option shall thereupon become exercisable and at any time or times within one year after death such Stock Option may be exercised as to all or any unexercised portion of the Stock Option. Except as so exercised, such Stock Option shall expire at the end of such period. Except as provided above, a Stock Option may be exercised only if and to the extent such Stock Option was exercisable at the date of termination of service as an Eligible Director, and a Stock Option may not be exercised at a time when the Stock Option would not have been exercisable had the service as an Eligible Director continued.

3. *Exercisability* . Subject to clause 2 above, each Stock Option shall vest and become exercisable with respect to twenty percent of the underlying Shares on each of the first five anniversaries of the date of grant, provided that the optionee is an Eligible Director on such date.

4. *Method of Exercise* . A Stock Option may be exercised in whole or in part during the period in which such Stock Option is exercisable by giving written notice of exercise to the Company specifying the number of shares to be purchased, accompanied by payment of the purchase price. Payment of the purchase price shall be made in cash, by delivery of Shares, or by any combination of the foregoing.

5. *Non-Transferability*. Unless otherwise provided by the terms of the Long Term Plan or the Board, (i) Stock Options shall not be transferable by the optionee other than by will or by the laws of descent and distribution, and (ii) during the optionee's lifetime, all Stock Options shall be exercisable only by the optionee or by his or her guardian or legal representative.

6. *Stockholder Rights*. The holder of a Stock Option shall, as such, have none of the rights of a stockholder.

Section 7. General

(a) *Plan Amendments*. The Board may amend, suspend or discontinue the Plan as it shall deem advisable or to conform to any change in any law or regulation applicable thereto; provided, that the Board may not, without the authorization and approval of the stockholders of the Company: (a) modify the class of persons who constitute Eligible Directors as defined in the Plan; or (b) increase the total number of Shares available under the Plan. In addition, without the consent of affected participants, no amendment of the Plan or any award under the Plan may impair the rights of participants under outstanding awards.

(b) *Listing and Registration.* If at any time the Board shall determine, in its discretion, that the listing, registration or qualification of the Shares under the Plan upon any securities exchange or under any state or Federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of any award hereunder, no Shares may be delivered or disposed of unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Board.

(c) *Award Agreements.* Each award of Restricted Stock and Stock Option granted hereunder shall be evidenced by the Eligible Director's written agreement with the Company which shall contain such terms and conditions not inconsistent with the provisions of the Plan as shall be determined by the Board in its discretion.

(d) *Change in Control.*

1. Notwithstanding any of the provisions of this Plan or instruments evidencing awards granted hereunder, upon a Change in Control of the Company (as hereinafter defined) the vesting of all rights of Directors under outstanding awards of Restricted Stock and Stock Options shall be accelerated and all restrictions thereon shall terminate in order that participants may fully realize the benefits thereunder. Such acceleration shall include, without limitation, the immediate exercisability in full of all Stock Options and the termination of restrictions on Restricted Stock. Further, in addition to the Board's authority set forth in Section 4(d), the Board, as constituted before such Change in Control, is authorized, and has sole discretion, as to any award, either at the time such award is made hereunder or any time thereafter, to take any one or more of the following actions: (i) provide for the purchase of any such award, upon the participant's request, for an amount of cash equal to the amount that could have been attained upon the exercise of such award or realization of the participant's rights had such award been currently exercisable or payable; (ii) make such adjustment to any such award then outstanding as the Board deems appropriate to reflect such Change in Control; and (iii) cause any such award then outstanding to be assumed, or new rights substituted therefor, by the acquiring or surviving corporation after such Change in Control. A Change in Control shall occur if, during any period of twenty-four consecutive calendar months, the individuals who at the beginning of such period constitute the Company's Board of Directors, and any new Directors (other than Excluded Directors, as hereinafter defined), whose election by such Board or nomination for election by stockholders was approved by a vote of at least two-thirds of the members of such Board who were either Directors on such Board at the beginning of the period or whose election or nomination for election as Directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof. For purposes hereof, "Excluded Directors" are Directors whose (i) election by the Board or approval by the Board for stockholder election occurred within one year after any "person" or "group of persons", as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 25 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 25 percent or more of such combined voting power or (ii) initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 or Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, corporation, partnership, group, associate or other entity or "person" other than the Board.
2. In the event that subsequent to a Change in Control it is determined that any payment or distribution by the Company to or for the benefit of a participant, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, other than any payment pursuant to this subparagraph 2 (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended from time to time (the "Code") or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then such participant shall be entitled to receive from the Company, within 15 days following the determination described in subparagraph 3 below, an additional payment ("Excise Tax Adjustment Payment") in an amount such that after payment by such participant of all applicable Federal, state and local taxes (computed at the maximum marginal rates and including any interest or penalties

imposed with respect to such taxes), including any Excise Tax, imposed upon the Excise Tax Adjustment Payment, such participant retains an amount of the Excise Tax Adjustment Payment equal to the Excise Tax imposed upon the Payments.

3. All determinations required to be made under this Section 7(d), including whether an Excise Tax Adjustment Payment is required and the amount of such Excise Tax Adjustment Payment, shall be made by PricewaterhouseCoopers LLP, or such other national accounting firm as the Company, or, subsequent to a Change in Control, the Company and the participant jointly, may designate, for purposes of the Excise Tax, which shall provide detailed supporting calculations to the Company and the affected participant within 15 business days of the date of the applicable Payment. Except as hereinafter provided, any determination by PricewaterhouseCoopers LLP, or such other national accounting firm, shall be binding upon the Company and the participant. As a result of the uncertainty in the application of Section 4999 of the Code that may exist at the time of the initial determination hereunder, it is possible that (x) certain Excise Tax Adjustment Payments will not have been made by the Company which should have been made (an "Underpayment"), or (y) certain Excise Tax Adjustment Payments will have been made which should not have been made (an "Overpayment"), consistent with the calculations required to be made hereunder. In the event of an Underpayment, such Underpayment shall be promptly paid by the Company to or for the benefit of the affected participant. In the event that the participant discovers that an Overpayment shall have occurred, the amount thereof shall be promptly repaid to the Company.
- (e) *Non-compete*. Each award of Restricted Stock and Stock Option granted hereunder shall contain a provision whereby the award holder shall agree, in consideration for the award and regardless of whether restrictions on shares of Restricted Stock have lapsed or whether the Stock Option becomes exercisable or is exercised, as the case may be, as follows:
- (i) While the holder is a Director of the Company and for a period of one year following the termination of such holder's term as a Director of the Company, other than a termination following a Change in Control, not to engage in, and not to become associated in a "Prohibited Capacity" (as hereinafter defined) with any other entity engaged in, any "Business Activities" (as hereinafter defined) and not to encourage or assist others in encouraging any employee of the Company or any of its subsidiaries to terminate employment or to become engaged in any such Prohibited Capacity with an entity engaged in any Business Activities. "Business Activities" shall mean the design, development, manufacture, sale, marketing or servicing of any product or providing of services competitive with the products or services of the Company or any subsidiary at any time the award is outstanding, to the extent such competitive products or services are distributed or provided either (1) in the same geographic area as are such products or services of the Company or any of its subsidiaries, or (2) to any of the same customers as such products or services of the Company or any of its subsidiaries are distributed or provided. "Prohibited Capacity" shall mean being associated with an entity as a director, employee, consultant, investor or another capacity where (1) confidential business information of the Company or any of its subsidiaries could be used in fulfilling any of the holder's duties or responsibilities with such other entity, or (2) an investment by the award holder in such other entity represents more than 1% of such other entity's capital stock, partnership or other ownership interests.
 - (ii) Should the award holder either breach or challenge in judicial or arbitration proceedings the validity of any of the restrictions contained in the preceding paragraph, by accepting an award each award holder shall agree, independent of any equitable or legal remedies that the Company may have and without limiting the Company's right to any other equitable or legal remedies, to pay to the Company in cash immediately upon the demand of the Company (1) the amount of income realized for income tax purposes from an award of Restricted Stock and/or the exercise of a Stock Option, net of all federal, state and other taxes payable on the amount of such income, but only to the extent such income is realized from restrictions lapsing on shares or exercises occurring, as the case may be, on or after the termination of the award holder's term as a Director of the Company or within the two year period prior to the date of such termination, plus (2) all costs and expenses of the Company in any effort to enforce its rights under this or the preceding paragraph. The Company shall have the right to set off or withhold any amount owed to the award holder by the Company or any of its subsidiaries or affiliates for any amount owed to the Company by the award holder hereunder.

(f) *Applicability* . The provisions of this Plan as amended and restated October 27, 2005 shall apply to all outstanding Stock Options and awards of Restricted Stock.

(g) *Term* . No shares shall be awarded under this Plan after May 21, 2007.

Restricted Stock Award Agreement
[Date]

<Name>
<Address1>
<Address2>
<Address3>
<Address4>

Dear <Salutation>:

On behalf of the Company, I am pleased to inform you that on [date] the Board of Directors granted you an Award of Restricted Stock, pursuant to the Company's 1997 Non-Employee Directors Stock Plan (the "Plan"), of shares of the Company's \$1.00 par value Common Stock. This letter states the terms of the Award and contains other provisions which on your acceptance commit the Company and you, so I urge you to read it carefully. You should also read the Plan, and the Prospectus dated [date], which are available from the Company. Enclosed are copies of these documents as well as our latest annual report to stockholders and proxy statement to the extent our records indicate you may not have previously received them.

Terms of Award:

Certificates for the shares of stock evidencing the Restricted Stock will not be issued but the shares will be registered in your name in book entry form promptly after your acceptance of this Award. You will be entitled to vote and receive any cash dividends on the Restricted Stock, but you will not be able to obtain a stock certificate or sell, encumber or otherwise transfer the shares except in accordance with the Plan.

The number of shares of Restricted Stock you have been awarded is [number of shares].

Provided since the date of the Award you have continuously served as an Eligible Director, as defined in the Plan, the restrictions on 20% of the shares will automatically lapse on January 1, 200__ and on each January 1 thereafter until all shares are free of restrictions, in each case based on the initial number of shares. In accordance with Section 5(d) of the Plan, if your term as an Eligible Director should be terminated by reason of your death or permanent and total disability, or if following retirement from your term as an Eligible Director you thereafter die, the restrictions on all Restricted Stock will lapse and your rights to the shares will become vested on the date of such termination. If your term as an Eligible Director terminates by reason of retirement on or after normal retirement date, the restrictions contained in the Award shall continue to lapse in the same manner as though your term had not terminated. If your term as an Eligible Director is terminated for any reason other than death or permanent and total disability or retirement on or after normal retirement date, while restrictions remain in effect, the Restricted Stock that has not vested shall be automatically forfeited and transferred back to the Company; provided, however, that a pro rata portion of the Restricted Stock which would have vested on January 1 of the year following the year of such termination shall vest on the date of termination, based upon the portion of the year during which you served as an Eligible Director of the Company.

Notwithstanding the foregoing and as provided in the Plan, if at any time you engage in an activity following your termination of service which in the sole judgment of the Board of Directors is detrimental to the interests of the Company, a subsidiary or an affiliated company, all shares of Restricted Stock which remain subject to restrictions shall be forfeited to the Company. You acknowledge that such activity includes, but is not limited to, "Business Activities" (as defined in the Appendix) for purposes of this Award and for purposes of all other outstanding awards of restricted stock and options that are subject to comparable forfeiture provisions.

As restrictions lapse, a certificate for the number of shares of Restricted Stock as to which restrictions have lapsed will be forwarded to you or the person or persons entitled to the shares.

Other Terms and Acceptance:

We agree that all of the terms and conditions of the Award are reflected in this Agreement and in the Plan, and that there are no other commitments or understandings currently outstanding with respect to any other awards of restricted stock or stock options except as may be evidenced by agreements duly executed by you and the Company.

By accepting this Award you: (a) represent that you are familiar with the provisions of the Plan and agree to its incorporation in this Agreement; (b) agree to provide promptly such information with respect to the Restricted Stock as may be requested by the Company and to comply with any requirements of applicable federal and other laws with respect to withholding or providing for the payment of required taxes; and (c) acknowledge that all of your rights to this Award are embodied herein and in the Plan.

Section 2 of the Plan provides that the Board of Directors shall have the authority to make all determinations which may arise in connection with the Plan. It further provides that the Board's interpretation of the terms and provisions of the Plan shall be final and conclusive.

This Agreement shall be governed by and interpreted in accordance with Michigan law.

Please complete your mailing address and social security number as indicated below, sign, date and return the copy of this Award Agreement to Eugene A. Gargaro, Jr., our Vice President and Secretary, as soon as possible in order that this Award may become effective. Since the Restricted Stock cannot be registered in your name until we receive the signed copies of this Agreement, and since dividend, voting and other rights will only become effective at that time, your prompt attention and acceptance will be greatly appreciated.

Very truly yours,

MASCO CORPORATION

Richard A. Manoogian
Chairman of the Board and
Chief Executive Officer

I accept and agree to the foregoing.

(Signature of Recipient)

(Mailing Address)



(Social Security Number)

Dated: _____

[Date]

<Name>
<Address1>
<Address2>
<Address3>
<Address4.

Dear <Salutation>:

On behalf of the Company, I am pleased to inform you that on [date], the Board of Directors granted you a non-qualified stock option pursuant to the Company's 1997 Non-Employee Directors Stock Plan (the "Plan"), subject to the conditions set forth below and in the Appendix attached hereto. This letter and the attached Appendix (the "Agreement") state the terms of the option and contain other provisions which on your acceptance commit the Company and you, so I urge you to read them carefully. You should also read the Plan and Prospectus dated [date], covering the shares which are the subject of this option. Enclosed are copies of these documents as well as our latest annual report to stockholders and proxy statement to the extent our records indicate you may not have previously received them. Copies are also available upon request to the Company. We also suggest that you review the federal income tax attributes of non-qualified stock options which are discussed in the Prospectus. This option does not qualify for the federal tax benefits of an "incentive stock option" under the Internal Revenue Code, as described in the Prospectus.

This option, if accepted by you, grants you the right to purchase [no. of shares] shares of the Company's \$1.00 par value Common Stock at a price of [\$____] per share, which the Board has determined is the fair market value of a share of the Company's Common Stock on the date of grant as reflected by trades reported on the New York Stock Exchange.

When the Option is Exercisable and Termination

This option is exercisable cumulatively in installments of 20% commencing as of [date], 20% as of [date], 20% as of [date], 20% as of [date] and 20% as of [date]; provided that on each date of exercise you qualify under the provisions of the Plan, including Section 6, to exercise such option. All installments of the option as above described must be exercised no later than [date]; all unexercised installments or portions thereof shall lapse and the right to purchase shares pursuant to this option shall be of no further effect after such date. If your term as an Eligible Director, as defined in the Plan, is terminated for any reason, the option shall terminate, continue to vest or become immediately vested, and shall be exercisable, in accordance with Section 6 of the Plan.

As provided in the Plan, if at any time you engage in an activity following your termination of service which in the sole judgment of the Board of Directors is detrimental to the interests of the Company, a subsidiary or an affiliated company, all unexercised installments or portions of the option will be forfeited to the Company. You acknowledge that such activity includes, but is not limited to, engaging in "Business Activities" (as defined in the Appendix) for purposes of this option and for purposes of all other outstanding awards of restricted stock and options that are subject to comparable forfeiture procedures.

Enclosed please find a Prospectus dated [date] covering the shares which are the subject of this option, and a copy of the Plan, as amended October 27, 2005. We suggest that you review the federal income tax attributes of non-qualified stock options which are discussed in the Prospectus. This option does not qualify for the federal tax benefits of an "incentive stock option" under the Internal Revenue Code, as described in the Prospectus.

Acceptance

We agree that all of the terms and conditions of this option are reflected in this Agreement and in the Plan, and that there are no other commitments or understandings currently outstanding with respect to any other awards of stock options or restricted stock except as may be evidenced by agreements duly executed by you and the Company.

By accepting this option you: (a) represent that you are familiar with the provisions of the Plan and agree to its incorporation in this Agreement; (b) agree to provide promptly such information with respect to shares acquired pursuant to this option as may be requested by the Company and to comply with any requirements of applicable federal and other laws with respect to withholding or providing for the payment of required taxes; and (c) acknowledge that all of your rights to this option are embodied herein and in the Plan.

Section 2 of the Plan provides that the Board of Directors shall have the authority to make all determinations which may arise in connection with the Plan. It further provides that the Board's interpretation of the terms and provisions of the Plan shall be final and conclusive.

This Agreement shall be governed by and interpreted in accordance with Michigan law.

Please complete your mailing address and Social Security number as indicated below and sign, date and return the copy of this Agreement to Eugene A. Gargaro, Jr., our Vice President and Secretary, as soon as possible in order that this option grant may become effective.

Very truly yours,

MASCO CORPORATION

Richard A. Manoogian
Chairman of the Board and
Chief Executive Officer

I accept and agree to all the foregoing terms and conditions.

(Signature of Recipient)

(Mailing Address)

(Social Security Number)

Dated: _____



Appendix to Option Agreement

Masco Corporation (the “Company”) and you agree that all of the terms and conditions of the option (the “Option”) contained in the foregoing letter agreement into which this Appendix is incorporated (the “Agreement”) are reflected in the Agreement and in the Company’s 1997 Non-Employee Directors Stock Plan (the “Plan”), and that there are no other commitments or understandings currently outstanding with respect to any other grants of options and restricted stock except as may be evidenced by agreements duly executed by you and the Company.

By signing the Agreement you acknowledge acceptance of the Option and receipt of the documents referred to in the Agreement and represent that you have read the Plan, are familiar with its provisions, and agree to its incorporation in the Agreement and all of the other terms and conditions of the Agreement. Such acceptance, moreover, evidences your agreement promptly to provide such information with respect to shares acquired pursuant to the Option, as may be requested by the Company.

In addition you agree, in consideration for the grant of the Option and regardless of whether the Option becomes exercisable or is exercised, while you are a Director of the Company and for a period of one year following the termination of your term as a Director of the Company, other than a termination following a Change in Control, not to engage in, and not to become associated in a “Prohibited Capacity” (as hereinafter defined) with any other entity engaged in, any “Business Activities” (as hereinafter defined) and not to encourage or assist others in encouraging any employee of the Company or any of its subsidiaries to terminate employment or to become engaged in any such Prohibited Capacity with an entity engaged in any Business Activities. “Business Activities” shall mean the design, development, manufacture, sale, marketing or servicing of any product or providing of services competitive with the products or services of the Company or any subsidiary at any time the Option is outstanding, to the extent such competitive products or services are distributed or provided either (1) in the same geographic area as are such products or services of the Company or any of its subsidiaries, or (2) to any of the same customers as such products or services of the Company or any of its subsidiaries are distributed or provided. “Prohibited Capacity” shall mean being associated with an entity as a director, employee, consultant, investor or another capacity where (1) confidential business information of the Company or any of its subsidiaries could be used in fulfilling any of your duties or responsibilities with such other entity, or (2) an investment by you in such other entity represents more than 1% of such other entity’s capital stock, partnership or other ownership interests.

Should you either breach or challenge in judicial or arbitration proceedings the validity of any of the restrictions contained in the preceding paragraph, by accepting the Option you agree, independent of any equitable or legal remedies that the Company may have and without limiting the Company’s right to any other equitable or legal remedies, to pay to the Company in cash immediately upon the demand of the Company (1) the amount of income realized for income tax purposes from the exercise of any portion of the Option, net of all federal, state and other taxes payable on the amount of such income, but only to the extent such exercises occurred on or after the termination of your term as a Director of the Company or within the two year period prior to the date of such termination, plus (2) all costs and expenses of the Company in any effort to enforce its rights under this or the preceding paragraph. The Company shall have the right to set

off or withhold any amount owed to you by the Company or any of its subsidiaries or affiliates for any amount owed to the Company by you hereunder.

By accepting the Option you: (a) agree to comply with the requirements of applicable federal and other laws with respect to withholding or providing for the payment of required taxes; and (b) acknowledge that all of your rights to the Option are embodied in the Agreement and in the Plan.

Section 2 of the Plan provides that the Board of Directors shall have the authority to make all determinations which may arise in connection with the Plan. It further provides that the Board's interpretation of the terms and provisions of the Plan shall be final and conclusive. In addition, you and the Company agree that if for any reason a claim is asserted against the Company or any of its subsidiaries or affiliated companies or any officer, employee or agent of the foregoing which (1) is within the scope of the Dispute Resolution Policy (the terms of which are incorporated herein); or (2) involves any of the provisions of the Agreement or the Plan or the provisions of any other option agreements relating to Company common stock or restricted stock awards or other awards or the claims of yourself or any persons to the benefits thereof, in order to provide a more speedy and economical resolution, the Dispute Resolution Policy shall be the sole and exclusive remedy to resolve all disputes, claims or controversies which are set forth above, and you shall be deemed to be an employee within the scope of the Dispute Resolution Policy and you and the Company shall be bound as if you were an employee for all claims within the scope of the Dispute Resolution Policy, except as otherwise agreed in writing by you and the Company. It is our mutual intention that any arbitration award entered under the Dispute Resolution Policy will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction. Notwithstanding the provisions of the Dispute Resolution Policy, however, the parties specifically agree that any mediation or arbitration required by this paragraph shall take place at the offices of the American Arbitration Association located in the metropolitan Detroit area or such other location in the metropolitan Detroit area as the parties might agree. The provisions of this paragraph: (a) shall survive the termination or expiration of this Agreement, (b) shall be binding upon the Company's and your respective successors, heirs, personal representatives, designated beneficiaries and any other person asserting a claim based upon the Agreement, (c) shall supersede the provisions of any prior agreement between you and the Company with respect to any of the Company's option or restricted stock incentive plans or other awards to the extent the provisions of such other agreement requires arbitration between you and the Company or one of its subsidiaries, and (d) may not be modified without the consent of the Company. Subject to the exception set forth above, you and the Company acknowledge that neither of us nor any other person asserting a claim described above has the right to resort to any federal, state or local court or administrative agency concerning any such claim and the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute.

The Agreement shall be governed by and interpreted in accordance with Michigan law.

[For directors' existing stock options and awards]

Masco Letterhead

Date

Name

<Address1>

<Address2>

<Address3>

Dear <Salutation>:

On behalf of the Company, I am pleased to inform you that the Board of Directors approved the following enhancements to outstanding awards of stock options and restricted stock to non-employee directors under the 1997 Non-Employee Directors Long Term Stock Incentive Plan (the "1997 Plan") and under the 1991 Long Term Stock Incentive Plan (the "1991 Plan").

If your service as a director terminates for any reason other than as a result of death, disability or retirement due to age, any portion of an option that is then exercisable will remain exercisable beyond the period currently provided until the later of (i) the 15th day of the third month following the date at which the option would otherwise have terminated in connection with the termination of service, or (ii) December 31 of the calendar year in which the option would otherwise have terminated in connection with the termination of service.

If your service as a director terminates as a result of permanent and total disability, any portion of an option not then exercisable will immediately become exercisable and will remain exercisable until the earlier of the expiration of its original term or one year after death.

The "clawback" provisions of the 1997 Plan (formerly Section 6(b)(5)) and comparable provisions in any stock option granted to you under the 1991 Plan will no longer apply.

For purposes of a "Change in Control" under the 1991 Plan and the 1997 Plan, the definition of "Excluded Director" (i.e., a director who is deemed not to be an incumbent director) will also include directors whose initial assumption of office occurs as a result of certain actual or threatened election contests not by or on behalf of the Board.

Very truly yours,

Richard A. Manoogian
Chairman of the Board and
Chief Executive Officer

**AMENDED AND RESTATED
MASCO CORPORATION
RETIREMENT BENEFIT
RESTORATION PLAN**

**Effective January 1, 1995
With Subsequent Amendments
As Amended and Restated
Effective December 22, 2010**

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**AMENDED AND RESTATED
MASCO CORPORATION RETIREMENT
BENEFIT RESTORATION PLAN**

**SECTION 1
ADOPTION OF PLAN**

1.1 Adoption. Masco Corporation (“Masco”) hereby adopts the Masco Corporation Retirement Benefit Restoration Plan (“Plan”), originally effective January 1, 1995 (“Effective Date”), as amended and restated herein effective October 22, 2008 (“Restatement Effective Date”).

1.2 Purpose. The sole purpose of the Plan is to provide benefits to a select group of management or highly compensated employees, that would be provided to such employees who terminate employment or retire after the Effective Date under certain retirement plans of Masco Corporation and its subsidiaries, which plans are set forth in Appendix “A” hereto and are qualified plans under Section 401(a) of the Internal Revenue Code of 1986, as amended (Code) (the “Qualified Plans”, “Qualified Pension Plans” or “Qualified Profit Sharing Plans”), but for the benefit limitations of the Code, in order to encourage the continued employment and diligent service of such employees with Masco or the company (as hereinafter defined) following the Effective Date. Accordingly (by way of example and not limitation), in no event shall the provisions of the Plan be construed to benefit any employee whose termination of employment occurred prior to the Effective Date. Effective as of the Restatement Effective Date, the Plan as amended and restated herein shall apply to all those employees then eligible to participate hereunder, as well as to all persons who terminated employment prior to such date who retain a deferred vested right to benefits under the Plan or to whom retirement benefits are being paid under the Plan. Notwithstanding the foregoing, effective as of January 1, 2010 the defined benefit Qualified Pension Plans set forth on Appendix A are amended to provide that all credited service and salary accruals in such plans are frozen as of January 1, 2010; consequently, no provision of this Plan shall be interpreted to provide for accrual of any defined benefit pension hereunder with respect to any period following January 1, 2010, and all defined benefit pension accruals under this Plan are to be frozen as of January 1, 2010.

1.3 Construction. The Plan shall be construed in accordance with Michigan law, except where preempted by federal law. It is intended that the Plan, except as permitted herein, shall be unfunded and maintained by Masco primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, so that the Plan is exempt from the requirements of Parts 2, 3 and 4 of the Employee Retirement Income Security Act of 1974, as amended (ERISA). All provisions of the Plan shall be interpreted in accordance with such intentions.

SECTION 2
COVERAGE

2.1 Covered Employees . The coverage of the Plan shall be limited to highly-compensated or management employees of Masco and of those subsidiaries of Masco the Qualified Plans of which are listed in Appendix "A", who individually (a) receives from Masco or the subsidiary of Masco which is the employer of such person ("company") annual compensation otherwise eligible for coverage under the terms of such Qualified Plan which exceeds the applicable limit as provided by Section 401(a)(17) of the Code, or (b) whose benefits or contributions under the Qualified Plans are reduced due to the application of Section 415 of the Code (hereinafter, "employee").

2.2 Commencement and Cessation of Coverage . An employee shall be covered under the Plan commencing on the later of (a) the Effective Date or (b) the earlier of the date that his plan-eligible compensation described in paragraph 2.1 first exceeds the annual limitation amount described in paragraph 2.1 or the date his benefits or contributions under the Qualified Plans are first reduced by the application of Code Section 415. An employee shall cease to be covered by the Plan on his date of termination of employment from Masco or the company and any of their subsidiaries. If prior to such termination an employee ceases to qualify for coverage under the Plan due to some other event (by way of examples and not as limitation, a decrease in Plan-eligible compensation or the commencement of employment with Masco or the company or any of their subsidiaries, which employer has no Qualified Plan or has discontinued its Qualified Plan), his coverage under the Plan shall cease as of the time such disqualifying event occurs and only the benefits accrued hereunder up to such time shall be payable from this Plan. Notwithstanding the foregoing, unless otherwise specified in Appendix A, coverage under any plan which from time to time may be added to or deleted from Appendix A, shall be effective only from and after the date when such plan is added to or deleted from Appendix A.

SECTION 3
BENEFITS

3.1 Amount . A covered employee shall be entitled hereunder to either or both, as applicable, of the following supplemental retirement benefits:

(a) An annual amount equal to the benefit which would have been payable to the employee under any defined benefit (pension) Qualified Plan in which he is a participant (“Qualified Pension Plan”), computed without regard to any benefit limitations imposed by the Code on the computation or amount of such benefit, and reduced (but not below zero) by any benefits which the employee is eligible to receive, prior to giving effect to any qualified domestic relations order or tax levy, under any such Qualified Pension Plan, each benefit being expressed for this purpose in the normal form of payment under said Qualified Pension Plan;

(b) A single sum amount equal to the difference between (1) the cumulative total of employer contributions (other than contributions characterized as elective deferrals under Code Section 401(k) or matching contributions under Section 401(m)) which from time to time would have been contributed to the account of the employee with respect to periods after December 31, 1993 under any defined contribution (profit sharing) Qualified Plan in which he is a participant computed without regard to any limitations imposed by the Code on the determination or amount of such employer contributions and (2) the actual employer profit sharing contributions made during such periods prior to giving effect to any qualified domestic relations order or tax levy, with such difference adjusted by the average of the investment earnings (or losses) actually experienced for each such period in the Fidelity Freedom Funds which are offered as investment choices in the Masco Corporation Future Service Profit Sharing Plan (or in such other index fund or funds as Masco may determine from time to time), as if the contributions in (1) above had been made simultaneously with the actual contributions referenced in (2) above. Notwithstanding the foregoing, on and after January 1, 2010 the term “profit sharing” shall be deemed to include those 401(k) savings plans included thereafter on Appendix A; and on and after January 1, 2010 the exclusion contained in the first parenthetical in this Section 3.1(b) shall be ineffective with respect to employer matching contributions described in Code Section 401(m) called for by the matching formulae in those 401(k) savings plans included thereafter on Appendix A; provided, however, the foregoing is not intended to permit any employee elective deferrals in excess of the limit established from time to time by Code Section 401(g)(1)(B) nor to provide employer matching contributions on other than actual employee elective deferrals made under the qualified plans up to such limit under Code Section 401(g)(1)(B); provided, further, effective on and after December 22, 2010, any bonus paid in 2010 shall not be considered as eligible for the purpose of determining the amount of matching contributions under this Plan, if the amount

of such bonus was included for purposes of the Masco Corporation Supplemental Executive Retirement Plan.

In no case shall there be any adjustments for forfeitures of any kind and no payment made pursuant to this Plan shall have any gross-up for tax effect, other than as provided under paragraphs 4.5 or 4.6, and there shall be no defined benefit pension accruals under subsection 3.1(a) with respect to any period following January 1, 2010, or otherwise, and all defined benefit pension accruals under this Plan are frozen as of January 1, 2010.

3.2 Timing and Form of Payments. (a) Retirement benefit payments hereunder which are supplemental to a Qualified Pension Plan shall be made commencing at Retirement and shall be payable either (i) for an employee who is unmarried at the time payments commence, in the form of a single life annuity, (ii) for any employee who is married when payments commence, in the form of a 50% joint and survivor annuity with the employee's spouse, or (iii) in an optional form which the employee validly elects (pursuant to the same procedures, and for the same optional forms, as are specified in the Qualified Pension Plan) for payment of benefits hereunder. Any optional form selected shall be paid at such times and in such amounts as are in the aggregate, actuarially equivalent to the Plan's payments when made as a single life annuity (including, as applicable, additional early commencement actuarial reduction for amounts payable under paragraph 3.1(a) which commence prior to the Qualified Pension Plan's normal retirement date, other than benefits (for example, disability benefits) which by their terms would be payable prior to the normal retirement date with no reduction for early commencement); such actuarial equivalents shall be computed using the same formulas and actuarial factors as set forth for determinations of comparable optional forms of benefits as are offered under the Qualified Pension Plan; for purposes of this paragraph 3.2(a), an employee's marital status and spouse shall be determined in accordance with the Qualified Pension Plan. Other than as provided in paragraphs 4.5 and 4.6 or in the case of a benefit the Present Value of which is less than \$5000, the Plan may not make an actuarially equivalent payment in the form of a lump sum.

(b) A sum payable hereunder which is supplemental to a Qualified Profit Sharing Plan shall be paid in a single lump sum promptly following Retirement to the employee (or to the Beneficiary named under the Qualified Profit Sharing Plan). Notwithstanding the foregoing, such payment shall be subject to delay as described in paragraph 3.5 for those persons subject thereto.

3.3 Forfeitability. Except as provided in paragraph 4.5(a)(i), the right to any payment of benefits under the Plan shall be vested in the same manner and to the same extent as benefits are vested under the Qualified Pension and Qualified Profit Sharing Plans.

3.4 No Payment During Employment. Notwithstanding the foregoing, no periodic payments computed under paragraph 3.1 shall be made until after termination of employment from Masco, the company or any of their subsidiaries.

3.5 Delay of Payment. Notwithstanding the foregoing, any payments of Covered Benefits (those benefits subject to the provisions of Code Section 409A) otherwise payable hereunder to an employee who is a person described in 26 CFR 1.409A-1(i) shall be delayed for the first six months following termination of employment, and after six months such delayed payments shall be paid to the employee in a single lump sum, with no interest adjustment for such delay.

SECTION 4
SOURCE OF BENEFITS AND CHANGE OF CONTROL

4.1 Cost of Plan. Other than as provided in paragraphs 4.2, 4.5 and 4.6, the entire cost of providing benefits under the Plan, including the costs of the Plan Administrator, shall be paid by Masco out of its general assets, and Masco's obligations under the Plan shall be an unfunded and unsecured promise to pay. Other than as provided in paragraphs 4.2, 4.5 and 4.6, Masco shall not be obligated to separately fund its obligations under the Plan.

4.2 Option to Fund Informally. Notwithstanding paragraph 4.1, Masco may, at its sole option, or by agreement, informally fund its obligations under the Plan in whole or in part, provided, however, in no event shall such informal funding be construed to create any trust fund (other than pursuant to paragraphs 4.5 and 4.6), escrow account or other security for an employee with respect to the payment of benefits under the Plan. Furthermore, if Masco decides to informally fund the Plan, in whole or in part, by procuring, as owner, life insurance for its own benefit on the lives of employees, the form of such insurance and the amounts thereof shall be the sole decision of Masco, and in no event shall an employee have any incidents of ownership in any such policies of insurance.

4.3 Physical Examinations. If a physical examination is required for Masco to obtain insurance for covered employees under paragraph 4.2, each employee agrees to undergo such physical examinations as may be required by the insurance carrier. Such physical examinations shall be conducted by a physician approved by Masco, at the expense of Masco.

4.4 No Employee Contributions or Loans. No loans or hardship distributions or contributions by employees are permitted or required under the Plan.

4.5 Change of Control. (a) Immediately upon the occurrence of any Change of Control:

(i) If the employee is then employed by Masco or the company, if not already 100%, vesting in all benefits hereunder shall be deemed for all purposes of this Plan to be 100%.

(ii) Masco shall forthwith deposit to an account in the employee's name (or that of the employee's Beneficiary if the employee is then deceased and the employee's Beneficiary is entitled to benefits hereunder) in the Deferred Compensation Trust, which Masco shall theretofore have established, 110% of the sum of the Gross-Up Amount plus:

(A) If the employee is then employed by Masco or the company, an amount equal to the discounted Present Value of the benefits which would have been payable under paragraphs 3.1 and 3.2 of this Plan upon Retirement at age 65 or attained age if greater, assuming for purposes of this clause, no compensation increases and that if younger than age 65 the employee and the employee's Beneficiary had attained such age;

(B) If employment has previously been terminated but the employee or the employee's Beneficiary is then entitled in the future to receive benefits under this Plan, an amount equal to the discounted Present Value of the benefits which would have been so payable; and

(C) If the employee or the employee's Beneficiary is then receiving payments under paragraph 3.2 of this Plan, an amount equal to the Present Value of those benefits payable in the future to the employee and the employee's Beneficiary.

(b) If the Deferred Compensation Trust is not established prior to or within thirty days after the Change of Control, all payments which would otherwise have been made to the employee or the employee's Beneficiary from the Deferred Compensation Trust shall immediately after such thirty day period be made to the employee or the employee's Beneficiary by Masco.

(c) Any deposit by Masco to an account in the employee's name or that of the employee's Beneficiary in the Deferred Compensation Trust prior to the occurrence of the Change of Control, together with all income then accrued thereon (but only to the extent of the value of such deposited amount and the income accrued thereon on the day of any deposit under clause (a)(ii) of this paragraph 4.5), shall reduce by an equal amount the obligations of Masco to make the deposit required under clause (a)(ii) of this paragraph 4.5.

(d) At or prior to making the deposit required by clause (a)(ii) of this paragraph 4.5, Masco shall deliver to the Trustee under the Deferred Compensation Trust a certificate specifying that portion, if any, of the amount in the trust account, after giving effect to the deposit, which is represented by the Gross-Up Amount. Payment of 90.91% of the amount required by clause (a)(ii) of this paragraph 4.5 to be paid to the trust account, together with any income accrued thereon from the date of the Change of Control, is to be made to the employee or the employee's Beneficiary, as applicable, under the terms of the Deferred Compensation Trust, at the earlier of (1) immediately upon a Change of Control if the employee then is deceased or has attained age 65, (2) the employee's death

subsequent to the Change of Control, or (3) the date which is one year after the Change of Control (subject, in each case, to paragraph 3.5 if applicable); provided, however, that the Trustee under the Deferred Compensation Trust is required promptly to pay to the employee or the employee's Beneficiary, as applicable, from the trust account from time to time amounts, not exceeding in the aggregate the Gross-Up Amount, upon the employee's or the employee's Beneficiary's certification to the Trustee that the amount to be paid has been or within 60 days will be paid by the employee or the employee's Beneficiary to a Federal, state or local taxing authority as a result of the Change of Control and the imposition of the excise tax under Section 4999 of the Code (or any successor provision) on the receipt of any portion of the Gross-Up Amount. All amounts in excess of the amount required to be paid from the trust account by the preceding sentence, after all expenses of the Deferred Compensation Trust have been paid and the Deferred Compensation Trust has been terminated, shall revert to Masco.

(e) Subject to the next sentence of this clause (e), the payment of the Gross-Up Amount to the employee or the employee's Beneficiary or the account in the employee's or the employee's Beneficiary's name in the Deferred Compensation Trust hereunder will thereby discharge Masco from any obligations it may have under any present or future stock option or stock award plan, retirement plan or otherwise, to make any other payment as a result of the employee's income becoming subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties with respect to such excise tax. As a result of the uncertainty which will be present in the application of Section 4999 of the Code (or any successor provision) at the time of the determination of the Gross-Up Amount and the possibility that between the date of determination of the Gross-Up Amount and the dates payments are to be made to the employee or the employee's Beneficiary under this Agreement, changes in applicable tax laws will result in an incorrect determination of the Gross-Up Amount having been made, it is possible that (i) payment of a portion of the Gross-Up Amount will not have been made by Masco which should have been made (an "Underpayment"), or (ii) payment of a portion of the Gross-Up Amount will have been made which should not have been made (an "Overpayment"), consistent with the calculations required to be made hereunder. In the event of an Underpayment, such Underpayment shall be promptly paid by Masco to or for the employee's benefit. In the event that the employee or the employee's Beneficiary discovers that an Overpayment shall have occurred, the amount thereof shall be promptly repaid by the employee or the employee's Beneficiary to Masco.

(f) Prior to the occurrence of a Change of Control, any deposits made by Masco to an account in the Deferred Compensation Trust may be withdrawn by Masco. Upon the occurrence of a Change of Control, all further obligations of Masco under this Agreement (other than under this paragraph 4.5 to the extent not theretofore performed) shall terminate in all respects.

4.6 Control Change. If a "Control Change" has occurred which is also a "Change of Control" then all of the provisions of the Plan, including the foregoing provisions of this paragraph 4, shall apply without change. However, if there is a "Control Change" which is not a "Change of Control" then (a) the foregoing provisions of paragraph 4 shall apply with exception

of subparagraph 4.5(b), (b) in subparagraph 4.5(d)(3) the phrase “the date which is one year after the Change of Control” is to be replaced by the phrase “in the amounts and upon the dates set forth in paragraphs 3.1 and 3.2” and (c) for the purposes of this paragraph 4.6, all references to “Change in Control” in subparagraphs 4.5(a), 4.5(c), 4.5(d), 4.5(e) and 4.5(f) shall be deemed to be “Control Change”. If, for any reason, the monthly benefit paid by the Deferred Compensation Trust to the employee or the employee’s Beneficiary is less than the monthly benefit used to calculate the amount deposited under the next preceding sentence, Masco shall pay the deficiency directly to the employee or the employee’s Beneficiary.

SECTION 5 **ADMINISTRATION**

5.1 Plan Administrator and Named Fiduciary. The Plan Administrator and Named Fiduciary of the Plan for purposes of ERISA shall be Masco Corporation whose business address is 21001 Van Born Road, Taylor, MI 48180, and whose telephone number is (313) 274-7400. Masco shall have the right to change the Plan Administrator and Named Fiduciary of the Plan at any time, and to change the address and telephone number of the same. Masco shall give each covered employee written notice of any such change in the Plan Administrator and Named Fiduciary, or in the address or telephone number of the same.

5.2 Claims Procedure. The Plan Administrator has the power to interpret all provisions of the Plan and make final determinations concerning the meaning of the Plan and the right of any person to benefits under the Plan.

Each covered employee, or other person claiming through the employee, must file a written claim for benefits with the Plan Administrator as a prerequisite to the payment of benefits under the Plan. Any denial by the Plan Administrator of a claim for benefits under the Plan by an employee or other person (collectively referred to as “claimant”) shall be stated in writing by the Plan Administrator and delivered or mailed to the claimant within 90 days after receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension of time is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period. In no event shall such extension exceed a period of 90 days from the end of the initial period.

Any notice of denial shall set forth the specific reasons for the denial, specific reference to pertinent provisions of the Plan upon which the denial is based, a description of any additional material or information necessary for the claimant to perfect his claim, with an explanation of why such material or information is necessary, and any explanation of claim review procedures under the Plan, written to the best of the Plan Administrator’s ability in a manner that may be understood without legal or actuarial counsel.

A claimant whose claim for benefits has been wholly or partially denied by the Plan Administrator may request, within 90 days following the date of such denial, in a writing addressed to the Plan Administrator, a review of such denial. The claimant shall be entitled to submit such issues or comments in writing or otherwise, as he shall consider relevant to a determination of his claim, and may include a request for a hearing in person before the Plan Administrator. Prior to submitting his request, the claimant shall be entitled to review such documents as the Plan Administrator shall agree are pertinent to his claim. The claimant may, at all stages of review, be represented by counsel, legal or otherwise, of his choice, provided that the fees and expenses of such counsel shall be borne by the claimant.

All requests for review shall be promptly resolved. The Plan Administrator's decision with respect to any such review shall be set forth in writing and shall be mailed to the claimant not later than 60 days following receipt by the Plan Administrator of the claimant's request unless special circumstances, such as the need to hold a hearing, require an extension of time for processing, in which case the Plan Administrator's decision shall be so mailed not later than 120 days after receipt of such request.

5.3 Arbitration. Exhaustion of the claim and claim review procedures of Section 5.2 is prerequisite to any further consideration of a claim. In the event that any claim remains fully or partially unresolved after exhaustion of the claim and claim review procedures of Section 5.2, any remaining dispute shall be deemed to have been finally adjudicated under the procedure provided in paragraph 5.2 unless the claimant or Masco shall have submitted its claim in accordance with the following procedure:

Masco and the claimant must first attempt to resolve the dispute through facilitative mediation conducted by the American Arbitration Association in accordance with its Rules for the Mediation of Employment Disputes. A Request for Mediation must be received by the American Arbitration Association within 60 calendar days of the decision which is being appealed or the claim will be deemed waived. If the dispute is not resolved through mediation, the dispute shall be resolved by exclusive, final and binding arbitration by the AAA before a single, neutral Arbitrator knowledgeable in employment law whose decision shall be final and binding upon the Plan, Masco and the claimant. A Request for Arbitration must be received by the American Arbitration Association within 60 calendar days from the date the mediation was conducted or the claim will be deemed waived. The proceedings for the arbitration shall be governed by the Association's Rules for the Arbitration of Employment Disputes. Judgment upon an award rendered by the Arbitrator may be entered in any court having jurisdiction. Masco will pay all of the expenses and fees of the Mediator. Masco will also pay the AAA's mediation administrative fees. Masco will pay all of the expenses and fees of the Arbitrator. Masco will also pay the AAA's arbitration administrative fees. Notwithstanding any provision to the contrary in the Rules of the American Arbitration Association, the Mediation and Arbitration shall be held in the Detroit metropolitan area unless agreed to otherwise by the parties in writing. Any claim shall be deemed waived unless presented within the time limits specified in Section 5.2 and this Section 5.3. The Arbitrator shall not have jurisdiction or authority to change, add to or subtract from any of the provisions of the Plan. The Arbitrator's sole authority shall be to interpret and review the Plan Administrator's decision from which the appeal to arbitration is taken, utilizing an arbitrary and capricious standard of review of the Plan

Administrator's decision. If the Arbitrator finds that the Plan Administrator's decision was not arbitrary and capricious, the Arbitrator shall affirm the Plan Administrator's decision. The Arbitrator shall not conduct a de novo review of the claim and the Plan Administrator's decision pertaining thereto, unless the Arbitrator shall have found that the Plan Administrator's decision was arbitrary and capricious. Because arbitration is the exclusive remedy with respect to any claim hereunder, neither Masco, the claimant nor any other party has the right to resort to any federal, state or local court or administrative agency concerning any claim, and the decision of the Arbitrator shall be a complete defense to any suit, action or proceeding instituted in any federal, state or local court or before any administrative agency with respect to any dispute which is arbitrable as herein set forth. The arbitration provisions hereof shall, with respect to any claim, survive the termination of the Plan.

SECTION 6
LIMITATION OF COVERED EMPLOYEE'S RIGHTS

6.1 No Contract of Employment. The Plan shall not be deemed to create a contract of employment between Masco or any Masco subsidiary, the company or any affiliate of Masco, and any covered employee and shall create no right in any covered employee to continue in the employ of Masco or any of its subsidiaries, , the company or any affiliate of Masco for any specific period of time, or to create any other rights in any covered employee or obligations on the part of Masco, the company or any affiliate of Masco, except as are set forth explicitly herein or in a written employment contract. In consideration of his coverage hereunder each covered employee shall be deemed to have agreed that Masco, the company or any affiliate of Masco has the right to terminate him at any time, with or without cause, and nothing in the Plan shall restrict the right of any covered employee to terminate his employment.

6.2 Unsecured Creditor. The rights of any employee or any person claiming through the employee under the Plan shall be solely those of an unsecured general creditor of Masco. Any employee, Beneficiary or any person claiming through the employee, shall only have the right to receive from Masco those payments hereunder as are specified herein. Each covered employee agrees that he or any person claiming through him shall have no rights or interests in any specific asset of Masco, including any insurance policies or contracts which Masco may possess to informally fund the Plan.

6.3 No Separately Identified Assets. Other than as provided in paragraphs 4.2, 4.5 and 4.6 and permitted by rules established under IRS Rev. Proc. 92-64, as modified by IRS Notice 2000-56, no asset used or acquired by Masco in connection with the liabilities it has assumed under the Plan shall be deemed to be held under any trust for the benefit of any employee nor shall any such asset be considered security for the performance of the obligations of Masco, but shall be, and remain, a general unpledged and unrestricted asset of Masco, except as may be provided by separate agreement and as permitted under Internal Revenue Service and Department of Labor rules and regulations for deferred compensation and unfunded supplemental retirement plans.

SECTION 7
AMENDMENT OR TERMINATION

7.1 Right to Amend or Terminate Plan . Masco reserves the right to amend the Plan in any manner deemed appropriate by Masco's Board of Directors, and Masco reserves the right to terminate the Plan for any reason and at any time in whole or part by action of the Board of Directors.

7.2 Limitations . Notwithstanding paragraph 7.1, no such amendment or termination shall reduce or otherwise affect the benefits payable to or on behalf of any covered employee that have accrued prior to such amendment or termination without the written consent of the employee (or Beneficiary, if applicable). In addition, the complete or partial termination of this Plan, should it occur or be deemed by facts and circumstances to have occurred, shall have the same effect on the vesting of benefits accrued to date under this Plan as in the case of a complete or partial termination of a Qualified Plan.

7.3 Payment of Benefits Upon Termination . Other than as provided in paragraphs 4.5 and 4.6, upon termination or partial termination of the Plan Masco may elect the method by which benefits accrued through the date of such termination or partial termination shall be provided. Such election may include the payment of the present value of all such accrued benefits directly to covered employees (or beneficiaries, if applicable) or any other method of payment or funding permissible under law which Masco may, in its sole discretion, determine; provided, however, no such payment method or funding shall be utilized, the effect of which would be to subject the recipients of such payment or funding to adverse tax consequences under Section 409A of the Code.

SECTION 8
MISCELLANEOUS PROVISIONS

8.1 Independence of Benefits . Except as otherwise provided herein or pursuant to the terms of any separate agreement by Masco or the company with an employee, the benefits payable under the Plan shall be independent of, and in addition to, any other benefits or compensation, whether by salary, or bonus or otherwise. The Plan does not involve a reduction in salary or foregoing of an increase in future salary by any employee, nor (other than by a separate agreement with the employee) does the Plan in any way affect or reduce the existing and future compensation and other benefits of any employee.

8.2 Nonalienation of Benefits . Except insofar as this provision may be contrary to applicable law (such as a domestic relations or medical support order of a court with jurisdiction), no sale, transfer, alienation, assignment, pledge, collateralization, or attachment of any benefits under the Plan shall be valid or recognized by Masco.

8.3 Payments for the Benefit of Employee . In the event that Masco shall find that any person to whom a benefit is payable under the Plan is unable to care for his affairs because of illness or accident, is otherwise mentally or physically incompetent, or is unable to give a valid receipt, Masco may cause the payments becoming due to such person to be paid to another individual for such person's benefit, without responsibility on the part of Masco to follow application of such payment. Any such payment shall be a payment on account of such person and shall operate as a complete discharge of Masco from all liability under the Plan.

8.4 Use of Words . Wherever any words are used in the Plan in the masculine gender, they shall be construed as though they also were used in the feminine gender in all cases where they would so apply, and wherever any words are used in the Plan in the singular forms they shall be construed as though they also were used in the plural form in all cases where they would so apply, and vice versa.

8.5 Headings . Headings of paragraphs herein are inserted for convenience of reference. They constitute no part of the Plan and are not to be considered in the construction of the Plan.

8.6 Savings Clause . If any provisions of the Plan shall be for any reason invalid or unenforceable, the remaining provisions nevertheless shall be carried into effect.

SECTION 9
DEFINITIONS

Terms capitalized in the text of this Plan shall have the meanings referred to below, unless the context requires otherwise. Terms not defined herein shall be construed in reference to the same or similar terms as used in the applicable Qualified Plan.

- 9.1 Code. See paragraph 1.2.
- 9.2 Company. See paragraph 2.1.
- 9.3 ERISA. See paragraph 1.3.
- 9.4 Plan. See paragraph 1.1.
- 9.5 Masco. See paragraph 1.1.
- 9.6 Retirement shall mean an employee's termination of employment with Masco or the company on a retirement date under any of Masco's or the company's Qualified Plans. Termination of employment for all purposes under this Plan shall mean a "separation from service" under Section 409A of the Code which shall only occur if any services which the employee may continue to provide to Masco or the company as an employee or as a consultant after termination of employment are not in excess of 49% of the employee's prior service level, all as determined in accordance with the regulations under Section 409A of the Code.
- 9.7 Change of Control shall be deemed to have occurred if, during any period of twelve consecutive calendar months, the individuals who at the beginning of such period constitute Masco's Board of Directors, and any new directors (other than Excluded Directors) whose election by such Board or nomination for election by stockholders was approved by a vote of at least a majority of the members of such Board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof. Excluded Directors are directors whose election by the Board or approval by the Board for stockholder election occurred within one year after any "person" or "group of persons" as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 30 percent or more of the combined voting power of all outstanding voting securities of Masco, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to

stock acquisitions approved by the Board prior to their representing 30 percent or more of such combined voting power.

- 9.8 Deferred Compensation Trust shall mean any trust created by Masco to receive the deposit referred to in clause (a)(ii) of paragraph 4.5.
- 9.9 Beneficiary shall mean the person or persons designated by an employee under the applicable provisions of the Qualified Plans.
- 9.10 Gross-Up Amount (i) shall be determined if any payment or distribution by Masco to or for the employee's benefit, whether paid, distributed, payable or distributed or distributable pursuant to the terms of this Plan, any stock option or stock award plan, retirement plan or otherwise (such payment or distribution, other than an Excise Tax Adjustment Payment under clause (ii), is referred to herein as a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties with respect to such excise tax (such excise tax together with any such interest or penalties are referred to herein as the "Excise Tax"), and (ii) shall mean an additional payment (the "Excise Tax Adjustment Payment") in an amount such that after subtracting from the Excise Tax Adjustment Payment the employee's payment of all applicable Federal, state and local taxes (computed at the maximum marginal rates and including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Excise Tax Adjustment Payment, the balance will be equal to the Excise Tax imposed upon the Payments. All determinations required to be made with respect to the "Gross-Up Amount", including whether an Excise Tax Adjustment Payment is required and the amount of such Excise Tax Adjustment Payment, shall be made by PricewaterhouseCoopers LLP, or such national accounting firm as Masco may designate prior to a Change of Control, which shall provide detailed supporting calculations to Masco and the employee. Except as provided in clause (e) of paragraph 4.5, all such determinations shall be binding upon the employee, Masco and the company.
- 9.11 Present Value of future benefits means the discounted present value of those benefits (including therein the benefits, if any, the employee's Beneficiary would be entitled to receive under this Plan upon the employee's death), using the UP-1984 Mortality Table and discounted by the interest rate used, for purposes of determining the present value of a lump sum distribution on plan termination, by the PBGC on the first day of the month which is four months prior to the month in which a Change of Control occurs (or if the PBGC has ceased publishing such interest rate, such other interest rate as Masco's Board of Directors deems is an appropriate substitute). The above PBGC interest rate is intended to be

determined based on PBGC methodology and regulations in effect on September 1, 1993 (as contained in 29 CFR Part 2619).

9.12 PBGC shall mean the Pension Benefit Guaranty Corporation.

9.13 Control Change shall be deemed to have occurred if, during any period of twenty-four consecutive calendar months, the individuals who at the beginning of such period constitute Masco's Board of Directors, and any new directors (other than Excluded Directors) whose election by such Board or nomination for election by stockholders was approved by a vote of at least two-thirds of the members of such Board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof. Excluded Directors are directors whose election by the Board or approval by the Board for stockholder election occurred within one year after any "person" or "group of persons" as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 25 percent or more of the combined voting power of all outstanding voting securities of Masco, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 25 percent or more of such combined voting power.

9.14 Covered Benefits. See paragraph 3.5.

SECTION 10
EXECUTION

IN WITNESS WHEREOF, Masco Corporation has caused this amended and restated Plan to be executed effective as of December 22, 2010.

Masco Corporation

By: _____

Its: _____

Date: _____

**QUALIFIED PLANS LIST
MASCO CORPORATION**

**DEFINED BENEFIT QUALIFIED
PENSION PLANS (Frozen
Effective January 1, 2010)**

Masco Corporation Pension Plan

Arrow Fastener Co., Inc.
Employees' Pension Trust

**DEFINED CONTRIBUTION QUALIFIED
4 01(k) SAVINGS PLAN**

Masco Corporation 401(k) Plan

**DEFINED CONTRIBUTION QUALIFIED
PROFIT SHARING PLANS**

Masco Building Products Corporation Salaried Retirement Plan

Masco Corporation Future Service Profit Sharing Plan

Masco Corporation Master Defined Contribution Plan

MASCO CORPORATION

Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

(Dollars in Millions)

	Year Ended December 31,					
	2010	2009	2008	2007	2006	2005
Earnings Before Income Taxes, Preferred Stock Dividends and Fixed Charges:						
(Loss) income from continuing operations before income taxes and cumulative effect of accounting change, net	\$ (777)	\$ (151)	\$ (193)	\$ 876	\$ 891	\$ 1,447
Deduct equity in undistributed (earnings) of fifty-percent-or-less-owned companies	—	—	(1)	(2)	(1)	(1)
Add interest on indebtedness, net	249	224	228	258	241	246
Add amortization of debt expense	7	5	4	5	4	6
Add estimated interest factor for rentals	36	44	51	55	52	40
Earnings before income taxes, minority interest, cumulative effect of accounting change, net, fixed charges and preferred stock dividends	<u>\$ (485)</u>	<u>\$ 122</u>	<u>\$ 89</u>	<u>\$ 1,192</u>	<u>\$ 1,187</u>	<u>\$ 1,738</u>
Fixed Charges:						
Interest on indebtedness	\$ 246	\$ 221	\$ 228	\$ 259	\$ 241	\$ 244
Amortization of debt expense	7	5	4	5	4	6
Estimated interest factor for rentals	36	44	51	55	52	40
Total fixed charges	<u>\$ 289</u>	<u>\$ 270</u>	<u>\$ 283</u>	<u>\$ 319</u>	<u>\$ 297</u>	<u>\$ 290</u>
Preferred stock dividends (a)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Combined fixed charges and preferred stock dividends	<u>\$ 289</u>	<u>\$ 270</u>	<u>\$ 283</u>	<u>\$ 319</u>	<u>\$ 297</u>	<u>\$ 290</u>
Ratio of earnings to fixed charges	<u>(1.7)</u>	<u>0.5</u>	<u>0.3</u>	<u>3.7</u>	<u>4.0</u>	<u>6.0</u>
Ratio of earnings to combined fixed charges and preferred stock dividends	<u>(1.7)</u>	<u>0.5</u>	<u>0.3</u>	<u>3.7</u>	<u>4.0</u>	<u>6.0</u>
Ratio of earnings to combined fixed charges and preferred stock dividends excluding certain items (b)	<u>0.9</u>	<u>1.5</u>	<u>2.2</u>	<u>4.2</u>	<u>5.4</u>	<u>6.1</u>

(a) Represents amount of income before provision for income taxes required to meet the preferred stock dividend requirements of the Company.

(b) Excludes the 2010 non-cash, pre-tax impairment charge for goodwill and other intangible assets of \$721 million and non-cash, pre-tax impairment charge for financial investments of \$34 million; the 2009 non-cash, pre-tax impairment charge for goodwill of \$262 million; non-cash, pre-tax impairment charge for financial investments of \$10 million and litigation expense of \$7 million; 2008 non-cash, pre-tax impairment charge for goodwill and other intangible assets of \$467 million, financial investments of \$58 million and litigation expense of \$9 million; 2007 non-cash, pre-tax impairment charges for goodwill and other intangible assets of \$119 million and the non-cash, pre-tax charge for financial investments of \$22 million; 2006 non-cash, pre-tax impairment charges for goodwill and financial investments of \$317 million and \$101 million, respectively, and the pre-tax income related to the Behr litigation settlement of \$1 million; and the 2005 pre-tax income related to the Behr litigation settlement of \$6 million and the non-cash, pre-tax impairment charge for financial investments of \$45 million.

MASCO CORPORATION
(a Delaware corporation)

Subsidiaries as of January 31, 2011

NAME	JURISDICTION OF FORMATION
Airex, LLC	Michigan
Alsons Corporation	Michigan
Arrow Fastener Co., Inc.	New Jersey
Thematic Advertising Productions, LLC	New Jersey
Avanté Hardware Inc.	Indiana
BCG Transport Co.	Delaware
Behr Asia S.á r.l.	Luxembourg
Behr Holdings Corporation	Delaware
Behr Process Corporation	California
Behr Paint Corp.	California
BEHR PAINTS IT!, INC.	California
Behr Process Canada Ltd.	Canada
BPC Realty LLC	Delaware
Masterchem Industries LLC	Missouri
ColorAxis, Inc.	California
Behr Process Paints (India) Private Limited	India
Brass-Craft Manufacturing Company	Michigan
Masco Canada Limited	Canada
Tempered Products, Inc.	Taiwan
Brasstech, Inc.	California
Brasstech de Mexico, S.A. DE C.V	Mexico
BuildLogix, Inc.	Delaware
Cobra Products, Inc.	Delaware
d-Scan, Inc.	Delaware
EnergySense, Inc.	Delaware
Epic Fine Arts Company	Delaware
Beacon Hill Fine Art Corporation	New York
Canyon Road Corporation	New Mexico
Hansgrohe AG	Germany
Jarry Realty, Inc.	Florida
Landex, Inc.	Michigan
Brasstech de Mexico, S.A. DE C.V.	Mexico
DM Land, LLC	Michigan
Tapicerias Pacifico, SA de CV	Mexico
Landex of Wisconsin, Inc.	Wisconsin
Liberty Hardware Mfg. Corp.	Florida
Liberty Hardware Logistics (Shenzen) Co. Ltd.	China
Masco Administrative Services, Inc.	Delaware
Masco Asia Pacific Pte Ltd	Singapore
Masco Bath Corporation	Tennessee
Tombigbee Transport Corporation	Tennessee
Masco Builder Cabinet Group	Delaware
Benchmark Installation Services, Inc.	California
Masco Building Products Corp.	Delaware

NAME	JURISDICTION OF FORMATION
Weiser Thailand	Thailand
Masco Capital Corporation	Delaware
Masco Conference Training Center: Metamora, Inc.	Michigan
Masco Corporation of Indiana	Indiana
Delta Faucet (China) Co. Ltd.	China
Delta Faucet (Korea)	Korea
Delta Faucet Company of Tennessee	Delaware
Delta Faucet of Oklahoma, Inc.	Delaware
Masco Europe, Inc.	Delaware
Masco Europe SCS	Luxembourg
Masco Europe S.á r.l.	Luxembourg
Damixa ApS	Denmark
Damixa Armaturen GmbH	Germany
Damixa B.V.	Netherlands
Damixa S.A.	Belgium
Damixa SARL	France
Hüppe Turkey	Turkey
Masco Belgium BVBA	Belgium
Masco Corporation Limited	United Kingdom
Bristan Group Limited	United Kingdom
Cambrian Windows Limited	United Kingdom
Duraflex Limited	United Kingdom
Liberty Hardware Mfg U.K. Limited	United Kingdom
Masco UK Window Group Limited	United Kingdom
Moore Group Limited	United Kingdom
Moores Furniture Group Limited	United Kingdom
Premier Manufacturing (PVCU) Limited	United Kingdom
Premier Trade Windows (Wales & West) Ltd.	United Kingdom
Watkins Distribution UK Limited	United Kingdom
Masco Denmark ApS	Denmark
Tvilum-Scanbirk ApS	Denmark
Tvilum-Scanbirk GmbH	Germany
Masco Europe Financial SCS	Luxembourg
Masco Europe Financial SARL	Luxembourg
Masco Germany Holding GmbH	Germany
Hansgrohe AG	Germany
Hansgrohe D GmbH	Germany
Hansgrohe India Private Limited	India
Hansgrohe International GmbH	Germany
Hansgrohe OOO	Russia
C.P.T. Holding B.V.	Netherlands
Hans Grohe AG	Switzerland
Hansgrohe S.A.	Argentina
Hans Grohe B.V.	Netherlands
Hans Grohe CS, s.r.o.	Czech Republic
Hans Grohe Hdl.ges.m.b.H.	Austria
Hans Grohe Kft	Hungary

NAME	JURISDICTION OF FORMATION
Hans Grohe Limited	United Kingdom
Hans Grohe Pte. Ltd.	Singapore
Hans Grohe S.A.	Belgium
Hans Grohe Sp. Z.o.o.	Poland
Hans Grohe Wasselonne, S.A.	France
Hansgrohe A.B.	Sweden
Hansgrohe A/S	Denmark
Hansgrohe d.o.o.	Croatia
Hansgrohe d.o.o.	Serbia
Hansgrohe India Private Limited	India
Hansgrohe Japan	Japan
Hansgrohe Ltd.	China
Hansgrohe Middle East & Africa	Cyprus
Hansgrohe S.A.	Argentina
Hansgrohe S.A.	Spain
Hansgrohe S.A.R.L.	France
Hansgrohe S.R.L.	Italy
Hansgrohe, Inc.	Georgia
Hansgrohe OOO	Russia
Pontos GmbH	Germany
Breuer GmbH	Germany
Hüppe Belgium N.V./S.A.	Belgium
Hüppe B.V.	Netherlands
Hüppe GmbH	Switzerland
Hüppe GmbH	Germany
Hüppe GesmbH	Austria
Hüppe Kft.	Hungary
Hüppe SRO	Czech Republic
Hüppe Spain	Spain
Hüppe S.á.r.l.	France
Hüppe Sp. z.o.o.	Poland
Masco Ireland Ltd.	Ireland
Watkins Europe BVBA	Belgium
Peerless Sales Corporation	Delaware
Masco Europe SCS	Luxembourg
Masco Home Products S.á r.l.	Luxembourg
Masco Home Products Private Limited	India
Masco Home Services, Inc.	Delaware
Masco Product Design, Inc.	Delaware
Masco Retail Cabinet Group, LLC	Ohio
Masco Retail Sales Support, Inc.	Delaware
Liberty Hardware Retail & Design Services LLC	Delaware
Masco HD Support Services, LLC	Delaware
Masco WM Support Services, LLC	Delaware
Retail Cabinet Group Sales Support, LLC	Delaware
Masco Services Group Corp.	Delaware
Masco Contractor Services, LLC	Delaware

NAME	JURISDICTION OF FORMATION
American National Services, Inc.	California
Coast Insulation Contractors, Inc.	California
InsulPro Projects, Inc.	Washington
Sacramento Insulation Contractors	California
Superior Contracting Corporation	Delaware
Builder Services Group, Inc.	Florida
Cabinet Supply, Inc.	Delaware
InsulPro Industries Inc.	Canada
Western Insulation Holdings, LLC	California
Western Insulation, L.P.	California
Western Insulation, L.P.	California
Williams Consolidated Delaware LLC	Delaware
Williams Consolidated I, Ltd.	Texas
Williams Consolidated I, Ltd.	Texas
Masco Contractor Services of California, Inc.	California
Masco Framing Corp.	Delaware
Door Sales & Installations, LLC	Arizona
Erickson Acquisition 3, LLC	Delaware
Erickson Building Components, a California Limited Partnership	California
Erickson Construction, LP	California
Erickson Building Components, a California Limited Partnership	
Erickson Construction, LP	California
Erickson Roseville, LLC	California
Erickson Building Components, LLC	Arizona
Erickson Construction, LLC	Nevada
Erickson Construction, LLC	Arizona
Erickson Chandler, LLC	Arizona
Precision Framing Systems, Inc.	Delaware
Service Partners, LLC	Virginia
Blow in Blanket, LLC	Virginia
Cell-Pak, LLC	Alabama
Denver Southwest, LLC	North Carolina
Houston Enterprises, LLC	Virginia
Industrial Products Co., LLC	Virginia
Insul-Mart, LLC	Virginia
Insulation Sales of Michigan, LLC	Virginia
Johnson Products, LLC	Virginia
Lilienthal Insulation Company, LLC	Virginia
Moore Products, LLC	Virginia
Renfrow Insulation, LLC	Virginia
Renfrow Supply, LLC	Virginia
Service Partners Gutter Supply, LLC	Virginia
Service Partners Northwest, LLC	Virginia
Thermoguard Insulation Company, LLC	Virginia
Service Partners Supply, LLC	California
Service Partners of Florida, LLC	Virginia

NAME	JURISDICTION OF FORMATION
Service Partners of Georgia, LLC	Virginia
Service Partners of the Carolinas, LLC	Virginia
Vest Insulation, LLC	Virginia
Masco Services, Inc.	Delaware
Masco Support Services, Inc.	Delaware
Mascomex S.A. de C.V.	Mexico
Masterchem Brands, Inc.	Missouri
Milgard Manufacturing Incorporated	Washington
Mirolin Industries Corp.	Ontario
Morgantown Plastics Company	Delaware
NCFII Holdings Inc.	Delaware
North Carolina STM, Inc.	Delaware
Universal Furniture Limited	Delaware
RDJ Limited	Bahamas
Arrow Fastener (U.K.) Limited	United Kingdom
Jardel Distributors, Inc.	Canada
Retro Energy Solutions, Inc.	Delaware
Vapor Tech (China) Co. Ltd.	Brit Virgin Islds
Vapor Tech (China) WOFE	China
Vapor Technologies, Inc.	Delaware
Watkins Manufacturing Corporation	California
Hot Spring Spas New Zealand	New Zealand
Tapicerias Pacifico, SA de CV	Mexico

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-165047), Form S-4 (No. 333-120452), and Form S-8 (Nos. 33-42229, 333-64573, 333-30867, 333-74815, 333-37338, 333-75362, 333-110102, 333-126888, 333-162766, 333-168827, and 333-168829) of Masco Corporation of our report dated February __, 2011 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Detroit, Michigan

February 18, 2011

MASCO CORPORATION
Certification Required by Rule 13a-14(a) or 15d-14(a)
of the Securities Exchange Act of 1934

I, Timothy Wadhams, certify that:

1. I have reviewed this annual report on Form 10-K of Masco Corporation (the Registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2011

By: /s/ Timothy Wadhams
Timothy Wadhams
President and Chief Executive Officer

MASCO CORPORATION
Certification Required by Rule 13a-14(a) or 15d-14(a)
of the Securities Exchange Act of 1934

I, John G. Sznewajs, certify that:

1. I have reviewed this annual report on Form 10-K of Masco Corporation (the Registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2011

By: /s/ John G. Sznewajs

John G. Sznewajs
Vice President, Treasurer and
Chief Financial Officer

MASCO CORPORATION
Certification Required by Rule 13a-14(b) or 15d-14(b)
of the Securities Exchange Act of 1934 and
Section 1350 of Chapter 63 of Title 18 of the
United States Code

The certification set forth below is being submitted in connection with the Masco Corporation Annual Report on Form 10-K for the period ended December 31, 2010 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Timothy Wadhams, the President and Chief Executive Officer, and John G. Sznewajs, the Vice President, Treasurer and Chief Financial Officer, of Masco Corporation, each certifies that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of Masco Corporation.

Date: February 18, 2011

/s/ Timothy Wadhams

Name: Timothy Wadhams

Title: President and

Chief Executive Officer

Date: February 18, 2011

/s/ John G. Sznewajs

Name: John G. Sznewajs

Title: Vice President, Treasurer and

Chief Financial Officer