OGE ENERGY CORP.
Form 10-Q
May 06, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____to_____

Commission File Number: 1-12579

OGE ENERGY CORP.

(Exact name of registrant as specified in its charter)

Oklahoma	**73-1481638**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

321 North Harvey
P.O. Box 321
Oklahoma City, Oklahoma 73101-0321
(Address of principal executive offices)
(Zip Code)

405-553-3000
(Registrant's telephone number, including area code)

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o Yes o No

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.

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

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

At March 31, 2009, 96,037,234 shares of common stock, par value $0.01 per share, were outstanding.

OGE ENERGY CORP.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2009

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FORWARD-LOOKING STATEMENTS

Except for the historical statements contained herein, the matters discussed in this Form 10-Q, including those matters discussed in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," are forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements are intended to be identified in this document by the words "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "possible", "potential", "project" and similar expressions. Actual results may va materially. In addition to the specific risk factors discussed in "Item 1A. Risk Factors" in OGE Energy Corp.'s Annual Report on Form 10-K for the year ended December 31, 2008 ("2008 Form 10-K") and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" herein, factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to:

- general economic conditions, including the availability of credit, access to existing lines of credit, actions of rating agencies and their impact on capital expenditures;
- OGE Energy Corp.'s (collectively, with its subsidiaries, the "Company") ability and the ability of its subsidiaries to access the capital markets and obtain financing on favorable terms;
- prices and availability of electricity, coal, natural gas and natural gas liquids, each on a stand-alone basis and in relation to each other;
- business conditions in the energy and natural gas midstream industries;
- competitive factors including the extent and timing of the entry of additional competition in the markets served by the Company;
- unusual weather;
- availability and prices of raw materials for current and future construction projects;
- federal or state legislation and regulatory decisions and initiatives that affect cost and investment recovery, have an impact on rate structures or affect the speed and degree to which competition enters the Company's markets;
- environmental laws and regulations that may impact the Company's operations;
- changes in accounting standards, rules or guidelines;
- the discontinuance of regulated accounting principles under Financial Accounting Standards Board Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation";
- creditworthiness of suppliers, customers and other contractual parties;
- the higher degree of risk associated with the Company's nonregulated business compared with the Company's regulated utility business; and
- other risk factors listed in the reports filed by the Company with the Securities and Exchange Commission including those listed in "Item 1A. Risk Factors" and in Exhibit 99.01 to the Company's 2008 Form 10-K.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

OGE ENERGY CORP.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31,	
(In millions, except per share data)	**2009**	2008
OPERATING REVENUES		
Electric Utility operating revenues	**$336.7**	$386.4
Natural Gas Pipeline operating revenues	**269.9**	608.3
Total operating revenues	**606.6**	994.7
COST OF GOODS SOLD (exclusive of depreciation and amortization shown below)		
Electric Utility cost of goods sold	**159.1**	228.8
Natural Gas Pipeline cost of goods sold	**194.1**	520.0
Total cost of goods sold	**353.2**	748.8
Gross margin on revenues	**253.4**	245.9
Other operation and maintenance	**116.5**	125.2
Depreciation and amortization	**62.6**	50.7
Taxes other than income	**22.3**	21.9
OPERATING INCOME	**52.0**	48.1
OTHER INCOME (EXPENSE)		
Interest income	**0.7**	0.9
Allowance for equity funds used during construction	**1.3**	---
Other income	**6.5**	3.9
Other expense	**(2.3)**	(2.5)
Net other income	**6.2**	2.3
INTEREST EXPENSE		
Interest on long-term debt	**31.4**	23.4
Allowance for borrowed funds used during construction	**(1.1)**	(0.7)
Interest on short-term debt and other interest charges	**2.4**	6.5
Interest expense	**32.7**	29.2
INCOME BEFORE TAXES	**25.5**	21.2
INCOME TAX EXPENSE	**7.9**	6.6
NET INCOME	**17.6**	14.6
Less: Net income attributable to noncontrolling interest	**0.8**	1.6
NET INCOME ATTRIBUTABLE TO OGE ENERGY	**$16.8**	$13.0
BASIC AVERAGE COMMON SHARES OUTSTANDING	**94.7**	91.9
DILUTED AVERAGE COMMON SHARES OUTSTANDING	**95.3**	92.5
BASIC EARNINGS PER AVERAGE COMMON SHARE ATTRIBUTABLE TO OGE ENERGY COMMON SHAREHOLDERS	**$0.18**	$0.14
DILUTED EARNINGS PER AVERAGE COMMON SHARE ATTRIBUTABLE TO OGE ENERGY COMMON SHAREHOLDERS	**$0.18**	$0.14

DIVIDENDS DECLARED PER SHARE	**$0.3550**	$0.347

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part hereof.

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OGE ENERGY CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	**March 31, 2009 (Unaudited)**	December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 146.4**	$ 174.4
Accounts receivable, less reserve of $2.9 and $3.2, respectively	**239.4**	288.1
Accrued unbilled revenues	**41.1**	47.0
Fuel inventories	**94.6**	88.7
Materials and supplies, at average cost	**76.2**	72.1
Price risk management	**11.9**	11.9
Gas imbalances	**1.5**	6.2
Accumulated deferred tax assets	**21.8**	14.9
Fuel clause under recoveries	**---**	24.0
Prepayments	**8.4**	9.0
Other	**6.4**	8.3
Total current assets	**647.7**	744.6
OTHER PROPERTY AND INVESTMENTS, at cost	**38.6**	42.2
PROPERTY, PLANT AND EQUIPMENT		
In service	**7,879.0**	7,722.4
Construction work in progress	**478.8**	399.0
Total property, plant and equipment	**8,357.8**	8,121.4
Less accumulated depreciation	**2,911.5**	2,871.6
Net property, plant and equipment	**5,446.3**	5,249.8
DEFERRED CHARGES AND OTHER ASSETS		
Income taxes recoverable from customers, net	**15.2**	14.6
Regulatory asset – SFAS No. 158	**337.9**	344.7
Price risk management	**23.3**	22.0
McClain Plant deferred expenses	**4.7**	6.2
Unamortized loss on reacquired debt	**17.4**	17.7
Unamortized debt issuance costs	**13.3**	13.5
Other	**63.1**	63.2
Total deferred charges and other assets	**474.9**	481.9
TOTAL ASSETS	**$ 6,607.5**	$ 6,518.5

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part hereof.

OGE ENERGY CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(In millions)	**March 31, 2009** **(Unaudited)**	December 31, 2008
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term debt	**$ 351.5**	$ 298.0
Accounts payable	**219.7**	279.7
Dividends payable	**34.1**	33.2
Customer deposits	**59.7**	58.8
Accrued taxes	**0.9**	26.8
Accrued interest	**32.5**	48.7
Accrued compensation	**29.2**	45.2
Long-term debt due within one year	**400.7**	---
Price risk management	**13.5**	2.3
Gas imbalances	**16.6**	24.9
Fuel clause over recoveries	**73.0**	8.6
Other	**37.4**	62.2
Total current liabilities	**1,268.8**	888.4
LONG-TERM DEBT	**1,841.0**	2,161.8

	761,000	-0-	$ 952,334	$ 1,
Senior Vice President and General Counsel	2006	$ 747,500	-0-	$ 767,729
Eugene A. Gargaro, Jr.	2007	$ 429,000	-0-	$ 475,836
Vice President and Secretary				
Alan H. Barry	2007	$ 1,020,000	$ 1,011,840	$ 3,948,408
Retired President and Chief Operating Officer	2006	$ 1,001,827	-0-	$ 1,661,249
Daniel R. Foley	2007	$ 247,500	$ 133,052	$ 934,777
Retired Vice President Human Resources	2006	$ 421,212	-0-	$ 559,327

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(1) In accordance with SEC requirements only 2007 information is included for individuals who were not named executive officers in our 2007 Proxy Statement.

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

(3) We do not typically grant discretionary bonuses. Due to their retirements, Messrs. Barry and Foley did not receive performance-based restricted stock awards for 2007. The amounts shown in the Bonus column reflect the cash received by Messrs. Barry and Foley in early 2008 in lieu of performance-based restricted stock awards for 2007, prorated in the case of Mr. Foley for a partial year of service.

(4) These columns reflect the FAS 123R value of restricted stock and stock options we expensed in the year indicated and include certain of the expense for restricted stock and options granted in such year as well as in prior years. Under FAS 123R the expensing period for our equity awards is the shorter of the vesting period or the period to age 65. The amounts shown for Messrs. Manoogian, Leekley, Gargaro, Barry and Foley significantly exceed the value of the equity awards which were granted to the individuals in the year indicated. For example, in the case of Mr. Manoogian an aggregate of $12,942,378 is characterized as equity compensation for 2007, since that is the amount required to be recognized as expense in 2007. Under FAS 123R, however, $7,200,888 of that amount is attributable to equity compensation granted in prior years, all of which would have been expensed prior to 2007 if FAS 123R had been in effect in the year of grant. Similarly, the amounts for Messrs. Barry and Foley include the expense for new awards granted in 2007 as well as the remaining expense for all awards previously granted to them, which was recognized in 2007 as a result of their retirements. For Mr. Barry, the expense in 2007 for awards and options made in prior years was $9,165,439 out of the aggregate amount shown of $12,002,009.

For restricted stock, the amount expensed is based on the fair market value on the date of grant. For options, the determination of fair market value uses the same assumptions set forth in the notes to our financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See our Compensation Discussion and Analysis for the vesting schedule and a general discussion of restricted stock awards and stock options. The named executive officers have no assurance that the amounts reflected in this table will be realized. They only realize the value of the long-term incentive restricted stock awards over an extended period of time because scheduled vesting of awards generally occurs pro rata over ten years from the date of grant. Actual gains, if any, on stock option exercises will depend on overall market conditions and the future performance of Masco and its common stock.

(5) Although the cash bonuses reported in the Non-Equity Incentive Plan Awards columns were paid for Company performance for the year indicated, in accordance with SEC requirements the amounts reported in this column instead reflect amounts expensed for the performance-based awards for 2005 and 2006 (granted in 2006 and 2007). The awards granted for 2005 and 2006 performance represented 47.5% and 44%, respectively, of the individual s maximum opportunity for those years. See Compensation Discussion and Analysis above.

(6) This column shows the annual performance-based cash bonuses for 2006 and 2007 that were paid early in the following year under our annual cash bonus program for executive officers. The amount paid is based on the attainment of earnings per share targets, as described in Compensation Discussion and Analysis and was 44% and 62% of the individual s maximum bonus opportunity for 2006 and 2007, respectively.

(7) This column shows increases in the year-end pension values of the year indicated from the prior year-end. These values were obtained by comparing the Present Value of Accumulated Benefits for December 31 of the year

indicated (shown in the 2007 Pension Plan Table below) to the comparable amount for the prior year. For Messrs. Manoogian and Leekley the pension values decreased in 2006 by $1,698,268 and $9,189, respectively, and for Messrs. Manoogian, Leekley, Gargaro, Barry and Foley the pension values decreased in 2007 by $1,939,991, $177,656, $217,172, $11,131 and $239,577, respectively. The year-to-year decreases in both 2006 and 2007 were caused principally by the effect of rising interest rate assumptions and by increases in the values of the qualified and non-qualified defined-contribution plans (which are integrated with the defined benefit as described below in Other Non-qualified Deferred Compensation and thereby effectively reduce the amount payable by the Company under the Supplemental Executive Retirement Plan). The pension values were calculated for each of 2006 and 2007 using the same assumptions set forth in the note to our financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007. The named executive officers did not have any above-market earnings under any of plans in which they participate.

(8) For 2007, this column includes (i) Masco s total contributions and allocations for the accounts of the named executive officers under our qualified and non-qualified defined contribution retirement plans ($105,000 for Mr. Manoogian; $57,948 for Mr. Wadhams; $27,865 for Mr. Sznewajs; $39,207 for Mr. DeMarie; $53,270 for Mr. Leekley; $30,030 for Mr. Gargaro; $71,400 for Mr. Barry; and $15,593 for Mr. Foley); (ii) for Mr. DeMarie, $50,599 as reimbursements for taxes owed by him on amounts that he is required to treat as taxable income with respect to amounts paid by the Company for moving expenses in connection with his relocation and for his wife s attendance at an offsite management meeting, and $785,942 for relocation benefits and allowances; (iii) for Mr. Manoogian, the $125,000 Hart-Scott-Rodino Antitrust report filing fee described in the Compensation Discussion and Analysis ; and (iv) perquisites. The only perquisite that exceeded the greater of $25,000 or 10% of the total perquisite amount was personal use of Company aircraft ($365,840 for Mr. Manoogian, $114,917 for Mr. Barry, and $58,647 for Mr. DeMarie). Messrs. Wadhams, Leekley and Gargaro also used Company aircraft for personal use during 2007. The incremental cost for the Company aircraft includes the cost for fuel, landing and parking fees, variable maintenance, variable pilot expenses for travel and any special catering costs. We also include these same costs for associated repositionings of the aircraft. For 2007, perquisites also included the personal use of a car and driver for Mr. Manoogian (with an incremental cost to the Company being the variable cost for the vehicle operation); financial planning (Messrs. Manoogian, DeMarie, Leekley, Gargaro, Barry and Foley); auto insurance (Messrs. Sznewajs, DeMarie, Leekley, Gargaro and Barry); executive health exam (Messrs. Gargaro and Barry); gifts for all named executive officers at a cost of less than $300, except in the case of Mr. Barry; and home furnishings services at no incremental cost to the Company (Mr. Foley).

Grants of Plan-Based Awards

The following table sets forth information concerning the potential payouts under our 2007 performance-based cash incentive program and grants of restricted stock and options to the named executive officers in 2007. The grant date set forth below is the date that the Committee or Board granted the award.

2007 Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Threshold	Target	Maximum	All Other Stock Awards: Number of Shares of Stock(2)	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (Per Share)	Grant Date Fair Value of Stock and Option Awards(2)(3)
Richard A. Manoogian	n/a	$ 600,000	$ 1,500,000	$ 3,000,000				
	02/05/07				39,900			$ 1,320,690
	05/24/07					480,000	$ 30.40	$ 4,420,800
Timothy Wadhams	n/a	$ 346,100	$ 865,250	$ 1,730,500				
	02/05/07				10,200			$ 337,620
	05/24/07					85,000	$ 30.40	$ 782,850
	06/02/07				200,000			$ 6,032,000
	06/02/07					400,000	$ 30.16	$ 3,684,000
John G. Sznewajs	n/a	$ 85,000	$ 212,500	$ 425,000				
	02/05/07				4,700			$ 155,570
	05/24/07					40,000	$ 30.40	$ 368,400
	06/02/07				20,000			$ 603,200
	06/02/07					70,000	$ 30.16	$ 644,700
Donald J. DeMarie, Jr.	n/a	$ 158,333	$ 395,833	$ 791,667				
	02/05/07				6,700			$ 221,770
	05/24/07					54,000	$ 30.40	$ 497,340
	06/02/07				75,000			$ 2,262,000
	06/02/07					150,000	$ 30.16	$ 1,381,500
	12/04/07				75,000			$ 1,617,750
	12/04/07					150,000	$ 21.57	$ 765,000
John R. Leekley	n/a	$ 152,200	$ 380,500	$ 761,000				
	02/05/07				10,200			$ 337,620
	05/24/07					85,000	$ 30.40	$ 782,850
	n/a	$ 85,800	$ 214,500	$ 429,000				

Eugene A. Gargaro, Jr.								
	02/05/07				5,800			$ 191,980
	05/24/07					48,000	$ 30.40	$ 442,050
Alan H. Barry	n/a	$ 326,400	$ 816,000	$ 1,632,000				
	02/05/07				21,700			$ 718,270
	05/24/07					230,000	$ 30.40	$ 2,118,300
Daniel R. Foley	n/a	$ 42,900	$ 107,250	$ 214,500				
	02/05/07				5,800			$ 191,980
	05/07/07				8,000			$ 245,680
	05/07/07(4)					17,897	$ 30.71	$ 102,013
	05/07/07(4)					10,079	$ 30.71	$ 57,450

(1) The amounts shown reflect the threshold, target and maximum payouts under the 2007 performance-based cash bonus program described in the Compensation Discussion and Analysis. The amounts paid under this program are set forth in the Summary Compensation Table above. The threshold, target and maximum for Messrs. Wadhams, DeMarie and Sznewajs were prorated to reflect the adjustments to their compensation that were effected during the year.

(2) Although the amounts shown under the Estimated Future Payouts Under Non-Equity Incentive Plan Awards column reflect the range of potential cash bonuses based on 2007 Company performance, the information shown in this table with respect to awards of restricted stock granted on February 5, 2007 reflects grants made for Company performance in 2006.

(3) The grant date fair value shown in this column reflects the total expense to be recognized as of the date of grant determined pursuant to FAS 123R. Regardless of the value placed on a stock option on the grant date, the actual value of the option will depend on the market value of Masco common stock at a future date when the option is exercised.

(4) The May 7, 2007 option grants for Mr. Foley were restoration options granted in connection with the exercise of options originally granted under the 1991 Plan. The exercise price of a restoration option is equal to the market value of our common stock at the time the original option is exercised. For purposes of determining the market value, we use the closing price on the date of grant. We have discontinued the grant of restoration options, other than restoration options resulting from the exercise of options granted under the 1991 Plan.

The Compensation Discussion and Analysis describes the performance-based cash bonuses, performance-based stock awards and options, including the proportion of variable compensation to total compensation, and the targets for performance-based compensation. Although restricted awards granted under our Long Term Incentive Plan generally vest in equal annual installments of 10% over a period of ten years, because of their ages at the date of grant, as described in the Compensation Discussion and Analysis, these awards will vest over shorter periods other than for Messrs. Wadhams, DeMarie and Sznewajs. The stock options granted in 2007 (other than the restoration options) vest in five equal annual installments commencing on the first anniversary of the date of grant and remain exercisable until ten years from the date of grant.

Outstanding Equity Awards at Fiscal Year-End

The following table shows for each of the named executive officers as of December 31, 2007 (i) each stock option outstanding, (ii) the aggregate number of unvested shares of restricted stock, and (iii) the market value of such shares based on the closing price of Masco common stock on December 31, 2007 ($21.61 per share). The value realized upon vesting of the restricted shares will depend on the value of Masco common stock on the date of vesting.

2007 Outstanding Equity Awards at Fiscal Year-End

	Option Awards(1)					Restricted Stock Awards(2)	
Name	**Original Grant Date**	**Number of Securities Underlying Unexercised Options Exercisable**	**Number of Securities Underlying Unexercised Options Unexercisable**	**Option Exercise Price**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested**	**Market Value of Shares or Units of Stock That Have Not Vested**
Richard A. Manoogian						615,722	$ 13,305,752
	02/16/2000	204,000		$ 19.75	02/16/2010		

	05/16/2001	2,000,000		22.12	05/16/2011		
	03/04/2002(3)	92,717		28.97	02/16/2010		
	12/10/2002	180,000		19.50	12/10/2012		
	10/29/2003	384,000	96,000	27.50	10/29/2013		
	07/29/2004	288,000	192,000	30.00	07/29/2014		
	05/09/2005	192,000	288,000	30.75	05/09/2015		
	07/26/2006	96,000	384,000	26.60	07/26/2016		
	05/24/2007		480,000	30.40	05/24/2017		
Timothy Wadhams						306,193	$ 6,616,831
	10/09/2001	60,000		$ 20.75	01/14/2011		
	12/10/2002	57,600		19.50	12/10/2012		
	10/29/2003	60,000	15,000	27.50	10/29/2013		
	01/14/2004	18,000	12,000	26.50	01/14/2014		
	07/29/2004	45,000	30,000	30.00	07/29/2014		
	09/24/2004(3)	35,730		34.12	01/14/2011		
	09/24/2004(3)	8,229		34.12	12/10/2012		
	05/09/2005	34,000	51,000	30.75	05/09/2015		
	07/26/2006	17,000	68,000	26.60	07/26/2016		
	05/24/2007		85,000	30.40	05/24/2017		
	06/02/2007		400,000	30.16	06/02/2017		

	Option Awards(1)					Restricted Stock Awards(2)	
Name	**Original Grant Date**	**Number of Securities Underlying Unexercised Options Exercisable**	**Number of Securities Underlying Unexercised Options Unexercisable**	**Option Exercise Price**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested**	**Market Value of Shares or Units of Stock That Have Not Vested**
John G. Sznewajs						82,035	$ 1,772,776
	02/16/2000	4,400		$ 19.75	02/16/2010		
	12/10/2002	9,540		19.50	12/10/2012		
	10/29/2003	23,200	5,800	27.50	10/29/2013		
	10/29/2003	20,000	5,000	27.50	10/29/2013		
	12/12/2003(3)	9,277		28.10	02/16/2010		
	12/12/2003(3)	2,207		28.10	12/10/2012		
	07/29/2004	19,800	13,200	30.00	07/29/2014		
	05/09/2005	13,200	19,800	30.75	05/09/2015		
	06/30/2005(3)	2,736		31.75	02/16/2010		
	06/30/2005(3)	1,952		31.76	12/10/2012		
	07/28/2005	8,000	12,000	34.40	07/28/2015		
	07/26/2006	8,000	32,000	26.60	07/26/2016		
	05/24/2007		40,000	30.40	05/24/2017		
	06/02/2007		70,000	30.16	06/02/2017		
Donald J. DeMarie, Jr.						244,275	$ 5,278,783
	12/10/2002	6,160		$ 19.50	12/10/2012		
	05/13/2003	8,000	8,000	23.00	05/13/2013		
	10/29/2003	38,400	9,600	27.50	10/29/2013		
	07/29/2004	32,400	21,600	30.00	07/29/2014		
	05/09/2005	21,600	32,400	30.75	05/09/2015		
	07/26/2006	10,800	43,200	26.60	07/26/2016		
	05/24/2007		54,000	30.40	05/24/2017		
	06/02/2007		150,000	30.16	06/02/2017		
	12/04/2007		150,000	21.57	12/04/2017		
John R. Leekley						106,726	$ 2,306,349
	02/16/2000	144,000		$ 19.75	02/16/2010		
	12/10/2002	83,000		19.50	12/10/2012		
	10/29/2003	68,000	17,000	27.50	10/29/2013		
	07/29/2004	51,000	34,000	30.00	07/29/2014		
	05/09/2005	34,000	51,000	30.75	05/09/2015		
	07/26/2006	17,000	68,000	26.60	07/26/2016		
	05/24/2007		85,000	30.40	05/24/2017		

Eugene A. Gargaro, Jr.						55,445	$ 1,198,166
	12/10/2002	18,800		$ 19.50	12/10/2012		
	10/29/2003	38,400	9,600	27.50	10/29/2013		
	07/29/2004	28,800	19,200	30.00	07/29/2014		
	05/09/2005	19,200	28,800	30.75	05/09/2015		
	07/26/2006	9,600	38,400	26.60	07/26/2016		
	05/24/2007		48,000	30.40	05/24/2017		
Alan H. Barry						215,546	$ 4,657,949
	02/16/2000	18,000		$ 19.75	02/16/2010		
	05/08/2002(3)	24,467		29.06	02/16/2010		
	12/10/2002	45,600		19.50	12/10/2012		
	05/13/2003	180,000	60,000	23.00	05/13/2013		
	10/29/2003	184,000	46,000	27.50	10/29/2013		
	07/29/2004	138,000	92,000	30.00	07/29/2014		
	11/16/2004(3)	11,795		36.36	05/13/2013		
	05/09/2005	92,000	138,000	30.75	05/09/2015		
	07/26/2006	46,000	184,000	26.60	07/26/2016		
	05/24/2007		230,000	30.40	05/24/2017		

		Option Awards(1)				Restricted Stock Awards(2)	
Name	**Original Grant Date**	**Number of Securities Underlying Unexercised Options Exercisable**	**Number of Securities Underlying Unexercised Options Unexercisable**	**Option Exercise Price**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested**	**Market Value of Shares or Units of Stock That Have Not Vested**
Daniel R. Foley						54,587	$ 1,179,625
	12/10/2002	9,400		$ 19.50	12/10/2012		
	10/29/2003	38,400	9,600	27.50	10/29/2013		
	03/31/2004(3)	12,868		30.70	02/16/2010		
	03/31/2004(3)	5,971		30.70	12/10/2012		
	07/29/2004	28,800	19,200	30.00	07/29/2014		
	05/09/2005	19,200	28,800	30.75	05/09/2015		
	07/26/2006	9,600	38,400	26.60	07/26/2016		
	05/07/2007(3)	10,079		30.71	02/16/2010		
	05/07/2007(3)	17,897		30.71	12/10/2012		

(1) Options vest in equal annual installments of 20% commencing in the year following the year of grant, except restoration options as noted.

(2) Awards of restricted stock generally vest in equal annual installment of 10% commencing on a designated vesting date in the year following the date of grant. See our Compensation Discussion and Analysis for a discussion of accelerated vesting for participants in the year they turn age 66.

(3) Options identified by this footnote are restoration options, which are exercisable in full six months and one day after the grant date. Our plan does not permit the granting of new restoration options, except for restoration options resulting from the exercise of options granted under the 1991 Plan.

Option Exercises and Stock Vested

The following table shows the number of shares acquired and the value realized by each of the named executive officers during 2007 in connection with the exercise of stock options and the vesting of restricted stock.

2007 Option Exercises and Stock Vested

	Option Awards	Restricted Stock Awards
	Number of Shares Acquired on	**Value Realized**

Name	Exercise		Value Realized on Exercise	Number of Shares Acquired on Vesting		on Vesting
Richard A. Manoogian(1)	1,435,511	$	10,239,244	156,100	$	4,549,156
Timothy Wadhams	-0-		-0-	16,796	$	507,135
John G. Sznewajs	-0-		-0-	8,903	$	261,268
Donald J. DeMarie, Jr.	38,640	$	323,592	12,789	$	374,795
John R. Leekley	264,759	$	2,478,000	17,202	$	509,484
Eugene A. Gargaro, Jr.	-0-		-0-	9,090	$	269,533
Alan H. Barry	78,987	$	544,717	31,142	$	909,482
Daniel R. Foley	108,993	$	1,000,801	11,350	$	342,135

(1) Mr. Manoogian has continued to hold the shares (other than shares withheld for taxes) he acquired upon exercise of options and vesting of restricted stock in 2007.

Retirement Plans

We have a Qualified Profit Sharing Plan and a Qualified Pension Plan that cover many salaried employees, including the named executive officers. As in many other companies, we also maintain a complementary non-qualified Benefits Restoration Plan, which has both defined benefit and defined contribution components, to restore for all participants benefits that otherwise would be limited under the Internal Revenue Code. As described below, the named executive officers are also covered by the non-qualified Supplemental Executive Retirement Plan that supplements the benefits provided under our other retirement plans.

Qualified and Non-qualified Pension Plans

The Qualified Pension Plan and the defined benefit portion of the Benefits Restoration Plan provide that at normal retirement age (65) participants in these plans will receive for life (with five years certain) a monthly benefit equal to 1/12th of the participant s Final Average Compensation (equal to the average of the highest five consecutive January 1 annual base salary rates) times a maximum of 30 years of credited service times 1.1%, with a small additional annual benefit for credited service prior to July 1, 1971. Vesting occurs after five full years of employment, and all of the named executive officers are fully vested. These plans benefit amounts, set forth in the table below, are not subject to reduction for social security benefits or for other offsets, except to the extent that pension or equivalent benefits are also payable under a prior affiliate s plan (see Note 1 to the table). Other than Messrs. DeMarie and Sznewajs, who are younger than age 55, each of the named executive officers who is younger than 65 would be eligible for a reduced early retirement benefit that is available to any plan participant age 55 or older who is vested. Reduction factors for pension commencement prior to age 65 would result in a benefit reduced by one-third at age 60, or by one-half at age 55. A disability benefit equal to the accrued benefit is payable to a participant disabled after ten or more years of service. There are no premium early retirement subsidies available under these plans for the named executive officers.

Qualified and Non-qualified Defined Contribution Plans

The Company maintains a tax-qualified profit sharing plan for a number of its employees, including the named executive officers. Contributions are discretionary, and for both 2006 and 2007 such contributions along with the book entry allocations described in the table below in column A, are included as part of All Other Compensation in the Summary Compensation Table. (Neither columns B nor C appear in the Summary Compensation Table for either 2006 or 2007.) Under the defined contribution portion of the Benefits Restoration Plan the Company makes allocations for each participant, including the named executive officers, reflecting defined contribution amounts utilizing the amount of base salary that exceeds the Internal Revenue Code s limitations applicable to our Qualified Profit Sharing Plan, together with amounts reflecting pro-forma earnings on prior years allocations. These allocations are maintained in book entry form in a Company account in each participant s name and are not funded. Company contributions made to the Qualified Profit Sharing Plan plus the contributions allocated to the Benefits Restoration Plan are limited to a combined maximum of 7% of base salary. The pro-forma earnings are credited to the book entry accounts based on the performance reported by the several mutual fund offerings which are available to all plan participants in our Qualified Profit Sharing Plan. Payout options from these profit sharing plans include a lump sum, or an installment payment option following termination; the Qualified Profit Sharing Plan also permits such distributions after attainment of age 591/2 and prior to termination. The following table shows for each named executive officer (A) the amount of the book entry allocation to the participant s Benefits Restoration Plan account made by the Company for 2007, (B) the amount of pro-forma earnings credited to the participant s account, and (C) the account s ending balance at the date shown.

2007 Non-qualified Deferred Compensation Plan
Defined Contribution Portion of the Benefits Restoration Plan Table

Name	A Masco Contributions in 2007	B Aggregate Earnings in 2007	C Aggregate Balance at December 31, 2007

Richard A. Manoogian	$ 89,250	$ 75,854	$ 1,103,894
Timothy Wadhams	$ 42,198	$ 14,518	$ 236,394
John G. Sznewajs	$ 12,115	$ 1,565	$ 33,050
Donald J. DeMarie, Jr.	$ 23,457	$ 7,889	$ 128,982
John R. Leekley	$ 37,520	$ 41,324	$ 590,274
Eugene A. Gargaro, Jr.	$ 14,280	$ 16,143	$ 230,218
Alan H. Barry	$ 55,650	$ 30,609	$ 465,080
Daniel R. Foley	-0-	$ 12,580	$ 168,267

We offer no other plans of deferred compensation that would permit the election of deferrals of cash compensation by the executive officers other than the qualified 401(k) savings plan to which participants (including the named executive officers), but not the Company, may make pre-tax contributions.

Other Non-qualified Deferred Compensation Supplemental Executive Retirement Plan

Many of our executive officers have been employed by us, a company acquired by us or a prior Company affiliate for the majority of their careers. In lieu of any employment agreements, severance arrangements or voluntary non-qualified deferred compensation plans, we have implemented an unfunded Supplemental Executive Retirement Plan for a limited number of senior executives, including all of the named executive officers, to supplement the benefits they would otherwise receive upon retirement. Each of the named executive officers is fully accrued and vested in this benefit, except for Messrs. DeMarie and Sznewajs (respectively, 48% accrued and 32% vested, and 44% accrued and 22% vested). Provided no change in control has occurred, participants are required to refrain from activities negatively impacting the Company s business following termination of employment.

Beginning at retirement on or after age 65, participants in the Supplemental Executive Retirement Plan are to receive annually for life an amount that, when integrated with benefits from our other retirement plans (and, for most participants, any retirement benefits payable by reason of employment by prior employers), equals up to 60% of the average of the participant s highest three years cash compensation received from us (base salary and regular year-end cash bonus, not in excess of 60% of that year s maximum bonus opportunity). This benefit accrues at a rate of 4% per year for up to 15 years of service. The bonus actually paid in excess of this 60% of bonus opportunity limitation can be used in calculating cash compensation received in earlier or later years.

This Plan provides for no early retirement benefit prior to age 65, and benefits under the Plan are not payable in a lump sum, other than in the case of a change in control as described below. Generally, participants who terminate employment with Masco with more than five years service before age 65 become entitled to receive their accrued benefit reduced by a vesting schedule that provides for no more than 50% vesting upon attainment of age 50 and 100% vesting no earlier than age 60. Such vested benefit is not payable until age 65 and is subject to certain offsets for amounts earned from prior or future employers.

The Plan provides a disability benefit payable to a participant who has been employed at least two years and becomes disabled while employed with us. The disability benefit is paid until the earlier to occur of death, recovery from disability or attainment of age 65, is integrated with Company paid long-term disability insurance, and is equal to 60% of the annual salary and bonus (up to 60% of the maximum bonus opportunity) in effect at the time of disability. At age 65, payments revert to a calculation based on the high three year average compensation (as described above) and the benefit accrued at the time of disability, increased (if less than 60%) with additional accruals of 4% per year for the period of disability.

A surviving spouse will receive reduced benefits. A participant receiving benefits and his or her surviving spouse may also receive supplemental medical benefits. The estimated present value apportioned at December 31, 2007 of future medical benefits, is $127,075 for Mr. Manoogian; $147,637 for Mr. Wadhams; $35,277 for Mr. Sznewajs; $109,834 for Mr. DeMarie, $338,194 for Mr. Leekley; $170,589 for Mr. Gargaro; $176,742 for Mr. Barry and $158,609 for Mr. Foley.

A change in control accelerates the payment of accrued benefits (calculated on a present value basis) and may result in payment of an amount for any related excise taxes as discussed below under Change in Control and Termination.

The following table shows the respective estimated present values at December 31, 2007 of accumulated benefits for each of the named executive officers under each of our defined benefit pension plans (the Qualified Pension Plan, the defined benefit portion of the Benefits Restoration Plan, and the Supplemental Executive Retirement Plan). Because the Supplemental Executive Retirement Plan is integrated with benefits under our other retirement plans (and, in most cases, offsets benefits payable by reason of prior employment), changes in the benefits a participant receives under these other plans may increase or decrease the benefit a participant receives under the Supplemental Executive Retirement Plan. The amounts shown in the table for the Supplemental Executive Retirement Plan have been reduced by the amounts shown in the table under the aforementioned defined benefit pension plans. The amounts for the Supplemental Executive Retirement Plan have also been reduced by the benefits under our defined contribution retirement plans (the Qualified Profit Sharing Plan and defined contribution portion of the Benefits Restoration Plan) and by the applicable prior employment offsets referred to above, but such defined contribution retirement plan benefits and offsets are not separately shown in the table.

2007 Pension Plan Table

Name	**Plan Name**	**Number of Years Credited Service(1)**		**Present Value of Accumulated Benefits(2)**
Richard A. Manoogian	Qualified Pension Plan	30	$	1,832,797
	Defined Benefit Portion Benefits Restoration Plan	30		2,958,065
	Supplemental Executive Retirement Plan	15		11,974,674
Timothy Wadhams	Qualified Pension Plan	30	$	157,861
	Defined Benefit Portion Benefits Restoration Plan	30		679,487
	Supplemental Executive Retirement Plan	15		4,079,788
John G. Sznewajs	Qualified Pension Plan	11	$	58,060
	Defined Benefit Portion Benefits Restoration Plan	11		20,330
	Supplemental Executive Retirement Plan	11		466,930
Donald J. DeMarie, Jr.	Qualified Pension Plan	8	$	55,330
	Defined Benefit Portion Benefits Restoration Plan	8		57,534
	Supplemental Executive Retirement Plan	12		1,214,098
John R. Leekley	Qualified Pension Plan	30	$	722,418
	Defined Benefit Portion Benefits Restoration Plan	30		1,635,733
	Supplemental Executive Retirement Plan	15		4,804,512
Eugene A. Gargaro, Jr.	Qualified Pension Plan	14	$	337,983
	Defined Benefit Portion Benefits Restoration Plan	14		319,879
	Supplemental Executive Retirement Plan	14		2,702,028
Alan H. Barry(3)	Qualified Pension Plan	24	$	575,769
	Defined Benefit Portion Benefits Restoration Plan	24		1,830,026
	Supplemental Executive Retirement Plan	15		10,035,340
Daniel R. Foley(4)	Qualified Pension Plan	13.5	$	284,780
	Defined Benefit Portion Benefits Restoration Plan	13.5		298,512

Supplemental Executive Retirement Plan	13.5	3,721,273

(1) The Qualified Pension Plan and Benefits Restoration Plan provide life annuities (with a minimum 5 years payments guaranteed) with actuarially equivalent survivor and other payment options, based on credited service for years of employment with any of Masco, its subsidiaries or certain prior Masco affiliates and their subsidiaries. The maximum credited service under each of the Qualified Pension Plan and the Benefits Restoration Plan is 30 years and the maximum benefit under the Supplemental Executive Retirement Plan accrues after 15 years. Credited service under the Supplemental Executive Retirement Plan commences with the date of hire and includes service only with Masco and businesses in which Masco has a 50% or greater interest. Mr. Wadhams was employed by Masco for eight years and by a prior Masco affiliate for 17 years before returning to Masco in 2001. Mr. Foley, who was previously employed by a prior affiliate of the Company for two years, was employed by Masco for approximately 111/2 years. Mr. DeMarie was employed for four years in one of the Company s businesses that did not provide coverage under the Qualified Pension Plan or the Benefits Restoration Plan. As a part of the agreement under which Mr. Wadhams rejoined Masco in 2001, we agreed to credit him with full vesting in the maximum benefit under our Supplemental Executive Retirement Plan as well as guarantee his retiree medical benefits from a prior employer. The Supplemental Executive Retirement Plans for Messrs. Foley and Gargaro also credit each of them with a maximum benefit that is fully vested. We have not otherwise granted additional accruals to any of the named executive officers in any of these retirement plans, and none of these plans provides for personal contributions or additional income deferral elections.

(2) The Present Value of Accumulated Benefits was calculated as of December 31, 2007 using (a) the normal form of benefit payable under each plan using base pay only for the Qualified Pension Plan and Benefits Restoration Plan (b) base pay plus cash bonus for the Supplemental Executive Retirement Plan, and (c) the same discount rates and mortality assumptions as described in the notes to financial statements in the Company s Annual Report Form 10-K as filed for the year ended December 31, 2007. Although SEC disclosure rules require a lump sum calculation, none of these plans (other than the Supplemental Executive Retirement Plan, in the case of a change in control) provides benefits in a lump sum.

(3) Mr. Barry s Qualified Pension Plan payment commenced upon his retirement in early 2008. Payments to Mr. Barry under the Benefits Restoration Plan and the Supplemental Executive Retirement Plan will commence later in 2008.

(4) Mr. Foley s Qualified Pension Plan payments totaling $12,948 commenced in 2007 as a result of his retirement. Payments to Mr. Foley under the Benefits Restoration Plan and the Supplemental Executive Retirement Plan commenced in 2008.

Change in Control and Termination

For each participant who did not have a full 60% benefit accrual, change in control would cause accrued benefits under the Supplemental Executive Retirement Plan to increase by an additional 4% for each year then remaining between the date of the change in control and the participant s 65th birthday (not to exceed in aggregate, 60%), and all participants accruals would thereupon become 100% vested. Consequently, using the discount rates and mortality assumptions specified in the Supplemental Executive Retirement Plan (equal to the PBGC discount rates for lump sums in plan terminations, as in effect four months prior to the change in control, and the UP-1984 mortality table, which differ from the rates and assumptions used to calculate the lump sums set forth in the Pension Plan Table), assuming a change in control occurred as of December 31, 2007 the Plan would have required the following accrued benefit payments at that date: $12,992,034 to Mr. Manoogian; $5,149,005 to Mr. Wadhams; $1,372,071 to Mr. Sznewajs; $2,800,222 to Mr. DeMarie; $5,963,043 to Mr. Leekley; $3,032,916 to Mr. Gargaro; $11,312,860 to Mr. Barry; and $4,127,241 to Mr. Foley; in each case reflecting the integration with other Company-funded retirement plans (and where applicable, prior employers plans) as described above under Supplemental Executive Retirement Plan. Neither the Qualified Pension Plan, the Qualified Profit Sharing Plan nor the Benefits Restoration Plan has a change in control vesting trigger.

A change in control would also trigger vesting of otherwise unvested restricted stock and option awards. The incremental values for vestings of restricted stock for a change in control at December 31, 2007 are shown in the last column of the table, 2007 Outstanding Equity Awards at Fiscal-Year-End. The incremental value for such vestings of stock options for a change in control at December 31, 2007 (assuming the options were exercised at December 31, 2007 at the Company s closing price on that date) would have been $6,000 for Mr. DeMarie. Other than as described above, no vesting acceleration would occur for any of the named executive officers under any of the retirement plans or the equity plans in the case of a termination of employment prior to age 65.

A general description of change in control appears in Compensation Discussion and Analysis. Assuming a change in control occurred as of December 31, 2007 (when our stock price was $21.61 per share), we have determined that no golden parachute payments would have been made and no excise tax would have been triggered under Internal Revenue Code Section 4999 for any named executive officer, except for Messrs. DeMarie and Sznewajs, whose payments on account of the excise tax would have been $2,379,712 and $817,501, respectively.

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

These procedures have been followed in connection with the review of the transactions described below. There have been no transactions since January 1, 2007 required to be described in this Proxy Statement that were not subject to review, approval or ratification by this policy.

For 2007, Mr. Manoogian personally reimbursed the Company an aggregate of $372,000 in cash for the value of various financial, accounting and tax services and administrative assistance provided to him by the Company and for the use of the Company boat prior to its sale. Two charitable foundations established by Mr. Manoogian and by his father Mr. Alex Manoogian, who founded the Company, also separately reimbursed the Company an aggregate of $137,200 for accounting and administrative services provided by the Company during 2007. These foundations also make charitable donations similar to the Masco Corporation Foundation. Mr. Manoogian has continued to lend a significant number of his personal artworks to the Company at its headquarters, but this arrangement is at no charge to the Company and with no reimbursement to Mr. Manoogian for insurance, restoration and the other costs he personally incurs with respect to the artworks on loan. See Compensation Discussion and Analysis Analysis of 2007 Executive Compensation Perquisites and Other Compensation for a description of the arrangement between Mr. Manoogian and the Company regarding the continued use of and reimbursement for these services.

From time to time we have employed individuals who are related or become related to other employees, officers or Directors. We currently employ a son-in-law of Mr. Barry and a son-in-law of Mr. Foley. Each received cash compensation for 2007 of approximately $200,000 and participates in our equity compensation programs. None of our Directors or current executive officers is related to any of our current employees.

Metaldyne Corporation

As reported in our 2007 Proxy Statements, in November 2000, we reduced our equity ownership in Metaldyne Corporation (formerly MascoTech, Inc.) through a recapitalization merger with an affiliate of Heartland Industrial Partners, L.P. We owned approximately 6% of Metaldyne s common stock and 361,001 shares of its preferred stock in November 2006, when Metaldyne entered into a merger agreement with Asahi Tec Corporation, a Japanese company, pursuant to which Asahi Tec acquired all of Metaldyne. Concurrently, Metaldyne common shareholders who owned approximately 97% of its common stock (including the Company, Heartland Industrial Partners, L.P. private equity fund (in which we had previously invested approximately $47 million, representing less than 5% of the fund), Mr. Manoogian (who owned approximately 2% of Metaldyne common stock), a charitable foundation for which Mr. Manoogian serves as a director and officer (which owned approximately 1.6% of such stock) and certain other stockholders) entered into a stock purchase agreement obligating them to re-invest their merger proceeds in Asahi Tec common stock. In addition, certain Metaldyne preferred stockholders, including Masco, entered into separate stock purchase agreements obligating them to reinvest their merger proceeds in Asahi Tec preferred stock on substantially the same terms and conditions.

As a result of the merger and the stock purchase transactions, which closed in January 2007, we received Asahi Tec common stock (representing less than 1% of the outstanding shares) and convertible preferred stock. Mr. Manoogian and the charitable foundation received approximately $1.3 million and $1 million, respectively, for their shares of Metaldyne, which they were required to reinvest in Asahi Tec common stock (in each case representing less than 0.5% of the outstanding shares). Mr. Manoogian, the charitable foundation, Masco and the other parties to the Metaldyne Shareholders Agreement also entered into a shareholders agreement relating to their ownership of Asahi Tec capital stock, which, among other customary terms, restricts the transfer of such stock, confers rights to have the stock registered and requires the holders to vote their shares in accordance with the agreement.

The merger agreement also provided for Metaldyne to distribute pro rata to its shareholders its TriMas Corporation common stock holdings, 0.11263 share of TriMas for each share of Metaldyne common stock held immediately prior to the merger. Mr. Wadhams, who was previously employed by Metaldyne, received $2.57 in cash and 0.11263 share of TriMas Corporation common stock for each of the 13,633.5 shares of Metaldyne he held. The parties to the Metaldyne Shareholder Agreement also entered into a TriMas shareholder agreement, with customary terms such as restriction on transfer, registration rights and voting obligations, with certain of the existing TriMas shareholders. Mr. Manoogian and the charitable foundation together currently hold less than 5% of TriMas common stock. We hold approximately 7.3% of TriMas common stock.

Our Board appointed a special committee consisting entirely of independent Directors (Messrs. Denomme, Dow and Istock) to negotiate, review and ultimately determine whether or not to pursue and enter into the transaction. Although the special committee and its own advisors negotiated with Metaldyne and others with respect to the allocation of value payable for the common and the preferred shares that we held, with a view to maximizing the aggregate value we would receive from Asahi Tec, we did not participate directly in the negotiations between Metaldyne and Asahi Tec regarding the other terms and conditions of the merger.

RATIFICATION OF SELECTION OF INDEPENDENT ACCOUNTANTS

The Audit Committee has selected the independent registered public accounting firm of Pricewaterhouse Coopers LLP to audit our financial statements for the year 2008, and believes it appropriate to submit its selection for ratification by stockholders.

PricewaterhouseCoopers LLP has acted as our independent auditors for over 46 years. Pricewaterhouse-Coopers LLP has performed services of an accounting and auditing nature and, from time to time, has provided other consulting services for us. Representatives of PricewaterhouseCoopers LLP are expected to be present at the meeting and will have the opportunity to make a statement and are expected to be available to respond to appropriate questions. If the selection is not ratified, the Audit Committee will consider selecting another independent registered public accounting firm as our independent auditors.

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

The Board of Directors recommends a vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as independent auditors for Masco for the year 2008.

PRICEWATERHOUSECOOPERS LLP FEES

Principal Accountant Fees and Services

Aggregate fees for professional services rendered to us by PricewaterhouseCoopers LLP as of or for the years ended December 31, 2007 and 2006 were (in millions):

	2007	2006
Audit Fees	$ 16.0	$ 18.5
Audit-Related Fees	.6	1.8
Tax Fees	1.9	1.8
All Other Fees	*	*
Total	$ 18.5	$ 22.1

* Aggregate amount was less than $50,000

The *Audit Fees* for the years ended December 31, 2007 and 2006 were for professional services rendered for audits and quarterly reviews of our consolidated financial statements, audits of our internal control over financial reporting, statutory audits, issuance of comfort letters, consents and assistance with review of documents filed with the Securities and Exchange Commission.

The *Audit-Related Fees* for services rendered during the years ended December 31, 2007 and 2006 were for professional services rendered for employee benefit plan audits, due diligence related to acquisitions and divestitures, audits not required by law, and consultations concerning the assessment of internal control over financial reporting.

Tax Fees for services rendered during the years ended December 31, 2007 and 2006 were for services related to tax return preparation, tax planning, and tax advice related to reorganizations, divestitures and transfer pricing programs.

All Other Fees for services rendered during the years ended December 31, 2007 and 2006 were for miscellaneous services rendered.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee has established a policy requiring its annual review and pre-approval of all audit services and permitted non-audit services to be performed by our independent registered public accounting firm PricewaterhouseCoopers LLP. The Audit Committee will, as necessary, consider and, if appropriate, approve the provision of additional audit and non-audit services by PricewaterhouseCoopers LLP that are not encompassed by the Audit Committee s annual pre-approval and not prohibited by law. The Audit Committee has delegated to the Chairman of the Audit Committee the approval authority, on a case-by-case basis, for services outside or in excess of the Audit Committee s aggregate pre-approved levels and not prohibited by law, provided that the Chairman shall report any such decisions to the Audit Committee at its next regular meeting. All of the services referred to above in the table for 2007 were pre-approved by the Audit Committee and none of the services approved by the Audit Committee during 2007 were under the de minimis exception to pre-approval contained in the applicable rules of the Securities and Exchange Commission.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and Directors, and persons who own more than ten percent of our common stock, to file reports of ownership and changes in ownership with the SEC and the New York Stock Exchange and to furnish us copies of these ownership reports.

Based solely on our review of copies of such ownership reports that we received or written representations from certain reporting persons that no Form 5 ownership reports were required for those persons, we believe that our Directors, officers and greater than ten percent beneficial owners met all applicable filing requirements during the last fiscal year except that Mr. Foley reported two transactions after the due date. The Company s grant of a restricted stock award was omitted from a Form 4 for Mr. Foley, but was reported on an amendment two days after the due date, and another Form 4 was amended to report the sale of shares that Mr. Foley acquired upon exercise of a Company stock option.

2009 ANNUAL MEETING OF STOCKHOLDERS

Stockholders who intend to present proposals for inclusion in Masco s Proxy Statement and Proxy relating to the 2009 Annual Meeting of Stockholders must provide written notice of such intent to our Corporate Secretary at the address stated in the Notice of Annual Meeting of Stockholders on or before December 8, 2008.

If a stockholder intends to bring a matter before next year s meeting, other than by timely submitting a proposal to be included in the Proxy Statement, we must receive timely notice in accordance with our Bylaws. The Bylaws provide that, to be timely, our Secretary Eugene A. Gargaro, Jr. must receive notice at 21001 Van Born Road, Taylor, Michigan 48180 no earlier than January 13, 2009 and no later than February 12, 2009. For each matter a stockholder intends to bring before the meeting, the notice must include a brief description of the business to be brought before the meeting; the text of the proposal or business (including the text of any resolutions proposed for consideration); the reasons for conducting the business at the meeting and any material interest the stockholder may have in such business; the stockholder s name and address as it appears in our records; the number of shares of Masco common stock owned by the stockholder; and a representation as to whether the stockholder is a part of a group that intends to deliver a proxy statement or form of proxy to holders of at least the percentage of the outstanding Masco common stock required to approve or adopt such proposal or if the stockholder intends to otherwise solicit proxies from stockholders in support of the proposal.

Stockholders wishing to nominate Director candidates for election to the Board at the 2009 Annual Meeting of Stockholders must submit the following information no later than February 21, 2009 to: Eugene A. Gargaro Jr., Secretary, Masco Corporation, 21001 Van Born Road, Taylor, Michigan 48180: (a) the name and address of the stockholder who intends to make the nomination or nominations and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of Masco entitled to vote at the Annual Meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations is or are to be made by the stockholder; (d) such other information regarding each nominee proposed by the stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC if the nominee had been nominated by the Board of Directors; (e) the written consent of each nominee to serve as a Director of Masco if elected; and (f) a statement whether each such nominee, if elected, intends to tender, promptly following such election, an irrevocable resignation effective upon such person s failure to receive the required vote for re-election at the next meeting at which such person would face re-election and upon the Board of Director s acceptance of such resignation.

DELIVERY OF PROXY MATERIALS AND ANNUAL REPORTS

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

We have been notified that certain intermediaries will utilize this procedure for our Proxy materials and the 2007 Annual Report. Therefore, only one Proxy Statement and Annual Report may have been delivered to your address if multiple stockholders share a single address. Stockholders who wish to opt out of this procedure and receive separate copies of the Proxy Statement and Annual Report in the future, or stockholders who are receiving multiple copies and would like to receive only one copy, should contact their bank, broker or other nominee or us at the address and telephone number below.

We will promptly deliver a separate copy of the Proxy Statement for the 2008 Annual Meeting or 2007 Annual Report upon oral request to our Investor Relations Department at (313) 274-7400, written request to Investor Relations, Masco Corporation, 21001 Van Born Road, Taylor, Michigan 48180 or e-mail request to webmaster@mascohq.com

OTHER MATTERS

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

By Order of the Board of Directors

Eugene A. Gargaro, Jr.
Secretary

Taylor, Michigan
April 7, 2008

Appendix A

MASCO CORPORATION DIRECTOR INDEPENDENCE STANDARDS

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

a) A director who is an employee, or whose immediate family member is an executive officer, of the Company is not independent until three years after the end of such employment relationship.

b) A director who received, or whose immediate family member received, during any twelve-month period within the last three years, more than $100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) is not independent.

c) (i) A director who is, or whose immediate family member is, a current partner of a firm that is the Company s internal or external auditor; (ii) a director who is a current employee of such firm; (iii) a director who has an immediate family member who is a current employee of such a firm and who participates in the firm s audit, assurance or tax compliance (but not tax planning) practice; or (iv) a director who was or whose immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company s audit within that time, is not independent.

d) A director who is, or whose immediate family member is, employed as an executive officer of another company where any of the Company s present executive officers at the same time serves or served on the other company s compensation committee, is not independent until three years after the end of the employment relationship.

e) A director who is a current employee, or who beneficially owns more than a 10% equity interest in, or whose immediate family member is a current executive officer, of a corporation, partnership or other business entity, that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million, or 2% of the other company s consolidated gross revenues, is not independent.

f) A director who is, or whose immediate family member is, an executive officer of and is active in the day to day operations of a non-profit organization that has received contributions from the Company (cash, in-kind or in the form of product discounts), that exceed the greater of $1 million or 2% of the organization s consolidated gross revenues in any of the last three fiscal years is not independent.

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

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

From Downtown Detroit (East)
Take I-94 west to the Pelham Road exit.
Turn right onto Pelham Road and travel to Van Born Road.
Turn left onto Van Born Road and proceed to the corporate offices.

From Metro Airport (West)
Take I-94 east to the Pelham Road exit.
Turn left onto Pelham and travel to Van Born Road.
Turn left onto Van Born Road and proceed to the corporate offices.

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

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

Proxy For Annual Meeting of Stockholders to be held May 13, 2008
MASCO CORPORATION
Proxy Solicited on Behalf of the Board of Directors

The undersigned, hereby revoking any Proxy heretofore given, appoints TIMOTHY WADHAMS and EUGENE A. GARGARO, JR. and each of them attorneys and proxies for the undersigned, each with full power of substitution, to vote the shares of Masco Common Stock registered in the name of the undersigned to the same extent the undersigned would be entitled to vote if then personally present at the Annual Meeting of Stockholders of Masco Corporation to be held at the offices of the Company at 21001 Van Born Road, Taylor, Michigan 48180, on Tuesday, May 13, 2008, at 10:00 A.M. and at any adjournment thereof.

The undersigned hereby acknowledges receipt of the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement.

(Continued and to be marked, dated and signed, on the other side)

Address Change/Comments (Mark the corresponding box on the reverse side)

5 **FOLD AND DETACH HERE** 5

You can now access your MASCO CORPORATION account online.

Access your Masco Corporation stockholder account online via Investor ServiceDirect® (ISD).
The transfer agent for Masco Corporation, now makes it easy and convenient to get current information on your shareholder account.

View account status	View payment history for dividends
View certificate history	Make address changes
View book-entry information	Obtain a duplicate 1099 tax form
	Establish/change your PIN

Visit us on the web at http://www.bnymellon.com/shareowner/isd
For Technical Assistance Call 1-877-978-7778 between 9 A.M.-7 P.M.
Monday-Friday Eastern Time

PRINT AUTHORIZATION

To commence printing on this proxy card please sign, date and fax this card to: 732-802-0260

SIGNATURE: **DATE:**

o Mark this box if you would like the Proxy Card EDGARized: oASCII o EDGAR II (HTML)

(THIS BOXED AREA DOES NOT PRINT) **Registered Quantity 1000.00**

x	**Votes must be indicated (x) in black or Blue ink.**	**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSALS NOS. 1 AND 2.**	Please Mark Here for Address Change or Comments c **SEE REVERSE SIDE**

1. Class II Directors to hold office until the Annual Meeting of Stockholders In 2011 or until their respective successors are elected and qualified.

Nominees:	FOR	AGAINST	ABSTAIN
01 Verne G. Istock	c	c	c
	FOR	AGAINST	ABSTAIN
02 David L Johnston	c	c	c
	FOR	AGAINST	ABSTAIN
03 J. Michael Losh	c	c	c
	FOR	AGAINST	ABSTAIN
04 Timothy Wadhams	c	c	c

		FOR	AGAINST	ABSTAIN
2.	Ratification of the selection of PricewaterhouseCoopers LLP as independent accountants to audit the Company s financial statements for 2008.	c	c	c

3. In the proxies discretion on such other business as may properly come before the meeting.

Signature **Signature** **Date**

Please sign exactly as name appears above. Executors, administrators, trustees. et al. should so indicate when signing. If the signature is for a corporation, please sign the full corporate name by an authorized officer. If the signature is for a partnership or a limited liability company, please sign the full partnership or limited liability company name by an authorized person. If shares are registered in more than one name, all holders must sign.

5 **FOLD AND DETACH HERE** 5

WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING, BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.

Internet and telephone voting is available through 5:00 P.M. on May 12, 2008

Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

INTERNET		**TELEPHONE**
http://www.eproxy.com/mas Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site.	**OR**	**1-866-580-9477** Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.

If you vote your proxy by Internet or by telephone, do NOT mail back your proxy card.
To vote by mail, mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.
Choose **MLink**SM for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect**® at www.bnymellon.com/shareowner/isd where step-by-step instructions will prompt you through enrollment.

If you have chosen to view the Proxy Statement and Annual Report over the Internet instead of receiving paper copies in the mail, you can access the Proxy Statement and 2007 Annual Report electronically at www.ezodproxy.com/masco/2008