YOUR VOTE IS IMPORTANT

PLEASE DATE, SIGN AND RETURN THE ENCLOSED WHITE PROXY PROMPTLY.

Notice of Annual Meeting April 28, 1986 and Proxy Statement

GAF

GAF Corporation

GAF CORPORATION
1361 ALPS ROAD
WAYNE, NEW JERSEY 07470

SAMUEL J HEYMAN
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

March 27, 1986

FELLOW SHAREHOLDERS:

You are cordially invited to attend GAF's Annual Meeting of Shareholders to be held at the Chase Manhattan Bank auditorium, One Chase Manhattan Plaza, New York City at 10:00 A.M. on Monday, April 28, 1986. I look forward to personally greeting you at the meeting as well as to reviewing for you at that time significant developments at GAF during the past year.

The matters to be voted on are: (1) the election of directors; (2) a proposal to adopt certain amendments to the Company's Certificate of Incorporation, commonly known as anti-takeover provisions, including amendments providing for classification of the Board of Directors and amendments affecting the removal and replacement of directors, the calling and conduct of shareholder meetings, and the taking of actions by written consent in lieu of a shareholders' meeting; (3) a proposal to amend the Certificate of Incorporation to increase the Company's authorized common shares in connection with a two-for-one stock split already declared by the Board; and (4) a proposal to ratify the Company's selection of auditors.

Your Board of Directors has given careful consideration to these proposals and believes that they are in the best interests of the Company and its shareholders. The Board recommends a vote FOR the proposals and urges you to sign, date and mail the enclosed proxy in the reply envelope at your earliest convenience.

The proposal calling for the adoption of certain anti-takeover amendments to the Company's Certificate of Incorporation is intended primarily to enhance GAF's ability to successfully conclude potential acquisitions free from the concern that a target company will be in a position to utilize a retaliatory offer for GAF as a means of resisting our own acquisition effort. In this regard, it is our view that a retaliatory offer, which is designed to frustrate GAF's own offer, is not likely to be in the best interests of GAF shareholders. Your Board's concern is warranted, I believe, by its recent experience in connection with GAF's tender offer for Union Carbide. During the pendency of GAF's offer, it came to our attention that Carbide's Board of Directors took under consideration a plan to gain control of GAF as a means of thwarting GAF's offer for Carbide. In view of the fact that GAF may wish at a future time to make a new offer for Union Carbide or pursue the acquisition of other companies, GAF's Board is convinced that these measures are necessary to enable our Company to successfully pursue an acquisition strategy which is in the best interests of GAF shareholders.

With respect to the proposal to increase GAF's authorized common stock, the Company's Board of Directors has already declared a two-for-one stock split, subject to the approval by shareholders of an increase in the number of authorized common shares. The stock split will be distributed to shareholders of record on May 8, 1986 as soon as is practicable after the record date if this proposal is approved. The newly authorized shares will be available not only to effectuate the stock split but for potential acquisitions, financings, and other corporate purposes.

The enclosed notice and proxy statement will provide you with complete information concerning the business to come before the meeting. The Company's 1985 Annual Report is also enclosed.

I believe that the actions which are being recommended by your Board of Directors at this time are particularly significant in terms of the Company's future direction. Should you require further information concerning these matters, please do not hesitate to contact our Corporate Affairs Department.

Sincerely,

SAMUEL J. HEYMAN
Chairman of the Board
and Chief Executive Officer

GAF Corporation

NOTICE OF ANNUAL MEETING

To Be Held April 28, 1986

The Annual Meeting of Shareholders of GAF Corporation will be held Monday, April 28, 1986 at 10:00 A.M. at the auditorium of The Chase Manhattan Bank, N.A., One Chase Manhattan Plaza, New York, New York, for the following purposes:

1. To elect 10 directors;
2. To amend the Corporation's Certificate of Incorporation to classify the Board of Directors and adopt various other amendments affecting, among other things, the removal and replacement of directors, the calling and conduct of shareholders' meetings, and the taking of action by written consent in lieu of a shareholders' meeting, all as more fully described beginning on page 20 of the accompanying Proxy Statement;
3. To amend the Corporation's Certificate of Incorporation to increase the authorized number of shares of the Corporation's Common Stock from 25,000,000 shares to 100,000,000 shares.
4. To ratify the selection of Arthur Andersen & Co. as the Corporation's auditors; and
5. To transact such other business as may properly come before the meeting.

The Board of Directors has fixed the close of business on March 17, 1986 as the record date for the determination of shareholders entitled to notice of and to vote at the meeting.

A list of shareholders entitled to vote at the meeting will be open to the examination of any shareholder, for any purpose germane to the meeting, at the offices of the Corporation's stock transfer agent, Morgan Guaranty Trust Company, 30 West Broadway, New York, New York, during ordinary business hours for ten days prior to the meeting.

By Order of the Board of Directors

EDWARD E. SHEA
Secretary

Wayne, New Jersey
March 27, 1986

Return of your signed proxy is the only way your shares can be counted unless you personally cast a ballot at the meeting. No matter how many shares you hold, your proxy vote is important.

PLEASE INDICATE YOUR VOTING INSTRUCTIONS ON THE ENCLOSED PROXY CARD AND SIGN, DATE AND RETURN IT IN THE ENVELOPE PROVIDED, WHICH NEEDS NO POSTAGE IF MAILED IN THE UNITED STATES.

PROXY STATEMENT

GAF CORPORATION
1361 Alps Road
Wayne, New Jersey 07470

ANNUAL MEETING OF SHAREHOLDERS

This proxy statement is furnished to shareholders by the Board of Directors of GAF Corporation (the "Corporation" or "GAF") for solicitation of proxies to be voted at the Annual Meeting of Shareholders to be held on Monday, April 28, 1986, and at any adjournment thereof.

The Board of Directors has set March 17, 1985, as the Record Date for the determination of shareholders entitled to notice of, and to vote at, the meeting. As of the close of business on the Record Date, there were outstanding 17,682,034 shares of the Corporation's Common Stock. Holders of record of shares are entitled to one vote for each share held by them as of the Record Date on any matter which may properly come before the meeting.

Shares represented by a valid unrevoked proxy will be voted at the meeting, or any adjournment thereof, as specified therein by the person giving the proxy. If no specification is made, the shares represented by such proxy will be voted (1) FOR the election of the nominees named herein to the Board of Directors, (2) FOR the classification of the Board of Directors and the other proposed amendments to the Corporation's Certificate of Incorporation, (3) FOR increasing the number of authorized shares of Common Stock of the Corporation, (4) FOR the ratification of the selection of auditors, and (5) in the discretion of the persons named as proxies, on such other matters as may properly come before the meeting. Proxies may be revoked by the person executing the same at any time before the authority thereby granted is exercised by execution of a later dated proxy, by delivery to and receipt by the Corporation's Secretary of written notice to such effect, or by attending the meeting and voting in person.

This statement and the proxies solicited hereby are being first sent or delivered to shareholders on or about March 27, 1986.

Proposal No. 1
ELECTION OF DIRECTORS

Unless authority to do so has been withheld, shares represented by proxies will be voted in favor of the election of the following 10 nominees as directors. Directors will be elected by a plurality of the votes cast at the Annual Meeting by the holders of shares entitled to vote in the election.

If the proposed amendment to the Restated Certificate of Incorporation of the Corporation (the "Certificate") concerning the classification of the Board of Directors is adopted (see Proposal 2 under the heading, "Classification of the Board of Directors and Other Amendments to the Certificate," and Appendix A hereto), at the 1986 Annual Meeting three directors, constituting the "Class I Directors," will be elected for a term expiring at the Annual Meeting in 1987; three directors, constituting the "Class II Directors," will be elected for a term expiring at the Annual Meeting in 1988; and four directors, constituting the "Class III Directors," will be elected for a term expiring at the Annual Meeting in 1989 (and, in all cases, until their respective successors are elected and qualify). Set forth opposite each nominee's name below is the year in which such nominee's term would expire.

If the proposed amendment to the Certificate is not adopted, all 10 nominees will be elected for a term expiring at the 1987 Annual Meeting of Shareholders (and until their respective successors are elected and qualify).

If, prior to the Annual Meeting, any nominee becomes unable to serve as a director by reason of death or otherwise, the persons designated as proxies will have full discretion to vote for another person to serve as director in place of any such nominee.

Nominees

The following persons, all of whom are currently directors of the Corporation, have been nominated for election as directors by the Nominating Committee of the Board. Harold C. Simmons, who has been a director of the Corporation since April 1984, is not standing for reelection, and the number of directors of the Corporation has been reduced to 10 accordingly. The information presented below with respect to each nominee has been furnished by that nominee. Unless otherwise stated, all employments have continued for at least five years. All nominees other than James T. Sherwin, have served the Corporation as directors since December 13, 1983. Mr. Sherwin has served as a director since 1974, except for the period May 1983 to May 1984. All present directors were elected to serve until the next annual meeting and until their successors are elected and qualify. No family relationship exists between any of the directors, nominees or officers.

William P. Lyons **Class I: Term to expire in 1987**

Mr. Lyons, age 44, has been President of William P. Lyons & Co., Inc., an investment banking and financial consulting firm since 1975. In addition, he has been a Professor (Adjunct) at Yale University Law School since 1985, and a Professor (Adjunct) since 1984 and an Associate Professor (Adjunct) from 1979 to 1984 at the Yale University School of Organization and Management. He is a director of Lydall, Inc. and LMH, Ltd.

Scott A. Rogers, Jr. **Class I: Term to expire in 1987**

Mr. Rogers, age 68, has been a consultant since 1984. He formerly was Chairman, Chief Executive Officer, President and a director from 1981 to 1983 of Publishers Equipment Corp., a firm engaged in the engineering and manufacturing of offset printing equipment. Prior to that time, he was President and a director of General Portland, Inc., a cement and construction aggregates producer. He is a director of Parker Hannifin Corporation.

Edward E. Shea **Class I: Term to expire in 1987**

Mr. Shea, age 53, has been Senior Vice President, General Counsel and Secretary of GAF Corporation since June 1984. From 1982 to 1984 he was counsel to and then a member of the New York law firm Windels, Marx, Davies & Ives. Since 1982, Mr. Shea has also been a Professor (Adjunct) in the Finance Department of the Graduate School of Business, Pace University. Prior to that time, he was Chairman of the Board and General Counsel of Reichhold Chemicals, Inc., a manufacturer of synthetic resins, basic chemicals and related products.

Dr. Jacob E. Goldman **Class II: Term to expire in 1988**

Dr. Goldman, age 64, has served as Chairman of the Board of Cauzin Systems Inc., a manufacturer of personal computer accessories, since 1984. He has also been President of Medisystems Management Co., a firm engaged in the development of medical instruments, since 1982; and he has been President of GB Energy Systems, Inc., a high technology research and development ventures firm, since 1978. From 1982 to 1983, he was a Senior Vice President and Chief Scientist of Xerox Corporation. Prior to that time, he was Senior Vice President, Research and Development and a director of Xerox. He is currently serving as a director of General Instrument Co., Burndy Corporation, Comtex Scientific Co. and Intermagnetics General Corp.

Sanford Kaplan **Class II: Term to expire in 1988**

Mr. Kaplan, age 69, has been a private investor and consultant since 1977. Prior to that time, he was Senior Vice President and a director of Xerox Corporation. He is currently a director of Ashton-Tate, Cordura Corp., Daisy Systems Corp. Intel Corp., Silicon Systems, Inc., Whittaker Corp. and Wickes Companies, Inc.

James T. Sherwin **Class II: Term to expire in 1988**

Mr. Sherwin, age 52, joined GAF in 1960. He has been Vice Chairman and Chief Administrative Officer of GAF since May 1984 and was Executive Vice President—Finance from 1974 to May 1983. He briefly interrupted his service to GAF from June 1983 to May 1984 to serve as Executive Vice President and Chief Financial Officer of Triangle Industries, Inc. a manufacturer of vending machines, currency changers, juke boxes and copper insulated wire. Upon rejoining GAF in 1984, Mr. Sherwin, a director of the Corporation from 1974 to May 1983, was reelected as a director by the directors pursuant to the terms of an employment contract between Mr. Sherwin and the Corporation which expires on May 20, 1986.

Daniel T. Carroll **Class III: Term to expire in 1989**

Mr. Carroll, age 60, has been Chairman of the Board and President, since 1982, of The Carroll Group, Inc., a management consulting firm. He was President, Chief Executive Officer and a director from 1980 to 1982 of Hoover Universal, Inc., a manufacturer of automotive and industrial products. He is also a director of Combined International Corp., Comshare, Inc., Conrac Corporation, Diebold, Inc., Wolverine World Wide, Inc., Michigan National Corp. and A.M. Castle & Co.

Samuel J. Heyman **Class III: Term to expire in 1989**

Mr. Heyman, age 47, has been Chairman of the Board and Chief Executive Officer of GAF Corporation since December 13, 1983. He is also a principal of a number of closely-held companies and partnerships, whose investments include commercial real estate and a portfolio of publicly traded securities held largely in connection with arbitrage activities.

William Spier **Class III: Term to expire in 1989**

Mr. Spier, age 51, has been a private investor since 1982. He was Vice Chairman of the Board and a director from 1981 to 1982 of Phibro Salomon Inc., a commodities and securities firm. From 1980 to 1981, he was Senior Official in the European Division of Philipp Brothers Inc., a predecessor of Phibro Salomon Inc.

Joseph D. Tydings **Class III: Term to expire in 1989**

Senator Tydings, age 57, has been a member of the law firm of Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey since 1981. Prior to that he was a member of the law firm of Danzansky, Dickey, Tydings, Quint & Gordon. Senator Tydings was a United States Senator from the State of Maryland from 1965 to 1971.

Committees, Meetings and Directors' Fees

The Board of Directors met fourteen times in 1985.

The Board of Directors has delegated certain of its functions and responsibilities to Committees of the Board.

The Executive Committee is authorized to exercise, in the absence of the Board, all the powers of the Board in the management of the Corporation, with several limited exceptions. Messrs. Heyman, Carroll, Goldman and Spier presently constitute the Executive Committee. The Executive Committee did not meet during 1985 because frequent meetings of the full Board of Directors were held.

The Audit Committee reviews the integrity of the Corporation's financial statements, financial controls and the internal audit function, the function and fees of the independent auditors, the procedures for monitoring the Corporation's investment activities and other matters relating to financial and accounting functions. Messrs. Carroll, Lyons, Rogers and Tydings presently constitute the Corporation's Audit Committee. The Audit Committee met three times in 1985.

The Executive Compensation Committee is responsible for the review and administration of the Corporation's compensation practices, policies and plans, including the Executive Incentive Compensation Plan, the 1984 Stock Option Plan and the Employee Stock Purchase Plan; the Stock Option Committee is responsible for the administration of the Corporation's 1975 Stock Option Plan and the Stock Purchase Committee for the administration of the Restricted Stock Plan. Each of these Committees is comprised of Messrs. Goldman, Carroll, Kaplan and Rogers. These Committees met eight times in 1985.

The Nominating Committee makes recommendations as to nominees for election as directors of GAF. It is presently comprised of Messrs. Rogers, Lyons, Spier and Tydings. The members of this Committee met once in 1985. The Committee will consider persons recommended by shareholders for nomination. Such recommendations should describe the qualifications of the candidates and should be submitted in writing to the Secretary of the Corporation at its address first above listed. Recommendations must be received at least 120 days in advance of the customary date of the annual meeting of shareholders, which is presently established as the fourth Monday in April.

The Retirement Committee is responsible for administering the Corporation's retirement plans. Messrs. Spier. Heyman. Kaplan. Lyons. Shea and Sherwin presently constitute the Retirement Committee. The Retirement Committee met twice in 1985.

The total combined attendance for all Board and Committee meetings exceeded 92%. Each director attended more than 75% of the Board and Committee meetings he was scheduled to attend except Harold C. Simmons.

During 1985, the Corporation compensated members of its Board of Directors who were not employees of the Corporation at the rate of $15,000 per year plus $600 per meeting of the Board or Committee thereof attended if such Committee meeting was held in conjunction with a Board meeting or by telephone and $1,000 when a Committee meeting was scheduled independent of a Board meeting. In addition, a chairperson of a Committee was compensated at the rate of $3,000 per year but only one such retainer was paid annually regardless of the number of Committees a director chaired. In addition, the Corporation provided life insurance in the face amount of $50,000 for any member of the Corporation's Board of Directors who was not an employee of the Corporation.

At its meeting on January 27, 1986, the fees payable to directors were increased. The annual fee to non-employee directors for the 1986 calendar year was increased to $18,000 and the fee per meeting was increased to $750 effective January 27, 1986.

Certain Litigation Involving Directors

Each of the directors (except Messrs. Sherwin and Simmons) are named as defendants together with the Corporation in a lawsuit in Supreme Court, New York County by Jesse Werner, the former Chairman and Chief Executive Officer of the Corporation, alleging that they wrongfully prevented him from exercising options to purchase 120,000 shares of Common Stock and seeking to recover $800,000 in compensatory damages and $5,000,000 in punitive and exemplary damages. Werner has also demanded that the Corporation submit to arbitration the dispute with respect to his employment agreement dated September 17, 1981 which the Corporation has declined to perform since the present management assumed office in December 1983. In March 1984, the Corporation commenced a lawsuit in Supreme Court, New York County against Werner and certain former directors of the Corporation seeking to recover compensatory damages in connection with Werner's compensation arrangements and costs incurred in waging the 1983 proxy contest plus $50,000,000 of punitive damages. In October 1985, The Court of Appeals for the State of New York ordered the Corporation to proceed with the arbitration. The Corporation is seeking review of that decision by the United States Supreme Court. Under its By-Laws and the

Delaware General Corporation Law, the present and former directors and officers of the Corporation are entitled to indemnification against certain liability, costs and expenses in any action, suit or proceeding as a result of their service in such capacity unless it is finally determined that they failed to act in good faith and in a manner which they reasonably believed to be in, or not opposed to, the best interests of the Corporation. The Corporation maintained company reimbursement and directors and officers liability insurance policies which were in effect during the period when the foregoing lawsuits were commenced.

Several lawsuits are pending in the courts of New York and Delaware which were commenced by shareholders of the Corporation during the recent proxy contest against Werner, and certain former directors including James T. Sherwin who is a present director and a nominee for reelection at the annual meeting. The complaints in these lawsuits make a variety of allegations against the former Chief Executive Officer and the former directors including mismanagement, corporate waste, breach of fiduciary duties and securities law violations. The defendants have answered and denied these allegations. The former directors may be entitled to indemnification by the Corporation and coverage under its directors and officers liability insurance policies described in the preceding paragraph.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of February 27, 1986, the following persons had reported to the Securities and Exchange Commission beneficial ownership in the amounts shown of more than five percent of a class of voting securities of the Corporation:

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class
Samuel J. Heyman................ 877 Post Road East Westport, CT 06881	Common	1,380,179(1)	7.81%
Harold C. Simmons .... 4835 LBJ Freeway Dallas, TX 75244	Common	2,125,800(2)	12.03%
Strong/Corneliuson Capital Management, Inc............... 815 East Mason Street Milwaukee, Wisconsin 53202	Common	1,442,485(3)	8.17%

(1) Mr. Heyman has reported that the shares of Common Stock beneficially owned by him include 10,500 shares of Common Stock owned by a private foundation of which Mr. Heyman is an officer, 925,594 shares of Common Stock owned by partnerships of which Mr. Heyman is Manager, 18,000 shares of Common Stock owned by Annette Heyman, Mr. Heyman's mother, from whom Mr. Heyman has a power of attorney entitling him to vote such shares. Mr. Heyman reported that he has the sole power to vote and to direct the vote, and the sole power to dispose and to direct the disposition of all shares of Common Stock of which he is the beneficial owner, except for 18,000 shares of Common Stock owned by his mother, with respect to which shares of Common Stock Mr. Heyman shares voting and investment powers with his mother. Mr. Heyman also holds presently exercisable options to acquire 15,000 shares of Common Stock.

(2) Mr. Simmons has reported in an amendment to his Schedule 13D, dated February 6, 1986, that the shares of Common Stock are held by the following corporations which may be deemed to be controlled by Mr. Simmons: National City Lines, Inc.–157,025 shares of Common Stock and The Amalgamated Sugar Company–1,968,775 shares of Common Stock. Mr. Simmons disclaims beneficial ownership of these shares. In May 1985, Amalgamated Sugar issued detachable warrants to purchase one share each of GAF Common Stock. Mr. Simmons reports that there are 440,000 warrants presently outstanding and that Amalgamated Sugar has placed 440,000 of its GAF shares in escrow to satisfy warrant exercises. The warrants became exercisable at $50.00 per share on August 28, 1985 and will expire on May 1, 1990.

(3) Strong/Corneliuson Capital Management, Inc. has reported on its Schedule 13G, dated February 12, 1986, that it owns 1,368,400 shares and that it has sole voting and dispositive power with respect to the shares. In addition, it has reported that it also holds 140,000 warrants to purchase 140,000 shares of GAF Common Stock. For a description of the warrants, see footnote (2) above. Strong/Corneliuson has recently advised GAF that it increased its ownership to 1,442,485 shares as of February 27, 1986.

As of February 27, 1986, each director of the Corporation and all directors and executive officers of the Corporation as a group beneficially owned the following equity securities of the Corporation:

Name	Title of Class	Amount and Nature of Beneficial Ownership(1)	Percent of Class
Daniel T. Carroll	Common	1,000	*
Dr. Jacob E. Goldman	Common	3,333	*
Samuel J. Heyman	Common	1,380,179(2)	7.81%
Sanford Kaplan	Common	30,000	.17%
William P. Lyons	Common	24,000(3)	.14%
Scott A. Rogers, Jr.	Common	1,000	*
Edward E. Shea	Common	2,620(4)	*
James T. Sherwin	Common	11,829(5)	*
Harold C. Simmons	Common	2,125,800(6)	12.03%
William Spier	Common	22,300	.13%
Joseph D. Tydings	Common	3,441(7)	*
All Directors and Executive Officers as a Group (14 individuals)	Common	3,666,377(8)	20.75%

*Less than .1%

(1) Sole voting and investment power unless indicated otherwise.

(2) See footnote (1) to preceding table.

(3) Includes 7,500 shares held in trust for the benefit of Mr. Lyons' children of which beneficial ownership is disclaimed by Mr. Lyons, 11,600 shares held in a pension trust of which Mr. Lyons is one of two trustees and 4,900 shares held jointly by Mr. Lyons and Justine Lyons.

(4) All shares held jointly with his wife.

(5) Includes 5,000 shares subject to options which are presently exercisable and 5,000 shares subject to options which are exercisable within 60 days of the date of this Proxy Statement.

(6) See footnote (2) to preceding table.

(7) Includes 2,550 shares held in a Defined Benefit Trust of which Mr. Tydings is a trustee.

(8) See footnotes above. Includes an additional 100 shares held jointly with a spouse and 47,700 shares which officers who are not directors have the right to acquire upon exercise of options (which are presently exercisable).

EXECUTIVE COMPENSATION AND CERTAIN TRANSACTIONS

CASH COMPENSATION

The following information is furnished with respect to all cash compensation paid for services rendered to the Corporation in all capacities during fiscal 1985 by (i) all six current executive officers of the Corporation whose cash compensation exceeded $60,000, and (ii) all persons who were executive officers during 1985 as a group:

Name of Individual or Number in Group	Capacities in Which Served	Salary	Bonus(1)	Other(2)
Samuel J. Heyman	Chairman of the Board and Chief Executive Officer	$291,667	$275,000	$14,074
James T. Sherwin	Vice Chairman of the Board and Chief Administrative Officer	188,750	175,000	18,798
Edward E. Shea	Senior Vice President, General Counsel and Secretary	130,417	65,000	15,439
Carl R. Eckardt	Senior Vice President and President-Chemicals Division	156,667	125,000	20,028
John A. Brennan	Senior Vice President and President-Building Materials Division	123,333	85,000	16,073
Raymond J. Lacroix	Senior Vice President and Chief Financial Officer	104,167	45,000	12,865
All Executive Officers as a Group—(6 individuals)		$995,001	$770,000	$97,277

(1) Includes cash bonuses earned during 1985 and paid in early 1986 to the executive officers pursuant to the "Executive Incentive Compensation Plan" described below. Bonuses earned during 1984 and paid in early 1985 were reported in the Corporation's 1985 Proxy Statement.

(2) Includes the Corporation's cash contributions to the "GAF Capital Accumulation Plan" and the cost to the Corporation of special life insurance provided to the Corporation's elected officers. Both plans are described below.

Compensation Pursuant To Plans

Executive Incentive Compensation Plan

GAF has an Executive Incentive Compensation Plan which was approved by the shareholders in May, 1967. The Plan covers approximately 275 officers, managers and other professional employees of the Corporation.

The Plan provides that the Board of Directors, in its discretion, may credit to an incentive compensation fund an amount no greater than 6% of the excess of GAF's adjusted income over 6% of the value of shareholders' equity at the beginning of the year for which the computation is made. A percentage of this amount, consisting of not less than 5% nor more than 15%, shall be used for special awards to employees as the Board directs, with the balance to be used for Executive Incentive Compensation Awards to key employees. The Plan provides that the Chief Executive Officer of the Corporation shall furnish the Executive Compensation Committee, and that the Committee shall furnish the Board of Directors, with recommendations as to particular awards. An award under the Plan may be payable in cash or GAF Common Stock or both. Common Stock may be subject to restrictions on disposition.

Criteria used to determine awards include the level of success achieved during the year by the employee, the Division or department in which the employee works and the Corporation. For fiscal 1985, the total incentive compensation fund was determined to be $2,875,000 for allocation among the 275 eligible officers, managers and employees. All awards made for fiscal 1985 were paid in cash. The awards paid to the executive officers appear in the Cash Compensation Table.

1969 Restricted Stock Purchase Plan

The Plan for the Sale of Restricted and Unrestricted Common Stock to Employees Who Perform Executive, Administrative or Supervisory Functions authorizes the sale of an aggregate of 650,000 shares of Common Stock to full-time executive, administrative and supervisory employees of the Corporation and its subsidiaries. The price of Restricted Shares must be at least 50% of the closing price of the Corporation's Common Stock on the New York Stock Exchange on the last trading day on which such stock was traded preceding the date on which an employee is designated as one to whom such shares may be offered for sale. To accept an award, the employee must make payment in full of the purchase price.

The Plan authorizes the sale of shares subject to prescribed restrictions as to disposition ("Restricted Shares") and without such restrictions ("Unrestricted Shares"). All sales under the

1969 Purchase Plan to date have been of Restricted Shares. Restricted Shares may not be resold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except as provided in the Plan, for a one-year period from the date of purchase and such further period or periods as may be provided by the Committee. Since March 1984, the policy of the Stock Purchase Committee with respect to new sales pursuant to the Plan has been to provide for the lapsing of the restrictions on one-fifth of the stock awarded on each of the first through fifth anniversaries of the date of sale. The policies in effect prior to that time provided, in general, for a nine year lapsing schedule on restrictions, and there are Restricted Shares outstanding which are still subject to the nine year schedule. If a participant's employment terminates for certain reasons prior to the fifth anniversary of the date of purchase or due to death prior to the completion of five years of continuous employment, the Corporation has the right to repurchase the shares which remain subject to restrictions at the price which the employee paid for them.

The selection of eligible employees to receive awards under the Plan is made by the Stock Purchase Committee. Awards are based on the Committee's evaluation of an employee's past or potential contribution to the Corporation or its subsidiaries. The Committee determines the number of shares to be awarded to any employee, the date of the award and the terms and conditions governing the award. There is no stated maximum or minimum number of shares which may be awarded under the Plan to any one eligible person or group of persons.

No awards of stock were made to executive officers under this Plan in 1985. Several executive officers do, however, own shares which they purchased in prior years on which the restrictions lapsed in 1985. The difference between the original purchase price and the market value on the date of lapse for the Restricted Shares was as follows: Carl R. Eckardt $45,871 (992 shares); John A. Brennan - $56,573 (1,768 shares); Raymond J. Lacroix - $12,092 (364 shares) and all executive officers as a group (6 individuals) - $114,537 - (3,124 shares).

Stock Option Plans

1975 Stock Option Plan. This Plan authorizes the grant of "non-qualified" options (within the meaning of the Internal Revenue Code) to purchase a maximum of 800,000 shares of the Corporation's Common Stock to key employees. The exercise price at which shares of Common Stock may be purchased may not be less than 100% of the fair market value of the shares on the date the option is granted.

Options granted after April 30, 1984 are exercisable as to 20% of the shares after the expiration of one year from the date of grant, 40% after two years, 60% after three years, 80% after four years, and 100% after five years, with no such option to be exercisable as to all or any portion thereof more than 60 days after the fifth anniversary of the date of grant. Options granted on or before April 30, 1984 may not be exercised unless the optionee has remained in the continuous employ of the Corporation or its subsidiaries for a period of one year after the date of grant, but thereafter may be exercised in full at any time over the remaining term of the option. Such earlier options expire not later than ten years from the date of grant and there is no maximum amount of options which may be exercised in any year.

The selection of eligible employees to receive options is made by the Stock Option Committee. Awards of options are based on the Stock Option Committee's evaluation of an employee's past or potential contribution to the Corporation or its subsidiaries. The Stock Option Committee determines the number of shares to be optioned to any employee, the date of the option grant and the terms and conditions governing the options. There is no stated maximum or minimum number of options or shares which may be issued to any one eligible person or group of persons.

The 1975 Stock Option Plan and the Corporation's right to grant options under it terminated on February 12, 1985. Options outstanding on February 12 were not affected by the termination of the Plan.

1984 Stock Option Plan. This Plan authorizes the grant of options to purchase a maximum of 800,000 shares of the Corporation's Common Stock. Options may be either options intended to be "incentive stock options" within the meaning of section 422A of the Internal Revenue Code of 1954, as amended (the "Code"), or "non-qualified" stock options for purposes of the Code. The exercise price of options granted must be at least equal to the fair market value of such shares on the date of grant. With respect to any incentive stock option granted to a participant who owns stock possessing more than 10% of the voting rights of the Corporation's outstanding capital stock on the date of grant, the exercise price of the option must be at least equal to 110% of the Fair Market Value on the date of grant.

The term of each option is five years and sixty days (five years for certain incentive stock options granted to persons owning more than 10% of the Corporation's Stock). Options may not be exercised during the first year after the date of grant. Thereafter, except as noted below, each option becomes exercisable as to 20% of the shares subject thereto on each of the first through the fifth anniversaries of the date of grant. With respect to options granted to persons owning more than 10% of the Corporation's stock, the option will become exercisable as to the final 20% of shares subject thereto four years and ten months from the date of grant.

The selection of eligible employees to receive options is made by the Executive Compensation Committee. Awards of options are based on the Executive Compensation Committee's evaluation of an employee's past or potential contribution to the Corporation or its subsidiaries. The Executive Compensation Committee determines the number of shares to be optioned to any employee, the date of the option grant, whether the option is intended to be an incentive stock option or a nonqualified stock option, and other terms governing the options. There is no stated maximum or minimum number of options or shares which may be issued to any one eligible person or group of persons. However, the aggregate fair market value of the Common Stock (determined at the date of the option grant) for which any employee may be granted incentive stock options in any calendar year may not exceed $100,000, plus certain carryover allowances from the previous three years permitted under the Code.

Holders of stock options granted under both the 1975 and 1984 Stock Option Plans have certain limited stock appreciation rights ("Limited Rights") which are in addition to the stock appreciation rights already included under the 1975 and 1984 Stock Option Plans. These Limited Rights apply only in the event of a tender or exchange offer for the Corporation's Common Stock by a bidder other than the Corporation, and entitle the option holder to surrender any then exercisable option or portion thereof and receive either cash or the Corporation's Common Stock, as determined by the Executive Compensation Committee or Stock Option Committee, as applicable, equal to the difference between the aggregate fair market value of the shares subject to options on the date of surrender (as determined in accordance with the Limited Rights) and the aggregate option price.

The following table includes, for each executive officer named in the Executive Compensation Table and for all executive officers as a group, data on the following: (i) all options granted in fiscal 1985 under the 1984 Stock Option Plan [each of which includes provision for stock appreciation rights ("SARs")] whether incentive stock options or nonqualified stock options and (ii) the net value realized in shares or cash on exercise of options awarded in previous years under both the 1975 and 1984 Stock Option Plans.

	Options and related SARs granted in 1985	Net value of options exercised during 1985 (1)
Samuel J. Heyman	0	0
James T. Sherwin	0	0
Edward E. Shea	0	$40,875
Carl R. Eckardt	0	0
John A. Brennan	0	0
Raymond J. Lacroix	0	0
All Executive Officers as a Group (6 individuals)	0	$40,875

(1) Net value of shares received on exercise of options (market value on date of exercise less exercise price). No stock appreciation rights were exercised.

Employee Stock Purchase Plan

The 1984 Employee Stock Purchase Plan authorizes the grant of options to purchase a maximum of 600,000 shares of the Corporation's Common Stock on a non-discriminatory basis to all full time employees of the Corporation and its subsidiaries except employees who own 5% or more of the total combined voting power of all classes of stock of the Corporation. All options granted shall be for the same number of shares unless the Executive Compensation Committee provides that the number of shares granted by each option shall bear a uniform relationship to the compensation of each eligible employee. The price at which shares of stock may be purchased under any offering is 85% of the lesser of fair market value of the Common Stock on the date of grant or the date of purchase. Payments for stock purchased may be made either by immediate delivery of the full purchase price, on an installment basis through payroll deductions or a combination of both.

There have been three offerings of stock pursuant to the Plan on October 1, 1984, June 3, 1985 and January 20, 1986. All three offerings have granted employees the option to purchase a number of shares which bears a uniform relationship to compensation. Options not exercised by the end of the offering period (typically one month) expire.

The following table sets forth, as to each of the executive officers named in the Cash Compensation Table above (except Mr. Heyman who is not eligible to participate) and to all executive officers as a group the number of shares of the Corporation's Common Stock purchased by immediate payment or payroll deduction pursuant to the Plan during 1985 and the aggregate net value of the shares purchased over and above the purchase price thereof.

Name of Individual or Number in Group	Number of Shares Purchased	Price Per Share	Aggregate Net Value of Shares Purchased (1)
James T. Sherwin	481	$18.70	
	348	28.05	$3,310(2)
Edward E. Shea	334	18.70	
	86	28.05	1,528
Carl R. Eckardt	374	18.70	
	285	28.05	2,645(2)
John A. Brennan	0	—	—
Raymond J. Lacroix	267	18.70	
	187	28.05	1,807(2)
All Executive Officers	1,456	18.70	
as a Group (5 individuals)	906	28.05	$9,290

(1) Net value of shares purchased on exercise of options (market value on date of grant, based on closing price on New York Stock Exchange, less exercise price).

(2) These executive officers are participating in the third offering under the Stock Purchase Plan by payroll deduction. They will acquire shares on August 29, 1986 with an aggregate exercise price as follows: James T. Sherwin—$9,750; Carl R. Eckardt—$8,000 and Raymond J. Lacroix—$5,250. The exercise price per share will be the lesser of $48.24 or 85% of the closing market price on August 29, 1986, adjusted to reflect the stock split which will occur if Proposal No. 3, *infra*, is approved by the shareholders at the 1986 Annual Meeting.

Prior Pension Plan

On September 23, 1982, the Board of Directors authorized the termination, effective December 31, 1982, of the GAF Salaried Employees' Retirement Plan (the "Pension Plan"), a defined benefit pension plan. All participants in the Pension Plan who were not otherwise vested became vested on the termination date and each participant became entitled, as one of several options, to receive an annuity contract providing for the monthly payment of his accrued benefit as of December 31, 1982, in accordance with the terms of the Pension Plan. Messrs. Sherwin, Eckardt, Brennan and Lacroix elected to receive annuity contracts which will provide at age 65 maximum monthly payments for their accrued benefits of $4,334, $665, $1,218 and $908, respectively, pursuant to the terms of the Pension Plan. No other current executive officers were participants in the Pension Plan at the time of its termination.

Capital Accumulation Plan

Effective January 1, 1983, the Corporation adopted the GAF Capital Accumulation Plan ("GAFCAP") for salaried employees to encourage employees to accumulate funds for retirement.

GAFCAP is a profit sharing retirement plan which contains a salary reduction arrangement which complies with Section 401(k) of the Internal Revenue Code of 1954, as amended. Pursuant to GAFCAP, each participant may elect to reduce his compensation by up to 14% (thereby excluding from his income for federal income tax purposes the amount of such reduction) and to have the Corporation contribute such amount to GAFCAP on his behalf. The Corporation will contribute an additional amount equal to 3% of a participant's compensation and will match the lesser of 4% of a participant's compensation or two-thirds of a participant's salary reduction contribution. A participant also may elect to make non-deductible (for federal income tax purpose) voluntary contributions to GAFCAP in an amount not to exceed 10% of his compensation. Distributions commence as soon as practicable after either the termination of employment or retirement, and a participant may elect to receive payment either (a) in monthly installments over a period equal to the participant's life expectancy or that of his spouse, if longer, or (b) in a lump sum. The amounts contributed during fiscal 1985 by the Corporation to the executive officers are listed in the Executive Compensation Table.

Executive Deferred Compensation Program

In November 1985, the Corporation established a new deferred compensation plan for the benefit of key employees. The benefit payable under the Plan, which accrues in accordance with a ten year schedule, consists of an annual payment commencing at age 65 equal to 25% of a covered employee's last full year's salary. The benefit will continue for the longer of 15 years or the joint lifetimes of the employee and his spouse. If a covered employee dies while employed by the Corporation, a death benefit of 36% of the employee's annual income at the date of death is payable to the employee's beneficiary for a term of 15 years. Employees who participate in this plan are not entitled to have employer contributions made to their accounts, if any, under GAFCAP.

Employees are selected for eligibility for this plan based upon the key nature of their responsibilities. Key managerial and professional employees, including all executive officers, were offered participation in November 1985. All executive officers accepted except Mr. Shea. Since the plan was in effect for less than two months in 1985, the amount of vested benefits to which each executive officer was entitled at the end of 1985 was negligible.

Severance Policy

The Corporation's basic severance policy for salaried employees provides for payments to employees based upon the age and length of service of the employee at the time of termination. Pursuant to the terms of this policy, the only executive officers currently entitled to severance payments in excess of $60,000 are Carl R. Eckardt and James T. Sherwin. Mr. Eckardt would be entitled to a severance payment of $60,000 and Mr. Sherwin would be entitled to a severance payment of $97,500, as adjusted by the terms of his employment agreement with the Corporation which expires on May 21, 1986.

Life Insurance

In 1985 employees of the Corporation were eligible to enroll on a contributory basis in a benefits package providing generally for term life insurance equal to approximately two times current annual base salary, an accidental death and dismemberment payment equal to two times current annual base salary and monthly long-term disability benefits of approximately 2% of two times current annual salary. All elected officers received the aforementioned accidental death and dismemberment and long-term disability coverages on a non-contributory basis; in addition, they are eligible to receive group term life insurance coverage equal to approximately four times current annual base salary on a non-contributory basis. The cost to the Corporation of such insurance coverage for all executive officers is listed in the Executive Compensation Table.

Personal Benefits

The Corporation provides certain personal benefits to its executive officers which are difficult to quantify in terms of business or personal use. The Corporation has concluded, however, after reasonable inquiry, that the aggregate amounts attributable to such personal benefits do not in any event exceed the lesser of $25,000 or 10% of total cash compensation for each person named in the Cash Compensation Table above, or, as to all executive officers of the Corporation as a group, the lesser of $25,000 times the number of persons in the group or 10% of the total cash compensation for the group.

CERTAIN TRANSACTIONS WITH RELATED PARTIES

In 1985, the Corporation engaged Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey, to render legal services in connection with a variety of matters. Joseph D. Tydings, a director of the Corporation, is a member of this firm. During 1985, the Corporation paid Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey fees and disbursements which were less than 1% of the firm's revenues for the last full fiscal year.

In 1985, the Corporation engaged G.B. Energy Systems, Inc. as a consultant on research and development pursuant to a contract between it and the Corporation. Dr. Jacob E. Goldman, a director of the Corporation, is President of G.B. Energy Systems, Inc. During 1985, the Corporation paid G.B. Energy Systems, Inc. $60,000 in fees.

Proposal No. 2
CLASSIFICATION OF THE BOARD OF DIRECTORS AND OTHER AMENDMENTS TO THE CERTIFICATE

General

The Board of Directors of the Corporation has approved by a unanimous vote of those present a number of amendments to the Corporation's Restated Certificate of Incorporation (the "Certificate") and has directed that they be submitted to a vote of the shareholders at the Annual Meeting. To be adopted, this proposal requires the affirmative vote of holders of a majority of all outstanding shares of Common Stock of the Corporation entitled to vote thereon at the meeting. The Board of Directors believes that it is in the best interests of the Corporation to amend the Certificate to give effect to the proposed amendments.

Appendix A to this proxy statement contains the text of the proposed amendments to the Certificate, and the following discussion is qualified in its entirety by reference to such Appendix. The proposed amendments are interrelated, and the purpose of some of the amendments is to prevent circumvention of the desired protection afforded by others. Accordingly, the Board has approved these amendments as a single proposal. Any shareholders who favor some but oppose others of these proposed amendments will have to decide, therefore, if the advantages of the amendments they favor outweigh the disadvantages of the ones they oppose. Votes *may not* be cast in favor of or against portions of this Proposal No. 2 and attempts to do so on the proxy card will invalidate that card's voting instructions on this Proposal.

The proposed amendments to the Certificate would (a) provide for a classified Board of Directors and authorize the directors to increase or decrease the size of the Board within the limits set by proposed Article NINTH (c) and to fill vacancies on the Board; (b) provide that any shareholder action be taken only at a meeting of shareholders and not by written consent; (c) provide that only the Chairman of the Board or the Board of Directors and not the shareholders are authorized to call special meetings of the shareholders; (d) provide certain procedures that a shareholder must follow in order to nominate any person for election to the Board of Directors or to bring any business before an annual meeting of shareholders; (e) provide that the Board of Directors is exclusively authorized to establish the rights, powers, duties and procedures governing the Board and the management of the Corporation; (f) provide that directors may not be removed without cause and may be removed for cause only by the holders of a majority of the outstanding shares entitled to vote, including, in certain circumstances, the vote of the holders of a majority of the shares not beneficially owned by any owner of more than 5% of the total voting power of all classes of stock of the Corporation; and (g) provide that unless certain conditions are met, the proposed amendments may not be altered, amended, changed or repealed without a vote of the holders of not less than 80% of the Corporation's shares entitled to vote thereon. This may be considered to be an anti-takeover proposal.

As more fully discussed below, the primary purpose of the proposed amendments is to enhance the Corporation's ability to successfully conclude any potential acquisition free from the concern that a target company will be in a position to utilize a retaliatory offer for GAF as a means of resisting the Corporation's acquisition effort. The Board of Directors believes that such a retaliatory offer, designed solely to thwart the Corporation's offer, is not likely to be in the best interests of the Corporation's shareholders.

The Corporation has from time to time purchased securities in other corporations and regularly reviews its holdings of such securities to determine, among other things, whether to increase, decrease, hold or liquidate such holdings or whether to seek to acquire control of any such corporation by tender offer or otherwise. In this connection, the Board of Directors is aware that in recent years, several corporations have made defensive counteroffers in response to acquisition attempts. During the pendency of the Corporation's recent tender offer for Union Carbide Corporation, the Corporation's Board of Directors became aware that the Board of Directors of Union Carbide took under consideration such a plan to gain control of the Corporation as a means of frustrating the Corporation's offer for Union Carbide. As the Corporation may wish at a future time to make a new offer for Union Carbide or pursue the acquisition of other companies, the Corporation's Board believes that these proposed amendments are necessary to enable the Corporation to successfully pursue an acquisition strategy which is in the best interests of the Corporation's shareholders.

The proposed amendments are also intended to promote conditions of continuity and stability in the Corporation's leadership, business, management and policies and to ensure that all shareholders are afforded the opportunity at shareholder meetings to fully discuss and consider matters which affect their rights.

Other Considerations

Although the proposed amendments are intended primarily to deter and discourage retaliatory counter tender offers, the proposed amendments, if adopted, will necessarily have the effect of making more difficult all tender offers or other acquisitions of stock for the purpose of acquiring control of the Board of Directors regardless of the offeror's motivation, as well as proxy contests or other attempts to change management. To the extent adoption of the proposed amendments makes the acquisition of control or a change in management of the Corporation more difficult, the Corporation may become a less attractive takeover target. As a result, offers from a significant shareholder or from third parties to acquire some or all of the shares of the Corporation which some shareholders might deem to be favorable could be discouraged. Further, to the extent tender offers or accumulations of the Corporation's stock are discouraged, shareholders may be deprived of the higher market prices for their stock which often prevail as a result of such events. Accordingly, before voting on the proposed amendments to the Certificate, shareholders are urged to read carefully the following sections of this Proxy Statement which discuss the reasons for and effects of the proposed amendments and describe more fully the specific provisions of each proposed amendment.

The Corporation is not at present involved in the acquisition of any other company nor is it presently aware of any pending or threatened effort to acquire the Corporation or to change current management, either by a third party or by any holder or holders of any substantial block of the Corporation's Common Stock. The Board of Directors has concluded that it is desirable to consider these amendments at a time when the Corporation is not involved in an acquisition.

Description of the Proposed Amendments to the Certificate

Classification of the Board of Directors. Under the Corporation's current By-Laws, each of the directors of the Corporation is elected annually by the shareholders for a term of one year. The proposed amendment to Article NINTH (c) of the Certificate provides for a Board of Directors divided into three classes having staggered three-year terms, to take effect beginning with the election of directors at the 1986 Annual Meeting. If the proposed amendment is approved, at the 1986 Annual Meeting three directors will be elected for terms expiring in 1987, three for terms expiring in 1988, and four for terms expiring in 1989, as more fully described under "ELECTION OF DIRECTORS." At each Annual Meeting after 1986, directors would be elected to succeed those whose terms then expire, each newly elected director to serve for a three-year term.

The proposed amendment also limits the number of directors on the classified Board to a maximum of twenty-four and a minimum of three. The amendment vests in the Board the power, by vote of a majority of the directors then in office, to fix the exact number of such directors within these limits and to fill vacancies in the Board which may occur as a result of an increase in the number of such directors, or because of resignations or otherwise. Any director chosen by the Board to fill a vacancy shall hold office until the next election of the class for which such director shall have been chosen.

The provisions for a classified Board, combined with the ability of the Board to increase the size of the Board, will extend the time required to elect a majority of the directors from one annual meeting to as many as three annual meetings. Thus, the classification of directors will have the effect of making it more difficult to change the over-all composition of the Board of Directors and will therefore make it more difficult for the management of a company which the Corporation may be seeking to acquire to affect a sudden change in control of the Corporation in order to terminate the Corporation's acquisition efforts. However, tender offers or other acquisitions of stock for the purpose of acquiring control of the Board and proxy contests or other attempts to change management which are not undertaken as defensive tactics may also be discouraged by adoption of this proposal.

The Board of Directors also believes that classification of the Board will promote continuity and stability of the Corporation's leadership, management policies and business strategies by assuring that experienced personnel associated with the implementation of these policies and strategies will be on the Board at all times.

Removal of Directors; Filling Vacancies on the Board of Directors. The Corporation's By-Laws presently provide that a director may be removed, either with or without cause, by the affirmative vote of the holders of a majority of the outstanding shares of the stock of the Corporation entitled to vote. Under Delaware law, a director on a classified Board may be removed from office during his or her term without cause only if the Certificate of Incorporation so provides. The proposed amendment to Article NINTH (c) specifically provides that directors may be removed only for cause and only by the affirmative vote of the holders of a majority of the Corporation's shares entitled to vote thereon, including, in certain circumstances, the vote of the holders of a majority of the shares not beneficially owned by a Related Person (as defined). Accordingly, the proposed amendment would eliminate the present ability of the holders of a majority of the Corporation's shares to remove a director without cause.

Proposed Article NINTH (q) to the Certificate defines a Related Person generally as any person or entity which is the beneficial owner of more than 5% of the total voting power of all classes of stock of the Corporation entitled to vote generally in the election of directors. However, any person or entity which owned 5% or more of the Corporation's outstanding Common Stock on March 17, 1986 will not be deemed a Related Person.

The provisions of proposed Article NINTH (c) relating to the removal of directors and those which limit the number of directors are believed necessary in order to assure that the advantages of a classified Board are not circumvented. The provisions for a classified Board of Directors, together with the other provisions of the proposed amendment, if adopted, would make it more difficult to remove directors, and ultimately the management, even if a majority of shareholders decide to do so. In particular, absent the approval of shareholders having sufficient votes to amend proposed Article NINTH (c), it would not be possible to change the majority of the directors at any annual meeting, even where the only reason for the change may be shareholder dissatisfaction with the performance of the incumbent directors.

Procedures for Shareholder Nominations and Proposals. The proposed amendments to Article NINTH (c) and new Article NINTH (o) of the Certificate set forth the procedures that a shareholder must follow in order to nominate any person for election to the Board of Directors or to bring any business before an annual meeting of shareholders. Currently, no such procedural requirements exist in either the Certificate or the By-Laws.

Both amendments will provide that a shareholder must furnish written notice of the shareholder's nomination or business proposal to the Secretary of the Corporation not less than 60 days prior to the first anniversary of the date of the last meeting of shareholders called for the election of directors. The amendments would, accordingly, eliminate the present ability of shareholders to nominate directors or introduce business matters from the floor at the annual meeting of shareholders without having provided prior notice thereof to the Corporation. In addition, proposed Article NINTH (c)(iv) would provide that a shareholder's notice with respect to the nomination of candidates for election to the Board of Directors must contain certain information concerning the nominee, including his age, business and residence addresses and principal occupation, and the number of shares of stock of the Corporation beneficially owned by him. The proposed amendment to Article NINTH (c) (iv) would not be applicable to nominations by the Board of Directors or a nominating committee of the Board. New proposed Article NINTH (o) would provide that a shareholders' notice with respect to business matters to be brought before a shareholders' meeting must contain a brief description of the business matter, the identity of and number of shares owned by the shareholder proposing such business matters, and any interest of the shareholder in such business matter. New proposed Article NINTH (o) would not affect the current requirement that shareholder proposals be delivered to the Corporation at least 120 days prior to the anniversary of the date the prior year's proxy statement was released to shareholders in order to be included in the proxy statement.

The procedures set forth in proposed Article NINTH (c)(iv) and new proposed Article NINTH (o) will prohibit last-minute attempts by a shareholder to nominate a director or present a business proposal at an annual shareholders' meeting, even if such a nomination or proposal might be desired by a majority of the shareholders. These procedures will enable the Board of Directors of the Corporation to be informed in advance of nominations or business proposals (including any that may be made by a person seeking to acquire control of the Corporation) to be presented at meetings of shareholders in order to prepare informed and reasoned positions with respect to such nominations and business proposals. These procedures would also eliminate the element of surprise that a person seeking to acquire the Corporation might otherwise use to advantage in making a shareholder proposal.

Requirement that Any Special Meeting be Called by the Board of Directors. Under the Corporation's current By-Laws, special meetings may be called by the Chairman of the Board, the Board of Directors or the President and shall be called by the Secretary at the request in writing of shareholders owning at least a majority of the shares of capital stock of the Corporation issued and outstanding and entitled to vote. New proposed Article NINTH (p) would provide that only the Chairman of the Board or the Board of Directors and not the shareholders are authorized to call special meetings of the shareholders. Thus, the proposed amendment would eliminate the present ability of shareholders to call special meetings of the shareholders. If adopted, the proposed amendment would make it more difficult to remove directors, and ultimately, the management, even if a majority of shareholders desire to do so.

Requirement that Any Shareholder Action Be Taken Only at a Meeting. New proposed Article NINTH (n) to the Certificate would require that any shareholder action be taken only at a meeting of shareholders. At present, any action which may be taken at any annual or special meeting of shareholders may also be taken without a meeting, without prior written notice and without a vote, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

The amendment is designed to assure that matters of importance are presented and voted on at shareholder meetings and not decided by a major shareholder without giving all shareholders an opportunity to be heard and to vote at a meeting of shareholders. The Board believes that it is important for shareholders to be able to discuss matters which may affect their rights and for management to be able to give advance consideration to any such matters, and that it is therefore appropriate for shareholders of a publicly-held corporation to take action affecting the corporation and its shareholders only at a meeting.

This amendment, combined with the amendment eliminating the right of shareholders to call special meetings (see "Requirement that Any Special Meeting be Called by the Board of Directors") would effectively preclude shareholders from taking any action except at a special meeting called by the Board of Directors or at any annual meeting. Accordingly, the proposed amendments may make it more difficult for shareholders to take action opposed by the Board of Directors and thus deter persons from seeking to acquire substantial stock positions in or control of the Corporation, including an attempt to acquire control of the Corporation made in response to any attempt by the Corporation to acquire securities or control of another corporation.

Authority of Board of Directors to Manage the Business and Affairs of the Corporation. Under Delaware law, the business and affairs of the corporation shall be managed by or under the direction of the Board of Directors except as otherwise provided by Delaware law or the certificate of incorporation. The Corporation's Certificate currently permits both the Certificate and the By-Laws to qualify this authority with respect to certain matters. The proposed amendment to Article NINTH (e) of the Certificate would provide that the Board has the exclusive authority to establish the rights, powers, duties and procedures governing the Board and the management of the business and affairs of the Corporation.

The proposed amendment would prevent shareholders from seeking to disrupt the management and policies of the Board of Directors by adopting changes to the By-Laws which, for example, alter the vote required for any action of the Board or the election by the Board of officers of the Corporation. This amendment is viewed as a necessary adjunct to the classification of the Corporation's Board of Directors. The adoption of the proposed amendment may also deter certain mergers, tender offers or other future takeover attempts favored by the holders of some or a majority of the Corporation's voting stock, including an attempt made in response to any effort by the Corporation to acquire securities or control of another corporation.

Increased Shareholder Vote for Alteration, Amendment or Repeal of Proposed Amendments. At present, any alteration, amendment, repeal or rescission of any provision of the Certificate must be approved by a majority of the directors of the Corporation then in office and by the affirmative vote of the holders of a majority of the outstanding stock of the Corporation entitled to vote at a meeting. Proposed new Article TENTH of the Certificate would provide that any alteration, amendment, repeal or rescission of Articles NINTH and TENTH of the Certificate must be approved by the affirmative vote of the holders of not less than eighty percent (80%) of the outstanding stock of the Corporation entitled to vote generally in the election of directors, subject to the provisions of any series of preferred stock which may at any time be outstanding. However, this supermajority voting requirement will not apply to any change recommended to the stockholders by two-thirds of the whole Board of Directors so long as a majority of the directors acting upon such matter shall be Continuing Directors. Proposed Article NINTH (q) generally defines a Continuing Director as any member of the Board of Directors who is not a Related Person and who (i) was a director on March 17, 1986, (ii) became a director prior to the time that any person or entity became a Related Person or (iii) was recommended to succeed a Continuing Director by a majority of Continuing Directors. Inasmuch as all of the nominees for election at the 1986 annual Meeting were directors on March 17, 1986 and none of the nominees are Related Persons, all of such persons will be deemed Continuing Directors for purposes of Article NINTH (q). In addition, under proposed Article TENTH no By-Law provisions inconsistent with the proposed amendments to Articles NINTH and TENTH may be adopted.

The requirement of an increased shareholder vote is designed to prevent a shareholder with a majority of the voting stock from avoiding the requirements of the proposed amendments by simply repealing them. If this proposal is adopted, any shareholder desiring to alter, amend, repeal or rescind any of the proposed amendments without the support of current management would have to obtain the affirmative vote of the holders of at least 80% of the Corporation's outstanding shares. Such a requirement would thus limit a majority shareholder's ability to act unilaterally without the support of other shareholders.

This proposal will, however, make it hard to change any of the amendments proposed in this proxy statement. In general, a supermajority vote of 80% is difficult to obtain, even when there is substantial shareholder support for a proposal, as it is not uncommon for less than 80% of the total number of shares of stock entitled to vote at a meeting to cast ballots. For example, the percentage of shares represented in person or by proxy at the Corporation's last three annual meetings of shareholders was: 1985–78.31%, 1984–84.2% and 1983–78.94%. With respect to the Corporation's voting stock, the obtaining of a supermajority vote may be further complicated by the fact that, at February 27, 1986, Mr. Heyman and Harold C. Simmons* (who is currently a director, but is not standing for reelection) beneficially owned more than 19% of the outstanding Common Stock. Thus, assuming that they retain or increase their shareholdings, it would be a practical necessity that the affirmative vote of at least one of them be obtained in order to adopt certain proposed amendments to the Certificate of Incorporation.

Conforming Amendment. To avoid any conflicts with the proposed amendments a conforming amendment to Article NINTH (k) of the Certificate is proposed. Proposed changes are set forth in Appendix A hereto.

Other Possible Anti-Takeover Provisions in the Corporation's Certificate

The Certificate and By-Laws of the Corporation do not currently contain provisions intended by the Corporation to have "antitakeover" effects, although the Corporation is authorized to issue up to 6,000,000 shares of Preferred Stock, in respect of which the Board may determine voting and other rights. The Preferred Stock could be issued so as to dilute the stock ownership or voting power of persons seeking to obtain control of the Corporation and could be utilized to frustrate a takeover plan. In addition, Preferred Stock could be privately placed. However, the Board has no present intention of issuing Preferred Stock for any of such purposes.

Cumulative voting is not permitted under the Corporation's Certificate.

The proposed amendments, combined with the power of the Board of Directors to issue a class of authorized, but unissued Preferred Stock, may have the effect of maintaining the continuity of management and may make changes in management more difficult, even if a majority of shareholders might consider such changes advisable.

* Mr. Simmons disclaims beneficial ownership of these shares. See footnote (2) on page 9.

Other than the amendment to increase the number of authorized shares of Common Stock discussed in Proposal No. 3, the Board does not presently contemplate adopting, or recommending to the shareholders for their adoption, any further amendments to the Corporation's Certificate or By-Laws which would affect the ability of third parties to take over or change control of the Corporation, except for amendments to the Corporation's By-Laws to be adopted by the Board to conform them to the proposed amendments.

The Board of Directors recommends a vote "FOR" Proposal 2.

Proposal No. 3
INCREASE OF AUTHORIZED SHARES OF COMMON STOCK AND RELATED MATTERS

General

The Board of Directors has approved by a unanimous vote of those present and recommends that the shareholders consider and approve an amendment to Article FOURTH of the Certificate that would increase the number of authorized shares of Common Stock from 25,000,000 shares to 100,000,000 shares. To be adopted, this proposal requires the affirmative vote of holders of a majority of all outstanding shares of Common Stock of the Corporation entitled to vote thereon at the meeting. The Board of Directors believes that it is in the best interests of the Corporation to amend the Certificate to give effect to the proposed amendments.

Appendix B to this proxy statement contains the text of the proposed amendments to the Certificate, and the following discussion is qualified in its entirety by reference to such Appendix.

As of February 27, 1986, there were 17,666,301 shares of Common Stock issued and outstanding. Approximately 2,089,765 additional shares of Common Stock were reserved for issuance in connection with the Corporation's 1969 Restricted Stock Plan, 1975 and 1984 Stock Option Plans and 1984 Stock Purchase Plan. This leaves a balance of 5,158,422 authorized but unissued shares (including shares held in treasury) available and unreserved for future use.

On February 24, 1986, the Board of Directors authorized a 2 for 1 stock split pursuant to which all holders of record of GAF Common Stock on May 8, 1986 would be entitled to receive one additional share of Common Stock for each share held. This authorization, however, is necessarily conditioned upon the approval by the shareholders of an increase in the authorized Common Stock of the Corporation sufficient to allow the issuance of more than 17,000,000 new shares of Common Stock.

In addition, the Board of Directors considers it desirable that the Corporation have a further amount of Common Stock available for issuance in connection with possible additional stock splits and dividends, acquisitions, financings, employee benefit plans and other corporate purposes in order to avoid, in each instance, the delay and expense otherwise involved in obtaining shareholder approval for individual amendments to the Certificate of Incorporation. Other than such matters, the Corporation has no present plans, arrangements, understandings or commitments to issue any additional shares of Common Stock. If the proposed amendments to increase the number of authorized shares of Common Stock are approved, there will be 80,158,422 unissued and unreserved shares of Common Stock (including shares held in treasury), of which approximately 18,000,000 will be issued in the stock split if the shareholders approve this proposal.

The Corporation continuously reviews opportunities to acquire businesses, some of which might involve the issuance of shares of Common Stock. The Board of Directors believes that if authorization of any increase in the Common Stock were postponed until a specific need arose, the delay and expense incident to obtaining the approval of shareholders at that time could significantly impair the Corporation's ability to meet its financing or other objectives. If the proposed amendment is approved, the Board of Directors would be able to issue, for any proper corporate purpose, such authorized but unissued shares without further action by the shareholders.

The Common Stock is entitled to dividends when, as and if declared by the Board of Directors. The holders of Common Stock have full voting powers and are entitled to receive any distribution made to shareholders in liquidation. No holders of Common Stock are entitled, as a matter of preemptive or other right as such holders, to subscribe for or purchase any stock of the Corporation, whether presently available or made available by amendment to the Certificate of Incorporation, or any obligation of the Corporation convertible into such stock.

Depending on the purpose, terms and conditions, any issuance of shares of the Corporation's Common Stock could have the effect of diluting current shareholders' proportionate interests in the Corporation.

Potential Anti-Takeover Effects

Although not a factor in the Board of Directors' decision to propose the amendment to increase the number of authorized shares of Common Stock, one of its effects may be to enable the Board to render more difficult or to discourage an attempt to obtain control of the Corporation by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of present management. The Board would have the additional shares available to effect a sale of shares, merger, consolidation or similar transaction whereby the number of the Corporation's outstanding shares would be increased and thereby would dilute the interest of a party attempting to obtain control of the Corporation as well as the voting rights of the Corporation's other shareholders. Adoption of the proposed amendment could reinforce the effects of the other proposed amendments to the Certificate for which shareholder approval is being sought at this meeting. See Proposal No. 2 above.

Additional Proposed Amendment

The Board of Directors also has approved and recommends that the shareholders consider and approve an amendment to Article FIFTH of the Certificate that would delete the designation of a series of $1.20 Convertible Preferred Stock. The Corporation redeemed and retired all outstanding shares of this series in 1985 and has no intention of authorizing the issuance of any more shares of this series.

The Corporation would continue to have a class of Preferred Stock, par value $1, undesignated as to any series. If the Corporation subsequently decides to issue a series of Preferred Stock, it may do so by filing a Certificate of Designation with the Secretary of State of the State of Delaware, its state of incorporation, setting forth the relative rights, qualifications, limitations, restrictions and powers of the series.

The Board of Directors Recommends a Vote "FOR" This Proposal 3.

Proposal No. 4
PROPOSAL TO RATIFY SELECTION OF AUDITORS

Upon recommendation of the Audit Committee, the Board of Directors has selected Arthur Andersen & Co. to audit the Corporation's accounts for 1986. Arthur Andersen & Co. has provided audit services to the Corporation since 1984, including the examination of financial statements and the related review of the internal accounting controls of the Corporation and its consolidated subsidiaries, examinations of employee benefit plans and trusts, and meetings with the audit committee of the Board of Directors. The Board of Directors recommends that the shareholders ratify the selection of Arthur Andersen & Co. as auditors. A representative of Arthur Andersen & Co. is expected to be present at the meeting to answer appropriate questions and will have an opportunity to make a statement.

The Board of Directors Recommends a Vote "FOR" This Proposal.

1987 SHAREHOLDER PROPOSALS

Proposals of securities holders intended for inclusion in the Proxy Statement and presentation at the 1987 Annual Meeting must be received by the Corporation at its principal executive offices prior to November 28, 1986. All proposals received will be subject to the applicable rules of the Securities and Exchange Commission. See also "Procedure for Shareholder Nominations and Proposals" in Proposal No. 2, above.

OTHER MATTERS

The cost of solicitation of proxies will be borne by the Corporation. In addition to use of the mails, proxies may be solicited by telephone, telegraph or personal interview by employees of the Corporation without additional compensation. The Corporation has also retained Kissel-Blake Inc. to aid in the solicitation of proxies at an estimated aggregate fee of $14,000, plus out-of-pocket expenses.

The Corporation will reimburse brokerage firms, banks, trustees, nominees and other persons authorized by the Corporation for their out-of-pocket expenses in forwarding proxy material to the beneficial owners of the Corporation's stock.

Management does not know of any other matters that will be presented at the meeting other than matters incident to the conduct thereof. However, if any matters properly come before the meeting or any adjournments, it is intended that the holders of the proxies named in the accompanying form of proxy will vote thereon in their discretion.

For a copy of the Corporation's Annual Report on Form 10K for the year ending December 31, 1985 as filed with the Securities and Exchange Commission, please contact: Office of the Secretary, GAF Corporation, 1361 Alps Road, Building 10, Wayne, New Jersey 07470.

By Order of the Board of Directors,

EDWARD E. SHEA
Secretary

Wayne, New Jersey
March 27, 1986

APPENDIX A

PROPOSED AMENDMENTS TO ARTICLE NINTH OF THE RESTATED CERTIFICATE OF INCORPORATION OF GAF CORPORATION*

Article NINTH:

. . .

(c) (i) *Number. Election and Terms of Directors.* The number of directors of the Corporation (exclusive of directors to be elected by the holders of any one or more series of Preferred Stock of the Corporation which may at some time be outstanding, voting separately as a class or classes) shall be fixed from time to time by action of not less than a majority of the members of the Board of Directors then in office, but in no event shall be less than three nor more than twenty-four. The directors (other than those who may be elected by the holders of any one or more series of Preferred Stock of the Corporation which may at some time be outstanding, voting separately as a class or classes) shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible with the term of office of one class expiring each year. At the annual meeting of stockholders in 1986 three directors of the first class shall be elected to hold office for a term expiring at the next succeeding annual meeting, three directors of the second class shall be elected to hold office for a term expiring at the second succeeding annual meeting, and four directors of the third class shall be elected to hold office for a term expiring at the third succeeding annual meeting, with the members of each class to hold office until their respective successors are elected and qualified. Subject to the provisions of Paragraph (ii) of Article NINTH (c), at each annual meeting of the stockholders of the Corporation held after the 1986 meeting, the successors to the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the third succeeding annual meeting. Notwithstanding the foregoing and except as otherwise required by law, whenever the holders of any one or more series of Preferred Stock shall have the right, voting separately as a class or classes, to elect one or more directors of the Corporation, the terms of the director or directors elected by such holders shall expire at the next succeeding annual meeting of stockholders.

(ii) *Newly Created Directorships and Vacancies.* Newly created directorships resulting from any increase in the number of directors (except increases resulting from the rights of the holders of one or more series of Preferred Stock of the Corporation which may at some time be

* Only those sections of Article NINTH which are proposed to be revised or added are set forth in this Appendix. Substantially all of the text of these sections is new, except for section NINTH (k).

outstanding, voting separately as a class or classes, to elect directors) and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other reason shall be filled solely by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified. No decrease in the number of directors shall shorten the term of any incumbent director. Notwithstanding the foregoing, and except as otherwise required by law, whenever the holders of any one or more series of Preferred Stock shall have the right, voting separately as a class or classes, to elect one or more directors of the Corporation, the terms of the director or directors elected by such holders shall expire at the next succeeding annual meeting of stockholders.

(iii) *Removal of Directors*. Notwithstanding any other provisions of this Certificate of Incorporation or the By-Laws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law), any director or the entire Board of Directors may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of a majority of the Voting Stock; provided, however, that if a proposal to remove a director is made when there exists one or more Related Persons, then such majority vote must include the affirmative vote of the holders of a majority of the Disinterested Shares. Notwithstanding the foregoing, and except as otherwise required by law, whenever the holders of any one or more series of Preferred Stock shall have the right, voting separately as a class or classes, to elect one or more directors of the Corporation, the provisions of this Paragraph (iii) of Article NINTH (c) shall not apply with respect to the director or directors elected by such holders of Preferred Stock.

(iv) *Notice of Stockholder Nominees*. Nominations of persons for election to the Board of Directors of the Corporation shall be made only (1) by or at the direction of the Board of Directors or (2) by any stockholder of the Corporation entitled to vote for the election of directors at a meeting of stockholders who complies with the procedures set forth in this Paragraph (iv) of Article NINTH (c). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made by notice in writing delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Corporation not less than sixty (60) days prior to the first anniversary of the date of the last meeting of stockholders called for the election of directors. Such stockholder's notice shall set forth: (i) as to each person whom such stockholder proposes to nominate for election or re-election as a director, (A) the name, age, business address and, if known, residence address of each nominee proposed in such notice, (B) the principal occupation or employment of each such nominee, (C) the number of shares of stock of the Corporation which are beneficially owned by each such nominee, and (D) such other information as would be required by the Federal Securities Laws and the Rules and Regulations promulgated thereunder in respect of an individual nominated as a director of the Corporation and for whom proxies are solicited by the Board of Directors of the Corporation (including such nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (ii) as to the stockholder giving the notice (A) the name and address, as they appear on the Corporation's books, of such stockholder, and (B) the class and number of shares of stock of the Corporation which are beneficially owned by such stockholder. Notwithstanding the foregoing, nothing in this Paragraph (iv) of Article NINTH (c) shall be interpreted or construed to require the inclusion of information about such nominee in any proxy statement distributed by, at the direction of, or on behalf of the Board of Directors.

The chairman of any meeting of stockholders may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by this Paragraph (iv) of Article NINTH (c), and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

(e) *Exclusive Authority of the Board.* The property, business and affairs of the Corporation shall be managed and controlled by the Board of Directors. Notwithstanding any other provision of this Certificate of Incorporation or the By-laws of the Corporation and subject to the provisions of Article NINTH (c) of this Certificate of Incorporation, the Board of Directors shall have the exclusive right to establish the rights, powers, duties, rules and procedures that from time to time shall (i) govern the Board of Directors and each of its members, including without limitation the vote required for any action by the Board of Directors, and (ii) affect the directors' power to manage and direct the property, business and affairs of the Corporation, including without limitation the election of officers of the Corporation and the assignment of powers and duties to such officers.

. . .

(k) *Disposition of Substantially All Assets.* The Corporation may, at any meeting of its Board of Directors, sell, convey, assign, transfer, lease, exchange or otherwise dispose of its properties and assets (including its good will and its corporate franchises), as an entirety or substantially as an entirety, upon such terms and conditions and for such consideration (whether cash or the stocks or bonds of any corporation or corporations, or other property) as its Board of Directors may deem expedient and for the best interests of the Corporation, when and as authorized by the affirmative vote of the holders of a majority of the stock issued and outstanding having voting power, given at a stockholders' meeting duly called for that purpose.

. . .

(n) *Stockholder Action.* Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such stockholders and may not be effected by any consent in writing by such stockholders.

(o) *Stockholder Proposals at Annual Meetings.* Business may be properly brought before an annual meeting of stockholders by a stockholder only upon the stockholder's timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be in writing and delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Corporation not less than sixty (60) days prior to the first anniversary of the date of the last meeting of stockholders called for the election of directors. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of stock of the Corporation which are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business. Notwithstanding the foregoing, nothing in this subparagraph (o) shall be interpreted or construed to require the inclusion of information about any such proposal in any proxy statement distributed by, at the direction of, or on behalf of the Board of Directors.

The chairman of an annual meeting may, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this subparagraph (o), and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

(p) *Call of Special Meetings.* Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time only by the Chairman of the Board of Directors or by a majority of the members of the Board of Directors, and the power of stockholders to call a special meeting for any and all purposes whatsoever is specifically denied.

(q) *Definitions.* For the purposes of this Article NINTH and Article TENTH the terms set forth below shall be defined as follows:

(i) "Affiliate" and "Associate" have the meanings set forth in Rule 12b-2 under the Securities Exchange Act of 1934 as in effect on March 27, 1986.

(ii) Beneficial ownership shall be determined pursuant to Rule 13d-3 under the Securities Exchange Act of 1934 as in effect on March 27, 1986.

(iii) "Continuing Director" means any member of the Board of Directors of the Corporation who is unaffiliated with and is not a Related Person and (x) held the office of director on March 17, 1986, (y) became a member of the Board of Directors prior to the time that any Related Person became a Related Person, or (z) is a person recommended to succeed a Continuing Director by a majority of Continuing Directors then on the Board of Directors.

(iv) "Disinterested Shares" means shares of Voting Stock beneficially owned by stockholders other than Related Persons.

(v) "Related Person" means and includes any individual, corporation, partnership or other person or entity, or any group of two or more of the foregoing that have agreed to act together, which, together with its Affiliates and Associates, beneficially owns, in the aggregate, five percent (5%) or more of the outstanding Voting Stock, and any Affiliate or Associate of any such individual, corporation, partnership or other person or entity, together with the successors and assigns of any such individual, corporation, partnership or other person or entity or Affiliate or Associate in any transaction or series of transactions not involving a public offering of the Corporation's stock within the meaning of the Securities Act of 1933, as amended; provided, however, that the term "Related Person" shall not include any individual, corporation, partnership or other person, entity or any group of two or more of the foregoing or any Affiliate or Associate of any such individual, corporation, partnership or other person or entity which beneficially owned on March 17, 1986 five percent (5%) or more of the outstanding Common Stock of the Corporation.

(vi) "Voting Stock" means all outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors of the Corporation, and each reference to a percentage or portion of shares of Voting Stock shall refer to such percentage or portion of the votes entitled to be cast by such shares.

PROPOSED NEW ARTICLE TENTH OF THE RESTATED CERTIFICATE OF INCORPORATION OF GAF CORPORATION

Article TENTH:

(a) *Certificate of Incorporation*. Notwithstanding any other provisions of this Certificate of Incorporation or the By-Laws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law), the affirmative vote of the holders of not less than 80% of the outstanding Voting Stock shall be required to amend, alter, change or repeal Articles NINTH and TENTH of this Certificate of Incorporation, subject to the provisions of any series of preferred stock which may at the time be outstanding; provided, however, that the provisions of this Article TENTH shall not apply to, and only such vote as shall be required by statute shall be required for, any amendment, alteration, change or repeal recommended to the stockholders by two-thirds of the whole Board of Directors of the Corporation, provided that and so long as a majority of the members of the Board of Directors acting upon such matter shall be Continuing Directors.

(b) *By-Laws*. If any By-Law of the Corporation shall be altered, amended, repealed or added in a manner which is inconsistent with any provisions of this Certificate of Incorporation, the provisions of this Certificate of Incorporation shall govern. Subject to the foregoing, the Board of Directors shall have the power to make, alter, amend, repeal or rescind the By-Laws of the Corporation.

APPENDIX B

PROPOSED AMENDMENTS TO ARTICLES FOURTH AND FIFTH OF THE RESTATED CERTIFICATE OF INCORPORATION OF GAF CORPORATION*

FOURTH: The total number of shares of all classes of stock which the Corporation shall have the authority to issue is 106.000.000. consisting of:

(1) 100.000.000 shares of Common Stock. par value $1 per share. and

(2) 6.000.000 shares of Preferred Stock. par value $1 per share.

FIFTH: A description of the different classes of stock of the Corporation and a statement of the designations. powers. preferences and relative. participating. optional or other special rights. and qualifications. limitations or restrictions thereof. fixed by the Certificate of Incorporation. and the express grant of authority to the Board of Directors to fix by resolution or resolutions certain rights. qualifications. limitations or restrictions thereof not so fixed. are as follows:

Preferred Stock

^ The Board of Directors is hereby expressly authorized. by resolution or resolutions from time to time adopted. to provide for the issuance of the Preferred Stock in series and to fix and state. to the extent not fixed by the provisions hereinafter set forth and subject to limitations prescribed by law. the voting powers. designations. preferences and relative. participating. optional and other special rights of the share of each such series and the qualifications. limitations and restrictions thereof. including. but not limited to. determination of any of the following:

(a) the distinctive serial designation and the number of shares constituting the series;

(b) the dividend rate. whether dividends shall be cumulative and. if so. from which date. the payment date or dates for dividends. and the participating or other special rights. if any. with respect to dividends:

(c) the voting powers. full or limited in addition to the voting powers provided by law;

* The text is marked to indicate the changes which would be effected by the proposed amendments. Underlined words indicate that the text has been revised. Carets indicate that text has been deleted.

(d) whether the shares shall be redeemable, and, if so, the price or prices at which, and the terms and conditions on which, the shares may be redeemed;

(e) the amount or amounts payable upon the shares in the event of voluntary or involuntary liquidations, dissolution or winding up of the Corporation;

(f) whether the shares shall be entitled to the benefit of a sinking or retirement fund to be applied to the purchase or redemption of shares of the series, and, if so entitled, the amount of such funds and the manner of its application, including the price or prices at which the shares may be redeemed or purchased through the application of such fund; and

(g) whether the shares shall be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any class or classes of stock of the Corporation, and if so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and the adjustments thereof, if any, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange.

Each share of each series of Preferred Stock shall have the same relative rights as, and be identical in all respects with, all the shares of the same series.

Before the Corporation shall issue any shares of Preferred Stock of any series ^ authorized as hereinbefore provided, a certificate setting forth a copy of the resolution or resolutions with respect to such series adopted by the Board of Directors of the Corporation pursuant to the foregoing authority vested in said Board shall be made, filed and recorded in accordance with the then applicable requirements, if any, of the laws of the State of Delaware, or, if no certificate is then so required, such certificate shall be signed and acknowledged on behalf of the Corporation by its Chairman of the Board, Vice Chairman of the Board, President or a Vice President and its corporate seal shall be affixed thereto and attested by its Secretary or an Assistant Secretary and such certificate shall be filed and kept on file at the principal office of the Corporation in the State of Delaware and in such other place or places as the Board of Directors shall designate.

Unless otherwise provided in any such resolution or resolutions, the number of stock of any series ^ may be increased or decreased (but not below the number of shares thereof then outstanding) by resolution or resolutions of the Board of Directors set forth in a certificate complying with and filed in accordance with the foregoing requirements. In case the number of shares of any such series of Preferred Stock shall be decreased, the shares representing such decrease shall resume the status of authorized but unissued Preferred Stock.
^

Common Stock

Except as otherwise required by law, as thereinabove provided and as otherwise provided in the resolution or resolutions, if any, adopted by the Board of Directors of the Corporation with respect to any series of the Preferred Stock, the holders of the Common Stock shall exclusively possess all voting power. Each holder of shares of Common Stock shall be entitled to one vote for each share held by him.

Whenever there shall have been paid, or declared and set aside for payment, to the holders of the outstanding shares of Preferred Stock and to the holders of outstanding shares of any other class of stock having preference over the Common Stock as to the payment of dividends the full amount of dividends and of sinking fund or retirement fund or other retirement payments, if any, to which such holders are respectively entitled in preference to the Common Stock, then dividends may be paid on the Common Stock and on any class or series of stock entitled to participate therewith as to dividends, out of any assets legally available for the payment of dividends, but only when and as declared by the Board of Directors.

In the event of any liquidation, dissolution or winding up of the Corporation, after there shall have been paid to or set aside for the holders of the shares of Preferred Stock and any other class having preference over the Common Stock in the event of liquidation, dissolution or winding up of full preferential amounts to which they are respectively entitled, the holders of the Common Stock, and of any class or series of stock entitled to participate therewith, in whole or in part, as to distributions of assets, shall be entitled to receive the remaining assets of the Corporation available for distribution, in cash or in kind.

Each share of Common Stock shall have the same relative rights as and be identical in all respects with all the other shares of Common Stock.