UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2014

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 000-50972

Texas Roadhouse, Inc.

(Exact name of registrant specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**20-1083890** (IRS Employer Identification Number)

6040 Dutchmans Lane, Suite 200

Louisville, Kentucky 40205

(Address of principal executive offices) (Zip Code)

(502) 426-9984

(Registrant s telephone number, including area code)

Indicate by check mark whether 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 Regulations S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o.

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 x	Accelerated filer o	Non-accelerated filer o	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.

The number of shares of common stock outstanding were 69,393,116 on October 29, 2014.

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PART I FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

Texas Roadhouse, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

(unaudited)

	September 30, 2014	(As Adjusted) December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 59,307	$ 94,874
Receivables, net of allowance for doubtful accounts of $13 at September 30, 2014 and $4 at December 31, 2013	15,701	25,391
Inventories, net	11,993	11,954
Prepaid income taxes		421
Prepaid expenses	8,100	10,250
Deferred tax assets	3,852	2,853
Total current assets	98,953	145,743
Property and equipment, net of accumulated depreciation of $336,245 at September 30, 2014 and $304,536 at December 31, 2013	631,552	586,212
Goodwill	117,197	117,197
Intangible assets, net	6,546	7,876
Other assets	22,059	20,616
Total assets	$ 876,307	$ 877,644
Liabilities and Stockholders Equity		
Current liabilities:		
Current maturities of long-term debt	$ 126	$ 243
Accounts payable	37,612	38,404
Deferred revenue gift cards	32,710	62,723
Accrued wages	30,548	28,994
Income taxes payable	4,457	
Accrued taxes and licenses	17,884	17,434
Dividends payable	10,421	
Other accrued liabilities	31,163	27,382
Total current liabilities	164,921	175,180
Long-term debt, excluding current maturities	50,727	50,990
Stock option and other deposits	5,918	5,311
Deferred rent	26,103	23,742
Deferred tax liabilities	2,843	5,774
Fair value of derivative financial instruments	1,711	2,696
Other liabilities	21,169	20,091

Total liabilities		273,392		283,784
Texas Roadhouse, Inc. and subsidiaries stockholders equity:				
Preferred stock ($0.001 par value, 1,000,000 shares authorized; no shares issued or outstanding)				
Common stock ($0.001 par value, 100,000,000 shares authorized, 69,472,721 and 70,352,257 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively)		69		70
Additional paid-in-capital		185,826		215,051
Retained earnings		411,273		374,190
Accumulated other comprehensive loss		(1,048)		(1,652)
Total Texas Roadhouse, Inc. and subsidiaries stockholders equity		596,120		587,659
Noncontrolling interests		6,795		6,201
Total equity		602,915		593,860
Total liabilities and equity	$	876,307	$	877,644

See accompanying notes to condensed consolidated financial statements.

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Texas Roadhouse, Inc. and Subsidiaries

Condensed Consolidated Statements of Income and Comprehensive Income

(tabular amounts in thousands, except per share data)

(unaudited)

	13 Weeks Ended		**39 Weeks Ended**	
	September 30, 2014	**September 24, 2013**	**September 30, 2014**	**September 24, 2013**
Revenue:				
Restaurant sales	$ 381,991	$ 331,746	$ 1,167,766	$ 1,037,239
Franchise royalties and fees	3,227	3,024	9,957	9,326
Total revenue	385,218	334,770	1,177,723	1,046,565
Costs and expenses:				
Restaurant operating costs (excluding depreciation and amortization shown separately below):				
Cost of sales	The executive compensation program has three principal components: short-term compensation (salary and annual bonus), long-term incentive compensation and post-employment compensation, each of which is described below. While the components of compensation are considered separately, the Committee takes into account the full compensation package afforded by the Company to the individual executive. <u>Deductibility of Executive Compensation</u> Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”),			

limits to $1 million a year the deduction that a publicly held corporation may take for compensation paid to each of its chief executive officer and four other most highly compensated employees unless the compensation is performance-based. Performance-based compensation must be based on the achievement of pre-established, objective performance goals under a plan approved by stockholders.

In order to reduce or eliminate the amount of compensation that would not qualify for a tax deduction should the compensation of the CEO or any other executive officer exceed $1 million in any year, the Companys 1999 LTIP, 2004 Annual Incentive Compensation Plan, 2000 Incentive Plan (the 2000 Plan) and 1996 Long Term Incentive Plan (the 1996 Plan) were submitted to and previously approved by the Companys stockholders, so that amounts earned thereunder by certain employees will qualify as performance-based.

Short-term Compensation

Salary

Salary is determined by evaluating the responsibilities of the position held, the individuals past experience, current performance and the competitive marketplace for executive talent. The Companys objective is to provide its executive officers with competitive salaries that are, on average, at or slightly below the median of the Benchmark Companies. Salaries are reviewed annually to ensure that strong performance is reflected in any increase in an executives base salary level. The Committee believes that salary ranges for the Companys executive officers in 2006 were, in aggregate, slightly below the 50th percentile of the Benchmark Companies.

Annual Bonus

In addition to salary, each executive officer is eligible for an annual bonus under the Terex Corporation 2004 Annual Incentive Compensation Plan, which was adopted by the Board and the stockholders of Terex in 2004. Bonuses are given based upon the Companys performance and the executives individual performance, both measured against previously determined targets. The individual targets are financial and non-financial, and contain individual and Company performance measures. The CEOs bonus target is approximately two times his base salary. The bonus targets of the other executive officers generally range from 50% - 100% of his/her base salary.

The Companys objective is to provide its executive officers with competitive bonuses that are at or above the median of the Benchmark Companies. The Committee believes that bonus target percentage ranges for the Companys executive officers are generally within the third quartile of bonus target percentage ranges for the Benchmark Companies.

The objective of the management annual incentive bonus program is to provide bonus opportunity and reward executives when their actions drive the overall performance of the Company. For performance that meets the pre-determined objectives, the executive is scheduled to receive 100% of the bonus target. For performance that fails to meet the pre-determined objectives, the executive would receive less than 100% of the bonus target, with the actual payment amount corresponding directly with the level of achievement under the predetermined target (e.g. 90% achievement would result in a 75% payment, 80%

achievement would result in a 50% payment and less than 80% achievement would result in no payment). Alternatively, for performance that exceeds the pre-determined objectives, the executive would receive greater than 100% of the bonus target, with the actual payment amount corresponding directly with the level of achievement in excess of the predetermined target (e.g. 110% achievement would result in a 125% payment, 120% achievement would result in a 150% payment and greater than 120% achievement is capped at a payment of 150%).

The amount of an executive's bonus is greatly dependent on how the Company performs and on how the individual performs in helping the Company reach its objectives. While there is some downside risk to the executive in having a performance component that can result in no bonus for less than 80% achievement, there is also an advantage and opportunity (bonus payments of up to 150% of target levels) if the Company and the individual both perform well. This meets the Committee's objective that superior performance that adds value to the Company should be rewarded and performance that does not meet expectations should have significant consequences. The Committee, in its sole discretion, may increase, decrease or eliminate the payment of a bonus to any executive officer who is not a Covered Employee (as defined in Section 162(m) of the Code) under certain extraordinary events in accordance with the bonus plan.

In 2006, for executive officers with corporate functional responsibilities who reported directly to the Company□s CEO, 60% of the bonus target was based upon a ROIC measurement determined at the overall Terex level and the other 40% was based on individual performance areas under the individual□s control and influence. For 2006, the targeted ROIC value was 27.5%, which was based upon the 2006 budgeted numbers of the Company, preliminarily approved by the Board in December 2005 and formally approved by the Board in March 2006. The 2006 budgeted numbers could not be formally approved until March 2006 pending completion of the Company□s restatement of its financial statements for 2000-2004 in February 2006.

In 2006, for executive officers who reported directly to the CEO who have direct operating responsibility, 40% of the bonus target was based on ROIC (with the same target ROIC as described above), 20% based on Segment Performance, and 40% based on individual performance. Segment Performance was based upon an equal rating of cash flow and operating earnings at the operating segment level, with performance measured against approved management-operating plans. For 2006, the operating earnings targets for each of the

Company's five segment presidents were as follows: Terex Aerial Work Platforms ($215.0 million); Terex Construction ($87.1 million); Terex Cranes ($70.2 million); Terex Materials Processing & Mining ($158.5 million); and Terex Roadbuilding and Utilities ($29.0 million). For 2006, the cash flow targets for each of the Company's five segment presidents were as follows: Terex Aerial Work Platforms ($229.4 million); Terex Construction ($86.6 million); Terex Cranes ($68.8 million); Terex Materials Processing & Mining ($172.7 million); and Terex Roadbuilding and Utilities ($70.1 million).

Individual performance for each of the executive officers could include all or any combination of personal goals, Terex Business Systems and human resources planning initiatives, as well as other financial and non-financial measurements. The CEO is responsible for determining individual performance measurements for each of his direct reports.

For 2006, the Committee approved a bonus plan for Mr. DeFeo with an overall total bonus target of $1,875,000. This was contingent on Mr. DeFeo satisfying both quantitative financial performance measures (with a bonus target equal to 100% of Mr. DeFeo's annual base salary, which for 2006 was $875,000) and qualitative performance measures (with a bonus target equal to $1,000,000).

The 2006 quantitative financial performance measures for Mr. DeFeo focused on three specific areas of financial performance:

- ROIC, weighted as 60% of the quantitative target;
- earnings per share (EPS), weighted 20%; and
- management of working capital, weighted 20%.

For 2006 for Mr. DeFeo, the targeted ROIC value was 29.0%, which was based upon the 2006 budgeted numbers of the Company, formally approved by the Board in March 2006. The targeted ROIC for Mr. DeFeo was increased from 27.5%, the number that was preliminarily approved by the Board in December 2005 and which was the target for the other executive officers, due to the fact that the Company was forecasting to exceed its budgeted expectations for January and February 2006 at the time Mr. DeFeos 2006 targets were definitively set in March 2006. EPS is measured against a specified targeted EPS value. For 2006, the targeted EPS number was $3.00, which was toward the middle of the range of EPS guidance that the Company disclosed in its press release dated April 3, 2006, and at the top of the range of EPS guidance that the Company disclosed in its press release dated March 9, 2006. The maximum incentive target for EPS was 160% rather than 150% due to the stretch to meet this goal. Management of working capital was measured by looking at working capital as a percentage of the Company's revenue, and comparing that against a specified targeted value. For 2006, the targeted working capital percentage was 17.1%, which was the Company's expectation for management of working capital at the time that the target was set.

Mr. DeFeo had a number of qualitative performance measures that were considered in determining his award under the Plan. These included his performance in the areas of:

- Terex Business System;
- corporate operational initiatives;
- talent development, diversity and succession planning;
- financial controls, ethics and information technology;
- marketing and branding;
- development of new markets;
- capital structure and transformation; and
- making Terex a better place to work.

Perquisites

The Company provides certain perquisites and benefits to its executive officers as a method of attracting and retaining its executive officers. There is not a pre-determined set of perquisites that the Company gives to its executive officers. Instead, an executive officer's perquisites are determined on an individual basis and are often influenced by benefits and perquisites that former employers or predecessor organizations may have offered to executives whom were subsequently recruited by the

Company.

Perquisites that were given to executive officers in 2006 included company cars, club memberships, private airplane travel on a limited basis (which requires approval by the CEO and in the case of travel by the CEO, approval by the Chief Financial Officer), financial planning services, payment of supplemental long-term disability premiums, housing allowances and relocation costs. Executive officers, as well as certain other key employees of the Company, also receive matching contributions in the Company's Deferred Compensation Plan. In addition to the perquisites described above, the Company generally provides its executive officers such other benefits as Company paid life insurance and matching contributions in the Company's 401(k) Plan and Employee Stock Purchase Plan, medical insurance, dental insurance and short-term disability coverage, which are also provided generally to all other U.S. based employees.

Long-Term Incentive Compensation

The purpose of long-term incentive compensation is to both align the interests of the executive officers with the interests of the stockholders and to provide a level of reward and recognition for superior performance. The Company's objective is to provide its executive officers with long term incentive awards that are at the 75th percentile of the award level at the Benchmark Companies. Long-term incentive awards may include cash and non-cash components. In 2006, all long-term incentive awards granted consisted solely of an equity component. Historically, long-term incentive compensation has been granted in restricted stock, options and cash awards. It is the Company□s intention in the future to primarily grant long-term incentive awards in shares of restricted stock with time and/or performance based criteria, although other forms of awards may be considered.

The long term incentive awards are designed to provide wealth creation for the executives if shareholder value is created. In 2006, the Company issued long-term incentive awards designed to provide an economic value at approximately the 75th percentile of the award level at the Benchmark Companies. The Committee believes that long-term incentive compensation ensures that the Company□s executive officers have a continuing stake in the long-term success of the Company and foster the retention of key management personnel.

Stock Awards

One of the primary components of the Company's long-term incentive compensation is the granting of restricted stock awards to executive officers, including awards which have a performance measurable component associated with the grant. In this way, the stock awards have the dual objective of helping to build shareholder value while also serving to retain and motivate the Company's senior leadership.

Historically, the Company has generally granted its equity awards in the first third of the calendar year. In 2005 and 2006, due to the Company's delay in timely filing its periodic reports with the SEC, the Company was unable to make equity grants during that time, and instead made its grants for 2005 and 2006 in June 2006 and November 2006, respectively. The Company expects to make future grants of stock awards in the first quarter of each calendar year, soon after the prior year's results are finalized and released publicly, as well as after the Company's budget has been finalized for the coming year. This is consistent with the Company's move towards restricted stock awards that have a performance component, as it is intended that the performance component would be based upon a specific measure or measures from the Company's budget for the coming year.

In 2006, the Named Executive Officers received two grants of restricted stock. The first grant of restricted stock was made on June 1, 2006 and contained solely time based awards. These grants of restricted stock were determined and conditionally approved by the Board in 2005. However, due to the Company's delay in timely filing its periodic reports with the SEC, the Company was unable to grant these shares of restricted stock until 2006. These restricted stock awards were designed specifically with retention as a key objective, as these awards vest at one time on March 31, 2010.

Pursuant to Mr. DeFeo's 2005 employment agreement, Mr. DeFeo's June 1, 2006 restricted stock grant was structured differently than the restricted stock grants for the other executive officers. On June 1, 2006, Mr. DeFeo received a restricted stock award of 200,000 shares which vests as follows:

(i) 60,000 shares shall vest 20,000 per annum over three years beginning in 2006, provided that Terex's ROIC equals or exceeds 20% for such prior calendar year (since the Company's

ROIC exceeded 20% for 2005 and 2006, Mr. DeFeo vested in 20,000 shares in 2006 and 2007);

(ii) 70,000 shares shall vest on March 31, 2009 in the event that Terex□s ROIC for each of the four calendar years 2005, 2006, 2007 and 2008 equals or exceeds the average ROIC of the Machinery Group (as such term is defined in the DeFeo Agreement and as may be amended in the reasonable discretion of the Committee to recognize changed circumstances with respect to the companies comprising the Machinery Group) for each of those four years; provided, however, that in the event Terex□s ROIC for each of the four calendar years 2005, 2006, 2007 and 2008 is less than the average ROIC of the Machinery Group for each of those four years, but Terex□s average ROIC for any three of such four years equals or exceeds the average ROIC for the Machinery Group for the comparable three years, then 40,000 shares (of these 70,000 shares) shall vest on March 31, 2009; and

(iii) 70,000 shares shall vest on March 31, 2009 in the event that the ratio of Terex's average ROIC for the three calendar years 2006, 2007 and 2008 to the average ROIC of the Diversified Industrial Group (as such term is defined in the DeFeo Agreement) for 2006, 2007 and 2008 (the "Three Year Ratio") equals or exceeds 110% of the ratio that Terex's average ROIC for 2005 bears to the average ROIC of the Diversified Industrial Group for 2005 (the "2005 Ratio"); provided, however, that 40,000 shares

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(of these 70,000 shares) shall vest on March 31, 2009 if the Three Year Ratio equals or exceeds 100% of the 2005 Ratio but is less than 110% of the 2005 Ratio. The 2005 Ratio is equal to 0.928.

Due to a delay caused by the Company's restatement, the executive officers received their 2006 grant of restricted stock on November 1, 2006. This grant contained both time based and performance based restricted stock awards. This award was different from most of the Company's previous restricted stock award grants, as this grant had a performance based component, while historically the Company's restricted stock grants were solely time based and vested 25% per year on each of the first four anniversaries of the date of grant. However, on certain occasions in the past, the Company has granted performance based restricted awards to Mr. DeFeo and other senior officers.

Although many of the Benchmark Companies continue to grant predominantly time based awards, the Company believes that restricted stock grants that contain both time based and performance measures provide the right mix of motivating performance and providing for retention, which are the primary objectives of the restricted stock awards. Accordingly, the November 1, 2006, grant was a deliberate attempt by the Company to move away from granting solely time based restricted stock awards toward granting restricted stock awards that contain both time and performance based components.

For each of the executive officers, other than Mr. DeFeo, the economic value of the time and performance based components were intended to each be approximately 50% of the total restricted stock award value. For Mr. DeFeo, the economic value of the time and performance based components were intended to be approximately 25% and 75% of the restricted stock award value, respectively. Mr. DeFeo's restricted stock award was more heavily performance-based than that of the other executives because the Committee believes the CEO is the person with the greatest potential impact on the Company's performance and therefore his compensation should be more attuned to the Company's performance than that of the other executive officers. For both Mr. DeFeo and the other executive officers, the performance portion also had a time vesting element if the performance goals are satisfied.

The time-based portion of the awards vests solely on the passage of time over a four year period, with 25% of the time-based award vesting on September 1 of each of 2007, 2008, 2009 and 2010.

Each executive will receive the performance-based portion of the November 1, 2006 award, in accordance with the formula described below, only if Terex achieves a targeted percentage ROIC over five (5) consecutive calendar quarters ending December 31, 2007 (the Target ROIC). The Target ROIC was set at 38.8%, based upon Terexs 2006 and 2007 budgeted numbers.

For each 1% increase or decrease in attainment above or below the Target ROIC, the number of shares to be received by each executive for the performance-based award will increase or decrease by 2.5% . For attainment at or above 120% of the Target ROIC, the number of shares distributed will be capped at 150% of the performance-based share award. If attainment is at 80% of the Target ROIC, the number of shares distributed will be 50% of the performance-based share award. For performance below 80% of the Target ROIC, the entire performance-based share award will be forfeited. Assuming that the executives are entitled to receive a distribution of shares under the performance-based share award, the distribution will be as follows: 25% in the first quarter of 2008, 25% on December 31, 2008, 25% on December 31, 2009 and 25% on December 31, 2010.

Option Awards

One of the components of the Company's long-term incentive compensation has been the granting of option awards to executive officers. The objective of option awards is to retain and motivate the Company's senior leadership, as well as to provide wealth creation for the executives if shareholder value is created.

The granting of option awards has historically been a key component of an executive's compensation package. The Company granted options to its executive officers on June 1, 2006. This grant of options was determined and conditionally approved by the Board in 2005. However, due to the Company's delay in timely filing its periodic reports with the SEC, the Company was unable to grant these options until 2006. However, over the past few years, the Company has been decreasing the number of options awarded to its executive officers. This decrease culminated in no option awards being made as part of the most recent equity award to the Company's executive officers on November 1, 2006.

The decrease in the number of options granted is not a Terex-specific development. The implementation of SFAS No. 123R "Share-Based Payment" ("FAS 123R"), which requires that costs resulting from stock options be recognized in a company's financial statements, as well as the dilutive effect of option exercises, has caused many companies, including Terex, to move away from the granting of options. In general, many executives assign a higher perceived value to restricted stock than options. In addition, it is more cost effective for the Company to grant restricted stock than options, as more options would need to be given for an executive to receive the same economic value as he or she would receive from a grant of fewer shares of restricted stock. The Company may grant options to executive officers in the future as the Company deems appropriate. However, the Company does not expect that the granting of options will be a key component of an executive officers long-term compensation in the near future.

Long-Term Incentive Plan Awards

Historically, one of the primary components of the Companys long-term incentive compensation is the granting of long-term incentive awards to executive officers under the Companys 1999 LTIP, which was approved by the Board on March 25, 1999 and the Companys stockholders on May 12, 1999. The primary objective of the 1999 LTIP awards is to focus the activities of the executive officers on long-term actions and plans, which if implemented appropriately will create shareholder value, as well as provide wealth creation for the executive. Performance under this plan was based on achieving specified EPS targets, and awards were to be paid in cash at the end of a five year period. The Company has considered the anticipated effect of the 1999 LTIP amount on an executive officers compensation when considering the executive officer's annual salary, bonus and equity award.

The Company last granted 1999 LTIP awards to each of its Named Executive Officers in 2002, to be valued based upon the Company's EPS performance over a five year period, as described in more detail below. The intent of these awards was to have the Company's Named Executive Officers share in the equity value increases that were created through their effort. The 1999 LTIP award's incremental value was calculated for each year of its term, and these incremental values were cumulated to obtain the unit's cumulative value upon maturity, which was capped at $70. Incremental unit value was determined annually by calculating the product of (a) the closing price of a share of Common Stock at the close of the year prior to the date of grant (for awards made in 2002, $8.77) multiplied by (b) 85% of the percentage by which EPS for such year exceeded EPS for the year prior to the date of grant. If EPS for any year was not at least 105% of the prior year's EPS, then no incremental unit value was accumulated for such year.

The 1999 LTIP awards granted in 2002 vested on December 31, 2006 at the maximum value for each award. The Committee believes that the compensation received by the Named

Executive Officers under these awards was appropriate based upon the results achieved by the Company over the past five years. The performance goals were based on increases in EPS, and as a result of the growth in EPS over the past five years, the 1999 LTIP awards achieved maximum value. The closing price of a share of Common Stock on December 31, 2001, the close of the year prior to the date of grant for the 1999 LTIP awards granted in 2002, was $8.77. The closing price of a share of Common Stock on December 31, 2006, the date the 1999 LTIP awards granted in 2002 vested, was $64.58, an increase of over 600% over the closing price on December 31, 2001.

In addition, during the five year period of the 2002 awards under the 1999 LTIP, the Company's market capitalization grew from approximately $650 million to approximately $6.6 billion, which represents an approximate ten fold increase in market capitalization. Further, the Company's stockholder equity grew during this five year period from $726.9 million to $1,751.0 million, an increase of over 140 percent. The amount of the 1999 LTIP award granted in 2002 that was earned in 2006 by Named Executive Officers is included in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.

As discussed above, the Company does not intend to grant LTIP awards under the 1999 LTIP in the future. Instead, the primary vehicle for long-term incentive compensation will be grants of shares of restricted stock with time and/or performance based criteria.

Post-Employment Compensation

Retirement Plans and Life Insurance

The Company offers a variety of mechanisms for its executive officers to plan for their retirement. These plans are offered to attract and retain executive officers by offering them benefits that are similar to what is offered by the

Benchmark Companies. The retirement plans offered by the Company to its executive officers generally include a 401(k) plan, which is also offered to most of the Company's U.S. based employees, a deferred compensation plan, a supplemental executive retirement plan ("SERP") and, in certain situations, other defined benefit pension plans. See "Pension Benefits" and "Nonqualified Deferred Compensation" for a description of the Company's SERP and deferred compensation plan, respectively. In addition, executive officers receive life insurance policies that provide their families with a core level of security in case of the premature death of the executive officers. The Company provides each executive officer with a universal life insurance policy that is two times their base salary as reported, except for Mr. Robertson, whose policy is three times his base salary as reported. In addition, the Company owns a universal life insurance policy on the life of Mr. DeFeo in the amount of $10,000,000. Pursuant to the terms of this arrangement, the Trustee of the Ronald M. DeFeo 1996 Life Insurance Trust has the right to designate a beneficiary or beneficiaries to receive the insurance proceeds from this policy on Mr. DeFeo's death, subject to the Company's right to first receive a certain portion of the insurance proceeds.

Termination of Employment and Change in Control Arrangements

Each of the Named Executive Officers, other than Mr. DeFeo, is a party to a Change in Control and Severance Agreement with the Company that was entered into in March 2006 (the Executive Agreements). The Company and Mr. DeFeo entered into an Employment and Compensation Agreement in July 2005 (the DeFeo Agreement) that contains provisions regarding termination of employment and change in control circumstances. These agreements provide the executive officers with a core level of assurance that their actions on behalf of the Company and its shareholders can proceed without the potential distraction of short-term issues that may affect the Company (e.g. merger, buyout, etc.) and helps ensure that they continue to act in the best interests of the Company. In addition, these agreements contain measures that protect the Company as well by including confidentiality, non-compete and non-solicitation provisions. The key terms of these agreements are generally standard provisions for agreements of this type and are described below in Potential Payments Upon Termination or Change in Control.

EXECUTIVE COMPENSATION

Summary Compensation Table

The Summary Compensation Table below shows the compensation for the previous fiscal year of the Company's Chief Executive Officer, Chief Financial Officer and its three other highest paid executive officers who had 2006 total qualifying compensation in excess of $100,000 (the "Named Executive Officers").

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (1) (2)	Option Awards ($) (1) (2)	Non-Equity Incentive Plan Compensa-tion ($) (3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)
Ronald M. DeFeo Chairman and Chief Executive Officer	2006	$875,000	-0-	$4,942,447	$261,200	$8,602,600	$584,84
Phillip C. Widman Senior Vice President and Chief Financial Officer	2006	$416,000	-0-	$542,569	$147,327	$1,911,840	$75,916
Colin Robertson Executive Vice President, Operations (5)	2006	$525,000	-0-	$547,177	$196,523	$2,208,500	$1,053,0
Eric I Cohen Senior Vice President, Secretary and General Counsel	2006	$377,000	$75,000	$413,119	$198,293	$1,844,809	$78,000
Brian J. Henry Senior Vice President, Finance and Business Development	2006	$350,000	$50,000	$417,500	$198,293	$1,651,060	$146,66

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(1) See Note R "Stockholders' Equity" in the Company's Annual Report on Form

10-K for the year ended December 31, 2006 for a detailed description of the assumptions that the Company used in determining the grant date fair value of its stock and option awards.

(2) The amounts listed in the Stock Awards and Option Awards columns are the dollar amounts recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006 in accordance with FAS 123R and comprise grants made by the Company in 2002, 2003, 2004 and 2006.

(3) The amounts included in the Non-Equity Incentive Plan Compensation Column are comprised of 1999 LTIP awards that vested on December 31, 2006 and the 2006 annual bonus, as detailed in the table below. The 1999 LTIP awards were granted in 2002 and vested in full in 2006. Although a significant amount of the 1999 LTIP award is included in 2006 compensation, the 1999 LTIP compensation vested over a five year period.

Name	1999 LTIP Award	2006 Annual Incentive Plan Bonus	Total
Ronald M. DeFeo	$6,249,600	$2,353,000	$8,602,600
Phillip C. Widman	$1,562,400	$349,440	$1,911,840
Colin Robertson	$1,736,000	$472,500	$2,208,500
Eric I Cohen	$1,562,400	$282,409	$1,844,809
Brian J. Henry	$1,388,800	$262,260	$1,651,060

(4) As part of its competitive compensation program, the Company provides its Named Executive Officers with certain perquisites and other personal benefits. As part of their compensation, each of the Named Executive Officers in 2006 received the benefits listed in the table below:

Name	Company Car	Club Memberships	Use of Private Aircraft	Long Term Disability Premiums	Financial Planning Services	401(k) Matching Contributions	Employee Stock Purchase Plan Company Contributions	Co Pa Ins
Ronald M. DeFeo	$29,255	$12,312	$31,666	$6,613	$7,798	$8,430	$2,176	$
Phillip C. Widman	$30,147	$967	$7,889	$6,888	-0-	$8,430	$2,176	$
Colin Robertson	$30,161	$445	-0-	$1,348	-0-	-0-	-0-	$
Eric I Cohen	$21,830	$17,733	-0-	$8,176	$4,075	$7,130	-0-	$
Brian J. Henry	$26,089	$10,850	-0-	$4,963	$2,500	$8,430	$2,176	$

* The amount shown for Mr. DeFeo was primarily for reimbursement of insurance premiums as part of Mr. DeFeo’s compensation package; the amount shown for Mr. Widman was primarily for payment of a housing allowance and a reward trip; the amount shown for Mr.

Robertson was primarily for payment of a housing allowance and relocation costs; and the amount shown for Mr. Henry was primarily a matching contribution to the Company's Deferred Compensation Plan, which matching contribution is invested in Common Stock.

(5) Mr. Robertson will be resigning as Executive Vice President, Operations of the Company on April 5, 2007.

Grants of Plan-Based Award

The following table sets forth information on grants of awards under the Company's equity and non-equity incentive plans during 2006 to the Named Executive Officers. The amount of stock awards, option awards and non-equity incentive plan compensation recognized for financial reporting purposes by the Company for the Named Executive Officers during 2006 is also listed in the Summary Compensation Table.

Name	Grant Date	Grant Date (123r)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	A A Nu Se Un O
			Thresh-old ($)	Target ($)	Maxi-mum ($)	Thresh-old (#)	Target (#)	Maxi-mum (#)		
Ronald M. DeFeo	6/1/2006						200,000			
	11/1/2006								29,299	
	11/1/2006	12/13/2006				53,936	107,871	161,806		
	N/A		$437,500	$1,875,000	$2,830,000					
Phillip C. Widman	6/1/2006								10,000	10,
	11/1/2006								15,981	
	11/1/2006	12/13/2006				9,807	19,613	29,419		
	N/A		$75,000	$250,000	$375,000					
Colin Robertson	6/1/2006								20,000	10,
	6/1/2006								10,000	10,
	11/1/2006								10,654	
	11/1/2006	12/13/2006				6,538	13,075	19,612		
	N/A		$118,000	$394,000	$591,000					

Eric I Cohen	6/1/2006								16,000	16,
	11/1/2006								10,121	
	11/1/2006	12/13/2006				6,211	12,422	18,633		
	N/A		$57,000	$189,000	$283,000					
Brian J. Henry	6/1/2006								16,000	16,
	11/1/2006								10,121	
	11/1/2006	12/13/2006				6,211	12,422	18,633		
	N/A		$52,500	$175,000	$262,500					

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On June 1, 2006, grants of Common Stock subject to restrictions on transfer, conditions of forfeitability and other limitations and restrictions (Restricted Stock) were made under the Terex Corporation 1996 Long-Term Incentive Plan (the 1996 Plan) to Mr. Widman (10,000 shares), Mr. Robertson (10,000 shares), Mr. Cohen (16,000 shares) and Mr. Henry (16,000 shares). These grants of Restricted Stock were originally intended to have been granted in 2005. However, due to the Companys delay in timely filing its periodic reports with the SEC, the Company was unable to grant these shares of Restricted Stock until 2006. The value of the Restricted Stock granted to such Named Executive Officers set forth in the table above is based on the closing stock price on the NYSE of the Common Stock of $46.53 per share on June 1, 2006. With respect to each grant of Restricted Stock made to a Named Executive Officer on June 1, 2006, the shares of Restricted Stock awarded vest at one time on March 31, 2010. Upon the earliest to occur of a change in control of the Company or the death or disability of the recipient of the grant, any unvested portion of such Restricted Stock grant shall vest immediately. Dividends, if any, are paid on Restricted Stock awards at the same rate as paid to all stockholders.

On June 1, 2006, grants of options to purchase shares of Common Stock (Options) were made under the Terex Corporation 2000 Long-Term Incentive Plan (the 2000 Plan) to Mr. Widman (10,000 Options), Mr. Robertson (10,000 Options), Mr. Cohen (16,000 Options) and Mr. Henry (16,000 Options). These grants of Options were originally intended to have been granted in 2005. However, due to the Companys delay in timely filing its periodic reports with the SEC, the Company was unable to grant these Options until 2006. The value of the Options granted to such Named Executive Officers set forth in the table above is computed in accordance with the FAS 123R value on June 1, 2006. With respect to each grant of Options made to a Named Executive Officer on June 1, 2006, the Options awarded vest as follows: 25% on June 13, 2006, 25% on March 31, 2007, 25% on March 31, 2008 and 25% on March 31, 2009. Upon the earliest to occur of a change in control of the Company or the death or disability of the recipient of the grant, any unvested portion of such Option grant shall vest immediately.

On June 1, 2006, an additional grant Restricted Stock and Options was made under the 2000 Plan to Mr. Robertson (20,000 shares and 10,000 Options) as a result of Mr. Robertsons promotion to Executive

Vice President, Operations. The value of the Restricted Stock granted to Mr. Robertson set forth in the table above is based on the closing stock price on the NYSE of the Common Stock of $46.53 per share on June 1, 2006. The value of the Options granted to Mr. Robertson set forth in the table above is computed in accordance with the FAS 123R value on June 1, 2006. The shares of Restricted Stock and Options awarded vest as follows: 25% on January 5, 2007, 25% on January 5, 2008, 25% on January 5, 2009, and 25% on January 5, 2010. Upon the earliest to occur of a change in control of the Company or the death or disability of Mr. Robertson, any unvested portion of such Restricted Stock and Options grant shall vest immediately. Dividends, if any, are paid on Restricted Stock awards at the same rate as paid to all stockholders.

On June 1, 2006, a grant of Restricted Stock was made under the 2000 Plan to Mr. DeFeo (200,000 shares). This grant of Restricted Stock would normally have been granted in 2005. However, due to the Company's delay in timely filing its periodic reports with the SEC, the Company was unable to grant these shares of Restricted Stock until 2006. The value of the Restricted Stock granted to Mr. DeFeo set forth in the table above is based on the closing stock price on the NYSE of the Common Stock of $46.53 per share on June 1, 2006. The shares of

Restricted Stock awarded vest as follows: (i) 20,000 shares vested on June 13, 2006, because the Company exceeded certain pre-determined financial targets for 2005; (ii) 20,000 shares vested on March 31, 2007, because the Company exceeded the predetermined financial targets for 2006; (iii) 20,000 shares will vest on March 31, 2008, if the Company equals or exceeds certain pre-determined financial targets for 2007; (iv) 70,000 shares will vest on March 31, 2009, if the Company equals or exceeds certain pre-determined financial targets for 2005 through 2008 and (v) 70,000 shares will vest on March 31, 2009, if the Company equals or exceeds certain other pre-determined financial targets for 2006 through 2008. See the Compensation Discussion & Analysis section above for a detailed description of the performance measures used in this grant of Restricted

Stock. Upon the earliest to occur of a change in control of the Company or the death or disability of Mr. DeFeo, any unvested portion of such Restricted Stock grant shall vest immediately. Dividends, if any, are paid on Restricted Stock awards at the same rate as paid to all stockholders.

On November 1, 2006, grants of Restricted Stock with performance based criteria (Performance Shares) were made under the 2000 Plan to Mr. DeFeo (107,871 shares), Mr. Widman (19,613 shares), Mr. Robertson (13,075 shares), Mr. Cohen (12,422 shares) and Mr. Henry (12,422 shares). The value of the Performance Shares granted to such Named Executive Officers set forth in the table above is based on the closing stock price on the NYSE of the Common Stock of $58.45 per share on December 13, 2006, the date that the performance measure was fixed by the Committee. With respect to each grant of Performance Shares made to a Named Executive Officer on November 1, 2006, the Performance Shares awarded vest if the Company achieves a targeted percentage ROIC for the five consecutive calendar quarter period ending December 31, 2007. If this target is achieved, 25% of this grant will vest as soon as practicable after the Terex financial statements for 2007 are completed and filed, and

25% will vest on each of December 31, 2008, December 31, 2009, and December 31, 2010. The number of shares in this grant are subject to adjustment, up or down, based upon attainment above or below the targeted percentage ROIC measurement. See the Compensation Discussion & Analysis section above for a detailed description of the performance measures used in this grant of Restricted Stock. Upon the earliest to occur of a change in control of the Company or the death or disability of the recipient of the grant, any unvested portion of such Performance Shares grant shall vest immediately. Dividends, if any, are paid on Performance Shares at the same rate as paid to all stockholders.

In addition, on November 1, 2006, grants of Restricted Stock were made under the 2000 Plan to Mr. DeFeo (29,299 shares), Mr. Widman (15,981 shares), Mr. Robertson (10,654 shares), Mr. Cohen (10,121 shares) and Mr. Henry (10,121 shares). The value of the Restricted Stock granted to such Named Executive Officers set forth in the table above is based on the closing stock price on the NYSE of the Common Stock of $51.91 per share on November 1, 2006. With respect to each grant of Restricted Stock made to a Named Executive Officer on November 1, 2006, the shares of Restricted Stock awarded vest as follows: 25% on September 1, 2007; 25% on September 1, 2008; 25% on September 1, 2009; and 25% on September 1, 2010. Upon the earliest to occur of a change in control of the Company or the death or disability of the recipient of the grant, any unvested portion of such Restricted Stock grant shall vest immediately. Dividends, if any, are paid on Restricted Stock awards at the same rate as paid to all stockholders.

Mr. DeFeo is the only executive officer of the Company who is a party to an employment agreement with the Company. Pursuant to an Employment and Compensation Agreement between Mr. DeFeo and the Company, dated as of July 1, 2005 (the DeFeo Agreement), the term of Mr. DeFeos employment agreement extends through December 31, 2012.

Under the DeFeo Agreement, Mr. DeFeo received an initial annual base salary of $850,000, subject to increase by the Board, as well as annual bonuses and long-term incentive compensation during his term of employment in accordance with any plan or plans established by the Company. The Company also agrees to use its best efforts to have Mr. DeFeo elected as a member of the Board and, consistent with generally accepted best corporate governance standards, Chairman of the Board during the term of the DeFeo Agreement. For additional information regarding Mr. DeFeos employment agreement, see Potential Payments Upon Termination or Change in Control.

The Companys other executive officers are strictly at will employees. Each of the Companys executive officers, including Mr. DeFeo, have their compensation reviewed on an annual basis.

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Outstanding Equity Awards at Fiscal Year-End

The table below summarizes the amount of unexercised stock options, Restricted Stock that has not vested and equity incentive plan awards that have not yet vested for each of the Named Executive Officers as of the end of 2006.

	Option Awards					Stock Aw		
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($) (1)**	**Equ Inc Pla Awa Nur Unc Sha Uni Oth Rig Hav Ves (#)**
Ronald M. DeFeo	166,220			$8.40	4/5/2011			
	150,000			$11.18	3/19/2012			
	75,000	25,000 (2)		$5.59	3/13/2013			
	40,000	40,000 (3)		$16.35	5/7/2014			
						20,000 (4)	$1,291,600	
								180
						29,299 (6)	$1,892,129	
								107
Phillip C. Widman	30,000			$10.05	9/17/2012			
		7,500 (8)		$5.66	2/7/2013			
	6,000	6,000 (9)		$17.35	3/11/2014			
	2,500	7,500 (10)		$45.75	6/1/2016			
						5,000 (11)	$322,900	
						10,000 (12)	$645,800	
						10,000 (13)	$645,800	
						10,000 (14)	$645,800	
						15,981 (6)	$1,032,053	
								19,

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		Option Awards				Stock A		
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($) (1)**	**E I P A N U S U O R H V (**
Colin Robertson		7,500 (8)		$5.66	2/7/2013			
		5,000 (9)		$17.35	3/11/2014			
	2,500	7,500 (10)		$45.75	6/1/2016			
		10,000 (15)		$45.75	6/1/2016			
						5,000 (11)	$322,900	
						7,500 (12)	$484,350	
						20,000 (16)	$1,291,600	
						10,000 (14)	$645,800	
						10,654 (6)	$688,035	
								1
Eric I Cohen	4,250			$10.81	1/1/2008			
	38,148			$8.40	4/5/2011			
	8,000			$11.18	3/19/2012			
	1,865	7,500 (8)		$5.66	2/7/2013			
		5,000 (9)		$17.35	3/11/2014			
	4,000	12,000 (10)		$45.75	6/1/2016			
						5,000 (11)	$322,900	
						7,500 (12)	$484,350	
						16,000 (14)	$1,033,280	
						10,121 (6)	$653,614	
								1

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		Option Awards				Stock Awar		
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($) (1)**	**Equity Incen Plan Awar Numb Unear Share Units Other Rights Have Veste (#)**
Brian J. Henry	18,000			$14.81	5/7/2008			
	26,712			$8.40	4/5/2011			
	32,000			$11.18	3/19/2012			
	1,872	7,500 (8)		$5.66	2/7/2013			
	5,000	5,000 (9)		$17.35	3/11/2014			
	4,000	12,000 (10)		$45.75	6/1/2016			
						5,000 (11)	$322,900	
						8,000 (12)	$484,350	
						16,000 (14)	$1,033,280	
						10,121 (6)	$653,614	
								12,422

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(1) Values based on the closing price of the Company's Common Stock on the NYSE on December 31, 2006 of $64.58.

(2) The options vested on March 13, 2007.

(3) The options vest in equal increments on May 7, 2007 and May 7, 2008.

(4) The shares of Restricted Stock vest in equal increments on May 7, 2007 and May 7, 2008.

(5) The shares of Restricted Stock vest as follows: (i) 20,000 shares

vested on March 31, 2007, because the Company exceeded certain pre-determined financial targets for 2006; (ii) 20,000 shares will vest on March 31, 2008, if the Company equals or exceeds certain pre-determined financial targets for 2007; (iii) 70,000 shares will vest on March 31, 2009, if the Company equals or exceeds certain pre-determined financial targets for 2005 through 2008; and (iv) 70,000 shares will vest on March 31, 2009, if the Company equals or exceeds certain other pre-determined financial targets for 2006 through 2008. See the Compensation Discussion and Analysis section above for more details on this restricted stock grant.

(6) The shares of Restricted Stock vest as follows: 25% on September 1, 2007; 25% on September 1, 2008; 25% on September 1, 2009; and 25% on September 1, 2010.

(7) The shares of Restricted Stock vest if the Company achieves a targeted percentage ROIC for the five consecutive calendar quarter period ending December 31, 2007. If this target is achieved, 25% of this grant will vest as soon as practicable after the Terex financial statements for 2007 are completed and filed, and 25% will vest on each of December 31, 2008, December 31, 2009, and December 31, 2010. The number of shares in this grant are subject to adjustment, up or down, based upon attainment above or below the targeted percentage ROIC measurement.

(8) The options vested on February 7, 2007.

(9) The options vest in equal increments on March 11, 2007 and March 11, 2008.

(10) The options vest in equal increments on March 31, 2007, March 31, 2008 and March 31, 2009.

(11) The shares of Restricted Stock vested on February 7, 2007.

(12) The shares of Restricted Stock vest in equal increments on March 11, 2007 and March 11, 2008.

(13) The shares of Restricted Stock vest in equal increments on September 17, 2007 and September 17, 2008.

(14) The shares of Restricted Stock vest in full on March 31, 2010.

(15) The options vest in equal increments on January 5, 2007, January 5, 2008, January 5, 2009 and January 5, 2010.

(16) The shares of Restricted Stock vest in equal increments on January 5, 2007, January 5, 2008, January 5, 2009 and January 5, 2010.

Option Exercises and Stock Vested

The table below summarizes the stock options exercised and each vesting of Restricted Stock during 2006 for each of the Named Executive Officers.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Ronald M. DeFeo	333,780	$12,662,550	37,500	$1,579,488
Phillip C. Widman	32,500	$1,360,937	25,000	$985,475
Colin Robertson	125,500	$5,408,888	10,750	$387,895
Eric I Cohen	107,237	$4,210,548	10,750	$387,895
Brian J. Henry	93,916	$3,974,415	11,000	$396,645

Pension Benefits

The table below provides information with respect to each of the Company's pension plans that provide for payments at, following, or in connection with the retirement of a Named Executive Officer.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
Ronald M. DeFeo	Supplemental Executive Retirement Plan	15	$3,501,063	-0-
	Terex Corporation Salaried Employees' Retirement Plan	1 (1)	$22,298	-0-
Phillip C. Widman	Supplemental Executive Retirement Plan	4	$174,031	-0-
Colin Robertson	Supplemental Executive Retirement Plan	12	$489,159	-0-
	Terex Pension Scheme	12	$1,683,880	-0-
Eric I Cohen	Supplemental Executive Retirement Plan	9	$354,913	-0-
Brian J. Henry	Supplemental Executive Retirement Plan	16	$881,023	-0-

(1) Participation in the Terex Corporation Salaried Employees' Retirement Plan was frozen as of May 7, 1993, and no participants, including Mr. DeFeo, will be credited with service following such date.

The Company adopted the SERP effective October 1, 2002. The SERP is intended to provide certain senior executives of the Company with retirement benefits in recognition of their contributions to the long-term growth of the Company. Participants in the SERP with fifteen or more years of eligible service are vested and entitled to annual pension benefits beginning at a normal retirement age (NRA) of 65 or when age plus years of service first equal 90 (the Normal Retirement Benefit). Participants in the SERP who are at least 55 years of age and vested but not yet eligible to receive the Normal Retirement Benefit may receive an early retirement benefit that is equal to the actuarial equivalent of the Normal Retirement Benefit.

The compensation covered by the SERP is based on a participants final five-year average of annual salary and bonus. Prior to joining the Company, Mr. Cohen provided services as an outside advisor to the Company for approximately eight years. In recognition of these services, the Board determined that upon reaching 15 years of service, Mr. Cohen will be credited with an additional 4 years of service. Benefits are computed assuming an NRA of 65 or when age plus years of service first equal 90. Benefits accrue at 2% of average compensation per year of service, payable at the NRA, up to a maximum of 20 years of service. Benefits are payable monthly as a life annuity with 120 monthly payments guaranteed. Benefits are reduced by 50% for Social Security payments and 100% for any other Company-paid retirement benefits.

Mr. DeFeo participates in the Terex Corporation Salaried Employees Retirement Plan, which was merged into the Terex Corporation Retirement Program for Salaried Employees on June 30, 2000 (the Retirement Plan). None of the other Named Executive Officers participate in the Retirement Plan. Participants in the Retirement Plan with five or more years of eligible service are fully vested and entitled to annual pension benefits beginning at age 65. Retirement benefits under the Retirement Plan for Mr. DeFeo are equal to the product of (i) the participants years of service (as defined in the Retirement Plan) and (ii) 1.08% of final average earnings (as defined in the Retirement Plan) plus 0.65% of such compensation in excess of amounts shown on the applicable Social Security Integration Table. There is no offset for primary Social Security. Participation in the Retirement Plan was frozen as of May 7, 1993, and no participants, including Mr. DeFeo, will be credited with service following such date. However, participants not currently fully vested will be credited with service for purposes of determining vesting only. The annual retirement benefits payable at normal retirement age under the Retirement Plan will be $4,503 for Mr. DeFeo.

Mr. Robertson has participated since 1994 in the Terex Pension Scheme (the Pension Scheme) maintained by Terex Equipment Limited (TEL), one of the Company's foreign subsidiaries located in Scotland. None of the other Named Executive Officers participate in the Pension Scheme. Contributions to the Pension Scheme are 10.5% of base salary from TEL and 5% of base salary from Mr. Robertson. At the normal retirement age of 65, Mr. Robertson’s projected pension would be approximately 35/60ths of his then base salary or of the average of his highest three consecutive years of salary in his last ten years of service with the Company, whichever is greater, less any retained benefits. Should the value of the accrued pension on retirement on or before age 65 exceed $2.9 million, then any benefits in excess of this value become taxable at a higher rate. At December 31, 2006, the projected pension benefit payable at normal retirement age to Mr. Robertson would be $343,000.

See Note Q — “Retirement Plans and Other Benefits” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2006, for a detailed description of the assumptions that the Company uses in determining the present value of the accumulated benefit.

Nonqualified Deferred Compensation

The table below provides information with respect to the Company's Deferred Compensation Plan, which was approved by the Board effective January 1, 1997 and by the stockholders of the Company pursuant to the NYSE rules on May 25, 2004, for the Named Executive Officers.

e	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($) (1)	Aggregate Earnings in Last FY ($) (1)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($) (2)
d M. o	-0-	-0-	$7,479,866	$13,247,077	$13,835,508
p C. an	-0-	-0-	-0-	-0-	-0-
rtson	-0-	-0-	$104,925	-0-	$193,740
Cohen	-0-	-0-	-0-	$628,393	-0-
J. Henry	$94,043	$23,511	$1,030,147	$247,748	$2,053,835

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(1) The amounts shown in the Registrant Contributions in Last FY column are included in the All Other Compensation column of the Summary Compensation table above. The amounts shown in the Aggregate Earnings in Last FY column include $262 for Mr. DeFeo and $226 for Mr. Henry, which amounts are included in the Summary Compensation Table above, as these earnings were above-market or preferential.

(2) Includes $2,895,000 for Mr. DeFeo, which

amount was included in Summary Compensation Tables in previous years.

Under the Deferred Compensation Plan, a Named Executive Officer may defer up to (i) 20% of his/her salary, (ii) 100% of his/her bonus and (iii) 100% of his/her vested restricted stock awards. The deferrals may be invested in Common Stock or in a bond index. The Company credits the deferrals in the bond index with an interest rate equal to a bond fund that mirrors an investment strategy in corporate bonds of companies rated Baa or higher. The rate of interest for 2006 was approximately 6% per annum. The Company makes a contribution of 25% of the Named Executive Officer's salary and/or bonus that is invested in Common Stock. The Company does not make a contribution with respect to the deferral of any vested restricted stock awards or any deferrals into the bond index.

The Named Executive Officers may receive payments under the Deferred Compensation Plan after their employment terminates, upon their death or if they have an unforeseeable emergency (as defined in the Deferred Compensation Plan). In addition, they may elect to receive all or a portion of their deferral, including the Company's matching contribution, after the deferral has been in the Deferred Compensation Plan for at least three years. Furthermore, for deferrals made prior to December 31, 2004, if they elect to receive an accelerated distribution under the Deferred Compensation Plan, the Named Executive Officers shall (i) forfeit 10% of the amount of the distribution to the Company, (ii) forfeit any Company matching contribution that has not been in the plan for at least one year due to the accelerated distribution and (iii) be unable to make further deferrals into the plan for at least 12 months. In accordance with Section 409A of the Code, accelerated distributions are not allowed under the Deferred Compensation Plan for any deferrals made after December 31, 2004.

Potential Payments Upon Termination or Change in Control

If Mr. DeFeo's employment with the Company is terminated for any reason, including for Cause (as such term is defined in the DeFeo Agreement), due to Mr. DeFeo's death or disability, or by Mr. DeFeo voluntarily, or if Mr. DeFeo elects not to extend the DeFeo Agreement at the end of its term, Mr. DeFeo or his beneficiary is to receive, in addition to his salary, bonus and other compensation earned through the time of such termination, (i) any deferred compensation then in effect, (ii) any other compensation or benefits that have vested through the date of termination or to which Mr. DeFeo may then be entitled, including long term incentive compensation awards, stock and stock option awards, and (iii) reimbursement of expenses incurred by Mr. DeFeo through the date of termination but not yet reimbursed. If Mr. DeFeo�s employment with the Company is terminated as the result of Mr. DeFeo�s death or disability, then Mr. DeFeo or his beneficiary would also be entitled to receive a prorated portion of his bonus for the fiscal year during which such termination occurs.

If Mr. DeFeo's employment with the Company is terminated by the Company without Cause or by Mr. DeFeo for Good Reason (as such term is defined in the DeFeo Agreement), or if the Company elects not to extend the DeFeo Agreement at the end of its term, Mr. DeFeo is to receive, in addition to his salary, bonus and other compensation earned through the time of such termination, (i) two times his base salary, (ii) two times the average of his annual bonuses for the two calendar years preceding termination, (iii) a prorated portion of his bonus for the fiscal year during which such termination occurs, (iv) continuing insurance coverage for up to two years from termination, (v) immediate vesting of non-performance based unvested stock options and stock grants with a period of one year following termination to exercise his options, and (vi) continuation of all other benefits in effect at the time of termination for up to two years from termination. The cash portion of this payment is spread over a 13-month period following the date of termination, except if such termination occurs within 24 months following a Change in Control, in which event the cash portion is to be paid in a lump sum. In addition, if Mr. DeFeos employment is terminated by the Company without Cause or by Mr. DeFeo for Good Reason within 24 months following a Change in Control, Mr. DeFeo is entitled to (A) the greater of (1) the sum of (i), (ii) and (iii) above and (2) an amount equal to all compensation required to be paid to Mr. DeFeo for the balance of the term of the DeFeo Agreement, (B) the immediate vesting of any unvested performance stock options, stock grants, long term incentive compensation awards and other similar awards, with a period of one year following termination to exercise any such options and (C) any amounts payable under the SERP for the number of years of service achieved by Mr. DeFeo on the date of termination. The DeFeo Agreement also provides for additional payments to Mr. DeFeo in the event that any payments under the DeFeo Agreement are subject to excise tax under the Code, such that Mr. DeFeo retains an amount of such additional payments equal to the amount of such excise tax.

The DeFeo Agreement requires Mr. DeFeo to keep certain information of the Company confidential during his employment and thereafter. The DeFeo Agreement also contains an agreement by Mr. DeFeo not to compete with the business of the Company during his term of employment with the Company and for a period of 18 months thereafter (24 months thereafter, if the date of Mr. DeFeo's termination is within 24 months following a Change in Control).

The following table describes the potential payments upon termination or a change in control of the Company for Mr. DeFeo, the Company's Chief Executive Officer, assuming that the triggering event took place on December 31, 2006 using the share price of Terex Common Stock as of that day (both as required by the Securities and Exchange Commission). However, a termination or change in control did not occur on December 31, 2006 and Mr. DeFeo was not terminated on that date. There can be no assurance that a termination or change in control would produce the same or similar results as those described if it occurs on any other date or at any other price.

Executive Benefits and Payments Upon Termination	Voluntary Termination	Early or Normal Retirement	Involuntary Not For Cause or Good Reason Termination	For Cause Termination	Involuntary Not For Cause or Good Reason Termination (CIC)
Base Salary	-0-	-0-	$1,800,000	-0-	$1,800,000
Annual Incentive	$2,353,000	$2,353,000	$5,003,000	$2,353,000	$5,003,000
Restricted Shares (time-based)	-0-	-0-	$3,183,729	-0-	$3,183,729
Restricted Shares (performance-based)	-0-	-0-	-0-	-0-	$18,590,709
Stock Options	-0-	-0-	$3,403,950	-0-	$3,403,950
Benefits and Perquisities	-0-	-0-	$300,000 (1)	-0-	$300,000 (1)
Retirement Plan Payments	$18,300,000 (2)	$18,300,000 (2)	$18,300,000 (2)	$18,300,000 (2)	$18,300,000 (2)
Life Insurance Proceeds	-0-	-0-	-0-	-0-	-0-
Disability Benefits	-0-	-0-	-0-	-0-	-0-
Excise Tax Gross Up	-0-	-0-	-0-	-0-	$8,800,000

(1) Reflects the estimated value of benefits and perquisites that Mr. DeFeo would be entitled to receive.

(2) Reflects the estimated value of Mr. DeFeo's qualified and non-qualified retirement plans on December 31, 2006.

(3) Reflects the estimated value of all future payments that Mr. DeFeo would be entitled to receive under the Company's disability program.

Pursuant to the Executive Agreements, if an executive's employment with the Company is terminated within six months of a Change in Control (as defined in the Executive Agreements) in anticipation of such Change in Control or within 24 months following a Change in Control, other than for Cause, by reason of death or Permanent Disability, or by the executive without Good Reason (each as defined in the Executive Agreements), the executive is to receive (i) two times his base salary, (ii) two times his annual bonus for the last calendar year preceding termination, and (iii) any accrued vacation pay. This payment is to be paid in a lump sum simultaneously with the executive's termination. The Executive Agreements also provide for additional payments to the executive in the event that any payments under the Executive Agreements are subject to excise tax under the Code, such that the executive retains an amount of such additional payments equal to the amount of such excise tax. In addition, the executive also will receive (a) immediate vesting of unvested stock options and stock grants, with a period of up to six months following termination to exercise such options, (b) immediate vesting of all unvested units granted under the 1999 LTIP for their maximum cumulative value, (c) continuing insurance coverage for 24 months from termination, (d) continuation of all other benefits in effect at the time of termination for 24 months from termination and (e) outplacement services for a period of at least 12 months from termination.

In the event an executive's employment with the Company is terminated by the Company without Cause or by the executive for Good Reason (other than in connection with a Change in Control), the Company is to pay the executive (i) two times his base salary, (ii) two times his annual bonus for the last calendar year preceding termination and (iii) any accrued vacation pay. This is to be paid in 24 equal monthly payments. In such event, the executive would also have the right to exercise any stock options, long term incentive awards or similar awards for up to six months following termination, and would immediately vest in options and stock awards granted under the Company's incentive plans that would vest in the 24 months following the date of termination. In addition, the Company would also provide continuing insurance coverage, continuation of all other benefits in effect at the time of termination for 24 months from termination and outplacement services for a period of at least 12 months from termination.

As part of the Executive Agreements, the executives agree to keep confidential certain Company information and not to disparage the Company. In addition, Mr. Robertson agrees that, for a period of 18 months, and Mr. Widman agrees that, for a period of 12 months, following the date of termination (or 24 months for Mr. Robertson following such termination, if such termination is within 24 months following a Change in Control), the executive will not, without the prior written consent of the Company, directly or indirectly engage in or render any services to any Competitive Business (as such term is defined in the Executive Agreements) nor solicit, induce or entice any employee of the Company to leave the Company.

Each Executive Agreement remains in effect until the earliest of: (i) termination of the executive's employment prior to a Change in Control (other than termination in anticipation of a Change in Control) by the Company for Cause, by the executive for any reason other than Good Reason or by reason of the executive's death or Permanent Disability; (ii) termination of the executive's employment with the Company following a Change in Control, by reason of death or Permanent Disability, by the Company for Cause or by the executive for any reason other than Good Reason; or (iii) three years after the date of a Change in Control; however, each Executive Agreement terminates on March 31, 2008, if the executive is still in the employ of the Company at such time and a Change in Control has not yet occurred and is not reasonably expected to occur within six months thereafter.

The following table describes the potential payments upon termination or a change in control of the Company for Mr. Widman, assuming that the triggering event took place on December 31, 2006 using the share price of Terex Common Stock as of that day (both as required by the Securities and Exchange Commission). However, a termination or change in control did not occur on December 31, 2006 and Mr. Widman was not terminated on that date. There can be no assurance that a termination or change in control would produce the same or similar results as those described if it occurs on any other date or at any other price.

Executive Benefits and Payments Upon Termination	Voluntary Termination	Early or Normal Retirement	Involuntary Not For Cause or Good Reason Termination	For Cause Termination	Involuntary Not For Cause or Good Reason Termination (CIC)	Death
Base Salary	-0-	-0-	$832,000	-0-	$832,000	-0-
Annual Incentive	-0-	-0-	$861,000	-0-	$861,000	-0-
Restricted Shares (time-based)	-0-	-0-	$2,130,559	-0-	$3,292,353	$3,292
Restricted Shares (performance-based)	-0-	-0-	$1,266,608	-0-	$1,266,608	$1,266
Stock Options	-0-	-0-	$819,430	-0-	$866,505	$866,5
Benefits and Perquisities	-0-	-0-	$100,000 (1)	-0-	$100,000 (1)	-0-
Retirement Plan	$320,000 (2)	$320,000 (2)	$320,000 (2)	$320,000 (2)	$320,000 (2)	$320,0

Payments						
Life Insurance Proceeds	-0-	-0-	-0-	-0-	-0-	$832,(
Disability Benefits	-0-	-0-	-0-	-0-	-0-	-0-
Excise Tax Gross Up	-0-	-0-	-0-	-0-	$1,300,000	-0-

(1) Reflects the estimated value of benefits and perquisites that Mr. Widman would be entitled to receive.

(2) Reflects the estimated value of Mr. Widman's qualified and non-qualified retirement plans on December 31, 2006.

(3) Reflects the estimated value of all future payments that Mr. Widman would be entitled to receive under the Company's disability program.

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The following table describes the potential payments upon termination or a change in control of the Company for Mr. Robertson, assuming that the triggering event took place on December 31, 2006 using the share price of Terex Common Stock as of that day (both as required by the Securities and Exchange Commission). However, a termination or change in control did not occur on December 31, 2006 and Mr. Robertson was not terminated on that date. There can be no assurance that a termination or change in control would produce the same or similar results as those described if it occurs on any other date or at any other price.

Executive Benefits and Payments Upon Termination	Voluntary Termination	Early or Normal Retirement	Involuntary Not For Cause or Good Reason Termination	For Cause Termination	Involuntary Not For Cause or Good Reason Termination (CIC)	Death
Base Salary	-0-	-0-	$1,050,000	-0-	$1,050,000	-0-
Annual Incentive	-0-	-0-	$1,170,000	-0-	$1,170,000	-0-
Restricted Shares (time-based)	-0-	-0-	$1,797,068	-0-	$3,432,685	$3,432,68
Restricted Shares (performance-based)	-0-	-0-	$844,384	-0-	$844,384	$844,384
Stock Options	-0-	-0-	$866,350	-0-	$1,007,575	$1,007,57
Benefits and Perquisities	-0-	-0-	$65,000 (1)	-0-	$65,000 (1)	-0-
Retirement Plan Payments	$1,878,000 (2)	$1,878,000 (2)	$1,878,000 (2)	$1,878,000 (2)	$1,878,000 (2)	$1,878,00
Life Insurance Proceeds	-0-	-0-	-0-	-0-	-0-	$1,575,00
Disability Benefits	-0-	-0-	-0-	-0-	-0-	-0-

(1) Reflects the estimated value of benefits and perquisites that Mr. Robertson would be entitled to

receive.

(2) Reflects the estimated value of Mr. Robertson's qualified and non-qualified retirement plans on December 31, 2006.

(3) Reflects the estimated value of all future payments that Mr. Robertson would be entitled to receive under the Company's disability program.

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The following table describes the potential payments upon termination or a change in control of the Company for Mr. Cohen, assuming that the triggering event took place on December 31, 2006 using the share price of Terex Common Stock as of that day (both as required by the Securities and Exchange Commission). However, a termination or change in control did not occur on December 31, 2006 and Mr. Cohen was not terminated on that date. There can be no assurance that a termination or change in control would produce the same or similar results as those described if it occurs on any other date or at any other price.

Executive Benefits and Payments Upon Termination	Voluntary Termination	Early or Normal Retirement	Involuntary Not For Cause or Good Reason Termination	For Cause Termination	Involuntary Not For Cause or Good Reason Termination (CIC)	Death
Base Salary	-0-	-0-	$786,000	-0-	$786,000	-0-
Annual Incentive	-0-	-0-	$675,000	-0-	$675,000	-0-
Restricted Shares (time-based)	-0-	-0-	$1,134,089	-0-	$2,494,144	$2,494,1
Restricted Shares (performance-based)	-0-	-0-	$802,213	-0-	$802,213	$802,213
Stock Options	-0-	-0-	$828,690	-0-	$904,010	$904,010
Benefits and Perquisities	-0-	-0-	$112,000 (1)	-0-	$112,000 (1)	-0-
Retirement Plan Payments	$600,000 (2)	$600,000 (2)	$600,000 (2)	$600,000 (2)	$600,000 (2)	$600,000
Life Insurance Proceeds	-0-	-0-	-0-	-0-	-0-	$742,000
Disability Benefits	-0-	-0-	-0-	-0-	-0-	-0-

(1) Reflects the estimated value of benefits and perquisites that Mr. Cohen would be entitled to receive.

(2) Reflects the estimated value of Mr. Cohens qualified and non-qualified retirement plans on December 31, 2006.

(3) Reflects the estimated value of all future payments that Mr. Cohen would be entitled to receive under the Companys disability program.

The following table describes the potential payments upon termination or a change in control of the Company for Mr. Henry, assuming that the triggering event took place on December 31, 2006 using the share price of Terex Common Stock as of that day (both as required by the Securities and Exchange Commission). However, a termination or change in control did not occur on December 31, 2006 and Mr. Henry was not terminated on that date. There can be no assurance that a termination or change in control would produce the same or similar results as those described if it occurs on any other date or at any other price.

Executive Benefits and Payments Upon Termination	Voluntary Termination	Early or Normal Retirement	Involuntary Not For Cause or Good Reason Termination	For Cause Termination	Involuntary Not For Cause or Good Reason Termination (CIC)	Death
Base Salary	-0-	-0-	$718,000	-0-	$718,000	-0-
Annual Incentive	-0-	-0-	$657,000	-0-	$657,000	-0-
Restricted Shares (time-based)	-0-	-0-	$1,166,379	-0-	$2,526,434	$2,526,
Restricted Shares (performance-based)	-0-	-0-	$802,213	-0-	$802,213	$802,21
Stock Options	-0-	-0-	$828,690	-0-	$904,010	$904,01
Benefits and Perquisities	-0-	-0-	$105,000 (1)	-0-	$105,000 (1)	-0-
Retirement Plan Payments	$3,673,000 (2)	$3,673,000 (2)	$3,673,000 (2)	$3,673,000 (2)	$3,673,000 (2)	$3,673,
Life Insurance Proceeds	-0-	-0-	-0-	-0-	-0-	$690,00
Disability Benefits	-0-	-0-	-0-	-0-	-0-	-0-

(1) Reflects the estimated value of benefits and perquisites that Mr. Henry would be entitled to receive.

(2) Reflects the estimated value of Mr. Henry's qualified and non-qualified retirement plans on December 31, 2006.

(3) Reflects the estimated value of all future payments that Mr. Henry would be entitled to receive under the Company's disability program.

DIRECTOR COMPENSATION

The compensation program for outside directors is designed to encourage outside directors to receive a significant portion of their annual retainer for Board service in Common Stock, or in options for Common Stock, or both, to enable directors to defer receipt of their fees, and to satisfy the Company's Common Stock ownership objective for outside directors.

The Company has established a Common Stock ownership objective for outside directors. Each director is expected to accumulate, over the director's first four years of Board service, the number of shares of Common Stock that is equal in market value to two times the annual retainer for Board service ($300,000). Once this ownership objective is achieved, the director is expected to maintain such minimum ownership level. The intent is to encourage acquisition and retention of Common Stock by directors, evidencing the alignment of their interests with the interests of stockholders. To this end, each new director receives an award of shares of Common Stock having a market value of $25,000 on the date of the award. Each new director must defer receipt of this award under the Company's Deferred Compensation Plan. If a director has not achieved the ownership objective, a director is expected to invest $75,000 per year in shares of Common Stock until the director has satisfied the ownership objective.

Directors who are employees of the Company receive no additional compensation by virtue of their being directors of the Company. For their service, outside directors receive an annual retainer, as described below. All directors of the Company are reimbursed for travel, lodging and related expenses incurred in attending Board and committee meetings.

In 2006, each outside director received the equivalent of $50,000 for service as a Board member (or a prorated amount if the director's service began other than on the first day of the year). Each director could elect to receive this fee in (i) shares of Common Stock currently, (ii) options to purchase shares of Common Stock currently, (iii) cash (which may be deferred pursuant to the Company's Deferred Compensation Plan), or (iv) any combination of the three preceding alternatives. If a director elected to receive shares of Common Stock currently, then 40% of this amount is paid in cash to offset the tax liability related to such election. If a director elected to receive cash, this cash must have been deferred pursuant to the Company's Deferred Compensation Plan and invested in the Common Stock account, unless the director had already satisfied the Company's Common Stock ownership objective, in which case the cash could be received currently or deferred into an interest-bearing account in the Company's Deferred Compensation Plan.

In addition, effective in 2006, each director received the equivalent of $60,000 in either (i) options to purchase shares of Common Stock currently or (ii) cash which must be deferred pursuant to the Company's Deferred Compensation Plan and invested in either the Common Stock account or the interest-bearing account (the July 2006 Retainer).

Beginning in 2007, each outside director receives annually, on the first business day of each year, the equivalent of $150,000 for service as a Board member (or a prorated amount if a directors service begins other than on the first day of the year). Each director will elect annually, for the particular year, to receive this fee in (i) shares of Common Stock currently, which may be deferred into the stock fund of the Companys Deferred Compensation Plan, (ii) options to purchase shares of Common Stock currently, (iii) cash currently, (iv) cash deferred into the bond fund of the Company's Deferred Compensation Plan, or (v) any two of the four preceding alternatives in equal amounts. If a director elects to receive shares of Common Stock currently, then 40% of this amount is paid in cash to offset the tax liability related to such election.

For purposes of calculating the number of shares of Common Stock into which any fixed sum translates, Common Stock is valued at its per share closing price on the NYSE on the day immediately preceding the grant date. For 2006, for purposes of calculating the number of options into which any fixed sum translates, each option to purchase a share is valued at 25% of the per share closing price of Common Stock on the NYSE on the day immediately preceding the grant of such option. For 2007, for purposes of calculating the number of options into which any fixed sum translates, each option to purchase a share is valued by dividing the amount of the annual retainer elected by each director to be received in options by the modified Black-Scholes value for each option, as calculated on the date of grant. The modified Black-Scholes value takes into account the design parameters of the options such as the term, termination and vesting provisions of the options. Options have an exercise price equal to the per share closing price of Common Stock on the NYSE on the day immediately preceding the grant of such option, vest immediately upon grant and have a ten-year term.

In 2006, directors received a fee of $1,000 for each Board or committee meeting attended in person and $500 for each Board or committee meeting attended telephonically. Meeting fees were eliminated beginning in 2007. In addition, in 2006, each director who served as chairperson of a committee of the Board received an annual retainer of $10,000, payable in cash, and each director who served as a member of a committee (including any committee that the director chaired) received an annual retainer of $5,000, payable in cash. For a director whose service began other than on the first day of the year, any retainer was prorated. Directors could have elected to defer receipt of retainers for committee service into the Company's Deferred Compensation Plan.

In 2006, any Board or committee retainers that were deferred into the Common Stock account of the Deferred Compensation Plan received a matching 25% contribution from the Company in Common Stock. Board retainers and committee retainers (or portions of each) could also be deferred to an interest-bearing account under the Company's Deferred Compensation Plan and earn interest, which is compounded annually. The rate of interest for 2006 was approximately 6% per annum. Payment of any deferral (whether in Common Stock or cash) is deferred until the director's termination of service or such earlier date as the director specifies when electing the applicable deferral. Beginning in 2007, board retainers and committee retainers (or portions of each) may only be deferred to an interest-bearing account under the Company's Deferred Compensation Plan and earn interest, which is compounded annually.

Beginning in 2007, each director who serves on a committee of the Board will receive an annual committee retainer as set forth in the table below:

Committee Position	**Committee Retainer**
Lead Director, who is also the Chair of the Governance and Nominating Committee	$40,000
Audit Committee Chair	$35,000
Compensation Committee Chair	$25,000
Audit Committee Member	$5,000
Compensation Committee Member	$3,000
Governance and Nominating Committee Member	$3,000

The committee retainers listed above are payable in cash, and may be deferred into the bond fund of the Company's Deferred Compensation Plan. For a director whose service begins other than on the first day of the year, any retainer is prorated.

A director who leaves the Board in mid-year, for any reason, will retain any retainer payments already received. The Compensation Committee has discretion to authorize the payment of additional fees to any director under extraordinary circumstances.

The compensation paid to the Company's outside directors in 2006 is summarized in the following table:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Option Awards ($) (2) (3)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($) (4)	To (\$
G. Chris Andersen	$145,000	-0-	-0-	-0-	-0-	$36,250	$181
Paula H. J. Cholmondeley	$137,500	-0-	-0-	-0-	-0-	$27,500	$165
Don DeFosset	$145,333	-0-	-0-	-0-	-0-	$36,333	$181
William H. Fike	$144,500	-0-	-0-	-0-	-0-	$30,000	$174
Dr. Donald P. Jacobs	$106,500	$45,110	-0-	-0-	-0-	$15,000	$166
David A. Sachs	$100,500	$90,220	$142,886	-0-	-0-	$25,125	$358
J. C. Watts, Jr.	$133,000	-0-	-0-	-0-	-0-	$27,500	$160
Helge H. Wehmeier	$45,500	$45,110	$114,105	-0-	-0-	-0-	$204

(1) The grant date fair value of each stock award computed in accordance with FAS 123R is the following: Dr. Jacobs $45,110 (annual retainer paid on June 1, 2006); Mr. Sachs $90,220 (stock award granted on July 19, 2006); and Mr. Wehmeier $45,110 (annual retainer paid on June 1, 2006).

(2) The grant date fair value of each option award computed in accordance with FAS 123R is the following: Mr. Sachs $142,886

(annual retainer paid on June 1, 2006); and Mr. Wehmeier $114,105 (July 2006 retainer paid on August 1, 2006).

(3) As of December 31, 2006, the following directors had vested outstanding options in these amounts: Mr. Andersen 28,682; Mr. DeFosset 15,000; Dr. Jacobs 28,826; and Mr. Sachs 52,226.

(4) The amounts shown represent the 25% matching contribution from the Company in Common Stock for any Board or committee retainers or meeting fees that were deferred into the Common Stock account in the Company's Deferred Compensation Plan.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

COMPENSATION COMMITTEE

G. CHRIS ANDERSEN
DON DEFOSSET
WILLIAM H. FIKE
DAVID A. SACHS
J. C. WATTS, JR.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In 2005 and 2006, Mr. Widman received a housing allowance for seven months from the Company for an apartment that he rented in Westport, Connecticut, the site of the Company's headquarters. In connection with this apartment rental, Mr. Widman paid the landlord a security deposit in the amount of six thousand dollars and was reimbursed by the Company for this deposit. Upon the conclusion of the lease, Mr. Widman received the return of the security deposit and subsequently repaid this money to the Company. It is possible that this arrangement could have constituted an inadvertent non-permissible extension of credit under Section 402 of the Sarbanes-Oxley Act of 2002, and, accordingly, the Company will no longer enter into arrangements of these types on behalf of executive officers of the Company.

The Company intends that all transactions with affiliates are to be on terms no less favorable to the Company than could be obtained in comparable transactions with an unrelated person. The Board will be advised in advance of any such proposed transaction or agreement and will utilize such procedures in evaluating their terms and provisions as are appropriate in light of the Board's fiduciary duties under Delaware law. In addition, the Company has an Audit Committee consisting solely of independent directors. Pursuant to the terms of the written Audit Committee Charter, one of the responsibilities of the Audit Committee is to review related party transactions. See "Audit Committee Meetings and Responsibilities."

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and each person who is the beneficial owner of more than 10% of the Company's outstanding equity securities, to file with the SEC initial reports of ownership and changes in ownership of equity securities of the Company. Specific due dates for these reports have been established by the SEC and the Company is required to disclose in this Proxy Statement any failure to file such reports by the prescribed dates during 2006. Officers, directors and greater than 10% beneficial owners are required by SEC regulation to furnish the Company with copies of all reports filed with the SEC pursuant to Section 16(a) of the Exchange Act.

To the Company's knowledge, based solely on review of the copies of reports furnished to the Company and written representations that no other reports were required, all filings required pursuant to Section 16(a) of the Exchange Act applicable to the Company's officers, directors and greater than 10% beneficial owners were complied with during the year ended December 31, 2006, except for: a Form 4 for Colin Fox, reporting that he sold 3,000 shares of Common Stock, that was required to be filed by November 13, 2006 and was filed on November 17, 2006; a Form 4 for David A. Sachs, reporting that he sold 18,000 shares of Common Stock, that was required to be filed by November 20, 2006 and was filed on November 22, 2006; and Forms 4 for Ronald M. DeFeo, Phillip C. Widman, Brian J. Henry and Kevin A. Barr, reporting that each of them received five shares of Common Stock as a Company matching contribution pursuant to Terex's Employee Stock Purchase Plan, that were required to be filed by May 3, 2006 and were filed on January 31, 2007.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board has reviewed and discussed the Company's audited financial statements for the fiscal year ended December 31, 2006, with the management of the Company and the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP. The Audit Committee has discussed with PricewaterhouseCoopers LLP the matters required to be discussed by Statement on Auditing Standards 61 (Codification of Statements on Auditing Standards, Communication with Audit Committees). The Audit Committee also has received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with PricewaterhouseCoopers LLP the independence of such independent registered public accounting firm. The Audit Committee also has considered whether PricewaterhouseCoopers LLP's provision of non-audit services to the Company is compatible with the independent registered public accounting firm's independence.

Based on its review and discussions

referred to in the preceding paragraph, the Audit Committee recommended to the Board that the audited financial statements for the Company's fiscal year ended December 31, 2006 be included in the Company's Annual Report on Form 10-K for the Company's fiscal year ended December 31, 2006 for filing with the SEC.

The Audit Committee's responsibility is to monitor and oversee the audit and financial reporting processes. However, the members of the Audit Committee are not practicing certified public accountants or professional auditors and rely, without independent verification, on the information provided to them and on the representations made by management and the independent registered public accounting firm.

AUDIT COMMITTEE

PAULA H. J. CHOLMONDELEY
DON DEFOSSET
DR. DONALD P. JACOBS
DAVID A. SACHS
HELGE WEHMEIER

PROPOSAL 2: INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The firm of PricewaterhouseCoopers LLP has audited the consolidated financial statements of the Company for 2006. The Board of Directors, at the recommendation of the Audit Committee, desires to continue the service of this firm for 2007. Accordingly, the Board of Directors recommends to the stockholders ratification of the retention of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007. If the stockholders do not approve PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm, the Board of Directors and the Audit Committee will reconsider this selection.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the Meeting with the opportunity to make a statement if they desire to do so, and they are expected to be available to respond to appropriate questions.

Audit Fees

During the last two fiscal years ended December 31, 2006 and December 31, 2005, PricewaterhouseCoopers LLP charged the Company $8,829,000 and $7,920,000, respectively, for professional services rendered by such firm for the audit of the Company's annual financial statements and review of the Company's financial statements included in the Company's quarterly reports on Form 10-Q for that fiscal year. Audit fees for the fiscal years ended December 31, 2006 and December 31, 2005 include fees of $2,552,000 and $2,300,000 for professional services provided in connection with the assessment of the Company's internal controls pursuant to Section 404 of the Sarbanes-Oxley Act of 2002.

Audit-Related Fees

Audit-Related Fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. This category includes fees related to various audit and attest services, due diligence related to mergers, acquisitions and investments, and consultations concerning financial accounting and reporting standards. The aggregate fees billed by PricewaterhouseCoopers LLP for such audit-related services for the fiscal years ended December 31, 2006 and December 31, 2005, were $882,000 and $516,000, respectively.

Tax Fees

The aggregate fees billed for tax services provided by PricewaterhouseCoopers

LLP in connection with tax compliance, tax consulting and tax planning services for the fiscal years ended December 31, 2006 and December 31, 2005, were $633,000 and $110,000, respectively.

All Other Fees

The aggregate fees billed for services not included in the above services for the fiscal years ended December 31, 2006 and December 31, 2005, were $26,000 and $39,000, respectively and were primarily related to miscellaneous items, including foreign government filings.

All of the services related to the Audit-Related Fees, Tax Fees or All Other Fees described above were approved by the Audit Committee pursuant to the general pre-approval provisions set forth in the Audit Committees pre-approval policies described in Audit Committee Meetings and Responsibilities.

The Board of Directors recommends that the stockholders vote FOR the ratification of PricewaterhouseCoopers LLP as the Companys independent registered public accounting firm for 2007.

PROPOSAL 3: TO AMEND THE COMPANY's RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK, PAR VALUE $.01 PER SHARE, THE COMPANY IS AUTHORIZED TO ISSUE TO 600,000,000 SHARES

The Company currently has 150,000,000 authorized shares of Common Stock. As of March 16, 2007, 102,787,890 shares of Common Stock were issued and outstanding; 4,543,936 shares were reserved for issuance under the Company's various compensatory plans; and 2,439,346 shares were held in treasury. Therefore, as of March 16, 2007, there were 40,228,828 shares of Common Stock which were not issued and outstanding, reserved for issuance or held in the Company's treasury. Because of the limited number of shares of Common Stock available to be issued, the Board of Directors has proposed a resolution which would authorize an additional 450,000,000 shares of Common Stock of the same class as is presently authorized. None of the Company's shares will have preemptive rights.

Although the Company has no present plans, agreements or understandings regarding the issuance of the additional shares of Common Stock proposed to be authorized, the Board of Directors believes that the adoption of the amendment is advisable because it will provide Terex with needed flexibility in connection with possible future stock splits, financing transactions, acquisitions of other companies or business properties, employee benefit plans and other corporate purposes.

Except as otherwise required by applicable law or stock exchange rules, authorized but unissued shares of Common Stock may be issued at such time, for such purposes, and for such consideration as the Board may determine to be appropriate, without further authorization by the stockholders. While the issuance of additional shares of Common Stock may dilute the ownership interest of a person seeking to obtain control of the Company, and thus discourage a change in control of the Company by making it more difficult or costly, the Company is not aware of anyone seeking to accumulate Common Stock for such purpose and has no present intention of using any additional Common Stock to deter a change in control.

Authorization of the proposed amendment, which will be presented at the Meeting in the form of the following resolution, will require the affirmative vote of the holders of a majority of the shares of Common Stock outstanding and entitled to vote at the Meeting.

RESOLVED, that paragraph (a) of Article IV of the Company's Restated Certificate of Incorporation be, and it hereby is, amended and restated in its entirety to read as follows:

(a) The aggregate number of shares which the corporation shall have the authority to issue is 650,000,000, consisting of (i) 600,000,000 shares designated as Common Stock, par value $.01 per share ("Common Stock"), and (ii) 50,000,000 shares designated as Preferred Stock, par value $.01 per share ("Preferred Stock")."

The Board of Directors recommends that the stockholders vote FOR amendment of the Company's Restated Certificate of Incorporation to increase the number of shares of authorized Common Stock.

PROPOSAL 4: TO APPROVE AN AMENDMENT AND RESTATEMENT OF THE TEREX CORPORATION EMPLOYEE STOCK PURCHASE PLAN

General

Stockholders are being asked to approve an amendment and restatement of the Terex Corporation Employee Stock Purchase Plan (the "Stock Purchase Plan"), which will make the following principal changes: (i) eliminate the five (5) share Company matching contribution on the first $240 that a participant in the Stock Purchase Plan contributes annually; (ii) eliminate the ability of employees to make strategic purchases; (iii) increase the number of eligible participants in the Stock Purchase Plan; and (iv) extend the expiration date of the Stock Purchase Plan from March 11, 2014 to March 7, 2017. The Stock Purchase Plan was originally adopted by the Board on August 1, 1994 and approved by the stockholders of the Company pursuant to the rules of the NYSE on May 25, 2004.

The purpose of the Stock Purchase Plan is to encourage and facilitate the purchase of shares of Common Stock ("Shares") by employees and outside directors of the Company, thereby providing an additional incentive to them to promote the best interests of the Company and the opportunity to participate directly in the Company's future. The Stock Purchase Plan provides employees and outside directors the opportunity to purchase Shares and to receive additional Shares pursuant to a Company matching contribution based upon the amount of the participant's contribution. The Stock Purchase Plan is not intended to qualify under Section 423 of the Code.

The Board of Directors adopted the proposed amendment and restatement of the Stock Purchase Plan on March 7, 2007, subject to stockholder approval, and directed that the amendment and restatement of the Stock Purchase Plan be submitted to the stockholders of the Company for their approval. Approval of the amendment and restatement of the Stock Purchase Plan will require the affirmative vote of a majority of the Shares present in person or by proxy at the Meeting.

The following summary of the material features of the Stock Purchase Plan is qualified in its entirety by the terms of the Stock Purchase Plan, which is attached to this Proxy Statement as Appendix A.

Eligibility

Currently, most U.S. employees and all outside directors of the Company are eligible to participate in the Stock Purchase Plan. As of December 31, 2006, approximately 7,800 people were eligible to participate in the Stock Purchase Plan and 1,566 were participating in the Stock Purchase Plan. Under the terms of the proposed Stock Purchase Plan, in addition to the current participants, many international employees of the Company would become eligible to participate in the Stock Purchase Plan. This would have increased the number of people eligible to participate in the Stock Purchase Plan as of December 31, 2006 by approximately 6,500 people. Participants in the Stock Purchase Plan are the ESPP Participants.

ESPP Participant Contributions

Currently, any contribution that an ESPP Participant makes under the Stock Purchase Plan via payroll deduction is used to purchase Shares on the open market on the day of such payroll deduction or as soon as administratively possible thereafter. In addition, any ESPP Participant may make strategic-timed purchases under the Plan, either in addition to or in lieu of any payroll-deducted purchases, at any time during the calendar year by purchasing Shares on the open market on a specific day that the ESPP Participant chooses through the plan custodian. The purchase price that is paid for each Share that is purchased under the plan is the price per share actually paid for the Shares.

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The minimum ESPP Participant contribution via payroll deduction is $20 per month and the minimum ESPP Participant strategic investment is $240, with a maximum total ESPP Participant contribution of $25,000 per year. An ESPP Participant is required to hold any Shares purchased through the Stock Purchase Plan for a minimum of six (6) months before the Shares may be sold.

Under the terms of the proposed Stock Purchase Plan, any contribution that an ESPP Participant makes under the Stock Purchase Plan via payroll deduction will be credited to his or her account on the day of such payroll deduction or as soon as administratively possible thereafter. Once a month, at a predetermined date, the funds in each such account will be used to purchase Shares on the open market. In addition, only outside directors will be eligible to make strategic purchases under the Stock Purchase Plan. The minimum and maximum ESPP Participant contributions will not change.

Company Contributions

Currently, the Company makes a contribution of five (5) Shares to each ESPP Participant who has purchases of $240 annually through the Stock Purchase Plan, either through payroll deductions or strategic purchases. For purchases through the Stock Purchase Plan totaling greater than $480, the Company makes an additional contribution of Shares equal to 15% of the ESPP Participants purchases above $480. The Company purchases Shares on the open market to fund the Company contributions. The purchase price that is paid for each Share that is contributed under the plan is the price per share actually paid for the Shares.

Under the terms of the proposed Stock Purchase Plan, the Company shall make a contribution of Shares to each ESPP Participant equal to 15% of each Participants purchases of Shares through the Stock Purchase Plan. The Company will continue to purchase Shares on the open market to fund the Company contributions. The purchase price that is paid for each Share that is contributed under the plan will continue to be the price per share actually paid for the Shares.

The Company pays for, and will continue to pay for, all front-end administration fees, including broker commission and recordkeeping fees, on purchases of Shares for the automatic payroll deduction and most front-end administration fees for purchases of Shares under the strategic investment option. If the ESPP Participant chooses to sell any portion of his or her Shares held in the plan, the ESPP Participant will incur a broker commission.

Administration

The Stock Purchase Plan is administered by the Administrative Committee, a committee of at least three persons who are appointed by the Board. The Administrative Committee may appoint agents as it deems necessary or appropriate to assist it with the operation and administration of the Stock Purchase Plan. The Administrative Committees determination as to any issue that arises with respect to the conduct or operation of the Stock Purchase Plan is final.

The Plan is not subject to the Employee Retirement Income Security Act of 1974.

Term, Termination and Amendment of the Stock Purchase Plan

Currently, the Stock Purchase Plan is set to terminate on March 10, 2014. Under the terms of the proposed Stock Purchase Plan, the Stock Purchase Plan will terminate on March 7, 2017. The Company, through the Board, reserves the right to amend the Stock Purchase Plan at any time, subject to any required stockholder approval.

Company Contributions Under the Stock Purchase Plan

Because benefits under the Stock Purchase Plan will depend on ESPP Participant elections and the fair market value of the Shares, it is not possible to determine the benefits that will be received if the amendment and restatement of the plan is approved by stockholders.

During 2006, Company contributions were made under the Stock Purchase Plan as follows:

- Approximately 100 Shares were provided as matching contributions to the Named Executive Officers (one of whom was also a Director) as a group. For more details on these matching contributions, see Executive Compensation Summary Compensation Table All Other Compensation.
- Approximately 30

Shares were provided as matching contributions to all current executive officers of the Company (not including the Named Executive Officers) as a group.

- No Shares were provided as matching contributions to the Directors (not including one Director who was also a Named Executive Officer) as a group.
- Approximately 16,400 Shares were provided as matching contributions to all employees of the Company (not including all current executive officers and Named Executive

Officers of the Company) as a group.

Recommendation

The Board of Directors believes that the approval of the amendment and restatement of the Stock Purchase Plan is in the best interests of the Company and its stockholders because the Stock Purchase Plan as so amended will expand participation in the Stock Purchase Plan, make the plan easier to administer and better enable the Company to provide rational and competitive equity incentives to the ESPP Participants to enhance the profitability of the Company and increase stockholder value.

The Board of Directors recommends that the stockholders vote FOR approval of the amendment and restatement of the Terex Corporation Employee Stock Purchase Plan.

OTHER BUSINESS

The Board does not know of any other business to be brought before the Meeting. In the event any such matters are brought before the Meeting, the persons named in the enclosed Proxy will vote the Proxies received by them as they deem best with respect to all such matters.

STOCKHOLDER PROPOSALS

All proposals of stockholders intended to be included in the proxy statement to be presented at the 2008 Annual Meeting of Stockholders must be received at the Company's offices at 200 Nyala Farm Road, Westport, Connecticut 06880, no later than December 5, 2007. All proposals must meet the requirements set forth in the rules and regulations of the SEC in order to be eligible for inclusion in the proxy statement for that meeting.

To nominate a candidate for election as a director at an annual meeting of stockholders or propose business for consideration at such a meeting, the Bylaws of the Company generally provides that notice must be given to the Secretary of the Company no more than 90 days nor less than 60 days prior to the date of the annual meeting. The Company anticipates that in order for a stockholder to nominate a candidate for election as a director at the Company's 2008 annual meeting or to propose business for consideration at such meeting, notice must be given between February 15, 2008 and March 16, 2008. The fact that the Company may not insist upon compliance with these requirements should not be construed as a waiver by the Company of its right to do so at any time in the future.

ANNUAL REPORT TO STOCKHOLDERS

The Company's 2006 Annual Report, which includes the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, including the Company's financial statements for that fiscal year, as filed with the SEC, is being mailed to stockholders of the Company with this Proxy Statement. The Annual Report does not constitute a part of the Proxy solicitation materials. Stockholders may, without charge, obtain copies of the Company's Annual Report on Form 10-K filed with the SEC. Requests for this report should be addressed to the Company's Secretary.

STOCKHOLDERS ARE URGED TO VOTE THEIR PROXIES WITHOUT DELAY. A PROMPT RESPONSE WILL BE GREATLY APPRECIATED.

By order of the Board of Directors,

Eric I Cohen
Secretary

April 3, 2007
Westport, Connecticut

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Appendix A

TEREX CORPORATION

AMENDED AND RESTATED EMPLOYEE STOCK PURCHASE PLAN

(EFFECTIVE AS OF JULY 1, 2007)

TEREX CORPORATION AMENDED AND RESTATED EMPLOYEE STOCK PURCHASE PLAN

SECTION 1. ESTABLISHMENT.

Terex Corporation, a Delaware corporation (hereinafter referred to as the Company), established an employee stock purchase plan on August 1, 1994, which has been amended from time to time. The Company is amending and restating in full the employee stock purchase plan (hereinafter referred to as the Plan), as set forth in this document.

SECTION 2. DEFINITIONS.

(a) **"Accumulation Period"** means a one month period during which contributions may be made toward the purchase of Stock under the Plan, as determined pursuant to Section 5(b).

(b) **"Administrative Committee"** means a committee of at least three (3) persons appointed by the Board, as described in Section 4. The Administrative Committee may appoint agent(s) as it deems necessary or appropriate to assist with the operation and administration of the Plan.

(c) **"Board"** means the Board of Directors of the Company, as constituted from time to time.

(d) **"Code"** means the Internal Revenue Code of 1986, as amended.

(e) **"Company"** means Terex Corporation, a Delaware corporation.

(f) **Election Form** has the meaning given in Section 5(b) below.

(g) **"Eligible Team Member"** means, for any Accumulation Period, any individual affiliated with a Participating Company who is selected by management of the Company. The foregoing notwithstanding, an individual shall not be considered an Eligible Team Member if (i) his or her participation in the Plan is prohibited by the law of any country which has jurisdiction over him or her; or (ii) his or her employment has been classified as temporary by the Company. Any individual whom the Company determines is not an Eligible Team Member shall not be treated as an Eligible Team Member under the Plan solely because he or she has been classified or reclassified by any governmental entity as an employee of the Company. An individual who is selected to be an Eligible Team Member shall cease to be an Eligible Team Member upon being so notified by the Company.

(h) **Outside Director** means any individual who is actively serving as a member of the Board who is not also an Eligible Team Member.

(i) **"Participant"** means an Eligible Team Member or Outside Director who elects to participate in the Plan.

(j) **"Participating Company"** means (i) the Company and (ii) each present or future Subsidiary designated by the Committee as a Participating Company.

(k) **"Plan"** means this Terex Corporation Amended and Restated Employee Stock Purchase Plan, as it may be amended from time to time.

(l) **"Plan Account"** means the account established for each Participant pursuant to Section 10(a).

(m) **Purchase Date** means a date on which the Company purchases Stock for each Participant pursuant to this Plan, which date shall be on the business day that (i) is as close as administratively possible to the fifteenth day of the month following the end of an Accumulation Period or (ii) an Outside Director makes a Strategic Purchase.

(n) **"Purchase Price"** means the price at which Participants may purchase Stock under the Plan, as determined pursuant to Section 6(b) or Section 10(b).

(o) **"Stock"** means the common stock of the Company, $0.01 par value.

(p) **Strategic Purchase** means open market purchases made by an Outside Director in the Companys Stock pursuant to Section 6(b).

(q) **"Subsidiary"** means any corporation or any other entity (other than the Company) in an unbroken chain of entities beginning with the Company, if each of the entities other than the last entity in the unbroken chain owns stock or other ownership interests possessing 50% or more of the total combined voting power in one of the other entities in such chain.

SECTION 3. PURPOSE OF THE PLAN.

The purpose of the Plan is to provide Participants with a convenient means to acquire an equity interest in the Company either through payroll deductions for Eligible Team Members or through Strategic Purchases for Outside Directors, to enhance each Participant's sense of participation in the affairs of the Company, and to provide an incentive for Participants to continue their affiliation with the Company. The Plan is not intended to qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments, or replacements of such section).

SECTION 4. ADMINISTRATION OF THE PLAN.

(a) **Administrative Committee Composition.** The Plan shall be administered by the Administrative Committee or a subcommittee thereof, or any other committee designated by the Board to administer this Plan. The members of the Administrative Committee shall be appointed from time to time by and shall serve at the discretion of the Board.

(b) **Administrative Committee Responsibilities.** The Administrative Committee shall interpret the Plan and make all other policy decisions relating to the operation of the Plan. The Administrative Committee may adopt such rules, guidelines and forms as it deems appropriate to implement the Plan. All questions of interpretation or application of the Plan shall be determined by the Administrative Committee and its decisions shall be final and binding upon all Participants. Members of the Administrative Committee shall receive no compensation for their services in connection with the administration of the Plan. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

SECTION 5. ENROLLMENT AND PARTICIPATION FOR ELIGIBLE TEAM MEMBERS.

(a) **Accumulation Periods.** While the Plan is in effect, twelve Accumulation Periods shall commence in each calendar year. The Accumulation Periods shall consist of each of the twelve calendar months comprising a calendar year, each commencing on the first day of a calendar month.

(b) **Enrollment.** Any individual who, on the day preceding the first day of an Accumulation Period, qualifies (or will qualify) as an Eligible Team Member may elect to become a Participant in the Plan for such Accumulation Period by executing a payroll deduction election form, third-party

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administrator's election form or other election form, as applicable, which forms may be completed electronically if available ("Election Form").

(c) **Duration of Participation.** Once enrolled in the Plan, a Participant who is an Eligible Team Member shall continue to participate in the Plan until he or she ceases to be an Eligible Team Member, withdraws from the Plan under Section 8 or reaches the end of the Accumulation Period whose contributions were discontinued under Section 7(d) or Section 11. Such Participant is not required to file any additional payroll deduction election forms in order to continue participation in the Plan. A Participant who is an Eligible Team Member who discontinued contributions under Section 7(d) or withdrew from the Plan under Section 8 may again become a Participant, if he or she then is an Eligible Team Member, by following the procedure described in subsection (b) above. A Participant who is an Eligible Team Member whose contributions were discontinued automatically under Section 11 shall automatically resume participation at the beginning of the first Accumulation Period in the next calendar year, if he or she then is an Eligible Team Member.

(d) **Applicable Accumulation Period.**

For purposes of this Plan the applicable Accumulation Period shall be determined as follows:

(i) Once a Participant who is an Eligible Team Member is enrolled in the Plan for an Accumulation Period, such Accumulation Period shall continue to apply to him or her until the earliest of (A) the end of such Accumulation Period or (B) the end of his or her participation under subsection (c) above.

(ii) When a Participant who is an Eligible Team Member reaches the end of an Accumulation Period (the Current Accumulation Period) but his or her participation is to continue, then such Participant shall automatically be re-enrolled for the Accumulation Period that commences immediately after the end of such Current Accumulation Period.

SECTION 6. ENROLLMENT AND PARTICIPATION FOR OUTSIDE DIRECTORS

(a) **Enrollment.** While the Plan is in effect, an Outside Director who wishes to become a Participant in the Plan may do so by making a Strategic Purchase.

(b) **Strategic Purchases.** An Outside Director may make Strategic

Purchases at any time during the calendar year, by purchasing shares of Stock through a Plan Account (as defined below). The Outside Director must notify the Administrative Committee of his or her intention to make a Strategic Purchase in advance and the Administrative Committee will facilitate such Strategic Purchase. The Purchase Price for each share of Stock purchased via a Strategic Purchase shall be the price per share actually paid on the open market for each such share of Stock. The Company shall make a contribution of Stock to the Outside Director equal to 15% of the number of shares of Stock purchased by the Outside Director as a Strategic Purchase through this Plan, which shares of Stock shall be purchased on the open market by the Company. Promptly following a Strategic Purchase, the number of shares of Stock purchased by the Outside Director shall be deposited into the Outside Director's Plan Account established in the Outside Director's name at a stock brokerage or other financial services firm designated by the Company. The Administrative Committee may determine that any fractional share, as calculated under this subsection (b), shall be (i) rounded down to the next lower whole share or (ii) credited as a fractional share.

SECTION 7. PARTICIPANT

CONTRIBUTIONS.

(a)

Frequency of Payroll Deductions and Strategic Purchases. A Participant who is an Eligible Team Member may purchase shares of Stock under the Plan solely by means of payroll deductions. A Participant who is an Outside Director may make Strategic Purchases at any time during the calendar year as described in Section 6(b). Payroll deductions, as designated by a Participant pursuant

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to subsection (b) below, shall occur on each payday during participation in the Plan.

(b) **Amount of Payroll Deductions and Strategic Purchases.** An Eligible Team Member shall designate on the Election Form the portion of his or her compensation that he or she elects to have withheld for the purchase of Stock hereunder. Such portion may be (i) a whole percentage of the Eligible Team Member's compensation, but not less than 1% nor more than 15%, or (ii) a whole dollar amount of the Eligible Team Member's compensation, but not less than $20 per month or the appropriate non-U.S. currency equivalent. The minimum amount of a Strategic Purchase is $240.

(c) **Changing Withholding Rate.** A Participant who is an Eligible Team Member may increase or decrease the rate of payroll deductions by filing a new Election Form, in which case the new rate shall become effective for the next payroll period commencing more than 20 days after the payroll department's receipt of the authorization and shall continue unless changed as described below. Such change in the rate of payroll deductions may be made at any time.

(d) **Discontinuing Payroll**

Deductions. If a Participant who is an Eligible Team Member wishes to discontinue his or her contributions entirely, he or she may do so by filing a new Election Form at any time. Payroll withholding shall cease as soon as reasonably practicable after such form has been received by the Company. A Participant who has discontinued making contributions may resume such contributions in the following calendar year by filing a new Election Form if he or she then is an Eligible Team Member.

SECTION 8. WITHDRAWAL FROM THE PLAN.

(a) **Withdrawal**. Each Participant who is an Eligible Team Member may withdraw from an Accumulation Period under the Plan by filing a new Election Form. Such withdrawal may be elected at any time, and will be effective as soon as administratively practical.

(b) **Return of Payroll Deductions.** Upon withdrawal from the Plan, any accumulated payroll deductions shall be returned, without interest, to the withdrawn Eligible Team Member and his or her interest in the Plan shall terminate.

SECTION 9. CHANGE IN EMPLOYMENT OR OUTSIDE DIRECTOR STATUS.

For a Participant who is an Eligible Team Member, termination of a Participant's employment for any reason, including retirement or death or the failure of a Participant to remain an Eligible Team Member, terminates his or her participation in the Plan immediately. In such event, any payroll deductions credited to the Participant's Plan Account will be returned, without interest, to him or her or, in the case of his or her death, to his or her legal representative. For a Participant who is an Outside Director, termination of his or her status as an Outside Director for any reason, including retirement or death or the failure of a Participant to remain an Outside Director, terminates his or her participation in the Plan immediately.

SECTION 10. PLAN ACCOUNTS AND PURCHASE OF SHARES.

(a) **Plan Accounts.** The Company shall establish an account, through a third party administrator, in the name of each Participant (a "Plan Account"). All payroll deductions made for an Eligible Team Member will be credited to his or her Plan Account under the Plan; no interest shall accrue on the payroll deductions. An Eligible Team Member may not make any separate cash payment into his or her payroll deduction Plan Account and payment for shares of Stock purchased under the Plan by any Eligible Team Member may not be made in any form other than by payroll deduction.

(b)

Purchase Price. For Eligible Team Members, the Purchase Price for each share of Stock

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purchased on a Purchase Date shall be the price per share actually paid on the open market for each such share of Stock.

(c) **Matching Contributions.** For Eligible Team Members, on each Purchase Date, the Company shall make a contribution of Stock to each Participant equal to 15% of the number of shares of Stock purchased on behalf of such Participant through this Plan, which shares of Stock shall be purchased on the open market by the Company.

(d) **Number of Shares Purchased via Participant Contribution.** For Participants who are Eligible Team Members, on each Purchase Date under an Accumulation Period, as long as the Plan remains in effect, the Company shall apply the funds then in each Participant's Plan Account to the purchase of shares of Stock. As of each such Purchase Date, each such Participant shall purchase the number of shares of Stock calculated in accordance with this subsection (d), unless the Participant has previously elected to withdraw from the Plan in accordance with Section 8; provided, however, that no Stock shall be purchased on a Purchase Date on behalf of any Participant whose participation in the Plan was terminated prior to such Purchase Date. On each Purchase Date, the amount of funds then in the Participant's Plan Account shall be divided by the Purchase Price, and the number of shares that results shall be purchased on the open market with the funds in the Participant's Plan Account. The Administrative Committee may determine with respect to all Participants that any fractional share, as calculated under this subsection (d), shall be (i) rounded down to the next lower whole share or (ii) credited as a fractional share.

(e) **Issuance of Stock.** For Eligible Team Members, promptly following each Purchase Date, the number of shares of Stock purchased by each Participant shall be deposited into the Participant's Plan Account established in the Participant's name at a stock brokerage or other financial services firm designated by the Company.

(f) **Unused Cash Balances.** For Eligible Team Members, any amount remaining in the Participant's Plan Account that represents the Purchase Price for any fractional share shall be carried over in the Participant's Plan Account to the next Accumulation Period. Any amount remaining in the Participant's Plan Account that represents the Purchase Price for whole shares that could not be purchased by reason of Section 11 shall be refunded to the Participant in cash, without interest.

(g) **Stockholder Approval.** Any other provision of the Plan notwithstanding, no shares of Stock shall be purchased under the Plan unless and until the Company's stockholders have approved the Plan.

(h) **Brokerage Account.** To the extent legally enforceable, a Participant shall not be free to undertake a disposition (as such term is defined in Section 424(c) of the Code) of any shares of Stock acquired pursuant to the Plan at any time, whether by sale, exchange, gift, or other transfer of legal title until the Participant has held the Stock purchased under this Plan for a period of at least six (6) months.

SECTION 11. DOLLAR LIMITATIONS ON STOCK PURCHASES.

Notwithstanding anything to the contrary in this Plan, the maximum amount that a Participant may use to purchase shares of Stock (including Strategic Purchases) under this Plan in any calendar year is $25,000 or the appropriate non-U.S. currency equivalent.

SECTION 12. RIGHTS NOT TRANSFERABLE.

Neither payroll deductions credited to a Participants Plan Account nor any rights to receive shares of

Stock under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 17 hereof) by the

Participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect.

SECTION 13. NO RIGHTS AS A TEAM MEMBER.

Nothing in the Plan or in any right granted under the Plan shall confer upon the Participant any right to receive any benefits in the future under this Plan, to continue in the employ of a Participating Company, to be an Eligible Team Member or to serve as an Outside Director of the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Participating Companies or of the Participant, which rights are hereby expressly reserved by each, to terminate his or her employment at any time and for any reason, with or without cause.

SECTION 14. NO RIGHTS AS A STOCKHOLDER.

A Participant shall have no rights as a stockholder with respect to any shares of Stock that he or she may have a right to purchase under the Plan until such shares have been purchased on the applicable Purchase Date.

SECTION 15. NOTICES.

All notices or other communications by a Participant to the Company under or in connection with the Plan shall be in writing and shall be deemed to have been duly given when delivered personally or deposited in the U.S. Mail, first class postage prepaid, addressed as follows: Terex Corporation, Attn: Employee Stock Purchase Plan Administrator, 200 Nyala Farm Road, Westport, CT 06880, or as such other address as the Company, by notice to team members, may designate in writing from time to time.

SECTION 16. STOCKHOLDER APPROVAL OF AMENDMENTS.

Any required approval of the stockholders of the Company for an amendment to the Plan shall be obtained at a duly held stockholders meeting by the affirmative vote of the holders of a majority of the outstanding shares of the Company represented and voting at the meeting; provided, however, that approval at a meeting may be obtained by a lesser degree of stockholder approval if the Committee determines, in its sole discretion after consultation with the Company s legal counsel, that such lesser degree of stockholder approval will comply with all applicable laws.

SECTION 17. DESIGNATION OF BENEFICIARY.

(a) **Written Designation.** A

Participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, with respect to the Participant's Plan Account in the event of such Participant's death subsequent to the end of an Accumulation Period but prior to delivery to him or her of such shares and cash. In addition, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's Plan Account in the event of such Participant's death prior to a Purchase Date. Such designation of beneficiary may be changed by the Participant at any time by written notice to the Participating Company.

(b) **No Written Designation.** In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such shares or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its sole discretion, may deliver such shares or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

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SECTION 18. APPLICABLE LAW.

The Plan shall be governed by the substantive laws (excluding the conflict of laws rules) of the State of Delaware.

SECTION 19. TAX WITHHOLDING.

The Company shall have the right to withhold from amounts otherwise payable to each Participant such withholding taxes as may be required by law, or to otherwise require the Participant to pay such withholding taxes.

SECTION 20. EFFECTIVE DATE; AMENDMENT OR TERMINATION OF PLAN.

If approved by the stockholders of the Company, this Plan shall be effective on July 1, 2007 and the Plan shall continue until the earlier to occur of termination by the Board or March 7, 2017. The Board may at any time suspend or terminate the Plan. The Board may at any time amend the Plan, provided, however, no amendment shall be made without approval of the stockholders of the Company obtained in accordance with Section 16 hereof if such approval is required by an applicable law or regulation.

[remainder of page intentionally blank]

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ANNUAL MEETING OF STOCKHOLDERS OF

TERABC CORPORATION

THIS IS YOUR PROXY. YOUR VOTE IS IMPORTANT.

Whether or not you plan to attend the Annual Meeting of Stockholders, you can ensure that your shares are represented at the meeting by completing, signing and returning your proxy card below.

Please date, sign and mail your proxy card in the envelope provided as soon as possible.

Please detach and mail in the envelope provided.

TEREX CORPORATION 2007 Annual Meeting

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Ronald M. DeFeo and Eric I Cohen, and either one of them, proxies with the power of substitution to act, by unanimous vote, or if only one votes or acts then by that one, to vote for the undersigned at the Annual Stockholders Meeting of Terex Corporation, to be held at 10:00 A.M., local time, on May 17, 2007, at the offices of Terex Corporation, 200 Nyala Farm Road, Westport, Connecticut, and any adjournment or postponement thereof, as follows:

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ALL OF THE BOARD OF DIRECTORS NOMINEES AND

FOR PROPOSALS 2, 3 AND 4.

Address Changes:

(If you noted Address Changes above, please mark corresponding box on the reverse side.)

(Continued and to be signed on the reverse side)

200 NYALA FARM ROAD
WESTPORT, CT 06880

VOTE BY INTERNET — **www.proxyvote.com**

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

ELECTRONIC DELIVERY OF FUTURE STOCKHOLDER COMMUNICATIONS
If you would like to reduce the costs incurred by Terex Corporation in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via email or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

VOTE BY PHONE — **1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before

the meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

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

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: X **KEEP THIS PORTIO**

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

TEREX CORPORATION
Vote on Directors

1.ELECTION OF DIRECTORS

		For All	Withhold For All	For All Except	To Withhold authority to any individual nominee, FOR ALL EXCEPT and the nominee s name on
NOMINEES					
01) Ronald M. DeFeo	06) Dr. Donald P. Jacobs				
02) G. Chris Andersen	07) David A. Sachs				
03) Paula H. J. Cholmondeley	08) Oren G. Shaffer				
04) Don DeFosset	09) Helge H. Wehmeier	o	o	o	
05) William H. Fike					

Vote on Proposals

2. RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

3. AMENDMENT OF TEREX CERTIFICATE OF INCORPORATION TO INCREASE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

4. APPROVAL OF AMENDMENT AND RESTATEMENT OF TEREX EMPLOYEE STOCK PURCHASE PLAN

5. Upon such other business as may properly come before the meeting or any adjournments or postponements, hereby revoking any proxy heretofore given.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION AS DIRECTORS OF THE NAMED NOMINEES AND FOR PROPOSALS 2, 3 AND 4.

Note: This proxy must be signed exactly as the name appears hereon. When shares are held jointly, each h executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in par

To change the address on your account, please check the box at right and indicate your new address on the reverse side. Please note that changes to the registered name(s) on the account may not be submitted via this method. o

HOUSEHOLDING ELECTION Please indicate if you consent to receive certain future Investor communications in a single package per household.

Yes	No
o	o

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date