

Builders FirstSource, Inc.  
Form DEF 14A  
April 13, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

**Builders FirstSource, Inc.**

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

## Edgar Filing: Builders FirstSource, Inc. - Form DEF 14A

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**Builders FirstSource, Inc.**

**2001 Bryan Street, Suite 1600, Dallas, Texas 75201**

*To our Stockholders,*

You are cordially invited to attend the annual meeting of stockholders of Builders FirstSource, Inc., which will take place at the corporate headquarters of Builders FirstSource, Inc. at 2001 Bryan Street, Suite 1600, Dallas, Texas 75201 on Wednesday, May 24, 2017, at 9:00 a.m., local time. Details of the business to be conducted at the annual meeting are given in the Official Notice of Annual Meeting of Stockholders, Proxy Statement, Notice Regarding the Availability of Proxy Materials, and form of proxy.

Even if you intend to join us in person, we encourage you to vote in advance so we will know we have a quorum of stockholders for the meeting. When you vote in advance, please indicate your intention to personally attend the annual meeting. Please see the Question and Answer section on page 4 of the Proxy Statement for instructions if you plan to personally attend the annual meeting.

Whether or not you are able to personally attend the annual meeting, it is important that your shares be represented and voted. Your prompt vote over the internet, by telephone via toll-free number, or, for stockholders who elect to receive their proxy materials by mail, by written proxy, will save the Corporation the expense and extra work of additional proxy solicitation. Voting by any of these methods at your earliest convenience will ensure your representation at the annual meeting if you choose not to attend in person. If you decide to attend the annual meeting, you will be able to vote in person, even if you have previously submitted your proxy. Please review the instructions on the Notice Regarding the Availability of Proxy Materials, the proxy card, or the information forwarded by your bank, broker, or other stockholder of record, as applicable, concerning each of these voting options.

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in the affairs of Builders FirstSource, Inc.

Paul S. Levy  
*Chairman of the Board*

April 13, 2017

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**Builders FirstSource, Inc.**

**2001 Bryan Street, Suite 1600, Dallas, Texas 75201**

**Official Notice of Annual Meeting of Stockholders**

To our Stockholders:

The annual meeting of stockholders of Builders FirstSource, Inc. will take place at the corporate headquarters of Builders FirstSource, Inc. at 2001 Bryan Street, Suite 1600, Dallas, Texas 75201 on Wednesday, May 24, 2017, at 9:00 a.m., local time, for the purpose of considering and acting upon the following:

- (1) The election of directors;
- (2) An advisory vote on the compensation of the named executive officers;
- (3) An advisory vote on the frequency of stockholder votes on executive compensation;
- (4) The ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year 2017; and
- (5) Any other business that may properly be brought before the annual meeting or any adjournment thereof.

Only stockholders of record at the close of business on March 31, 2017 will be entitled to vote at the meeting.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on May 24, 2017. The Proxy Statement and the 2016 Annual Report on Form 10-K are available at [proxyvote.com](http://proxyvote.com) and at [www.blldr.com](http://www.blldr.com).**

Directions to be able to attend the meeting and vote in person may be obtained by contacting the Company's legal department at (214) 880-3500.

By Order of the Board of Directors,

Donald F. McAleenan  
*Corporate Secretary*

April 13, 2017

**IMPORTANT:**

**Please see the Question and Answer section on page 4 of this Proxy Statement for instructions on what you need to do to attend the annual meeting in person. Please note that the doors to the annual meeting will open at 8:30 a.m. and will close promptly at 9:00 a.m. Whether or not you expect to personally attend, we urge you to vote your shares at your earliest convenience to ensure the presence of a quorum at the meeting. Promptly voting your shares via the internet, by telephone via toll-free number, or, if you elect to receive your proxy materials by mail, by signing, dating, and returning the enclosed proxy card, will save us the expense and extra work of additional proxy solicitation. Because your proxy is revocable at your option, submitting your proxy now will not prevent you from voting your shares at the meeting if you desire to do so. Please refer to the voting instructions included on the Notice Regarding the Availability of Proxy Materials, proxy card, or voting instructions forwarded by your bank, broker, or other stockholder of record, as applicable.**

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**Builders FirstSource, Inc.**

**2001 Bryan Street, Suite 1600, Dallas, Texas 75201**

**Proxy Statement**

**Annual Meeting of Stockholders**

**May 24, 2017**

This Proxy Statement is being furnished by Builders FirstSource, Inc. (the Corporation, the Company, or Builders FirstSource ) in connection with a solicitation of proxies by its Board of Directors (the Board of Directors or the Board ) to be voted at the annual meeting of the Corporation's stockholders to be held on May 24, 2017 (the annual meeting or meeting ). Whether or not you personally attend, it is important that your shares be represented and voted at the annual meeting. Most stockholders have a choice of voting over the internet, by using a toll-free telephone number, or, for stockholders who elect to receive their proxy materials by mail, by completing a proxy card and mailing it in the postage-paid envelope provided. Check the Notice Regarding the Availability of Proxy Materials, your proxy card, or the information forwarded by your bank, broker, or other stockholder of record, as applicable, to determine which voting options are available to you. Please be aware that if you vote over the internet, you may incur costs, such as telecommunication and internet access charges, for which you will be responsible. The internet voting and telephone voting facilities for stockholders of record will be available until 11:59 p.m. eastern daylight time on May 23, 2017. The Notice Regarding the Availability of Proxy Materials was first mailed on or about April 13, 2017.

**SOLICITATION AND RATIFICATION OF PROXIES**

If any matters not specifically set forth in this Proxy Statement properly come to a vote at the meeting, the members of the Proxy Committee, comprised of Donald F. McAleenan and Chad Crow, will vote regarding those matters in accordance with their best judgments. If a proxy card is signed and returned, it will be voted as specified on the proxy card, or, if no vote is specified, it will be voted FOR all nominees presented in Proposal 1, FOR Proposals 2 and 4, and EVERY THREE YEARS for Proposal 3. At any time before it is exercised, you may revoke your proxy by timely delivery of written notice to the Corporate Secretary, by timely delivery of a properly executed, later-dated proxy (including by internet or telephone vote), or by voting via ballot at the annual meeting. Voting in advance of the annual meeting will not limit your right to vote at the annual meeting if you decide to attend in person. If you are a beneficial owner, but your shares are registered in the name of a bank, broker, or other stockholder of record, to be able to vote in person at the annual meeting you must obtain, from the stockholder of record, a proxy in your name and present it at the meeting. See Questions and Answers about the Meeting and Voting in this Proxy Statement for an explanation of the term stockholder of record.

The proxy accompanying this Proxy Statement is being solicited by the Board of Directors. The Corporation will bear the entire cost of this solicitation, including the preparation and delivery of this Proxy Statement, the proxy, and any additional information furnished to stockholders. In addition to using the mail and the internet, proxies may be solicited by directors, executive officers, and other employees of Builders FirstSource or its subsidiaries, in person or by telephone. No additional compensation will be paid to directors, executive officers, or other employees for their services in this regard. Builders FirstSource will also request banks, brokers, and other stockholders of record to

forward proxy materials, at the Corporation's expense, to the beneficial owners of the Corporation's shares.

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**GENERAL INFORMATION ABOUT PROXIES AND VOTING**

**Outstanding Stock**

The stockholders of record of Builders FirstSource, Inc. Common Stock ( Common Stock ) at the close of business on March 31, 2017 will be entitled to vote in person or by proxy at the annual meeting. At that time, the Corporation had 112,356,315 outstanding shares of its Common Stock. Each stockholder will be entitled to one vote in person or by proxy for each share of Common Stock held. A quorum for the transaction of business shall be constituted by the presence at the annual meeting, in person or by proxy, of a majority of the outstanding shares of Common Stock entitled to vote. All shares for which proxies or voting instructions are returned are counted as present for purposes of determining the existence of a quorum at the annual meeting.

**Internet Availability of Proxy Materials**

As permitted by the Federal securities laws, Builders FirstSource is making this Proxy Statement and 2016 Annual Report on Form 10-K (the 2016 Annual Report ) available to its stockholders primarily via the internet instead of mailing printed copies of these materials to each stockholder. On or about April 13, 2017, we mailed to our stockholders (other than those who previously requested electronic or paper delivery) a Notice Regarding Internet Availability of Proxy Materials (the Notice ) containing instructions on how to access the Proxy Statement and accompanying 2016 Annual Report. These proxy materials are being made available to our stockholders on or about April 13, 2017. The Notice provides instructions regarding how to vote through the internet. The Proxy Statement and 2016 Annual Report are also available on our website at [www.blldr.com](http://www.blldr.com).

If you received a Notice by mail, you will not receive a printed copy of the proxy materials by mail unless you request printed materials. If you wish to receive printed proxy materials, you should follow the instructions for requesting such materials contained on the Notice.

If you receive more than one Notice, it means your shares are registered differently and are held in more than one account. To ensure all shares are voted, please either vote each account over the internet or by telephone or sign and return by mail all proxy cards.

**Voting Procedures**

Votes cast by proxy or in person at the meeting will be tabulated by representatives from Broadridge Financial Solutions, Inc. Broadridge Financial Solutions, Inc., or such other person that the Chief Executive Officer appoints in their place, will serve as the Inspector of Election at the annual meeting. In addition, the following voting procedures will be in effect for each proposal described in this Proxy Statement:

***Proposal 1. Nominees for available director positions of Builders FirstSource are elected by a plurality of the votes cast at the annual meeting. Abstentions from voting have no effect on the outcome of such vote because the election of directors is determined on the basis of votes cast and abstentions are not counted as votes cast. Please see page 7.***

***Proposal 2. The non-binding approval of the 2016 compensation for the Corporation s named executive officers, including the Corporation s compensation practices and principles and their implementation, as disclosed in this Proxy Statement requires the affirmative vote of a majority of the shares represented and entitled to vote at the annual meeting. If you vote by proxy, but abstain from voting on the proposal, your abstention has the same effect as a vote against the proposal. Please see page 40.***

***Proposal 3.*** The non-binding vote on the frequency of advisory votes on executive compensation, such as Proposal 2, requires a plurality of the votes cast for the three options. The frequency option that receives the most affirmative votes of all the votes cast on Proposal 3 is the one that will be deemed approved by the stockholders. Abstentions from voting have no effect on the frequency option that is approved. Please see page 40.

***Proposal 4.*** Ratification of the appointment of PricewaterhouseCoopers LLP as the Corporation's independent registered public accounting firm requires the affirmative vote of a majority of the shares represented and entitled to vote at the annual meeting. If you vote by proxy, but abstain from voting on the proposal, your abstention has the same effect as a vote against the proposal. Please see page 42.

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If any other matters properly come before the meeting that are not specifically set forth on the Notice and in this Proxy Statement, such matters shall be decided by the affirmative vote of a majority of the shares represented and entitled to vote at the annual meeting on the matter so proposed, unless otherwise provided in the Corporation's Amended and Restated Certificate of Incorporation or Amended and Restated By-laws (the "By-laws") or the Delaware General Corporation Law. None of the members of our Board have informed the Corporation in writing that they intend to oppose any action intended to be taken by the Corporation.

**NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROXY STATEMENT. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THE DELIVERY OF THIS PROXY STATEMENT SHALL, UNDER NO CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CORPORATION SINCE THE DATE OF THIS PROXY STATEMENT.**

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**QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING**

**1. What is a proxy?**

A proxy is your legal designation of another person, called a proxy holder, to vote the shares that you own. We designated Chad Crow, our President and Chief Operating Officer, and Donald F. McAleenan, our Senior Vice President and General Counsel, to act as proxy holders at the annual meeting as to all shares for which proxy cards are returned or voting instructions are provided by internet or telephone.

**2. What is a proxy statement?**

A proxy statement is a document that the Securities and Exchange Commission (the SEC) regulations require us to give you when we ask you to provide a proxy (by voting by phone or internet or, if applicable, by returning a proxy card) designating the proxy holders described above to vote on your behalf.

**3. What is the difference between a stockholder of record and a stockholder who holds stock in street name, also called a beneficial owner?**

If your shares are registered in your name at our transfer agent, Computershare Shareowner Services LLC, you are a stockholder of record.

If your shares are registered at Computershare Shareowner Services LLC in the name of a broker, bank, trustee, nominee, or other similar stockholder of record on your behalf, your shares are held in street name and you are the beneficial owner of the shares.

**4. How do you obtain admission to the annual meeting?**

Stockholders of Record. Stockholders of record must bring a government-issued photo identification card to gain admission to the annual meeting.

Street Name Holders. To obtain admission to the annual meeting, a street name holder must (1) bring a government-issued photo identification card and (2) ask his or her broker or bank for a legal proxy and must bring that legal proxy with him or her to the meeting. If you do not receive the legal proxy in time, bring your most recent brokerage statement with you to the meeting. We can use that to verify your ownership of Common Stock and admit you to the meeting. However, you will not be able to vote your shares at the meeting without a legal proxy. Please note that if you own shares in street name, and you are issued a legal proxy, any previously executed proxy will be revoked, and your vote will not be counted unless you appear at the meeting and vote in person.

**5. What different methods can you use to vote?**

By Written Proxy. Stockholders who elect to receive their proxy materials by mail may vote by mailing the written proxy card.

By Telephone and Internet Proxy. All stockholders of record may also vote by telephone from the U.S., using the toll-free telephone number provided on the proxy card or in the website listed on the Notice, or by the internet, using the procedures and instructions described in the Notice or proxy card. Street name holders may vote by telephone or the internet if their bank, broker, or other stockholder of record makes those methods available. If that is the case, the bank, broker, or other stockholder of record will enclose the instructions with the Proxy Statement or other notice of

the meeting. The telephone and internet voting procedures, including the use of control numbers, are designed to authenticate stockholders' identities, allow stockholders to vote their shares, and confirm that their instructions have been properly recorded.

*In Person.* All stockholders may vote in person at the meeting (unless they are street name holders without a legal proxy, as described in Question 4).

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**6. What is the record date and what does it mean?**

The record date for the annual meeting is March 31, 2017. The record date is established by the Board of Directors as required by Delaware law. Stockholders of record at the close of business on the record date are entitled to receive notice of the annual meeting and to vote their shares at the meeting.

**7. What are your voting choices for director nominees, and what vote is needed to elect directors?**

For the vote on the election of the Class III director nominees to serve until the 2020 annual meeting, stockholders may:

vote in favor of all nominees,

vote to withhold votes from all nominees, or

vote to withhold votes as to specific nominees.

Directors will be elected by a plurality of the votes cast in person or by proxy at the annual meeting. Accordingly, abstentions have no effect on Proposal 1. The Board recommends a vote **FOR** each of the director nominees.

**8. What is a plurality of the votes?**

In order to be elected, a director nominee does not have to receive votes in favor from a majority of the votes cast for directors. Instead, the three nominees elected will be those who receive the most affirmative votes of all the votes cast on Proposal 1 in person or by proxy at the meeting.

**9. What are your voting choices on the advisory vote to approve the 2016 compensation of the Corporation's named executive officers, including the Corporation's compensation practices and principles and their implementation?**

In the non-binding vote to approve the 2016 compensation of the Corporation's named executive officers, including the Corporation's compensation practices and principles and their implementation, as discussed and disclosed in this Proxy Statement, stockholders may:

vote in favor of the proposal,

vote against the proposal, or

abstain from voting on the proposal.

This proposal requires the affirmative vote of a majority of the votes represented and entitled to vote at the annual meeting. Accordingly, abstentions have the effect of a vote **against** Proposal 2. This is an advisory vote, and, as such,



is not binding on the Board or the Compensation Committee. However, the Board and the Compensation Committee will consider the results of the vote when setting the compensation of the Company's executive officers in the future. The Board recommends a vote FOR Proposal 2.

**10. What are your voting choices on the non-binding vote regarding how frequently future advisory votes on executive compensation, such as Proposal 2, will occur?**

Stockholders are invited to express their views on how frequently advisory votes on executive compensation, such as Proposal 2, will occur. Stockholders can advise the Board and the Compensation Committee on whether such votes should occur:

every year,

every two years,

every three years, or

abstain from voting.

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The frequency deemed selected will be the option receiving a plurality of the votes cast in person or by proxy at the annual meeting. Accordingly, abstentions have no effect on Proposal 3. This vote is not binding on the Board or the Compensation Committee. However, the Board and the Compensation Committee will consider the results of the vote when deciding when to call for the next advisory vote on executive compensation. A scheduling vote similar to this will occur at least once every six years. The Board recommends a vote for EVERY THREE YEARS.

**11. What are your voting choices on the ratification of the appointment of PricewaterhouseCoopers LLP as the Corporation's independent registered public accounting firm, and what vote is needed to ratify their appointment?**

On the vote on the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year 2017, stockholders may:

vote in favor of the ratification,

vote against the ratification, or

abstain from voting on the ratification.

The proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm will require the affirmative vote of a majority of the shares represented and entitled to vote at the annual meeting. This vote is not binding on the Board or the Audit Committee. Accordingly, abstentions will have the effect of a vote against Proposal 4. The Board recommends a vote FOR Proposal 4.

**12. What if a stockholder does not specify a choice for a matter when returning a proxy card?**

Stockholders should specify their choice for each proposal described on the proxy card, if they receive one. However, proxy cards that are signed and returned, but for which no specific instruction is given, will be voted FOR all the director candidates listed in Proposal 1, FOR Proposals 2 and 4, and for an advisory vote on executive compensation EVERY THREE YEARS in Proposal 3.

**13. How are broker non-votes counted?**

If a broker or other record holder of shares returns a proxy card indicating that it does not have discretionary authority to vote as to a particular matter ( broker non-votes ), those shares will be treated as not entitled to vote on that matter. Brokers do not have the discretionary authority to vote on Proposals 1, 2 or 3. Broker non-votes will not have any effect on the voting results.

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**ELECTION OF DIRECTORS AND MANAGEMENT INFORMATION**

There are currently nine members of the Board of Directors. Pursuant to the Corporation's By-laws, the Board is classified, which means it is divided into three classes of directors based on the expiration of their terms. Under the classified Board arrangement, directors are elected to terms that expire on the annual meeting date three years following the annual meeting at which they were elected and the terms are staggered so that the terms of one-third of the directors expire each year. Accordingly, Proposal 1 seeks the election of three directors to fill the directorships whose terms expire in 2017.

The terms of three directors, Paul S. Levy, Cleveland A. Christophe, and Craig A. Steinke, will expire at the annual meeting in 2017. The Board of Directors has nominated Messrs. Levy, Christophe, and Steinke for election to a term that will expire at the annual meeting in 2020.

Unless otherwise indicated, all proxies that authorize the proxy holders to vote for the election of directors will be voted FOR the election of the nominees listed below. If a nominee becomes unavailable for election as a result of unforeseen circumstances, it is the intention of the proxy holders to vote for the election of such substitute nominee, if any, as the Board of Directors may propose. As of the date of this Proxy Statement, each of the nominees has consented to serve and the Board is not aware of any circumstances that would cause a nominee to be unable to serve as a director.

**PROPOSAL 1 ELECTION OF DIRECTORS**

The Board of Directors nominated the following directors for election. Each of the following nominees, a current director with a term expiring at the 2017 annual meeting, furnished to the Corporation the following information with respect to his principal occupation or employment and public company directorships:

**Class III Directors with Terms Expiring in 2017**

Paul S. Levy, Director and Chairman of the Board, age 69. Mr. Levy became a director in 1998. The Board of Directors affirmatively determined that he qualifies as an independent director. Mr. Levy is a Managing Director of JLL Partners, Inc., which he founded in 1988. In the last five years, he served on the boards of the following public companies: Patheon, Inc. (previous), PGT, Inc. (previous), IASIS Healthcare LLC (current; privately-held company with public filings), and The J.G. Wentworth Company (previous). The Board believes Mr. Levy's extensive experience in buying and managing a variety of businesses is of great value to the Board and the Corporation.

Cleveland A. Christophe, Director, age 71. Mr. Christophe became a director in September of 2005 and is the Chairman of the Compensation Committee and a member of the Nominating Committee. The Board of Directors affirmatively determined that he qualifies as an independent director. In January 2013, Mr. Christophe retired from US&S, Inc., a supplier of services and materials primarily to various agencies of the U.S. Government. He had been President of US&S, Inc. since 2009. Mr. Christophe is the Managing Partner of TSG Capital Group, a private equity investment firm, which he founded in 1992. Previously, Mr. Christophe was Senior Vice President of TLC Group, L.P. From 1971 to 1987, Mr. Christophe held numerous senior positions with Citibank, N.A. He has been a Chartered Financial Analyst since 1975. The Board believes Mr. Christophe's substantial managerial experience, financial expertise, and prior service on public company audit committees position him to make valuable contributions to the Board.

Craig A. Steinke, Director, age 60. Mr. Steinke became a director in June of 2006 and is the Chairman of the Nominating Committee and a member of the Audit Committee. The Board of Directors affirmatively determined that

he qualifies as an independent director. Since 2008, he has been an operating partner at Sterling Investment Partners, working with management teams of select portfolio companies. Since June 2013, Mr. Steinke has been the Chief Executive Officer and a director of Service Logic (Sterling investment), a privately-held company specializing in energy management and HVAC services for office buildings, hospitals, data centers, and other commercial buildings on a national scale. From September 2010 until January 2015, Mr. Steinke served as a director and adviser for Lazer Spot Inc. (Sterling investment), which specializes in providing logistics support to Fortune 500 companies. Prior to that, he was President and Chief Executive Officer of GPX International Tire Corporation (Sterling investment), an international manufacturer and distributor of branded industrial and off road equipment tires, and a director of its parent, GPX International, Inc. From 2001 to 2007, Mr. Steinke was President and Chief Executive Officer of Eagle Family Foods, Inc., a consumer products company in the food industry. His previous positions held include Senior Vice President and Group General Manager of BHP Copper, a significant natural resource company, and President of Magma Metals, a billion-dollar subsidiary of Magma Copper Company. Mr. Steinke is a C.P.A. and was employed by Arthur Andersen & Co. In the

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last five years, he served on the board of the following public company: GSE Holding, Inc. (previous). He also currently serves on the boards of directors of Alliance Tires Americas, Inc. and Power Stop LLC, which are private companies. The Board recognizes that Mr. Steinke's extensive experience at the senior executive management level allows him to make significant contributions to the development of the Corporation's business strategy.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES LISTED ABOVE.**

**CONTINUING DIRECTORS**

The background and business affiliations of the Corporation's other directors, whose terms of service continue beyond 2017, are set forth below:

**Class I Directors with Terms Expiring in 2018**

David A. Barr, Director, age 53. Mr. Barr was a director from February 2006 to July 2016 and was reappointed to the Board in April 2017. The Board of Directors affirmatively determined that he qualifies as an independent director. Mr. Barr has served as a managing director of Warburg Pincus, LLC since January 2001. Mr. Barr was a managing director at Butler Capital and focused on leveraged buy-out transactions for more than 10 years prior to joining Warburg Pincus in 2000. He also previously worked at Goldman Sachs. He received a B.A. in economics from Wesleyan University and an M.B.A. from Harvard Business School. In the last five years, he served on the boards of the following public companies: Aramark Holdings Corporation (previous), TransDigm Group Incorporated (previous), and Polypore International, Inc. (previous). He also currently serves on the boards of directors of Consolidated Precision Products, TriMark, and Universal Services of America. Mr. Barr's extensive experience in corporate finance and his service on a number of public company boards brings additional depth and perspective to the Board's deliberations.

Robert C. Griffin, Director, age 69. Mr. Griffin became a director in June of 2005 and is the Chairman of the Audit Committee and a member of the Compensation Committee and the Nominating Committee. The Board of Directors affirmatively determined that he qualifies as an independent director. In March 2002, Mr. Griffin retired from Barclays Capital, where from June 2000 to March 2002 he was Head of Investment Banking, Americas and a member of the Management Committee. Prior to joining Barclays Capital, Mr. Griffin was a member of the Executive Committee for the Montgomery Division of Banc of America Securities and held a number of positions with Bank of America, including Group Executive Vice President and Head of Global Debt Capital Raising and as a Senior Management Council Member. In the last five years, he served on the boards of the following public companies: Commercial Vehicle Group, Inc. (current), The J.G. Wentworth Company (current), and GSE Holding, Inc. (previous). The Board recognizes that Mr. Griffin's broad experience in the financial and investment world and his service on other public company boards brings a very important perspective to the Board.

Brett N. Milgrim, Director, age 48. Mr. Milgrim became a director in 1999 and is a member of the Compensation Committee. The Board of Directors affirmatively determined that he qualifies as an independent director. From 1997 until early 2011, he was a Managing Director of JLL Partners, Inc. In the last five years, he served on the board of the following public company: PGT, Inc. (current). The Board believes that Mr. Milgrim is extremely knowledgeable regarding all aspects of corporate finance and the capital markets, and this knowledge is of great importance to the Board.

**Class II Directors with Terms Expiring in 2019**

*Daniel Agroskin, Director*, age 40. Mr. Agroskin became a director in February of 2012. Mr. Agroskin is a Managing Director of JLL Partners, Inc., which he joined in August 2005. The Board of Directors affirmatively determined that he qualifies as an independent director. Prior to that, he worked at JP Morgan Partners, a private equity investment firm, and in Merrill Lynch's Mergers and Acquisitions Group. He holds a Bachelor of Arts degree from Stanford University and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania. In the last five years, Mr. Agroskin served on the boards of the following public companies: PGT, Inc. (previous) and Patheon, Inc. (previous). Mr. Agroskin is also a director on the boards of American Dental Partners, Inc., Synarc-Biocore Topco Holdings, Inc., Medical Card Systems, Inc., DPx Holdings B.V., and Banner Life Sciences Holdings, L.P. Mr. Agroskin was previously a director on the board of PharmaNet Development Group, Inc. until July 2011. The Board believes Mr. Agroskin's financial and investment expertise and his experience on other boards of directors provides value to the Company and its stockholders.

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*Kevin J. Kruse, Director*, age 47. Mr. Kruse became a director in February of 2006 and is a member of the Audit Committee. The Board of Directors affirmatively determined that he qualifies as an independent director. Mr. Kruse has been a managing director at Ardian LLC since October 2016 and a partner at Seven Mile Capital Partners LLC since January 2012. He was a managing director of Warburg Pincus, LLC from January 2006 until December 2010 and was employed by Warburg Pincus, LLC since February 2002. Prior to joining Warburg Pincus, LLC, Mr. Kruse was employed by AEA Investors, Inc. Prior to that, he was employed by Bain & Co., Inc., a management consulting firm. In the last five years, Mr. Kruse served on the board of the following public company: Polypore International, Inc. (previous). He also serves on the boards of several private companies. The Board believes Mr. Kruse's broad experience in investing and his service on the boards of several public companies is a significant asset to the Board.

*Floyd F. Sherman, Chief Executive Officer and Director*, age 77. Mr. Sherman has been our Chief Executive Officer and a director since 2001, when he joined the Corporation. He also served as President of the Corporation from 2001 until October 2006 and from February 2008 to November 2014. Prior to joining the Corporation, Mr. Sherman spent 25 years at Triangle Pacific Corp., the last nine of which were as Chairman and Chief Executive Officer, and three years at Armstrong World Industries, where he served as Chief Executive Officer of the Triangle Pacific Wood Products Group. In the last five years, he served on the board of the following public company: PGT, Inc. (current). The Board believes Mr. Sherman's role as Chief Executive Officer of the Corporation and his over 50 years of experience in the building products industry make him an essential Board member.

## **INFORMATION REGARDING THE BOARD AND ITS COMMITTEES**

### **Board Purpose and Structure**

The mission of the Board is to provide strategic guidance to the Corporation's management, to monitor the performance and ethical behavior of the Corporation's management, and to maximize the long-term financial return to the Corporation's stockholders, while considering and appropriately balancing the interests of other stakeholders and constituencies. The Board consists of nine directors.

### **Director Independence**

The Board of Directors is comprised of one management director, Mr. Sherman, who is the Corporation's CEO, and eight non-management directors. In 2016, our Board of Directors affirmatively determined that Messrs. Levy, Agroskin, Barr, Christophe, Griffin, Kruse, Milgrim, and Steinke and Michael Graff, who resigned from the Board in July 2016, are independent under the director independence criteria adopted under the Nasdaq Marketplace Rules (the Nasdaq Rules). In addition, our Board of Directors affirmatively determined that Messrs. Griffin, Steinke, and Kruse are independent under the SEC's standards for independent audit committee members and that Messrs. Christophe, Milgrim, and Griffin are independent under the SEC's standards for independent compensation committee members. As a result, the Audit Committee, the Compensation Committee, and the Nominating Committee are each comprised solely of independent directors.

As part of its annual evaluation of director independence, the Board examined, among other things, whether any transactions or relationships exist currently, or existed during the past three years, between each independent director and the Corporation or its subsidiaries or independent registered public accounting firm (the auditors). If such transactions or relationships exist, the Board reviews the nature of those transactions or relationships, including under the relevant Nasdaq and SEC standards, to determine whether those transactions or relationships would impair such director's independence. The Board also examined whether there are, or have been within the past year, any transactions or relationships between each independent director and members of the senior management of Builders FirstSource or its affiliates. As a result of this evaluation, the Board affirmatively determined that each of Messrs.

Levy, Agroskin, Barr, Christophe, Griffin, Kruse, Milgrim, and Steinke is independent under those criteria. Each year, the independent directors meet in regularly scheduled executive sessions outside the presence of management representatives. Interested parties, including stockholders, may communicate with the Chairman or the independent directors as a group through the process described in this Proxy Statement under the heading Policy on Stockholder-Director Communications.



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### **Board Meetings and Attendance**

In 2016, our Board of Directors met four times, our Audit Committee met eleven times, our Compensation Committee met three times, and our Nominating Committee met one time, including regularly scheduled and special meetings. During 2016, each of the Corporation's incumbent directors attended at least 75% percent of the combined meetings of the Board and any committee on which he served during his term as a director. Pursuant to the Builders FirstSource, Inc. Policy on Director Attendance at Annual Meetings of Stockholders (available on the Governance section of our website), all directors are strongly encouraged to attend the annual meeting in person. Any director who is unable to attend an annual meeting of stockholders is expected to notify the Chairman of the Board in advance of such meeting. In 2016, one member of the Board attended our annual meeting in person and six members were available by conference call.

### **Board Leadership Structure and Role in Risk Oversight**

The Board is led by the Chairman of the Board, Paul Levy, who is affiliated with JLL Partners, Inc. Floyd Sherman, the Corporation's Chief Executive Officer and the only employee Director, does not have any formal leadership role with the Board. Mr. Levy takes a leading role in establishing the timing, agenda, and procedure of Board meetings. However, each of the Directors actively participates in guiding the actions of the Board. The Board has determined that this leadership structure is appropriate and effective due to the Board's size, the working relationship that has developed between the Directors as a result of their length of service on the Board, and the significant experience that the members of the Board have as directors and members of senior management with other companies.

The Corporation's Board of Directors recognizes that, although day-to-day risk management is primarily the responsibility of the Corporation's management team, the Board plays a critical role in the oversight of risk management. In that light, the Board is active, as a whole and also at the committee level, in reviewing management's assessment of the major risks facing the Corporation and management's processes for monitoring and controlling these risks. The Board regularly receives information from senior management regarding the Corporation's financial results, credit, liquidity, operations, and other matters, as well as reports from the Corporation's Audit Committee and Compensation Committee. During its review of such information, the Board discusses and analyses risks associated with each area, as well as risks associated with new business ventures and those relating to the Company's executive compensation plans and arrangements. The Board assumes ultimate responsibility for ensuring that the Corporation's management adequately assesses the risks facing the Corporation and appropriately manages those risks.

The Audit Committee is specifically responsible for overseeing and monitoring the quality and integrity of the Corporation's financial reports and other financial information provided to its stockholders. This includes reviewing the results of management's risk assessment and compliance with management policies as they relate to financial reporting. The Audit Committee also monitors the Corporation's compliance with legal and regulatory requirements and the risks associated therewith. On a regular basis, the Audit Committee reviews with senior management significant areas of risk exposure, including financial reporting controls, operational risks, pending litigation, employee issues, and issues arising from complaints to the Corporation's hotline and other risk detection mechanisms.

The Compensation Committee reviewed with management the design and operation of our compensation programs for all employees, including executive officers, for the purpose of determining whether such programs might encourage inappropriate risk-taking that could have a material adverse effect on the Corporation. After conducting its evaluation, the Compensation Committee concluded that the Corporation's compensation programs do not encourage employees to take risks that are reasonably likely to have a material adverse effect on the Corporation.



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### **Audit Committee**

The Audit Committee is composed of three independent directors (as that term is defined by the Nasdaq Rules and SEC regulations), Messrs. Griffin, Steinke, and Kruse. Mr. Griffin serves as the Chairman of the Audit Committee. The Board of Directors affirmatively determined that all Audit Committee members are financially literate and possess financial sophistication as defined by the Nasdaq Rules. Messrs. Griffin, Steinke, and Kruse were also designated by the Board as audit committee financial experts under the SEC's guidelines. The Board further determined that Messrs. Griffin, Steinke, and Kruse meet the independence standards of both the SEC regulations and the Nasdaq Rules for audit committee members. An amended charter for the Audit Committee was adopted on May 11, 2015. A copy of this charter is available on the Governance section of our website at [www.blldr.com](http://www.blldr.com). The Audit Committee is a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act).

The primary function of the Audit Committee is to assist the Board of Directors of the Corporation in fulfilling its oversight responsibilities relating to (i) the quality and integrity of the Corporation's financial reports and other financial information provided by the Corporation to its stockholders, the public, and others, (ii) the Corporation's compliance with legal and regulatory requirements, (iii) the auditors' qualifications, independence, performance, and compensation, and (iv) the performance of the Corporation's internal audit function, including its internal control systems. The Audit Committee's functions include preparation of the audit committee report included in this Proxy Statement. The Audit Committee is also annually required to evaluate its performance and review and assess the adequacy of its charter.

### **Compensation Committee**

The Compensation Committee is composed of three independent directors, Messrs. Christophe, Milgrim, and Griffin. Mr. Christophe serves as the Chairman of the Compensation Committee. The Board adopted an amended charter for the Compensation Committee on April 15, 2015. A copy of this charter is available on the Governance section of our website at [www.blldr.com](http://www.blldr.com).

The Compensation Committee is charged with (i) annually reviewing and recommending to the Board, for the Board's approval, all Corporation goals and objectives relevant to the Chief Executive Officer's compensation, (ii) annually evaluating the Chief Executive Officer's performance in light of the Corporation's goals and objectives, (iii) annually reviewing and recommending to the Board for its approval the Chief Executive Officer's base salary, incentive compensation levels, and perquisites and other personal benefits based on the Compensation Committee's evaluation of the Chief Executive Officer's performance relative to the Corporation's goals and objectives, (iv) annually reviewing, evaluating, and recommending to the Board for its approval the base salary level, incentive compensation levels, and perquisites and other personal benefits of the other executive officers of the Corporation, (v) reviewing and making recommendations to the Board regarding any employment, severance, or termination arrangements to be made with any executive officer of the Corporation, (vi) making recommendations to the Board with respect to awards under the Corporation's incentive compensation plans and equity-based compensation plans, (vii) making regular reports to the Board concerning the activities of the Compensation Committee, (viii) performing an annual performance evaluation of the Compensation Committee, and (ix) performing other activities as the Compensation Committee or Board may deem appropriate. The Compensation Committee may delegate authority to subcommittees when appropriate. Information regarding the role of the Compensation Committee and its processes and procedures for considering and determining executive compensation is set forth in the Compensation Discussion and Analysis section later in this Proxy Statement.

### **Nominating Committee**

The Nominating Committee is composed of three independent directors, Messrs. Steinke, Christophe, and Griffin. Mr. Steinke serves as the Chairman of the Nominating Committee. The Board adopted an amended charter for the Nominating Committee on February 14, 2012. A copy of this charter is available on the Governance section of our website at [www.blldr.com](http://www.blldr.com).

The purpose of the Nominating Committee is to (i) identify and evaluate individuals qualified to become Board members, consistent with criteria approved by the Board, (ii) recommend to the Board the persons to be nominated for election as directors at any meeting of stockholders and the persons to be elected by the Board to fill any vacancies on the Board, (iii) recommend to the Board the directors to be appointed to each committee of the Board, and (iv) evaluate and make recommendations to the Board regarding (a) the eligibility criteria for receipt of compensation as a director and (b) the appropriate compensation to be paid to eligible members of the Board and to members of Board committees.

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The following table sets forth the cash and other compensation paid by the Corporation to the members of the Board of Directors of the Corporation for all services in all capacities during 2016.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards \$(1,2)</b>	<b>Total (\$)</b>
Daniel Agroskin(3)			
David A. Barr(3)(4)			
Cleveland A. Christophe	105,000	189,989	294,989
Michael Graff(3)(4)			
Robert C. Griffin	120,000	189,989	309,989
Kevin J. Kruse	85,000	189,989	274,989
Paul S. Levy(3)			
Brett N. Milgrim	85,000	189,989	274,989
Floyd F. Sherman(5)			
Craig A. Steinke	95,000	189,989	284,989

- (1) Reflects the aggregate grant date fair value of restricted stock unit awards granted in 2016. The fair value of these awards was determined in accordance with the *Compensation – Stock Compensation* topic of the Financial Accounting Standards Board Accounting Standards Codification. The fair value of the restricted stock unit awards was equal to the closing price of our Common Stock on the grant date.
- (2) Eligible Directors (as defined below) typically receive one annual grant of RSUs on or about August 1 as compensation for the upcoming director compensation year, which runs from August 1 to July 31. As described below under Director Compensation Program, effective as of January 1, 2016, the Board increased the value of annual grants of RSUs to Eligible Directors from \$50,000 to \$120,000. In order to give effect to this increase in calendar year 2016, an additional pro-rata grant of RSUs was made to Eligible Directors in January of 2016. Because our director compensation year does not coincide with the calendar year, and because the table reflects compensation on a calendar year basis, the additional pro-rata RSU grant in January 2016 has the effect of overstating the actual compensation earned for 2016.
- (3) In 2016, Messrs. Agroskin, Barr, Graff, and Levy did not qualify as Eligible Directors under the Corporation's Amended and Restated Director Compensation Policy, as described below.
- (4) Messrs. Barr and Graff resigned from the Board on July 27, 2016 in connection with the sale by Warburg Pincus Private Equity IX, L.P. of the remainder of its interest in the Corporation. Mr. Barr was reappointed to the Board in April 2017.
- (5) As an employee of the Corporation, Mr. Sherman does not receive any compensation for his service as a director. The compensation he receives as an employee is set forth in Executive Compensation and Other Information below.

The following table shows the total number of shares of common stock underlying restricted stock units held as of December 31, 2016:

<b>Name</b>	<b>Number of Shares Underlying Restricted Stock Units</b>
Christophe	15,556
Griffin	15,556
Kruse	15,556
Milgrim	15,556
Steinke	15,556

**Director Compensation Program**

Under the Amended and Restated Director Compensation Policy, directors are entitled to compensation for their service on the Board if they were neither (i) concurrently employed in any capacity by the Corporation or any of its subsidiaries nor (ii) unless

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otherwise determined by the Nominating Committee, concurrently employed by or affiliated with (a) JLL Partners, JLL Associates G.P. V, L.L.C, or JLL Building Holdings, LLC or any of their affiliates or (b) Warburg Pincus & Co., Warburg Pincus LLC, or Warburg Pincus Private Equity IX, L.P. or any of their affiliates. In 2016, the directors who met these standards ( Eligible Directors ) received an annual cash retainer of \$80,000, payable quarterly.

Directors receive annual fees for serving on the Board's committees, but do not receive separate per meeting fees for attending Board or committee meetings. The annual fees for serving on the Board's committees are as follows:

<b>Committee</b>	<b>Chairman Fee</b>	<b>Member (non-Chairman) Fee</b>
Audit Committee	\$ 30,000	\$ 5,000
Compensation Committee	\$ 20,000	\$ 5,000
Nominating Committee	\$ 10,000	\$ 5,000

Eligible Directors also receive annual grants of restricted stock units. The number of shares underlying these awards is determined by dividing a dollar value (\$120,000 per year in 2016) by the fair market value of our Common Stock on the date of grant. These awards vest in full on the earlier of the first anniversary of the grant date or upon such director's cessation of service due to death, disability, or retirement. If a new Eligible Director joins the Board, or if an existing director's status changes to allow him or her to qualify as an Eligible Director, that director will receive a grant of restricted stock units on a pro-rated basis for the remainder of the current director compensation year (August 1 to July 31).

We do not compensate directors for any period of service in which they are not Eligible Directors.

**No Material Proceedings**

As of March 31, 2017, there are no material proceedings to which any director, executive officer, or affiliate of the Corporation or any owner of more than five percent of the Common Stock, or any associate of any of the foregoing, (i) is a party adverse to the Corporation or any of its subsidiaries or (ii) has a material interest adverse to the Corporation or any of its subsidiaries.

Mr. Steinke was the President and Chief Executive Officer of GPX International Tire Corporation, which filed for voluntary bankruptcy on October 1, 2009 with the support of its senior lenders to effectuate sales of its businesses under Section 363 of the United States Bankruptcy Code. The United States Bankruptcy Court approved the sales in December 2009, and the sales were consummated in January 2010.

**CORPORATE GOVERNANCE**

Builders FirstSource is committed to conducting its business in a way that reflects best practices, as well as the highest standards of legal and ethical conduct. To that end, the Board of Directors approved a comprehensive system of corporate governance documents. These documents are reviewed periodically and updated as necessary to reflect changes in regulatory requirements and evolving oversight practices. These policies embody the principles, policies, processes, and practices followed by the Board, executive officers, and employees in governing the Corporation and serve as a flexible framework for sound corporate governance.

**Code of Business Conduct and Ethics**

Builders FirstSource and its subsidiaries endeavor to do business according to the highest ethical and legal standards, complying with both the letter and spirit of the law. Our Board of Directors approved a Code of Business Conduct and Ethics that applies to the Corporation's directors, officers (including our principal executive officer, principal financial officer, principal accounting officer, and controller), and employees. Our Code of Business Conduct and Ethics is administered by the Compliance Committee, which is made up of representatives from our Finance, Legal, Human Resources, and Internal Audit Departments. Our employees are encouraged to report any suspected violations of laws, regulations, or the Code of Business Conduct and Ethics and all unethical business practices. We provide a continuously monitored hotline for anonymous reporting by employees. Our Board of Directors also approved a Supplemental Code of Ethics for Chief Executive Officer, President, and Senior Financial Officers of Builders FirstSource, Inc., which is administered by our General Counsel. Both policies can be found on the Governance section of our corporate website at [www.blldr.com](http://www.blldr.com). Stockholders may request a free copy of these policies by contacting the Corporate Secretary, Builders FirstSource, Inc., 2001 Bryan Street, Suite 1600, Dallas, Texas 75201.



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In addition, within four business days of:

any amendment to our Code of Business Conduct and Ethics or our Supplemental Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, or Controller, or

the grant of any waiver, including an implicit waiver, from a provision of one of these policies to one of these officers that relates to one or more of the items set forth in Item 406(b) of Regulation S-K, we will provide information regarding any such amendment or waiver (including the nature of any waiver, the name of the person to whom the waiver was granted, and the date of the waiver) on our website at the internet address above. Such information will be available on our website for at least a 12-month period. In addition, we will disclose any amendments and waivers to our Code of Business Conduct and Ethics and our Supplemental Code of Ethics as required by the Nasdaq Rules.

### **By-law Provisions on Stockholder Nominations of Director Candidates**

Builders FirstSource's By-laws provide that no director candidate may be nominated by a stockholder for election at a meeting unless the stockholder (i) has delivered to the Corporate Secretary, within the time limits described in the By-laws, a written notice containing the information specified in the By-laws and (ii) was a stockholder of record (a) at the time such notice was delivered to the Corporate Secretary and (b) on the record date for the determination of stockholders entitled to notice and to vote at the meeting at which such director is standing for election. Accordingly, in order for a stockholder's nomination of a person for election to the Board of Directors to be considered by the stockholders at the 2018 annual meeting in accordance with the Corporation's By-laws, the required written notice must be received by our Corporate Secretary on or after January 24, 2018, but no later than February 23, 2018. Only individuals nominated in accordance with the procedures set forth in the By-laws are eligible to stand for election as directors at a meeting of stockholders and to serve as directors. A copy of the By-laws may be obtained on the Governance section of our website at [www.blldr.com](http://www.blldr.com), by written request to the Corporate Secretary, Builders FirstSource, Inc., 2001 Bryan Street, Suite 1600, Dallas, Texas 75201, or by e-mail at [inforequest@blldr.com](mailto:inforequest@blldr.com). The foregoing is subject to the Corporation's obligations under SEC Rule 14a-8 regarding the inclusion of stockholder proposals in the Corporation's proxy statements, which is further described below in Stockholder Proposals.

### **Policy on Stockholder Recommendations for Director Candidates**

The Nominating Committee adopted a Policy on Stockholder Recommendations for Director Candidates to describe the process by which the Nominating Committee (in preparing their recommendation of director nominees to the Board) will consider candidates for director recommended by stockholders in accordance with the Corporation's By-laws. A current copy of the Policy on Stockholder Recommendations for Director Candidates is available on the Governance section of our website at [www.blldr.com](http://www.blldr.com). To have a candidate considered by the Nominating Committee, a stockholder must submit the recommendation in writing and must include the following information:

The name and record address of the stockholder and evidence of such stockholder's ownership of the Corporation's stock, including the number of shares owned and the length of time of ownership,

Whether the stockholder intends to appear in person or by proxy at the meeting to make the nomination,

A description of all arrangements or understandings between the stockholder and the nominee and any other person or persons, naming such person or persons, pursuant to which the nomination is made,

The name, age, residence, business address, and principal occupation of the candidate; the candidate's resume or a listing of his or her qualifications to be a director of the Corporation; the number of shares of the Corporation's stock, if any, owned beneficially or of record by the candidate; and the candidate's consent to be named as a director if selected and nominated by the Board, and

Any other information relating to either the stockholder or the candidate that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder.

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The stockholder recommendation and information described above must be sent to the Corporate Secretary, at 2001 Bryan Street, Suite 1600, Dallas, Texas 75201 and must be delivered to, or mailed and received by, the Corporate Secretary (i) in the case of an annual meeting, not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders (provided, however, that if the annual meeting is called for a date not within thirty (30) days before or after such anniversary date, notice by the stockholder, in order to be timely, must be received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever occurs first) and (ii) in the case of a special meeting of stockholders called to elect directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever occurs first.

## **Policy on the Director Nomination Process**

The Nominating Committee adopted a Policy on the Director Nomination Process that describes the process followed by the Nominating Committee to identify, evaluate, and recommend future director candidates for selection by the full Board. A current copy of the Policy on the Director Nomination Process is available on the Governance section of our website at [www.blldr.com](http://www.blldr.com).

The Nominating Committee believes the minimum qualifications for serving as a director of the Corporation are that a nominee demonstrate, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the Board's oversight of the business and affairs of the Corporation and have a record and reputation for honest and ethical conduct in both his or her professional and personal activities. Nominees for director shall be those people who, after taking into account their skills, expertise, integrity, character, judgment, age, independence, corporate experience, length of service, diversity of background and experience, conflicts of interest, and commitments, including, among other things, service on the boards (or comparable governing bodies) of other public companies, private business companies, or similar organizations, and other qualities, are believed to enhance the Board's ability to manage and direct, in an effective manner, the affairs and business of the Corporation, including, when applicable, to enhance the ability of committees of the Board to fulfill their duties and/or to satisfy any independence requirements imposed by law, regulation, or the Nasdaq Rules.

A nominee for director should have an understanding of the workings of large business organizations such as the Corporation, as well as the ability to make independent, analytical judgments, the ability to communicate effectively, and the ability and willingness to devote the time and effort to be an effective and contributing member of the Board. In addition, the Nominating Committee will examine a candidate's specific experiences and skills, time availability in light of other commitments, potential conflicts of interest, and independence from management and the Corporation.

The Nominating Committee will identify potential nominees by asking current directors and executive officers to notify the Nominating Committee if they become aware of persons meeting the criteria described above. The Nominating Committee may also, from time to time, engage firms that specialize in identifying director candidates. As described further in the Corporation's Policy on Stockholder Recommendations for Director Candidates, the Nominating Committee will also consider candidates recommended by stockholders.

Once a person is identified by the Nominating Committee as a potential candidate, the Nominating Committee may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the Nominating Committee determines that the candidate warrants further consideration, the Nominating Committee will contact the person. Generally, if the person expresses a willingness to be considered and to serve on the Board, the Nominating Committee will request information from the candidate and review the person's

accomplishments and qualifications, including in light of any other candidates that the Nominating Committee might be considering. In certain instances, the Nominating Committee may conduct one or more interviews with the candidate, contact one or more references provided by the candidate, or may contact other members of the business community or other persons that may have greater first-hand knowledge of the candidate's accomplishments. The evaluation process conducted by the Nominating Committee does not vary based on whether or not a candidate is recommended by a stockholder, although the Nominating Committee may take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held.

The Nominating Committee considers diversity of background and experience as one of several factors set forth in the Policy on the Director Nomination Process that it takes into account in evaluating a potential director candidate's qualifications. The Nominating Committee considers all types of diversity in making this determination. The Nominating Committee will generally evaluate the effectiveness of the Policy on the Director Nomination Process annually, including those sections dealing with diversity of background and experience, but does not have a formal review process covering diversity.

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### **Policy on Stockholder-Director Communications**

The Policy on Stockholder-Director Communications describes the process for stockholders to send communications to the Board. Stockholders and other interested parties may contact any member (or all members) of the Board (including without limitation the non-management directors as a group, any Board committee, or any chair of any such committee) in writing by mail or overnight service or electronically. To communicate with the Board of Directors, any individual directors, or any group or committee of directors, correspondence should be addressed to the Board of Directors or any such individual directors or group or committee of directors by either name or title. All such correspondence should be sent to the Corporation in care of the Corporate Secretary at 2001 Bryan Street, Suite 1600, Dallas, Texas 75201. A current copy of the Policy on Stockholder-Director Communications is available on the Governance section of our website at [www.blldr.com](http://www.blldr.com).

All communications received will be opened by the office of our General Counsel for the sole purpose of determining whether the contents represent a message to our directors. Any contents that legitimately relate to the business and operation of the Corporation and that are not in the nature of advertising, promotions of a product or service, patently offensive material, charitable requests, repetitive materials, or promotions of a political or similar agenda will be forwarded promptly to the addressee. In the case of communications to the Board or any group or committee of directors, the General Counsel's office will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the envelope or e-mail is addressed.

### **Auditor Services Pre-Approval Policy**

Our Audit and Non-Audit Services Pre-Approval Policy, available on the Governance section of our website at [www.blldr.com](http://www.blldr.com), defines the principles and procedures followed by the Audit Committee in pre-approving audit and non-audit services performed by the Corporation's independent registered public accounting firm.

## **EXECUTIVE COMPENSATION AND OTHER INFORMATION**

### **Compensation Discussion and Analysis**

#### *Overview*

In the discussion that follows, we will give an overview and analysis of our compensation program and policies, the material compensation decisions we have made under those programs and policies with respect to our top executive officers, and the material factors that we considered in making those decisions. The executive officers of our Company (the executive officers or NEOs) are as follows:

Floyd Sherman - Chairman and Chief Executive Officer

Chad Crow - President and Chief Operating Officer

Peter Jackson - Senior Vice President and Chief Financial Officer

Morris Tolly - Senior Vice President - Operations

Don McAleenan - Senior Vice President and General Counsel

*Executive Summary*

The overall housing industry strengthened in 2016, with U.S single-family starts up 9.4 % over the prior year. The Company generated net sales and Adjusted EBITDA<sup>1</sup> of \$6.4 billion and \$382 million, respectively, for fiscal year 2016, an increase of 79% and 21.8%, respectively, over net sales and ProForma Adjusted EBITDA<sup>1</sup> for 2015. During 2016, management also made significant progress on integrating the operations of ProBuild Holdings LLC ( ProBuild ) following its acquisition by the Company in July 2015.

In this environment, our Compensation Committee made some important decisions regarding executive compensation during 2016, including the following:

The Compensation Committee and the Board raised the salaries of our executive officers in 2016 to reflect the substantially increased size and complexity of the Company following the ProBuild acquisition.

<sup>1</sup> The Company provided a reconciliation of these non-GAAP financial measures to the comparable GAAP financial measures in its Form 8-K filed with the Securities and Exchange Commission on February 28, 2017.

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The Compensation Committee and the Board decided to implement a performance-based annual incentive bonus program for all managers on the corporate office payroll, including our NEOs (the 2016 Corporate Annual Incentive Plan or the 2016 Plan ). As described in more detail below, the 2016 Corporate Annual Incentive Plan provided our NEOs with an opportunity to earn an annual incentive based on (i) the amount of Adjusted EBITDA produced by the Company in 2016 and (ii) the level of working capital as a percentage of sales achieved by the Company for 2016, together with a discretionary component based on company and management team performance during the year. As a result of the Company's 2016 financial performance as well as the operational performance of the management team, each of our NEOs, other than Mr. Jackson, received a 2016 annual incentive award equal to 87.25% of their base salary for the year. Mr. Jackson, our Chief Financial Officer, joined the Company in November 2016 and received a pro-rated 2016 incentive award.

Effective in January 2016, the Compensation Committee issued new equity incentive awards to key managers, including our NEOs, in order to promote retention and to incentivize management to maximize the financial performance of the combined company. The equity incentive awards consisted of both performance-based restricted stock units ( RSUs ) and time-vesting RSUs.

### ***Key Executive Compensation Practices***

The following is a summary of our compensation practices that we believe drive performance and align with the interests of our stockholders:

We strive to provide balanced pay opportunities for our executives, consisting of an appropriate mix of cash and equity, annual and longer-term incentives, and fixed and variable pay.

Our annual bonus plan is performance-based, and payouts are subject to minimum thresholds based on performance targets and appropriate caps.

Our executive officers participate in the same health and welfare benefit programs and retirement plans as other salaried employees.

We have adopted a compensation clawback policy that allows the Company in the event of a restatement of its financial results to recover excess amounts erroneously paid to executive officers under certain circumstances.

Our incentive plan does not provide for automatic single-trigger vesting for equity awards upon a change in control.

We do not provide any tax gross-ups.

Our insider trading policy prohibits any employee or director from engaging in hedging activities involving Company stock.

***Consideration of Most Recent Advisory Stockholder Vote on Executive Compensation***

At the annual meeting of stockholders on May 21, 2014, over 99% of the shares represented and entitled to vote at the annual meeting were voted to approve the compensation of the Company's named executive officers, as discussed and disclosed in the 2014 Proxy Statement. The Board and the Compensation Committee appreciate and value the views of our stockholders. In considering the results of this advisory vote on executive compensation, the Committee concluded that the compensation paid to our named executive officers and the Company's overall pay practices enjoy strong stockholder support.

Going forward, future advisory votes on executive compensation will serve as an additional tool to guide the Board and the Compensation Committee in evaluating the alignment of the Company's executive compensation program with the interests of the Company and its stockholders.



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At the annual meeting of stockholders on May 25, 2011, our stockholders expressed a preference that advisory votes on executive compensation occur once every three years. Consistent with this preference, the Board determined to implement an advisory vote on executive compensation once every three years until the next required vote on the frequency of stockholder votes on the compensation of executive officers, which is scheduled to occur at the 2017 annual meeting.

### ***Compensation Principles***

Our executive compensation program has been designed to provide a total compensation package that allows us to attract, retain, and motivate executives who have the talent to capably manage our business. Our executive compensation program has historically been guided by several key principles:

Our compensation program should provide total compensation opportunities at levels that are competitive for comparable positions at companies with whom we compete for talent.

Our compensation program should provide incentives to our executive officers to achieve key financial objectives set by the Board of Directors.

Our compensation program should provide an appropriate mix of fixed and variable pay components to establish a pay-for-performance oriented compensation program.

Our compensation program should align the financial interests of executives with stockholder interests by providing significant compensation opportunities in the form of equity awards.

### ***2016 Executive Compensation Process***

***Role of the Compensation Committee.*** Under its charter, the Compensation Committee is responsible for designing our executive compensation program and assisting the Board in discharging its responsibilities relating to executive compensation. As part of its evaluation process, the Committee reviewed compensation information from various sources, including data compiled from certain members of our management team. In December 2015, the Compensation Committee approved, and recommended to our Board of Directors for its ratification, the 2016 executive compensation program, which included setting 2016 base salaries, approving the 2016 Corporate Annual Incentive Plan, and approving equity incentive awards to be granted in 2016.

***Role of Executives.*** Our CEO, CFO, and General Counsel, as well as members of our Legal and Finance Departments, assisted the Compensation Committee and the Board in gathering the information needed for their respective reviews of our 2016 executive compensation program. The Compensation Committee and the Board also considered our CEO's recommendations for our executive officers (other than himself) with respect to the 2016 executive compensation program.

***Role of Compensation Consultants.*** In 2015, the Committee retained Veritas Executive Compensation Consultants ( Veritas ) to perform a comprehensive review of our executive compensation program and to conduct market compensation comparisons for our executive officers in order to assist the Committee in designing our 2016 executive compensation program. The Committee met with Veritas on multiple occasions during 2015, reviewed their reports,

and considered their advice in connection with structuring our 2016 compensation program.

*Market Comparisons.* During 2015, the Compensation Committee examined the competitiveness of our compensation programs to determine how our compensation levels compare to our overall philosophy and target markets. The Committee relied, in part, on proxy compensation data for individual companies, as well as published survey data, which allowed for a broader comparison to similar positions at both public and private companies. In late 2015, following the ProBuild acquisition, the Committee retained Veritas to assist in updating our peer group list for purposes of reviewing market compensation comparisons and setting executive compensation levels for 2016. Due to the substantially increased size of the Company as a result of the ProBuild acquisition, the Committee added 26 companies and removed 16 other companies from our 2015 Peer Group list in order to develop the 2016 Peer Group (as defined below).

In our case, peer selection is somewhat difficult due to the lack of publicly-traded companies with whom we compete and the absence of available data for privately-held competitors. Therefore, we have expanded our peer group to include additional publicly-traded building products companies of generally similar size that serve additional end markets to provide a proxy for the market in which we compete for executive talent. Peer selection is primarily focused on size based on revenues, market capitalization, and

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enterprise value because these metrics provide a reasonable point of reference for comparing similar positions and scope of responsibility. For purposes of the Committee reviews of market compensation comparisons and setting executive compensation levels for 2016, the primary peer group (our Peer Group ) included:

A.O. Smith Corp.	Masco Corporation
AECOM Technology Corporation	MRC Global Inc.
AGCO Corporation	Navistar International Corporation
Applied Industrial Technologies	Nortek Inc.
Armstrong World Industries, Inc.	NOW Inc.
Beacon Roofing Supply, Inc.	Oshkosh Corporation
Boise Cascade Company	Owens Corning
DR Horton Inc.	Pulte Group, Inc.
EMCOR Group Inc.	Rush Enterprises, Inc.
Fortune Brands Home and Security	Terex Corp.
HD Supply Holdings, Inc.	Trinity Industries Inc.
Huntington Ingalls Industries, Inc.	Universal Forest Products Inc.
Lennar Corp.	USG Corp.
Lennox International Inc.	Veritiv Corporation
LKQ Corporation	Wesco International, Inc.

Our market comparison analysis consisted of all components of total direct compensation, including base salary, annual bonus, and long-term incentives. These components were measured against data gathered from the proxy statements of the Peer Group as well as from the published surveys. The companies evaluated in the market surveys are not individually identifiable for a particular executive position, and therefore we did not benchmark against any particular company in this regard, but rather used this information to obtain a general understanding of current compensation practices.

*Role of the Board of Directors.* The Board of Directors is responsible for reviewing and ratifying the decisions and recommendations of the Compensation Committee regarding our executive compensation program. In December 2015, after considering the decisions and recommendations of the Compensation Committee, the Board ratified the 2016 executive officer compensation program.

***Elements of our Compensation Program***

*Components of Compensation.* There are three main components of our executive compensation program:

Base salary,

Annual cash incentives, and

Long-term equity incentives.

Reflecting our philosophy to focus on direct (rather than indirect, non-cash benefits) compensation as the most appropriate means to attract and retain key executive talent, and seeking to maintain an egalitarian culture, we do not

provide benefits to our executive officers that are not generally available to all of our salaried employees. For example, the Board offers no perquisites to our executive officers and no retirement benefits beyond our company-wide 401(k) plan.

The Compensation Committee generally sets base salaries for our NEOs at levels below the median of the market, with target annual bonuses generally set at above-average levels. The result is that our NEOs will earn above median annual cash compensation if the Company's financial targets for that year are achieved. This weighting on variable versus fixed compensation is consistent with our pay for performance compensation philosophy. However, Mr. Sherman's base salary and annual target bonus were each set well below the market median at his request.

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The Compensation Committee generally seeks to provide total direct compensation opportunities to our executive officers, consisting of base salary, target annual bonus, and long-term equity award value ( TDC ), between the median and the 75<sup>th</sup> percentile of the market, with some variation. Based on the market comparison surveys conducted by Veritas, the 2016 TDC target opportunities of our executive officers were set at the following approximate percentiles of the competitive range relative to our Peer Group:

Floyd Sherman - 36%

Chad Crow - 83%

Morris Tolly - 56%

Don McAleenan - 51%

Peter Jackson - below 50%

Mr. Sherman's TDC target for 2016 was set significantly below the median at his request. Mr. Crow's TDC target was set in the upper quartile of the market for the Chief Financial Officer position. The Committee believes that the blended role and additional operational responsibilities of Mr. Crow as President, Chief Operating Officer, and Chief Financial Officer during 2016 warranted a higher total compensation package. Mr. Crow's blended role during 2016 included having supervisory responsibility over the Company's nine operating regions as well as the Company's finance, tax, real estate, and information technology departments. Mr. Tolly's and Mr. McAleenan's TDC targets were set slightly above the median of the market. Mr. Jackson's TDC target was set below the median due to his short tenure with the Company.

The following sections describe in greater detail each of the elements of our executive compensation program, why they were selected, and how the amounts of each element were determined.

***Base Salary***

Base salary is designed to compensate the executive officers for their roles and responsibilities and to provide a stable and fixed level of compensation that serves as a retention tool throughout the executive's career. In determining base salaries, we generally consider each executive's role and responsibilities, unique skills, the salary levels for similar positions in our target market, and internal pay equity.

In early 2016, the Committee increased executive officer salaries to the following amounts:

Floyd Sherman - \$975,000, a 21.9% increase,

Chad Crow - \$650,000, an 8.3% increase,

Morris Tolly - \$500,000, a 7.5% increase,

Don McAleenan - \$430,000, a 6.2% increase

The Committee increased executive officer salaries to reflect the substantially increased size and complexity of the Company following the ProBuild acquisition, as well as the associated operational challenges faced by our executive officers in integrating the two companies. In determining the amount of each NEO's salary increase, the Committee considered the market comparison surveys conducted by Veritas and determined that each NEO's salary, other than Mr. Crow's, was significantly below the median. The salaries of Messrs. Sherman, Tolly, and McAleenan remained below the median after the salary increases shown above. The Committee set Mr. Crow's salary at approximately 75% of the market for the Chief Financial Officer position. As noted above, the Committee believed that the blended role and additional operational responsibilities of Mr. Crow as President, Chief Operating Officer, and Chief Financial Officer during 2016 warranted a higher base salary. The Committee set Mr. Jackson's salary at \$425,000 when he joined the Company in November 2016. The Committee determined Mr. Jackson's salary based on market comparison surveys conducted by Veritas as well as considering his short tenure with the Company relative to other NEOs. Mr. Jackson's salary is also below the median of the market.

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***Annual Cash Incentives***

We provide annual cash bonus opportunities to our executive officers that are designed to reward the achievement of financial results measured over the current fiscal year. The Compensation Committee selects the financial performance goals applicable to the annual incentive program, which are based on one or more stockholder-approved performance criteria under our 2014 Incentive Plan. In addition, in order to provide a mechanism to reward management team performance and to facilitate retention of key executives, a portion of our NEOs' annual cash incentive bonus award is payable at the Committee's discretion based on a quantitative and qualitative review of Company and management team performance.

2016 Corporate Annual Incentive Plan. For 2016, the Committee decided to implement an annual cash incentive program for our corporate office managers, including our NEOs, which was similar to the 2015 program. Under the 2016 Corporate Annual Incentive Plan, a target bonus opportunity for each participant was set as a percentage of base salary determined by their position, and actual bonus amounts that could be earned by our NEOs ranged from 0% (for performance below threshold levels) to a maximum of 150% (for performance above target levels) of their respective target bonus amounts. For 2016, the Compensation Committee set the target bonus opportunity for each NEO, other than Mr. Jackson, at 100% of his base salary, as provided in each NEO's employment agreement. Mr. Jackson's target bonus opportunity was set at 75% of his base salary, as provided in his employment agreement. Under the 2016 Plan, 90% of a participant's bonus potential was based solely on the Company's 2016 financial performance, while the remaining 10% was based on a combination of 2016 financial performance and qualitative managerial team performance, as described below.

Specifically, the 2016 Corporate Annual Incentive Plan provided for bonuses based on the following metrics:

Adjusted EBITDA - 70% weighting,

Working Capital as a Percentage of Sales - 20% weighting, and

Discretionary factors - 10% weighting.

The Committee chose Adjusted EBITDA and Working Capital as a Percentage of Sales as the financial performance goals under the 2016 Plan because it believed that these metrics are the most critical in terms of managing the Company's business and measuring its financial and operating performance.

Adjusted EBITDA Metric. The 2016 Plan provides that 70% of our NEOs' bonuses is based on the amount of Adjusted EBITDA earned by the Company for the year as compared to the budgeted target amount of Adjusted EBITDA included in the Company's 2016 Annual Operating Plan ( 2016 AOP or AOP ). Adjusted EBITDA is calculated as earnings before interest, taxes, depreciation, and amortization, as adjusted for other non-recurring and/or non-cash items.

The 2016 Plan provided that no bonuses would be earned under the Adjusted EBITDA component unless the Company achieved more than 70% of its Adjusted EBITDA target included in the 2016 AOP, as set by the Board of Directors.

The following table outlines the scaled bonus payment for this component of the 2016 Plan.

<b>EBITDA (70%)</b>	<b>% of Target Earned</b>
70% of AOP	30%
80% OF AOP	65% (linear)
90% OF AOP	82.5% (linear)
100% OF AOP	100% (linear)
101-150% OF AOP	101-150% (linear)
150%+ of AOP	Maximum 150%

The Committee chose Adjusted EBITDA as the primary financial performance metric under the 2016 Plan because it believes that this criterion provides an effective incentive to maximize financial performance and closely aligns management awards with the financial interests of stockholders.



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The target adjusted EBITDA for 2016 was \$421 million, which was based in part on our expectation of a stronger housing market in 2016 than what actually developed. As noted above, the Company achieved Adjusted EBITDA of \$382 million for fiscal year 2016, a 21.8% increase over pro forma Adjusted EBITDA for 2015, but below the AOP target. As a result of the Company's financial performance, our NEOs earned bonuses under the Adjusted EBITDA component of the 2016 Plan equal to approximately 58.4% of their respective target bonus amounts. Mr. Jackson received a pro-rated adjusted EBITDA bonus. The Adjusted EBITDA-related bonus amounts paid to our NEOs for 2016 are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation table in this Proxy Statement.

**Working Capital Metric.** Working capital is a measurement of the Company's operating liquidity and includes funds invested in accounts receivable, product inventories, and accounts payable. The Committee set the Working Capital as a Percentage of Sales target under the 2016 Plan at 8.45%, because that matched the Company's budgeted working capital target included in the 2016 AOP. If the actual working capital percentage for the year was lower than the target, the bonus payment would increase; if the actual working capital percentage was higher than the target, the bonus payment would decrease. Under the 2016 Plan, the Company had to achieve at least 70% of the 2016 Working Capital target (or a minimum of 12% Working Capital as a Percentage of Sales) to trigger any payment.

The following table outlines the scaled bonus payment for this component of the 2016 Plan, depending on the actual working capital percentage achieved for the year:

<b>Working Capital (20%)</b>	<b>% of Target Earned</b>
70% of AOP	30%
80% OF AOP	65% (linear)
90% OF AOP	82.5% (linear)
100% OF AOP	100% (linear)
101-150% OF AOP	101-150% (linear)
150%+ of AOP	Maximum 150%

The Company achieved an 8.47% Working Capital as a Percentage of Sales result for 2016, just above its budget target. As a result, our NEOs earned 99.56% of their working capital-related bonuses, or an amount equal to 19.9% of their respective target bonus amounts. Mr. Jackson received a pro-rated bonus for this component of the 2016 Plan. The working capital-related bonus amounts paid to our NEOs for 2016 are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation table in this Proxy Statement.

**Discretionary Performance Component.** The Compensation Committee believes that the ability to incentivize individual and team achievement by executives is important to the Company's success. In addition, the Committee believes it is critical to have the ability to offer market competitive compensation and to retain key personnel even if overall financial results don't meet expectations. The discretionary component of the bonus program is intended to provide the Committee with a mechanism to address these needs. For 2016, the Committee determined that our NEOs would be eligible for a maximum discretionary payment of up to 10% of their target bonus amounts. The Committee originally did not include specific performance criteria in the 2016 Plan that would determine the amount of discretionary bonus paid to a participant.

In early 2017, the Committee, in consultation with our CEO, determined to evaluate the 2016 performance of our NEOs and other key managers as a team for purposes of determining discretionary bonuses under the 2016 Plan. The Committee took this approach given the importance of our management group working as a team in order to achieve the Company's financial goals and to successfully integrate the ProBuild acquisition.



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The Committee used the following financial and performance metrics in determining the amount of discretionary bonuses for our NEOs:

Integration Plan/Synergy Performance in 2016 (35% weighting)

Market Share Performance in 2016 (20% weighting)

Financial Leverage Ratio as of December 31, 2016 versus 2016 AOP (less than 5x) (20% weighting)

2016 Corporate Adjusted EBITDA versus 2016 AOP (20% weighting)

2016 Working Capital as a Percentage of Sales versus 2016 AOP (5% weighting)

Based on the level of achievement of these metrics, the Committee decided to award 89.4% of the maximum 10.0% discretionary bonus opportunity (8.94% of target bonus opportunity) for 2016 to our NEOs and other senior officers. The Committee made this decision following its evaluation of the performance of our executive officers and other senior members of the management team based on the metrics outlined above. Each of the executive officers received discretionary bonus payments equal to 8.94% of their 2016 base salary, except that Mr. Jackson received a pro-rated discretionary bonus. The discretionary bonus amounts paid to our NEOs for 2016 are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation table in this Proxy Statement.

As a result of the Company's 2016 financial performance as well as the operational performance of our management team, our NEOs received aggregate bonuses equal to approximately 87.25% of their respective target bonus opportunities under the 2016 Plan.

***Long-Term Equity Incentives***

A key component of our executive compensation program consists of rewards for long-term strategic accomplishments and enhancement of long-term stockholder value through the use of equity-based incentives. We believe that long-term incentive compensation performs an essential role in attracting and retaining talented executives and providing them with incentives to maximize stockholder value. Restricted stock unit awards (RSUs) and stock options have historically been the primary long-term incentive vehicles that we use in our executive compensation program. These award vehicles have been selected by the Compensation Committee due to their retention value and the performance link to our stock price.

In January 2016, the Compensation Committee and the Board approved new RSU awards to key managers, including our NEOs, in order to promote retention and provide incentive to management to maximize the Company's financial performance over an extended period. 50% of the RSU grants vest contingent on the achievement of performance metrics and the other 50% are time-vested, as described below:

***Performance Vesting:*** The performance-based RSUs would vest in full on the third anniversary of the grant date if the following performance goals are achieved:

50% of the performance-based RSUs would vest if the compound annual growth rate of the Company's sales in 2018 compared to its 2015 sales exceeds the compound annual growth rate of total United States single-family housing starts, repair and remodeling sales, and multi-family housing starts (weighted to reflect the Company's 2015 sales mix) in 2018 compared to 2015 (pass-fail).

The other 50% of the performance-based RSUs would vest in the event that the Company's TSR (Total Shareholder Return) exceeds the median TSR of the Company's Peer Group over the three-year period (2016-2018) (pass-fail).

In the event that the Company does not achieve or exceed either of the performance metrics outlined above, none of the RSUs covered by that performance metric would vest.

*Time Vesting:* The time-vested RSUs would vest over three years in equal installments.

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The Compensation Committee chose the above performance metrics for 50% of the RSU grants to each NEO in order to incentivize our executive team to (i) grow the Company's overall market share across the single-family, multi-family, and repair and remodel segments of the building products industry and (ii) ensure that our NEOs' financial interests are aligned with those of our stockholders over an extended period. The Committee determined that the balance of the RSU award to each NEO should be time-vested because it views retention of key management talent as a critical function of our long-term equity incentive program.

The value of the RSU award made to each executive officer for 2016 was as follows:

Floyd Sherman - \$3,300,000

Chad Crow - \$1,350,000

Morris Tolly - \$860,000

Don McAleenan - \$640,000

In determining the value of the RSU award to each executive officer, the Committee considered the market comparison surveys conducted by Veritas. Mr. Sherman's RSU award was set below the median of the market at his request. Mr. Crow's RSU award was set above the third quartile for the reasons discussed above. Mr. Tolly's and Mr. McAleenan's RSU awards were set at approximately the median of the market. The Committee also granted an RSU award to Mr. Jackson upon his joining the Company. The terms and reasons for that award are discussed below.

The RSU awards granted to our NEOs in 2016 are reflected in the "2016 Grants of Plan-Based Awards" table later in this Proxy Statement.

### ***Employment Agreement with New Chief Financial Officer***

In November 2016, the Company announced the appointment of Peter M. Jackson as the Company's Senior Vice President and Chief Financial Officer. Pursuant to the terms of Mr. Jackson's employment agreement, Mr. Jackson will receive an annual salary of \$425,000, will be eligible for an annual bonus with a target payout of 75% of his base salary, and will receive an annual long-term equity incentive with a value of \$425,000. In addition, the Committee granted Mr. Jackson an initial equity grant of RSUs valued at \$350,000. Such RSUs vest in full on the first anniversary of Mr. Jackson's employment date, assuming he remains employed with the Company. The employment agreement also provides that Mr. Jackson will receive cash payments of \$200,000 within 30 days of his start date and \$150,000 six months after his start date, subject in each case to a 100% claw-back should he voluntarily leave the Company or be terminated for cause prior to the first anniversary of his start date. The initial equity grant and cash payments outlined above were made to compensate Mr. Jackson for the cash bonus and equity compensation that Mr. Jackson forfeited upon leaving his former employer to join the Company.

### ***Executive Benefits and Perquisites***

The Company seeks to maintain an egalitarian culture in its facilities and operations. The Company does not provide its officers with parking spaces, separate dining facilities, or country club memberships. Company-provided air travel

for officers is for business purposes only and is provided primarily by commercial air carriers, with limited use of private charters. The Company's health care, insurance, 401(k) plan, and other welfare and employee-benefit programs are the same for all eligible employees, including the NEOs, except that employees making over \$100,000 annually make higher monthly contributions for their health insurance benefits.

The Company offers no perquisites to our executives, including the named executive officers. The Committee eliminated auto allowances for our executive officers in early 2017. Our executives are eligible to receive the same benefits as all other employees. The auto allowances and other benefits provided to three of our named executive officers during 2016 are set forth in the All Other Compensation column of the Summary Compensation Table later in this Proxy Statement.

***Post-Termination Compensation***

The Board believes that severance benefits are necessary in order to attract and retain the caliber and quality of executive that the Company needs in its most senior positions.

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The Company has entered into employment agreements with Messrs. Sherman, Crow, Tolly, Jackson, and McAleenan. The terms of these agreements are described under the caption *Employment Agreements* later in this Proxy Statement. These agreements provide the Company with protection in the form of restrictive covenants, including non-competition, non-solicitation, and confidentiality covenants. The Board considered the advisability of using employment agreements with its executive officers and determined that they are in the best interests of the Company insofar as they permit the Company to achieve its goals of attracting and retaining the best possible executive talent while obtaining post-employment non-competition and non-solicitation covenants from executive officers.

Under the terms of their employment agreements, Messrs. Sherman, Crow, Tolly, Jackson, and McAleenan are entitled to certain severance benefits in the event their employment is terminated by the Company without cause or by the NEO under certain circumstances, as described in the employment agreements. These severance benefits include salary continuation for a period of one year (for Messrs. Crow, Tolly, Jackson, and McAleenan) or up to two years (for Mr. Sherman, depending on termination date and the expiration date of the then-current term of his agreement), continuation of health and welfare benefits during this period, and a payment equal to the average annual bonus amount paid to the executive for the prior two fiscal years (for Messrs. Crow, Tolly, Jackson, and McAleenan). These severance benefits are described under the caption *Potential Payments Upon Termination or Change in Control* later in this Proxy Statement.

### ***Retirement / Post-Employment Benefits***

The Company does not provide any retirement programs or benefits to its NEOs other than its 401(k) program, which is available to all employees. This is consistent with our emphasis on direct compensation and our philosophy of maintaining an egalitarian culture.

### ***Tax Deductibility Policy***

The Board of Directors has carefully considered the implications of Section 162(m) of the Internal Revenue Code. The Board of Directors believes tax deductibility of compensation is an important consideration. Accordingly, the Board of Directors, where possible and considered appropriate, strives to preserve corporate tax deductions, including the deductibility of compensation to NEOs.

The Board of Directors also reserves flexibility, where it is deemed necessary and in the best interests of the Company and its stockholders to continue to attract and retain the best possible executive talent, to approve compensation arrangements that are not necessarily fully tax deductible to the Company. In this regard, certain portions of compensation paid to the NEOs may not be deductible for federal income tax purposes under Section 162(m). The Board of Directors will continue to review the Company's executive compensation practices to determine which elements of executive compensation qualify as performance-based compensation under the Code.

### ***Compensation Committee Report***

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with management. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and the Corporation's Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC.

***Submitted by the Compensation Committee:***

Cleveland A. Christophe (Chairman)

Brett Milgrim

Robert C. Griffin



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The following table sets forth the cash and other compensation that we paid to our NEOs, or that was otherwise earned by our NEOs, for their services in all capacities during 2016, 2015, and 2014.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Award (\$)(2)	Non-Equity	All	Total (\$)
						Incentive Plan Compensation (\$)(3)	Other Compensation (\$)(4)	
Floyd F. Sherman, Chief Executive Officer	2016	912,500		3,049,370		852,257	12,260	4,826,387
	2015	800,000	250,000(5)			615,109	12,500	1,677,609
	2014	752,885		1,399,081	921,886	520,946	12,500	3,607,298
Peter M. Jackson, Senior Vice President and Chief Financial Officer	2016	40,865(6)	200,000(7)	349,998		37,567(8)		628,430
M. Chad Crow, President and Chief Operating Officer(9)	2016	625,000		1,247,470		568,172	14,910	2,455,552
	2015	600,000	250,000(5)	476,250	315,143	461,332	14,090	2,116,815
	2014	451,923		1,170,804	917,088	276,753	13,671	2,830,239
Morris E. Tolly, Senior Vice President - Operations	2016	484,586		794,684		437,055	2,650	1,718,975
	2015	475,194	100,000(5)			368,358	1,590	945,142
	2014	465,000		1,170,804	771,469	302,800	1,502	2,711,575
Donald F. McAleenan, Senior Vice President and General Counsel	2016	415,481		591,388		375,867	14,910	1,397,646
	2015	405,000	250,000(5)			311,399	14,090	980,489
	2014	405,000		702,180	550,016	263,729	14,060	1,934,985

- (1) Reflects the aggregate grant date fair value of restricted stock unit awards, which for 2016 included both time-based vesting and performance-based vesting RSUs. The fair value of these awards was determined in accordance with the Compensation – Stock Compensation topic of the Financial Accounting Standards Board Accounting Standards Codification. The grant date fair value of (a) RSUs vesting if the growth in the Corporation's sales exceeds the growth of an industry-based index and (b) time-based vesting RSUs was equal to the closing price of our Common Stock on the grant date. The grant date fair value of the RSUs vesting if the total shareholder return on the Corporation's stock exceeds the total shareholder return of the Corporation's peer group was determined using the Monte Carlo simulation model, which is based on a number of factors. If the grant date fair value of all the RSUs had been based on the closing price of our Common Stock on the grant date, without any adjustment for probability of vesting, the value of the total RSU grants for Messrs. Sherman, Crow, Tolly, and McAleenan would have been \$3,299,996, \$1,349,997, \$859,996, and \$639,993, respectively. The weighted average assumptions used in determining the grant date fair value of these awards are set forth in Note 2, Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016.
- (2) Reflects the aggregate grant date fair value of stock option awards. The fair value of these awards was determined in accordance with the Compensation – Stock Compensation topic of the Financial Accounting Standards Board Accounting Standards Codification. The grant date fair value of these awards is based on the Black-Scholes

valuation of stock options granted, which in turn is based on a number of factors, including the value of our Common Stock on the grant date. The calculation was based on a six year expected option life for Messrs. Crow and McAleenan and a five year expected option life for Messrs. Sherman and Tolly. The weighted average assumptions used in determining the grant date fair value of these awards are set forth in Note 2, Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016.

- (3) Reflects cash incentive awards earned under the 2016 Corporate Annual Incentive Plan. For information regarding our 2016 Corporate Annual Incentive Plan, see the discussion in the Compensation Discussion and Analysis section above.

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(4) Amounts include the following:

*Employer Contributions to 401(k) Plan.* Each of Messrs. Crow, Tolly, and McAleenan received a 10% match for their contributions up to 6% of their annual compensation in 2014 and 2015 and a 25% match for their contributions up to 4% of their annual compensation in 2016, subject to a maximum match pursuant to Internal Revenue Service regulations.

*Auto Allowance.* Messrs. Sherman, Crow, and McAleenan each received a car allowance in 2014, 2015, and 2016. We value auto allowances based on the actual payments made to the executives. Auto allowances for the NEOs were discontinued in early 2017.

- (5) Reflects discretionary cash bonus in connection with the integration of ProBuild Holdings LLC and the resulting operational synergies and cost savings achieved.
- (6) Mr. Jackson started with the Corporation on November 14, 2016.
- (7) Mr. Jackson received a \$200,000 signing bonus in 2016. That bonus is subject to a 100% clawback provision if he leaves the Corporation voluntarily or is fired for cause prior to the first anniversary of his start date.
- (8) Mr. Jackson's 2016 bonus was pro-rated based on his start date of November 14, 2016.
- (9) Mr. Crow also served as the Corporation's Chief Financial Officer until November 14, 2016, when Mr. Jackson joined the Corporation as its new Chief Financial Officer.

**Table of Contents****2016 Grants of Plan-Based Awards**

The following table below sets forth the individual grants of plan-based awards made to each of our NEOs during 2016.

Name	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number	Grant Date	Fair Value
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Units (#)	of Stock and Option Awards (\$)(3)	
Floyd F. Sherman			58,500	975,000	1,413,750						
	1/4/16	12/22/15						148,783(4)		1,650,003	
	1/4/16	12/22/15					148,782			1,399,367	
Peter M. Jackson(5)			2,463	41,045	59,515						
	11/14/16	10/26/16						33,686(6)		349,998	
M. Chad Crow			39,000	650,000	942,500						
	1/4/16	12/22/15						60,867(4)		675,015	
	1/4/16	12/22/15					60,864			572,455	
Morris E. Tolly			30,000	500,000	725,000						
	1/4/16	12/22/15						38,775(4)		430,015	
	1/4/16	12/22/15					38,772			364,669	
Donald F. McAleenan			25,800	430,000	623,500						
	1/4/16	12/22/15						28,855(4)		320,002	
	1/4/16	12/22/15					28,854			271,386	

(1) Represents threshold, target, and maximum payout levels for 2016 performance under the 2016 Corporate Annual Incentive Plan, which was established under the 2014 Incentive Plan. The threshold amount represents the minimum amount that could be paid under the working capital metric of the 2016 Corporate Annual Incentive Plan. For more information regarding the 2016 Corporate Annual Incentive Plan, see the discussion in the Compensation Discussion and Analysis section above.

(2)

Reflects awards of performance-based vesting RSUs under the 2014 Incentive Plan. Half of each award vests on January 3, 2019 if the Corporation's total shareholder return between January 1, 2016 and December 31, 2018 exceeds the median total shareholder return of its comparative peer group over that same period. The other half of each award vests on January 3, 2019 if the growth rate in the Corporation's sales in 2018 compared to its 2015 sales (including ProBuild) exceeds a composite measure of industry growth based on the increase in single family starts (65% weighting), residential starts (10% weighting), and repair and remodeling sales (25% weighting) in the United States in 2018 compared to 2015. There are no threshold or maximum payout amounts. For more information regarding the performance-based RSUs, see the discussion under "Long-Term Equity Incentives" in the Compensation Discussion and Analysis section above.

- (3) Reflects the aggregate grant date fair value of restricted stock unit awards granted in 2016. The fair value of these awards was determined in accordance with the Compensation - Stock Compensation topic of the Financial Accounting Standards Board Accounting Standards Codification. The grant date fair value of (a) RSUs vesting if the growth in the Corporation's sales exceeds the growth of an industry-based index and (b) time-based vesting RSUs was equal to the closing price of our Common Stock on the grant date. The grant date fair value of the RSUs vesting if the total shareholder return on the Corporation's stock exceeds the total shareholder return of the Corporation's peer group was determined using the Monte Carlo simulation model, which is based on a number of factors. The weighted average assumptions used in determining the grant date fair value of these awards are set forth in Note 2, "Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016.
- (4) Reflects awards of time-based vesting RSUs under the 2014 Incentive Plan. Each award vests in three equal annual installments on each of January 3, 2017, 2018, and 2019.
- (5) Pursuant to his Employment Agreement, Mr. Jackson received a pro-rated bonus under the 2016 Corporate Annual Incentive Plan based on his start date of November 14, 2016. The minimum, target, and maximum bonus amounts have been pro-rated accordingly.
- (6) Reflects award of time-based vesting RSUs under the 2014 Incentive Plan. The RSUs vest in full on November 14, 2017.

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**Table of Contents****Employment Agreements**

We have employment agreements with Messrs. Sherman, Crow, Tolly, McAleenan, and Jackson that include the terms described below. Additional information regarding the severance benefits provided under the employment agreements may be found under Potential Payments Upon Termination or Change in Control.

*Mr. Sherman.* Mr. Sherman's employment agreement was entered into on September 1, 2001 and amended on June 1, 2005 and October 29, 2008. His agreement has a two-year term, with automatic renewals each year commencing on the first anniversary of the effective date of the employment agreement, unless either party provides at least 90 days notice of non-renewal. Mr. Sherman's base salary was \$800,000 at the start of the year and was increased to \$975,000 effective as of March 26, 2016. Mr. Sherman's employment agreement also provides that he will be eligible for an annual cash incentive bonus of up to 133% of his base salary, as determined by the Board of Directors. The Board of Directors may increase the amount of Mr. Sherman's bonus if it deems such an increase appropriate. Pursuant to his employment agreement, Mr. Sherman is entitled to fully participate in all (i) health and dental benefits and insurance programs, (ii) life and short- and long-term disability benefits and insurance programs, and (iii) defined contribution and equity compensation programs, all as available to senior executive officers of the Corporation generally.

*Messrs. Crow, Tolly, McAleenan, and Jackson.* The employment agreements with Messrs. Tolly and McAleenan were entered into on January 15, 2004 and amended on October 29, 2008. The employment agreement with Mr. Crow was entered into on February 23, 2010. Mr. Jackson entered into his employment agreement on November 14, 2016. Each of these agreements has a one-year term, with automatic one-year renewals commencing on the first anniversary of the effective date of the employment agreement, unless either party provides at least 90 days notice of non-renewal. For 2016, the base salaries of Messrs. Crow, Tolly, and McAleenan were \$600,000, \$465,000, and \$405,000, respectively, at the start of the year and were increased to \$650,000, \$500,000, and \$430,000, respectively, effective as of March 26, 2016. Mr. Jackson's base salary is \$425,000. The employment agreements provide for the payment of an annual cash incentive bonus with a minimum target of 100% of base salary for each of Messrs. Crow, Tolly, and McAleenan and 75% of base salary for Mr. Jackson. The employment agreements also provide that the executives are entitled to fully participate in all (i) health and dental benefits and insurance programs, (ii) life and short- and long-term disability benefits and insurance programs, and (iii) defined contribution and equity compensation programs, all as available to senior executive officers of the Corporation generally. Mr. Jackson's agreement also provides that (i) he will receive a sign on bonus of \$350,000, payable in two installments during the first six months of his employment, (ii) he will receive equity compensation during each fiscal year beginning in 2017 that has a grant date fair market value of approximately \$425,000, and (iii) his 2016 annual cash bonus shall be pro-rated based on his start date.

Mr. Jackson also entered into an offer letter dated October 14, 2016, the terms of which were substantially incorporated into his employment agreement, that additionally provided that he would receive a grant of restricted stock units with a grant date value of \$350,000 at the start of his employment. These restricted stock units vest in full on November 14, 2017.

**Table of Contents****2016 Outstanding Equity Awards at Year-End**

The following table provides information concerning equity awards that are outstanding as of December 31, 2016 for each of our NEOs.

Name	Option Awards				Stock Awards			Equity Incentive Plan Awards:
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)	Shares, Units or Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)(1)
Floyd F. Sherman	93,024(2)	93,024(2)	7.67	2/11/24	93,024(3) 148,783(4)	1,020,473 1,632,150	148,782(5)	1,632,139
Peter M. Jackson					33,686(6)	369,535		
M. Chad Crow	12,750(7) 77,846(2) 18,750(8)	77,846(2) 56,250(8)	3.19 7.67 6.35	2/3/20 2/11/24 2/11/25	77,846(3) 56,250(9) 60,867(4)	853,971 617,063 667,711	60,864(5)	667,678
Morris E. Tolly	14,600(10) 53,600(11) 100,000(7) 77,846(2)	77,846(2)	6.70 7.15 3.19 7.67	2/26/18 5/22/18 2/3/20 2/11/24	77,846(3) 38,775(4)	853,971 425,362	38,772(5)	425,329
	166,714(12)		3.15	1/16/22				

Donald F.  
McAleenan

46,295(13)		3.15	2/27/24				
194,043(7)		3.19	2/3/20				
23,343(2)	46,689(2)	7.67	2/11/24				
				46,689(3)	512,178		
				28,855(4)	316,539		
						28,854(5)	316,528

- (1) Reflects the value as calculated using the closing market price of our Common Stock as of December 31, 2016 (\$10.97).
- (2) Stock options awarded to the executive on February 11, 2014 under the 2007 Incentive Plan. The options vest in four equal tranches on each of February 11, 2015, 2016, 2017, and 2018.
- (3) Restricted stock units awarded to the executive on June 16, 2014 under the 2014 Incentive Plan. The restricted stock units vest in four equal tranches on each of February 11, 2015, 2016, 2017, and 2018. Each restricted stock unit converts into one share of common stock upon vesting.
- (4) Restricted stock units awarded to the executive on January 4, 2016 under the 2014 Incentive Plan. The restricted stock units vest in three equal annual installments on each of January 3, 2017, 2018, and 2019.
- (5) Restricted stock units awarded to the executive on January 4, 2016 under the 2014 Incentive Plan. One half of each award vests on January 3, 2019 if the Corporation's total shareholder return between January 1, 2016 and December 31, 2018 exceeds the median total shareholder return of its comparative peer group over that same period. The other half of each award vests on January 3, 2019 if the growth rate in the Corporation's sales in 2018 compared to its 2015 sales (including ProBuild) exceeds a composite measure of industry growth based on the increase in single family starts (65% weighting), residential starts (10% weighting), and repair and remodeling sales (25% weighting) in the United States in 2018 compared to 2015.



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- (6) Restricted stock units awarded to the executive on November 14, 2016 under the 2014 Incentive Plan. The restricted stock units vest in full on November 14, 2017. Each restricted stock unit converts into one share of common stock upon vesting.
- (7) Stock options awarded to the executive on February 3, 2010 under the 2007 Incentive Plan. The options vested in three equal tranches on February 3, 2012, 2013, and 2014.
- (8) Stock options awarded to the executive on February 11, 2015 under the 2014 Incentive Plan. The options vest in four equal tranches on each of February 11, 2016, 2017, 2018, and 2019.
- (9) Restricted stock units awarded to the executive on February 11, 2015 under the 2014 Incentive Plan. The restricted stock units vest in four equal tranches on each of February 11, 2016, 2017, 2018, and 2019. Each restricted stock unit converts into one share of common stock upon vesting.
- (10) Stock options awarded to the executive on February 26, 2008 under the 2007 Incentive Plan. The options vested in three equal tranches on each of February 26, 2009, 2010, and 2011.
- (11) Stock options awarded to the executive on May 22, 2008 under the 2005 Equity Incentive Plan. The options vested in three equal tranches on each of February 26, 2009, 2010, and 2011. These options were received in exchange for the cancellation of pre-existing options pursuant to an exchange offer approved by the stockholders at the 2008 annual meeting.
- (12) Stock options awarded to the executive on January 16, 2002 under the 1998 Stock Incentive Plan. The options were 20% vested on the date of grant and an additional 20% vested on each of September 1, 2002, 2003, 2004, and 2005.
- (13) Stock options awarded to the executive on March 1, 2004 under the 1998 Stock Incentive Plan. The options vested based on the Corporation achieving specified performance targets as follows: (i) one-sixth on December 31, 2004, based on performance targets for 2004, (ii) one-sixth on December 31, 2005, based on performance targets for 2005, (iii) one-sixth on December 31, 2006, based on performance targets for 2006, and (iv) one-half on December 31, 2006, based on performance targets for the three-year period including 2004, 2005, and 2006.

**2016 Option Exercises and Stock Vested**

The following table provides information regarding the vesting of restricted stock awards and the exercise of stock options held by our NEOs in 2016.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
	(#)	\$(1)	(#)	\$(2)
Floyd F. Sherman	760,753	5,864,088	46,512	306,514
M. Chad Crow	117,250	1,030,091	57,673	380,065
Morris E. Tolly	50,000	462,220	38,923	256,503
Donald F. McAleenan	70,000	658,378	23,343	153,830

- (1) Reflects the value as calculated by the difference between the market price of our Common Stock at the time of the exercise and the exercise price of the stock options, multiplied by the number of options exercised.
- (2) Reflects the value as calculated by multiplying the number of shares of stock by the closing market price of our Common Stock on the date of vesting.



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**Potential Payments Upon Termination or Change in Control**

As described above in Employment Agreements, we entered into employment agreements with our NEOs, which, among other things, provide benefits to them in the event of a termination of employment under certain circumstances.

***Mr. Sherman's Agreement***

Termination by the Corporation Without Cause. Mr. Sherman's employment agreement provides that if he is terminated by the Corporation without cause (as defined in the employment agreement) he will be entitled to payment of his annual base salary and health and welfare benefits for the remainder of the term of the employment agreement.

Termination by Reason of Executive's Death or Disability. The agreement also provides that, upon Mr. Sherman's termination of employment by reason of his death or disability, Mr. Sherman (or his beneficiaries) will be entitled to continuation of his base salary and health benefits for one year after his date of termination. In the event of Mr. Sherman's disability, this amount will be reduced by the proceeds of any short- and/or long-term disability payments he receives under the Corporation's plans.

Restrictive Covenants. During his employment with the Corporation and for one year thereafter, Mr. Sherman may not disclose confidential information and may not directly or indirectly compete with the Corporation. In addition, Mr. Sherman may not solicit or hire any employees of the Corporation or any of its subsidiaries during his employment with the Corporation and for two years thereafter.

***Agreements with Messrs. Crow, Tolly, McAleenan, and Jackson***

Termination by the Corporation Without Cause; Certain Terminations by the Executive; Non-Renewal of Employment Agreement; Mutual Consent to Termination. Under each of these employment agreements, in the event that (i) the executive's employment is terminated by us without cause (as defined in the employment agreement), (ii) the executive terminates his employment because of a material adverse diminution in job title or responsibilities or a relocation of his principal place of employment more than 100 miles from its current location without his consent, (iii) we notify the executive of our intent not to renew the employment agreement and the executive delivers a notice of resignation (as defined in the employment agreement) within 90 days of receipt of the notice of non-renewal, or (iv) the executive's employment is terminated by mutual consent and the parties enter into an agreement whereby the executive agrees to be bound by the post-termination restrictive covenants in the agreement (described below), the executive will be entitled to continuation of his base salary and health benefits for one year after the date of termination plus payment of an amount equal to his average bonus compensation (defined in the employment agreements as an amount equal to the average of the annual bonus amounts earned by the executive under the Corporation's annual incentive plan during the two most recent fiscal years ended prior to the executive's date of termination).

Termination by Reason of Executive's Death or Disability. The employment agreements also provide that, upon the executive's termination of employment by reason of his death or disability, the executive (or his beneficiaries) will be entitled to continuation of his base salary and health benefits for one year after the date of termination. In the event of executive's disability, this amount will be reduced by the proceeds of any short- and/or long-term disability payments the executive receives under the Corporation's plans.

Restrictive Covenants. During the executive's employment with us and for one year thereafter, the executive may not disclose confidential information and may not directly or indirectly compete with the Corporation. In addition, the executive may not solicit or hire any employees of the Corporation or any of its subsidiaries during his employment with us and for two years thereafter.



**Table of Contents****Summary of Termination Payments and Benefits**

The following table summarizes the value of the termination payments and benefits that our NEOs would receive if they had terminated employment on December 31, 2016 under the circumstances shown. The amounts shown in the table exclude distributions under our 401(k) retirement plan and any additional benefits that are generally available to all of our salaried employees.

	Mr. Sherman	Mr. Jackson	Mr. Crow	Mr. Tolly	Mr. McAleenan
<b>Reason for Termination:</b>					
<b>By Corporation Without Cause; Certain Terminations by the Executive; Non-Renewal of Employment Agreement; Mutual Consent to Termination(1)</b>					
Cash Severance(2)	\$ 1,624,110	\$ 443,784	\$ 1,164,752	\$ 902,707	\$ 773,633
Health and Welfare Continuation(3)	28,628	12,451	12,591	11,116	14,600
<b>Total Estimated Value of Payments and Benefits(4)</b>	<b>\$ 1,652,738</b>	<b>\$ 456,235</b>	<b>\$ 1,177,343</b>	<b>\$ 913,823</b>	<b>\$ 788,233</b>
<b>Death or Disability(5)</b>					
Cash Severance(6)	\$ 975,000	\$ 425,000	\$ 650,000	\$ 500,000	\$ 430,000
Health and Welfare Continuation(7)	17,186	12,451	12,591	11,116	14,600
<b>Total Estimated Value of Payments and Benefits(4)</b>	<b>\$ 992,186</b>	<b>\$ 437,451</b>	<b>\$ 662,591</b>	<b>\$ 511,116</b>	<b>\$ 444,600</b>

- (1) Mr. Sherman will only receive these benefits upon a termination of his employment by the Corporation without cause. In the case of a termination by mutual consent of a named executive officer with an employment agreement (other than Mr. Sherman), the officer must agree to be bound by certain post-termination restrictive covenants in order to be eligible to receive these benefits.
- (2) For Mr. Sherman, includes the dollar value of continuation of his annual base salary for the remainder of the term of the employment agreement (one year and eight months). For Messrs. Crow, Tolly, McAleenan, and Jackson, includes the dollar value of continuation of the executive's then-current base salary for a period of one year and a lump sum payment equal to his average bonus compensation (defined in the employment agreements as an amount equal to the average of the annual bonus amounts earned by the executive under the Corporation's annual incentive plan during the two most recent fiscal years ended prior to the executive's date of termination).
- (3) For Mr. Sherman, the dollar value represents the cost of providing continued health and welfare benefits to the executive for the remainder of the term of the employment agreement (one year and eight months). For Messrs. Crow, Tolly, McAleenan, and Jackson, the dollar value represents the cost of providing continued health and welfare benefits to the executive for one year after his date of termination of employment.
- (4) Payments of cash severance under these agreements will be made in accordance with the Corporation's regular payroll practices. However, to the extent any amount or benefit would constitute non-exempt deferred

compensation for purposes of Section 409A of the Internal Revenue Code of 1986, as amended, (i) the payment of such amount or benefit shall only be in connection with an event that constitutes a Section 409A-compliant separation from service and (ii) if the amount or benefit would otherwise be payable or distributable during a period in which the executive is a specified employee (as defined in Code Section 409A and the final regulations thereunder), then the executive's right to receive such payment or distribution will be delayed until the earlier of the executive's death or the first day of the seventh month following the executive's separation of service.

- (5) Does not include the dollar value of potential short-term and/or long-term disability payments.
- (6) For Messrs. Sherman, Crow, Tolly, McAleenan, and Jackson, includes the dollar value of continuation of the executive's then-current base salary for a period of one year. In the case of disability, this amount shall be reduced by the proceeds of any short- and/or long-term disability payments.
- (7) For Messrs. Sherman, Crow, Tolly, McAleenan, and Jackson, the dollar value represents the cost of providing continued health and welfare benefits to the executive for one year after his date of termination of employment.

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**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During 2016, the Compensation Committee consisted of Messrs. Christophe, Milgrim, and Griffin. No member of the Compensation Committee was an officer or employee of Builders FirstSource or any of its subsidiaries during the last fiscal year or at any other time. None of the members of the Compensation Committee had any relationship with the Corporation during the last fiscal year that would require disclosure under Item 404 of Regulation S-K. No executive officer of the Corporation served as a member of the board of directors or compensation committee of another entity, one of whose executive officers served on the Compensation Committee or the Board of Builders FirstSource.

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

The Corporation's Code of Business Conduct and Ethics and its Supplemental Code of Ethics, both of which are in writing, provide guidelines for identifying, reviewing, approving, and ratifying related party transactions. Related party transactions include those transactions that create an actual, apparent, or potential conflict of interest. Related party transactions involving the Corporation's Chief Executive Officer, President, Chief Financial Officer, or Controller (or persons forming similar functions, including our Chief Accounting Officer) must be submitted to the General Counsel for review. If the General Counsel determines that an actual or apparent conflict of interest exists, the transaction must be submitted to the Audit Committee for approval. The directors and executive officers, as well as all other employees of the Corporation, must obtain a waiver for any activity that violates the Corporation's Code of Business Conduct and Ethics. The Corporation's Compliance Committee, which is made up of representatives from our Finance, Legal, Human Resources, and Internal Audit Departments, is responsible for the administration of the Code of Business Conduct and Ethics. However, only the Audit Committee may waive any violation of this code by directors or executive officers.

The Corporation's By-laws provide that no contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other entity in which one or more of its directors or officers are directors or officers or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board or committee thereof that authorizes the contract or transaction, or solely because any such director's or officer's vote is counted for such purpose if: (i) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum, (ii) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders, or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved, or ratified by the Board, a committee thereof, or the stockholders.

In the ordinary course of business and on terms no less favorable to us than we could obtain from unaffiliated third parties, in 2016 we purchased \$11.4 million in windows and related products from PGT, Inc., through its wholly-owned subsidiary, PGT Industries, Inc. From January 1, 2017 through February 28, 2017, we purchased \$1.8 million in windows and related products from PGT Industries, Inc. Our Chief Executive Officer and Director, Floyd F. Sherman, and our Director, Brett N. Milgrim, are directors of PGT, Inc. We will most likely continue such purchases in the foreseeable future.

Pursuant to a registration rights agreement we entered into on January 21, 2010 (the "Registration Rights Agreement"), we granted JLL Partners Fund V, L.P. ( "JLL Fund V") and Warburg Pincus Private Equity IX, L.P. ( "Warburg") the right (i) to cause us, in certain instances, at our expense, to file registration statements under the Securities Act of 1933, as

amended, covering sales of our common stock held by them or their affiliates and (ii) to piggyback on registration statements filed by us in certain circumstances. The Registration Rights Agreement also requires us to indemnify JLL Fund V and Warburg and their affiliates in connection with such registrations of our securities. On May 20, 2016, we filed a prospectus supplement regarding all of the remaining shares owned by Warburg that were covered by the Registration Rights Agreement. On March 6, 2017, we filed a prospectus supplement regarding certain shares owned by an affiliate of JLL Fund V that were covered by the Registration Rights Agreement. The Corporation continues to have obligations with regard to the registration of the remaining JLL Fund V shares covered by the currently outstanding registration statement.



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**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee serves an independent oversight role by consulting with and providing guidance to management and the external auditors on matters such as accounting, audits, compliance, controls, disclosure, finance, and risk management. The Board of Directors affirmatively determined that all Audit Committee members are financially literate and possess financial sophistication as defined by the Nasdaq Rules. The Board of Directors designated the Chairman of the Audit Committee, Robert C. Griffin, and committee members Craig A. Steinke and Kevin J. Kruse as audit committee financial experts under the SEC's guidelines.

The Audit Committee's purposes and responsibilities are described in its charter, available on the Governance section of the Corporation's website. They include overseeing the integrity of the Corporation's financial statements and financial reporting processes, overseeing compliance with legal and regulatory requirements, reviewing the external auditors' qualifications and independence (including auditor rotation), and reviewing the performance of the Corporation's internal audit function. The Audit Committee members do not act as accountants or auditors for the Corporation. Management is responsible for the Corporation's financial statements and the financial reporting process, including the implementation and maintenance of effective internal control over financial reporting and the assessment of, and reporting on, the effectiveness of internal control over financial reporting.

In this context, the Audit Committee has reviewed and discussed, with management and the external auditors, the Corporation's audited financial statements for the year ended December 31, 2016. The Audit Committee has discussed with the external auditors the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board (PCAOB). In addition, the Audit Committee has received from the external auditors the written disclosures and the letter required by the applicable requirements of the PCAOB and has discussed with them their independence from the Corporation and its management. The Audit Committee has considered whether the external auditors' provision of non-audit services to the Corporation is compatible with the auditors' independence.

Following the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board approved, that the audited financial statements be included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2016 for filing with the SEC.

***Submitted by the Audit Committee:***

Robert C. Griffin (Chairman)  
Craig A. Steinke  
Kevin J. Kruse

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**Table of Contents****EXECUTIVE OFFICERS OF THE REGISTRANT**

The executive officers of Builders FirstSource and their ages (as of April 13, 2017) are as follows:

Floyd F. Sherman, Chief Executive Officer and Director, age 77. Mr. Sherman has been our Chief Executive Officer and a director since 2001, when he joined the Corporation. He also served as President of the Corporation from 2001 until October 2006 and from February 2008 to November 2014. Prior to joining the Corporation, Mr. Sherman spent 25 years at Triangle Pacific Corp., the last nine of which were as Chairman and Chief Executive Officer, and three years at Armstrong World Industries, where he served as Chief Executive Officer of the Triangle Pacific Wood Products Group. Mr. Sherman is currently a director of PGT, Inc. Mr. Sherman has over 50 years of experience in the building products industry. A native of Kerhonkson, New York and a veteran of the U.S. Army, Mr. Sherman is a graduate of the New York State College of Forestry at Syracuse University. He also holds an M.B.A. degree from Georgia State University.

M. Chad Crow, President and Chief Operating Officer, age 48. Mr. Crow joined the Corporation in September 1999 as Assistant Controller. He served as Vice President – Controller of the Corporation from May 2000 and was promoted to Senior Vice President and Chief Financial Officer in November 2009. In November 2014, he was appointed to the position of President and Chief Operating Officer, while continuing as Chief Financial Officer. Mr. Crow continued in his position as President and Chief Operating Officer when Mr. Jackson joined the Company as Senior Vice President and Chief Financial Officer in November 2016. Prior to joining the Corporation, Mr. Crow served in a variety of positions at Pier One Imports. Mr. Crow also has five years of public accounting experience with Price Waterhouse LLP. Mr. Crow is a C.P.A. and received his B.B.A. degree from Texas Tech University.

Morris E. Tolly, Senior Vice President - Operations, age 74. Mr. Tolly has served as Senior Vice President - Operations of the Corporation since January 2007. He has been with the Corporation since 1998, when the Corporation acquired Pelican Companies, Inc. ( Pelican ), and has over 40 years of experience in the building products industry. Mr. Tolly served in a myriad of roles at Pelican, including sales, Sales Manager, and General Manager. Mr. Tolly was an Area Vice President responsible for 12 locations at the time of Pelican's acquisition. In 2000, he was promoted to President - Southeast Group with responsibility for 48 locations.

Donald F. McAleenan, Senior Vice President and General Counsel, age 62. Mr. McAleenan has served as Senior Vice President and General Counsel of the Corporation since 1998. Prior to joining the Corporation, Mr. McAleenan served as Vice President and Deputy General Counsel of Fibreboard Corporation from 1992 to 1997. Mr. McAleenan was also Assistant General Counsel of AT&E Corporation and spent nine years as a securities lawyer at two New York City law firms. Mr. McAleenan has a B.S. from Georgetown University and a J.D. from New York University Law School.

Peter M. Jackson, Senior Vice President and Chief Financial Officer, age 45. Mr. Jackson joined the Company on November 4, 2016 as Senior Vice President and Chief Financial Officer. Prior to joining the Company, Mr. Jackson was employed by Lennox International, Inc. ( Lennox ), a publicly-traded corporation with revenues in excess of \$3.0 billion that manufactures and markets a broad range of heating, ventilation, air conditioning, and refrigeration products. Since July 2014, Mr. Jackson had served as Vice President and Chief Financial Officer of Lennox's Refrigeration Segment, leading finance operations for a \$1.0 billion segment of Lennox that had eight businesses and operations on five continents. From March 2013 to June 2014, he was Vice President, Finance - Financial Planning and Analysis and Mergers and Acquisitions for Lennox, heading the financial planning and forecasting and strategic analysis of inorganic growth opportunities functions. He also served as Vice President and Chief Financial Officer of Lennox's Residential Heating and Cooling Segment from 2007 until 2013, leading the finance function for a \$1.4 billion segment of Lennox that operated three businesses. Before joining Lennox, Mr. Jackson served in multiple

financial leadership positions at SPX Corporation, General Electric, and Gerber Scientific. Mr. Jackson is a certified public accountant and a graduate of General Electric's Experienced Financial Leadership program. He holds an M.B.A. degree from Rensselaer Polytechnic Institute and a B.S. from Bryant University.

Table of Contents**OWNERSHIP OF SECURITIES****Securities Owned by Directors, Executive Officers, and Certain Beneficial Owners**

The following table sets forth certain information regarding the beneficial ownership, as of March 31, 2017, of our Common Stock by (i) each person known to us (based upon their Schedule 13D and 13G filings with the SEC) to hold greater than 5% of the total number of outstanding shares and (ii) each current director or named executive officer and all the current directors (including director nominees) and executive officers as a group. The number of shares beneficially owned by each person or group as of March 31, 2017 includes shares of Common Stock that such person or group had the right to acquire on or within 60 days after March 31, 2017, including upon the exercise of options and conversion of restricted stock units. All such information is estimated and subject to change. Each outstanding share of Common Stock entitles its holder to one vote on all matters submitted to a vote of our stockholders.

Ownership of our Common Stock is shown in terms of beneficial ownership. Amounts and percentages of Common Stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of such security, or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which he or she has a right to acquire beneficial ownership within 60 days. More than one person may be considered to beneficially own the same shares. In the table below, unless otherwise noted, a person has sole voting and dispositive power for those shares shown as beneficially owned by such person.

<b>Name and Address of Beneficial Owner(1)</b>	<b>Shares of Common Stock Beneficially Owned(2)</b>	<b>Percentage Ownership of Shares Beneficially Owned(3)</b>
JLL Building Holdings, LLC(4)(5)	14,344,584	12.8%
Stadium Capital Management, LLC(6)(7)	8,577,599	7.6%
Raging Capital Management, LLC (8)(9)	8,138,937	7.2%
BlackRock, Inc. (10)(11)	5,916,647	5.3%
Paul S. Levy(4)(5)	14,344,584	12.8%
Daniel Agroskin (5)		*
David A. Barr		*
Cleveland A. Christophe(12)	76,620	*
Robert C. Griffin(12)	50,144	*
Kevin J. Kruse(12)	52,704	*
Brett N. Milgrim(12)	52,704	*
Craig A. Steinke(12)	169,512	*
Floyd F. Sherman(13)	593,693	*
Peter M. Jackson		*
M. Chad Crow(14)	285,505	*
Morris E. Tolly(15)	318,815	*
Donald F. McAleenan(16)	632,965	*
Directors, Director Nominees, and Executive Officers as a group (13 persons)	16,577,246	14.6%

- \* Percentage does not exceed one percent of the total outstanding class.
- (1) Unless otherwise indicated, the business address of each person named in the table is Builders FirstSource, Inc., 2001 Bryan Street, Suite 1600, Dallas, Texas 75201.
  - (2) The number of shares beneficially owned by each person or group as of March 31, 2017 includes shares of Common Stock that such person or group had the right to acquire on or within 60 days after March 31, 2017, including upon the exercise of stock options and conversion of restricted stock units.
  - (3) For each person and group included in the table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group as described above by the sum of 112,356,315 shares of Common Stock outstanding on March 31, 2017 and the number of shares of Common Stock that such person or group had the right to acquire on or within 60 days of March 31, 2017, including upon the exercise of options and conversion of restricted stock units.

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- (4) Consists of 14,344,584 shares of Common Stock held directly by JLL Building Holdings, LLC, a Delaware limited liability company ( JLL Holdings ). JLL Partners Fund V, L.P., a Delaware limited partnership ( JLL Fund V ), is the sole member of JLL Holdings. JLL Associates V, L.P., a Delaware limited partnership ( JLL Associates V ), is the general partner of JLL Fund V. JLL Associates G.P. V, L.L.C., a Delaware limited liability company ( JLL Associates G.P. ), is the general partner of JLL Associates V. Mr. Paul Levy is a director of JLL Associates G.P. Each of JLL Holdings, JLL Fund V, JLL Associates V, JLL Associates G.P., and Mr. Levy may be deemed to be the beneficial owner of 14,344,584 shares of Common Stock, with shared voting and dispositive power with regard to such shares.

The information in the foregoing table and in footnotes (4) and (5) is based on the Schedule 13D filing by the above referenced persons, as last amended by Amendment No. 11 on March 10, 2017.

- (5) The business address for JLL Building Holdings, LLC, JLL Partners Fund V, L.P., JLL Associates V, L.P., JLL Associates G.P. V, L.L.C., and Messrs. Levy and Agroskin is 450 Lexington Ave., 31st Floor, New York, New York 10017.
- (6) Alexander M. Seaver, Bradley R. Kent, Stadium Capital Management, LLC, a Delaware limited liability company ( SCM ), and Stadium Capital Management GP, L.P., a Delaware limited partnership ( SCMGP ), each reported shared voting and dispositive power over, and beneficial ownership of, 8,577,599 shares of Common Stock. Stadium Capital Partners, L.P., a California limited partnership ( SCP ), reported shared voting and dispositive power over, and beneficial ownership of, 7,843,143 shares of Common Stock. SCP is an investment limited partnership, the general partner of which is SCMGP. SCM is the general partner of SCMGP, and an investment advisor whose clients have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the foregoing Common Stock. Messrs. Seaver and Kent are the managing members of SCM. SCP and SCMGP disclaim membership in a group with SCM and Messrs. Seaver and Kent.

The information in the foregoing table and in footnotes (6) and (7) is based on the Schedule 13G filing by the above referenced persons, as last amended by Amendment No. 9 on February 3, 2017.

- (7) The business address for Stadium Capital Management, LLC, Stadium Capital Management GP, L.P., Stadium Capital Partners, L.P., and Messrs. Seaver and Kent is 199 Elm Street, New Canaan, Connecticut 06840-5321.
- (8) Consists of 8,138,937 shares of Common Stock (including 2,300,000 shares underlying call options) held in the name of Raging Capital Master Fund, Ltd., a Cayman Islands exempted company ( Raging Master ). Raging Capital Management, LLC, a Delaware limited liability company ( Raging Capital ), is the investment manager of Raging Master. Raging Master delegated to Raging Capital sole authority to vote and dispose of the securities held by Raging Master. William C. Martin ( Martin ) is the chairman, chief investment officer, and managing member of Raging Capital. As a result, Raging Capital and Martin may be deemed the beneficial owners of 8,138,937 shares of Common Stock, with shared voting and dispositive power with regard to such shares. Each of Raging Capital and Martin disclaims beneficial ownership of the Common Stock held by Raging Master. Raging Master disclaims beneficial ownership of the Common Stock held by it.

The information in the foregoing table and in footnotes (8) and (9) is based on the Schedule 13G filed by Raging Capital and Martin, as last amended by Amendment No. 1 on February 14, 2017.

- (9) The business address for Raging Capital Management, LLC and William C. Martin is Ten Princeton Avenue, P.O. Box 228, Rocky Hill, New Jersey 08553.

(10) BlackRock, Inc., a Delaware corporation, reported sole voting power over 5,729,928 shares of Common Stock and sole dispositive power over 5,916,647 shares of Common Stock. Various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Common Stock. No one person's interest in the Common Stock is more than five percent of the total outstanding Common Stock. BlackRock (Netherlands) B.V., BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Asset Management Schweiz AG, BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A., BlackRock Investment Management (Australia) Limited, BlackRock Investment Management (UK) Ltd, and BlackRock Investment Management, LLC are subsidiaries of BlackRock that acquired the Common Stock, none of which reported individually owning more than five percent of the outstanding Common Stock. The information in the foregoing table and in footnotes (10) and (11) is based on the Schedule 13G filed by BlackRock, Inc. on January 30, 2017.

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- (11) The business address for Blackrock, Inc. is 55 East 52<sup>nd</sup> Street, New York, New York 10055.
- (12) Includes 9,245 shares of Common Stock issuable upon conversion of restricted stock units that vest on the earlier of the first anniversary of the grant date or upon the director's cessation of service due to death, disability, or retirement.
- (13) Includes 139,536 shares of Common Stock issuable upon exercise of options exercisable within 60 days of March 31, 2017 under the 2007 Incentive Plan.
- (14) Includes 116,769 shares of Common Stock issuable upon exercise of options exercisable within 60 days of March 31, 2017 under the 2007 Incentive Plan and the 2014 Incentive Plan.
- (15) Includes 234,969 shares of Common Stock issuable upon exercise of options exercisable within 60 days of March 31, 2017 under the 2005 Equity Incentive Plan and the 2007 Incentive Plan.
- (16) Includes 453,738 shares of Common Stock issuable upon exercise of options exercisable within 60 days of March 31, 2017 under the 1998 Stock Incentive Plan and the 2007 Incentive Plan.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act ( Section 16(a) ) requires Builders FirstSource's directors and executive officers, and certain persons who own more than ten percent of a registered class of the Corporation's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other security interests of Builders FirstSource. Directors, executive officers, and greater than ten percent stockholders are required by the regulations of the SEC to furnish the Corporation with copies of all Section 16(a) forms they file.

To the Corporation's knowledge, based solely on a review of the copies of such reports furnished to the Corporation and written representations that no other reports were required during the fiscal year ended December 31, 2016, except as set forth below, all Section 16(a) filing requirements were timely complied with, as applicable to its directors, executive officers, and greater than ten percent owners. The Form 4 filings to reflect the annual grant of restricted shares to Eligible Directors under the Corporation's Amended and Restated Director Compensation Policy on August 1, 2016 were filed one day late.



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**PROPOSAL 2 - ADVISORY VOTE ON EXECUTIVE COMPENSATION**

As required by Section 14A of the Securities Exchange Act, this proposal provides stockholders with an opportunity to cast a non-binding, advisory vote on the 2016 compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the disclosure rules of the Securities and Exchange Commission. This proposal, commonly known as a "say on pay" proposal, gives stockholders the opportunity to approve, reject, or abstain from voting with respect to our fiscal 2016 executive compensation program.

As discussed in the "Compensation Discussion and Analysis" section of this Proxy Statement, our 2016 executive compensation program has been designed to provide a total compensation package that allows us to attract, retain, and motivate executives who have the talent to capably manage our business. Our compensation program is intended to provide total compensation opportunities at levels that are competitive for comparable positions at companies with whom we compete for talent, provide incentives to our executive officers to achieve key financial objectives set by the Board, provide an appropriate mix of fixed and variable pay components to establish a "pay-for-performance" oriented compensation program, and align the financial interests of executives with stockholder interests by providing significant compensation opportunities in the form of equity awards.

This proposal allows our stockholders to express their opinions regarding the decisions of the Board and the Compensation Committee on the annual compensation for the NEOs in 2016. This advisory vote will serve as an additional tool to guide the Board and the Compensation Committee in evaluating the alignment of the Company's executive compensation program with the interests of the Company and its stockholders. Approval of this proposal requires the affirmative vote of the holders of a majority of the shares represented and entitled to vote on this proposal at the annual meeting.

Because the vote on this proposal is advisory in nature, it will not affect any compensation already paid or awarded to any NEO and will not be binding on or overrule any decisions by the Board. The Compensation Committee and the Board will consider the outcome of the vote when setting future compensation arrangements for our NEOs.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE 2016 EXECUTIVE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.**

**PROPOSAL 3 - ADVISORY VOTE ON THE FREQUENCY OF STOCKHOLDER VOTES  
ON EXECUTIVE COMPENSATION**

As required by Section 14A of the Securities Exchange Act, in addition to the advisory vote on our 2016 executive compensation program, we are also seeking an advisory, non-binding recommendation from our stockholders as to the frequency with which stockholders will have an opportunity in the future to provide an advisory vote on our executive compensation program. We are providing stockholders the option of selecting a frequency of every one, two, or three years or abstaining. For the following reasons, we recommend that our stockholders select a frequency of once every three years, or a triennial vote.

Because our executive compensation program is designed to support long-term value creation, a triennial vote allows stockholders to more effectively judge our executive compensation program in relation to our long-term performance.

Annual votes don't allow the Compensation Committee and the Board sufficient time to evaluate the effectiveness of multi-year LTIP programs.

A triennial vote will provide us with the time to communicate with stockholders, evaluate their concerns, and design and implement appropriate changes to our compensation policies.

Although the advisory vote is non-binding, the Board and the Compensation Committee will consider the results of the vote when determining the frequency of future stockholder advisory votes on executive compensation.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EVERY THREE YEARS ON PROPOSAL 3.**

**Table of Contents****EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth certain information regarding securities authorized for issuance under the Corporation's equity compensation plans as of December 31, 2016.

<b>Plan category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights</b>	<b>Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</b>
Equity compensation plans approved by security holders	5,275,397(1)	\$ 5.83(2)	6,063,999(3)(4)
Equity compensation plans not approved by security holders	416,193(5)	\$ 3.15	
<b>Total</b>	<b>5,691,590</b>	<b>\$ 5.51(2)</b>	<b>6,063,999</b>

- (1) Includes (i) 3,098,389 shares to be issued upon exercise of options granted under the Builders FirstSource, Inc. 2005 Equity Incentive Plan, the Builders FirstSource, Inc. 2007 Incentive Plan, and the Builders FirstSource, Inc. 2014 Incentive Plan and (ii) 2,177,008 shares to be issued upon the full vesting of restricted stock units granted under the 2007 Incentive Plan and the 2014 Incentive Plan. The 2005 Equity Incentive Plan was approved by the Corporation's stockholders in June 2005. The 2005 Equity Incentive Plan expired in June 2015, but such expiration will not adversely affect any awards issued under that plan prior to its expiration. The Corporation's stockholders approved the 2007 Incentive Plan in May 2007 and reapproved the plan in January 2010. The 2014 Incentive Plan was approved by the Corporation's stockholders in May 2014 and reapproved by the Corporation's stockholders in May 2016.
- (2) Restricted stock units are excluded from the calculation of weighted average exercise price.
- (3) Includes 93,570 securities available for future awards pursuant to the 2007 Incentive Plan, which was approved by the Corporation's stockholders in May 2007 and reapproved in January 2010. Of these awards, at December 31, 2016, all 93,570 were available to be made subject to stock-based awards other than options or stock appreciation rights (SARs). Under the 2007 Incentive Plan, the Corporation is authorized to grant stock-based awards in the form of incentive stock options, non-qualified stock options, restricted stock, and other common stock-based awards. The maximum number of shares of Common Stock initially reserved for awards (including future grants, currently outstanding awards, and previously exercised awards) under the 2007 Incentive Plan is 7,000,000, subject to adjustment as provided by the plan. Of that amount, no more than 7,000,000 shares may be made subject to options or SARs granted under the plan and no more than 3,500,000 shares of Common Stock may be made subject to stock-based awards other than options or SARs under the plan. Stock options and SARs granted under the 2007 Incentive Plan may not have a term exceeding 10 years from the date of grant. If our Compensation Committee determines that any dividend or other distribution, recapitalization, stock split, reverse split, reorganization, merger, consolidation, spin-off, combination, or other similar corporate transaction or event affects our Common Stock such that an adjustment is appropriate in order to prevent dilution

or enlargement of participants' rights under the plan, our Compensation Committee will make such changes or adjustments as it deems necessary or appropriate, including with respect to any or all of (i) the number and kind of shares or other property that may thereafter be issued in connection with awards, (ii) the number and kind of shares or other property subject to outstanding awards, (iii) the exercise or purchase price of any award, and (iv) the performance goals applicable to outstanding awards. In addition, our Compensation Committee may determine that an equitable adjustment may take the form of a payment to an award holder in the form of cash or other property.

- (4) Includes 5,970,429 securities available for future awards pursuant to the 2014 Incentive Plan, which was approved by the Corporation's stockholders in May 2014 and reapproved in May 2016. Under our 2014 Incentive Plan, the Company is authorized to grant awards in the form of incentive stock options, non-qualified stock options, restricted stock shares, restricted stock units, other common stock-based awards, and cash-based awards. The maximum number of shares of Common Stock initially reserved for awards (including future grants, currently outstanding awards, and previously exercised awards) under the 2014 Incentive Plan is 8,500,000, subject to adjustment as provided by the plan. All 8,500,000 shares under the 2014 Incentive Plan may be made subject to options, SARs, or stock-based awards. Stock options and SARs granted under the 2014 Incentive Plan may not have a term exceeding 10 years from the date of grant. In the event of a non-reciprocal transaction between us and our stockholders that causes the per-share value of our Common Stock to change (including, without limitation, any stock dividend, stock split, spin-off, rights offering, or large nonrecurring cash dividend), the share authorization limits and annual award limits under the 2014 Incentive Plan will be adjusted proportionately and the Compensation Committee shall make such adjustments to the 2014 Incentive Plan and awards as it deems necessary, in its sole discretion, to prevent dilution or enlargement

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of rights immediately resulting from such transaction. In the event of a stock split, a stock dividend, or a combination or consolidation of the outstanding shares of our Common Stock into a lesser number of shares, the authorization limits and annual award limits under the 2014 Incentive Plan will automatically be adjusted proportionately and the shares then subject to each award will automatically be adjusted proportionately without any change in the aggregate purchase price.

- (5) Includes securities to be issued upon exercise of options under the Builders FirstSource, Inc. 1998 Stock Incentive Plan, as amended. No grants were made under this plan after the Corporation's initial public offering in June 2005. No further grants will be made under this plan.

**PROPOSAL 4 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Based upon the recommendation of the Audit Committee, the Board of Directors selected PricewaterhouseCoopers LLP ( PwC ) to serve as the Corporation's independent registered public accounting firm (the auditors ) for the year ending December 31, 2017. As a matter of good corporate governance, the stockholders will be requested to ratify the Audit Committee's selection at the annual meeting. Representatives of PwC will be present at the annual meeting, have the opportunity to make a statement, if they desire to do so, and be available to answer appropriate questions.

**Fees Paid to PricewaterhouseCoopers LLP**

The following table shows the fees paid or accrued by the Corporation for the audit and other services provided by PwC for fiscal years 2016 and 2015.

	<b>2016</b>	<b>2015</b>
Audit fees(1)	\$ 5,434,500	\$ 4,011,000
Audit-related fees(2)	177,500	2,510,644
Tax fees(3)	347,500	25,000
All other fees	1,919	1,919
<b>Total PwC fees</b>	<b>\$ 5,961,419</b>	<b>\$ 6,548,563</b>

- (1) Audit fees of PwC for 2016 and 2015 consisted of the audit and quarterly reviews of the consolidated financial statements of the Corporation, the audit of the effectiveness of management's internal control over financial reporting, and the review of filings made with the SEC.
- (2) Audit-related fees of PwC for 2016 include fees related to the preparation of comfort letters and segregation of duties assessment. Audit-related fees of PwC for 2015 include assistance with due diligence in connection with the Corporation's acquisition of ProBuild Holdings LLC ( ProBuild ), stub period audit of ProBuild financials, preparation of comfort letters, work on registration statements, and preparation of pro forma financial statements in connection with debt and equity financing activities related to the ProBuild acquisition.
- (3) Tax fees include assistance with the preparation of tax returns of certain of the Corporation's subsidiaries and assistance with audits, as well as tax planning and advising management as to the tax implications of certain transactions undertaken by the Corporation.

The Audit Committee determined that the provision of services related to audit services, audit-related services, tax compliance, advisory services, and other services is compatible with maintaining the independence of PwC. PwC did not render professional services relating to financial information systems design and implementation for the fiscal

years ended December 31, 2015 or 2016.

The Audit Committee has the sole and direct authority to engage, appoint, and replace our auditors. In addition, the Audit Committee has established in its charter a policy that every engagement of PwC to perform audit or permissible non-audit services on behalf of the Corporation or any of its subsidiaries requires pre-approval from the Audit Committee or its designee before PwC is engaged to provide those services. Pursuant to the Audit Committee Charter, the Audit Committee reviews and, in its sole discretion, approves in advance the Corporation's auditors' annual engagement letter, including the proposed fees contained therein, as well as all audit and, as provided in the Sarbanes-Oxley Act of 2002 and the SEC rules and regulations promulgated thereunder, all permitted non-audit engagements and relationships between the Corporation and such auditors (which approval should be made after receiving input from the Corporation's management, if desired). Approval of audit and permitted non-audit services will be made by the Audit Committee, as set forth in the Audit and Non-Audit Services Pre-Approval Policy (the Pre-Approval Policy). Under the Pre-Approval

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Policy, the Audit Committee may delegate either specific or general pre-approval authority to one or more of its members. The Pre-Approval Policy delegates specific pre-approval authority to its Chairman, provided that the estimated fee for any such proposed pre-approved service does not exceed \$500,000. The Chairman must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

Under the Pre-Approval Policy, the Audit Committee must specifically pre-approve a service unless the type of service has received general pre-approval. The Audit Committee annually reviews and generally pre-approves the services that may be provided by the independent auditor during the following calendar year without obtaining specific pre-approval from the Audit Committee. The Corporation's Chief Financial Officer, in consultation with the Chairman of the Audit Committee, will determine whether services are eligible for general pre-approval. The total amount of generally pre-approved audit services, audit-related services, and tax services may not exceed \$500,000. The Audit Committee may specifically pre-approve any services in these categories that exceed the permitted general pre-approval amount.

As a result, the Audit Committee or its designee approved 100% of all services performed by PwC on behalf of the Corporation and its subsidiaries in 2016.

If the stockholders do not ratify the appointment of PwC, the selection of auditors will be reconsidered by the Audit Committee. Even if the appointment is ratified, the Audit Committee, in its discretion, may select a different independent registered public accounting firm, subject to ratification by the Board, at any time during the year if it determines that such a change would be in the best interests of the Corporation and its stockholders.

## **THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

### **STOCKHOLDER PROPOSALS**

Pursuant to SEC Rule 14a-8, to be considered for inclusion in the Corporation's Proxy Statement for the 2018 annual meeting, any stockholder proposal submitted must be received by the Corporate Secretary not later than December 14, 2017. In addition, subject to SEC Rule 14a-8, our By-laws provide that no business may be brought by a stockholder before an annual meeting of stockholders unless the stockholder (i) is a stockholder of record on the date of the notice of meeting (or any supplement thereto) provided by or at the direction of the Board of Directors (or any duly authorized committee thereof) and is entitled to notice of and to vote at such annual meeting as of such record date, (ii) has delivered to the Corporate Secretary within the time limits described in the By-laws a written notice containing the information specified in the By-laws, and (iii) such notice is in the proper form as set forth in Article II, Section 5 of the By-laws. Accordingly, in order for a stockholder's proposal (other than one included in the Proxy Statement pursuant to SEC Rule 14a-8) to be considered timely and to be brought during the 2018 annual meeting pursuant to the Corporation's By-laws, the required written notice must be received by the Corporate Secretary on or after January 24, 2018 but no later than February 23, 2018. A copy of the By-laws may be obtained on the Governance section of our website at [www.blldr.com](http://www.blldr.com) or by written request to the Corporate Secretary, Builders FirstSource, Inc., 2001 Bryan Street, Suite 1600, Dallas, Texas 75201.

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**REDUCE PRINTING AND MAILING COSTS**

To reduce the expenses of delivering duplicate Notices and proxy materials, we may take advantage of the SEC's householding rules that permit us to deliver only one Notice or set of proxy materials to stockholders who share an address, unless otherwise requested. If you share an address with another stockholder and received only one Notice or set of proxy materials, you may request a separate copy of these materials at no cost to you by calling our Legal Department at (214) 880-3500, by e-mail at [inforequest@bldr.com](mailto:inforequest@bldr.com), or by written request to the Corporate Secretary, Builders FirstSource, Inc., 2001 Bryan Street, Suite 1600, Dallas, Texas 75201. For future annual meetings, you may request a separate Notice or set of proxy materials, or request that we send only one Notice or set of proxy materials to you if you are receiving multiple copies, by calling or writing to us at the phone number and address given above.

Stockholders may help us to reduce printing and mailing costs further by opting to receive future proxy materials by e-mail. This Notice of Annual Meeting and Proxy Statement and our 2016 Annual Report on Form 10-K are available on our website at [www.bldr.com](http://www.bldr.com). Instead of receiving future copies of our proxy materials by mail, most stockholders can elect to receive an e-mail that will provide electronic links to them. Opting to receive your proxy materials online will save us the cost of producing and mailing documents to your home or business and also will give you an electronic link to the proxy voting site.

Stockholders of Record. If you vote on the internet at [www.proxyvote.com](http://www.proxyvote.com), simply follow the prompts for enrolling in the electronic proxy delivery service.

Beneficial Owners. If you hold your shares in a brokerage account, you may also have the opportunity to receive copies of these documents electronically. Please check the information provided in the proxy materials mailed to you by your bank or other holder of record regarding the availability of this service.

**OTHER MATTERS**

The Board of Directors knows of no other matters to be acted upon at the meeting, but if any matters properly come before the meeting that are not specifically set forth in the Notice, on the proxy card, and in this Proxy Statement, it is intended that the persons voting the proxies will vote in accordance with their best judgments.

By Order of the Board of Directors,

Donald F. McAleenan  
*Corporate Secretary*

April 13, 2017

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***BUILDERS FIRSTSOURCE, INC.***

***2001 BRYAN STREET - SUITE 1600***

***DALLAS, TX 75201***

**VOTE BY INTERNET - [www.proxyvote.com](http://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 PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail 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 proxy materials 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 Vote Processing, c/o Broadridge, 51 Mercedes Way,

Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

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

	<b>For</b>	<b>Withhold</b>	<b>For All</b>	
		<b>All</b>		
<b>The Board of Directors recommends you vote FOR the following:</b>	<b>All</b>		<b>Except</b>	To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.

1. Election of Directors

**Nominees**

01 Paul S. Levy	02 Cleveland A. Christophe	03 Craig A. Steinke
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<b>The Board of Directors recommends you vote FOR the following proposal:</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>	
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2. ADVISORY VOTE ON EXECUTIVE COMPENSATION

**NOTE:** Such other business as may properly come before the meeting or any adjournment thereof.

<b>The Board of Directors recommends you vote 3 YEARS on the following proposal:</b>	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>Abstain</b>
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3. ADVISORY VOTE ON THE FREQUENCY OF STOCKHOLDER VOTES ON EXECUTIVE COMPENSATION

<b>The Board of Directors recommends you vote FOR the following proposal:</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
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4. RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM FOR  
THE YEAR 2017

**Yes**      **No**

Please indicate if you plan to attend this meeting

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]      Date

Signature (Joint Owners)

Date

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**YOUR VOTE IS IMPORTANT**

Whether or not you plan to personally attend the Annual Meeting, please promptly vote over the Internet, by telephone, or by mailing in the proxy card.

Voting by any of these methods will ensure your representation at the

Annual Meeting if you choose not to attend in person. Voting early will not prevent you from voting in person at the Annual Meeting if you wish to do so.

Your proxy is revocable in accordance with the procedures set forth in the Proxy Statement.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Notice & Proxy Statement, Annual Report is/are available at [www.proxyvote.com](http://www.proxyvote.com)

**BUILDERS FIRSTSOURCE, INC.**

**This Proxy is Solicited on Behalf of the Board of Directors  
of Builders FirstSource, Inc.**

The undersigned hereby appoints Donald F. McAleenan and M. Chad Crow, or any of them, proxies, each with full power of substitution, to vote the shares of the undersigned upon all matters as may properly come before the Annual Meeting of Stockholders of Builders FirstSource, Inc. at 9:00 AM CDT on May 24, 2017 at Builders FirstSource, Inc., 2001 Bryan St., Suite 1600, Dallas, TX 75201, and any adjournments thereof. Without otherwise limiting the foregoing general authorization, the proxies are instructed to vote as indicated herein.

**You are encouraged to specify your choices by marking the appropriate boxes, SEE REVERSE SIDE. You need not mark any boxes if you wish to vote in accordance with the Board of Directors recommendations in the Proxy Statement: for all nominees for election of directors, for Proposals 2 and 4, and for every three years in Proposal 3. If any other matters properly come before the meeting that are not specifically set forth on the proxy card and in the Proxy Statement, it is intended that the persons voting the proxies will vote in accordance with their best judgments.**

**The proxies cannot vote your shares unless you sign and return this card or vote electronically over the Internet or via the toll-free telephone number.**

**Continued and to be signed on reverse side**