PLAINTIFF'S EXHIBIT GF-828

GAF CORPORATION
140 WEST 51 STREET
NEW YORK, NEW YORK 10020

SAMUEL J. HEYMAN
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

April 2, 1984

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 April 30, 1984.

The enclosed notice and proxy statement will provide you with complete information concerning the business to come before the meeting. The Company's 1983 Annual Report has also been provided to you.

As you know, this is my first year as Chairman and Chief Executive Officer, and I look forward to personally greeting you at the meeting as well as reviewing for you at that time the actions we have taken in our first months in office.

Sincerely,

Heyman has a power of attorney entitling him to vote such shares, and 71,300 shares of Preferred Stock convertible into 89,125 shares of Common Stock, including 7,400 shares of Preferred Stock owned by Mr. Heyman as custodian for his minor children and 47,000 shares of Preferred Stock owned by corporations of which Mr. Heyman is Chief Executive Officer or partnerships of which Mr. Heyman is Manager. 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.

(2) Mr. Simmons has reported, in an amendment to his Schedule 13D, dated February 7, 1984, that the shares of Common Stock are held by National City Lines, Inc. (934,900 shares of Common Stock (6.5%)) and The Amalgamated Sugar Company (1,646,300 shares of Common Stock (11.4%)), of which corporations Mr. Simmons is Chairman of the Board and Chief Executive Officer, and which corporations are indirectly owned and controlled by the Harold C. Simmons Family Trust, of which Mr. Simmons is the sole trustee but of which he is not a beneficiary. Mr. Simmons disclaims beneficial ownership of these shares of Common Stock. The Securities and Exchange Commission has commenced a Private Investigation relating, among other things, to the Schedule 13D and amendments thereto filed by Mr. Simmons with respect to the Common Stock of GAF. See "Proposal No. 1—Election of Directors—Legal Proceedings." Mr. Simmons is party to an agreement with the Corporation pursuant to which Mr. Simmons, the persons and entities identified as "reporting persons" on his Schedule 13D and other "affiliates" of his (as that term is defined for purposes of federal securities laws) have agreed not to purchase or otherwise acquire voting securities of GAF in excess of their present holdings. See "Proposal No. 1—Election of Directors—Executive Compensation and Certain Transactions—Transactions with Management."

(3) Lehman Brothers Kuhn Loeb Holding Co. Inc. has reported in an amendment to its Schedule 13G, dated February 13, 1984, that the securities are held by two subsidiaries, that it has no power with respect to voting or directing the vote as to any of the shares and that one of its subsidiaries advises accounts and mutual funds that have the right to receive or the power to direct the receipt of dividends from or the proceeds from the sale of 710,000 (corrected by telephone advice to 777,645) shares.

(4) Teledyne, Inc. has reported in an amendment to its Schedule 13D, dated December 23, 1981, that the securities are held by various of its insurance company subsidiaries. The number of shares of Common Stock includes 469,625 shares of Common Stock issuable upon conversion of the 375,700 shares of Preferred Stock beneficially owned by Teledyne, Inc.

As of March 1, 1984, each Director and nominee for Director of the Corporation and all Directors, nominees and 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
Robert H. Beber	Common	20,000(2)	.1%(2)
Daniel T. Carroll	Common	1,000	*
Dr. Jacob E. Goldman	Common	3,333	*
Samuel J. Heyman	Common	804,825(3)	5.6%(3)
	Preferred	71,300(3)	2.9%(3)
Sanford Kaplan	Common	10,000	.1%
William P. Lyons	Common	8,800(4)	.1%(4)
Scott A. Rogers, Jr.	Common	1,000	*
Edward E. Shea	Common	200	*
Harold C. Simmons(5)	Common	2,581,200(5)	17.9%(5)
Dr. Richard F. Smith	Common	60,000(6)	.4%(6)
William Spier	Common	22,300	.2%
Joseph D. Tydings	Common	500	*
Robert C. Wilson	Common	11,000	.1%
All Directors, nominees and officers as a group (20 individuals)	Common	3,669,492(7)	25.4%(7)
	Preferred	71,300(3)	2.9%(3)

* Less than .1%.

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

(2) Includes 10,000 shares held jointly with his wife and 10,000 shares which Mr. Beber has the right to acquire upon the exercise of options (which are presently exercisable) having a per share option exercise price of $14.88.

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

(Footnotes continued on following page)

(4) Includes 3,900 shares held by Mr. Lyon's wife as trustee for their children, beneficial ownership of which shares is disclaimed by Mr. Lyons, and 3,400 shares held in a pension trust of which Mr. Lyons is one of two trustees.

(5) Nominee for Director. See footnote (2) to preceding table.

(6) Includes 15,232 shares held jointly with his wife and 30,000 shares which Dr. Smith has the right to acquire upon the exercise of options (which are presently exercisable) having an average per share option exercise price of $12.06.

(7) See footnotes (2)-(6) above. Includes, with respect to all Directors and officers as a group, 25,332 shares held jointly with spouses, an aggregate of 109,500 shares which such persons have the right to acquire upon the exercise of options (which are presently exercisable), an aggregate of 293 shares beneficially owned through the Corporation's Tax Reduction Act Stock Ownership Plan, all of which were acquired before such persons became officers, and 29 shares acquired by one officer pursuant to the Corporation's Dividend Reinvestment Service.

Proposal No. 1
ELECTION OF DIRECTORS

Thirteen Directors are to be elected to serve until the next annual meeting and until their successors are elected and have qualified. It is the intention of the persons named in the accompanying form of proxy to vote for the election as Directors of the persons named below as nominees, unless the shareholder otherwise specifies in the proxy. If any of such nominees should be unable to serve for any reason, which management does not anticipate, it is intended that proxies will be voted for the election of such other persons as shall be designated by the Board of Directors.

Nominees

The following thirteen persons, twelve of whom are currently Directors of the Corporation, have been nominated for election as Directors by the Nominating Committee of the Board. The information presented below with respect to each nominee has been furnished by that nominee. Ten of the thirteen nominees described below (all excluding Messrs. Beber, Simmons and Smith) assumed office as a result of a proxy contest in connection with the 1983 Annual Meeting of Shareholders. These ten, at the first meeting of the new Board of Directors held on December 13, 1983, voted to increase the size of the Board to 12 members, and elected Robert H. Beber and Richard F. Smith, two former Board members and currently Executive Vice Presidents of the Corporation, as Directors of the Corporation to fill the vacancies created by the increase in the size of the Board. Harold C. Simmons, who does not presently serve as a Director of the Corporation, has been nominated for election as a Director pursuant to an agreement between Mr. Simmons and the Corporation. See "Executive Compensation and Certain Transactions—Transactions with Management." Directors of the Corporation are elected to serve until the next annual meeting and until their successors are elected and qualified. No family relationship exists between any of the Directors, nominees or officers.

Robert H. Beber Age 50

Executive Vice President and Director (June 1983-Present), General Counsel and Secretary (1981-Present), and Senior Vice President (1981-June 1983), GAF Corporation; Staff Vice President and General Attorney (1977-1981), RCA Corporation (communications and electronics).

Daniel T. Carroll Age 58

Chairman of the Board and President, The Carroll Group, Inc. (management consulting) (1982-Present); President, Chief Executive Officer and Director, Hoover Universal, Inc. (manufacture of automotive and industrial products) (1980-1982); President (1975-1980) and Director (1972-1980), Gould, Inc. (manufacture of electrical and electronic equipment); Director of Combined International Corporation, Conrac Corporation, Diebold, Inc., Wolverine World Wide, Inc. and A.M. Castle & Co.

Dr. Jacob E. Goldman Age 62

President, Medisystems Management Co. (development of medical instruments) (1982-Present); Consultant (1982-Present), Senior Vice President and Chief Scientist (1978-1982), Senior Vice President, Research and Development (1968-1978) and Director (1970-1982), Xerox Corporation (development and production of reprographics); President, GB Energy Systems, Inc. (1978-Present) (high technology research and development ventures); Director of General Instrument Co., Burndy Corporation, Comtex Scientific Co., Electronic Mail Corp. of America and Alcide Corporation.

Samuel J. Heyman Age 45

Chairman of the Board and Chief Executive Officer, GAF Corporation (12/13/83-Present); Chief Executive Officer, Manager and General Partner of closely-held real estate development companies and partnerships (1968-Present); Chief Assistant United States Attorney, New Haven Division, District of Connecticut (1967-1968).

Sanford Kaplan Age 67

Private investor and consultant (1977-Present): Director of Whittaker Corp. (metal, chemical and life services products and services) (1972-Present), Intel Corp. (design and production of advanced semiconductor components and systems) (1974-Present), Cordura Corp (information gathering and employee cost control benefit services) (1973-Present), Yardney Corp. (manufacture and sale of high-energy-density battery systems and products) (1974-Present), Standun, Inc. (production of specialized machinery and equipment) (1977-Present), Wells Benrus Corp. (manufacture and sale of precision mechanical parts) (1973-Present), Silicon Systems, Inc. (design and manufacture of custom made circuits) (1983-Present) and Daisy Systems Corp. (design and production of computer-aided engineering systems) (1983-Present)

William P. Lyons Age 42

President, William P. Lyons & Co., Inc. (investment banking and financial consulting) (1975-Present); Professor (Adjunct) (effective 7/1/84), Associate Professor (Adjunct) (1979-Present) and Lecturer (1973-1979), Yale University School of Organization and Management; Director of Lydall, Inc. and LMH, Ltd.

Scott A. Rogers, Jr. Age 66

Consultant (1983-Present); President, Chief Executive Officer and Director, Publishers Equipment Corp. (engineering and manufacturing of offset printing equipment) (1981-1983); President and Director, General Portland, Inc. (production of cement and construction aggregates) (1979-1980); President and Director (1976-1979) and Chief Executive Officer (1978-1979), Medusa Corporation (production of cement, brick and construction aggregates); Director of Parker Hannifin Corporation and Stauffer Chemical Company.

Edward E. Shea Age 51

Partner (1/1/84-Present) and Counsel, Windels, Marx, Davies & Ives (attorneys) (1982-12/31/83); Professor (Adjunct), Finance Department, Graduate School of Business, Pace University (1982-Present); Chairman of the Board and General Counsel, Reichold Chemicals, Inc. (manufacture of synthetic resins, basic chemicals and related products) (1972-1981).

Harold C. Simmons Age 52

President and Director, Contran Corporation (diversified holding company) (since prior to 1979); Chairman of the Board and Chief Executive Officer, National City Lines, Inc. (diversified holding company) (1980-Present); Chairman of the Board and Chief Executive Officer, The Amalgamated Sugar Company (refined sugar and by-products) (1982-Present); Director of T.I.M.E.-DC, Inc., LLC Corporation and National-Standard Company.

Dr. Richard F. Smith Age 45

Executive Vice President (1978-Present), Director (1981-Present), Vice President (1974-1978) and research chemist (1966-1974), GAF Corporation.

William Spier Age 49

Private Investor (1982-Present); Vice Chairman of the Board and Director, Phibro Salomon Inc. (commodities and securities) (1981-1982); Senior Official in European Division, Philipp Brothers Inc. (marketing of commodities) (1980-1981); Director (1978-1980), Executive Vice President (1979-1980), Senior Vice President (1977-1979) and Vice President (1976-1977), Engelhard Minerals & Chemicals Corp. (marketing of commodities, refining precious metals and producing minerals and catalysts).

Joseph D. Tydings Age 55

Partner, Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey (attorneys) (1981-Present); Partner, Danzansky, Dickey, Tydings, Quint & Gordon (attorneys) (1971-1981); United States Senator, State of Maryland (1965-1971); Director of Capital Bank, N.A.

Robert C. Wilson Age 64

Chairman of the Board (1980-Present), Wilson & Chambers, Inc. (private investing); Chairman of the Board, President and Chief Executive Officer (1974-1980) and Vice Chairman of the Board (1980), Memorex Corp. (information storage and communications); Director of Computervision Corp., Monolithic Memories, Inc., Siltec Corporation and Western Digital Corp.

Committees and Meetings

The prior members of the Board of Directors met eleven times in 1983. The incumbent Board of Directors, who assumed office on December 13, 1983, held one Board meeting in 1983.

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

The Executive Committee exercises, in the absence of the Board, all the powers of the Board itself in the management of the Corporation, with several limited exceptions. Messrs. Carroll, Goldman, Heyman, Spier and Wilson, who presently constitute the Executive Committee, met once in 1983. The prior members of the Executive Committee held no meetings in 1983.

The Audit Committee reviews the internal audit function, the function and fees of the independent auditors and other matters relating to financial and accounting functions. Messrs. Carroll, Kaplan, Rogers and Shea constitute the Corporation's Audit Committee. The prior members of this Committee met once in 1983.

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 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. Carroll, Goldman, Rogers and Wilson. The prior members of the Executive Compensation Committee met once in 1983. The prior members of the Stock Option Committee and the Stock Purchase Committee held no meetings in 1983.

The Nominating Committee makes recommendations as to nominees for election as Directors of GAF. It is presently comprised of Messrs. Goldman, Lyons, Spier and Tydings. The prior members of this Committee met twice in 1983. The Committee will consider nominees for Directorships recommended by shareholders. Such recommendations, with relevant supporting data, should be submitted in writing to the Secretary of the Corporation at its address first above listed and 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.

Legal Proceedings

On September 22, 1982, the Corporation commenced an action in the United States District Court for the Southern District of New York (the "District Court"), claiming that Mr. Heyman had not incurred the full $250,000 for which he had been reimbursed in 1982 in connection with a proposed proxy contest and seeking to recover the alleged shortfall. On January 23, 1984, the Board was advised by a Special Ad Hoc Committee of the Board appointed at the December 13, 1983 meeting that it had examined the allegations and facts involved in the suit, that the suit was without merit and that, subject to verification by the Corporation's independent outside auditors of the incurrence by Mr. Heyman of $250,000 of expenses, the Committee proposed that the Corporation move its dismissal. With Mr. Heyman abstaining from any discussion and the vote, the Board authorized the dismissal of the suit. The firm of Deloitte Haskins & Sells has advised that Mr. Heyman did incur and pay at least $250,000 of expenses in connection with the proxy contest proposed in 1982.

On November 10, 1982, Mr. Heyman commenced, in the District Court, an independent and derivative action against the Corporation and each then incumbent Director, including Richard F. Smith who currently serves as a Director, alleging, among other things, that such Directors had breached their fiduciary duties by approving an employment agreement for the former Chairman of the Board of GAF, and bonuses for the former Chairman and other officers in a year when the Corporation sustained substantial operating losses, and that, in violation of federal securities laws, such then incumbent Directors had made false and misleading representations concerning alleged merger and sales discussions.

On March 17, 1983, Mr. Heyman filed a second complaint in the District Court against the Corporation, its then incumbent Directors, including Richard F. Smith who currently serves as a Director, and two other GAF employees, including Robert H. Beber who also currently serves as a Director, alleging, among other things, in both independent and derivative claims, that written and oral releases issued by defendants in March 1983 and the Corporation's 1983 proxy statement contained false and misleading statements in violation of federal securities laws and Delaware corporate law.

On May 4, 1982, a shareholder of the Corporation filed a purported derivative action in the Delaware Court of Chancery for New Castle County (the "Delaware Court") against the Corporation and its then incumbent Directors, including Richard F. Smith, entitled *Miller* v. *GAF Corporation, et al.* The complaint, alleging, among other things, that certain bonus payments constituted a waste of assets and a breach of the fiduciary duties of the Directors to the Corporation and its shareholders, seeks damages, costs and disbursements, including counsel's and experts' fees, and seeks to require the rescission of such bonus payments. On August 2, 1982, the Corporation and the Directors moved to dismiss the complaint. There have been no further developments in this action as of the date hereof.

On July 7, 1982, two other shareholders of the Corporation filed a purported derivative action in the Delaware Court against the Corporation and its then incumbent Directors, including Richard F. Smith, entitled *Stotland* v. *GAF*

Corporation, et al. In their complaint, as sought to be amended on October 15, 1982, plaintiffs allege, among other things, that the Directors authorized and permitted the Corporation to incur unreasonable, excessive and unnecessary overhead expenses, including excessive remuneration for certain of the Corporation's executive officers, and that the defendants mismanaged the Corporation for their own personal benefit and remuneration, in breach of their fiduciary duty to the Corporation's shareholders. On September 1, 1983, on defendant's motion, this action was dismissed for failure of plaintiffs to first demand that the Corporation pursue the claims set forth in the complaint. On September 16, 1983, the plaintiffs served such a demand on the Corporation, and on December 8, 1983, the plaintiffs filed with the Delaware Court a second complaint similar to the first. On January 31, 1984, the Corporation moved to dismiss this action on the ground that the Corporation would undertake to bring an action in its own name asserting some or all of the matters raised therein.

On April 26, 1983, a preferred shareholder of the Corporation filed a purported derivative action in the Supreme Court of the State of New York, County of New York, against GAF and the then incumbent Directors, including Richard F. Smith, entitled *Weinberger* v. *GAF Corporation, et al.*, alleging that the compensation and other benefits being provided to the former Chairman and Chief Executive Officer of the Corporation, including those provided for in the related employment agreement, were and are excessive and bear no relationship to services rendered or to be rendered. The complaint also alleges that the payments and other benefits amount to a waste of assets and serve no legitimate corporate purpose and that the Directors of the Corporation were grossly negligent in the discharge of their duties and committed gross mismanagement of the Corporation. Plaintiff seeks judgment requiring the Directors to account for all damages sustained, declaring the employment agreement null and void and enjoining the defendants from enforcing its terms and awarding costs and disbursements, including reasonable attorneys' fees.

On September 23, 1983, the defendant Directors and the Corporation moved to dismiss or stay this action on the grounds that the complaint was duplicative of pending derivative claims brought by Mr. Heyman and that the plaintiff had failed to make a demand on the Corporation's Board of Directors prior to instituting the action. On February 28, 1984, the Court granted the Corporation's motion to stay further proceedings in this matter pending a final determination in the derivative action brought against the Corporation by Mr. Heyman.

On January 23, 1984, the Board of Directors authorized the Corporation either to assume the prosecution of the derivative aspects of the two actions commenced by Mr. Heyman or, alternatively, to commence a new derivative action against the persons who served as Directors of GAF prior to December 13, 1984, including if necessary Messrs. Beber and Smith, and, in either event, to seek the dismissal of the complaints in the *Miller, Stotland* and *Weinberger* actions as duplicative of such actions by the Corporation.

Each of the present Directors is a defendant, together with the Corporation, in an action brought by GAF's former Chairman of the Board for damages by reason of the Corporation's refusal to permit him to exercise certain options to purchase GAF Common Stock. See "Executive Compensation and Certain Transactions—Employment Agreement" below.

On April 29, 1983, Jefferson Trust and Savings Bank of Peoria filed a complaint in the United States District Court for the Central District of Illinois, against Harold C. Simmons, individually and in certain fiduciary capacities, and other individuals, alleging, among other things, that the defendants used trust funds to acquire control or enhance their influence over various corporations, for defendants' personal gain, in breach of their fiduciary duties and in violation of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (the "Jefferson Action"). On May 9, 1983, Raymond J. Donovan, as Secretary of the Department of Labor (the "Secretary"), filed a complaint in the United States District Court for the Central District of Illinois, against various trusts, including certain employee benefit trusts, and against various individuals, including Mr. Simmons and others, individually and as fiduciaries with respect to such employee benefit plans (the "DOL Action"). The Secretary alleged, among other things, that the individual defendants violated ERISA in connection with certain purchases of securities of various corporations by not administering the assets of the employee benefit trusts solely in the interests of the participants and beneficiaries thereunder and by instead administering such assets in their own interests or on behalf of interests adverse to the employee benefit trusts. The Secretary also alleged that the individual defendants failed to diversify the investments of the employee benefit plans in violation of ERISA. On August 31, 1983, the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, its Local No. 449 and certain individuals, on behalf of themselves and purportedly on behalf of a class of participants in and beneficiaries of pension plans maintained by certain corporations, filed a complaint in the United States District Court for the Central District of Illinois, against Harold C. Simmons, individually and in certain fiduciary capacities, and other individuals and entities, alleging, among other things, that the defendants used pension trust funds to acquire control or enhance their influence over various corporations, in breach of such persons' fiduciary duties and in violation of ERISA (the "UAW Action"). Plaintiffs also alleged that the defendants violated ERISA by failing to administer the trust assets solely in the interests of the participants and beneficiaries thereunder and by instead administering such assets in their own interests or on behalf of interests adverse to the pension trust. Plaintiffs also alleged that the defendants failed to diversify the investments of the pension trust, also in violation of ERISA.

On November 22, 1983, the Secretary, Mr. Simmons and the other individual defendants entered into settlement agreements which provide for the resolution of the DOL Action. The settlement agreements generally provide that the individual defendants may not cause the employee benefit plans that were parties to the DOL Action to make certain investments without prior approval of an independent plan fiduciary appointed for that purpose. Under the agreements, without such approval, no investment can be made in securities of any corporation in which any of the plans have already invested more than 12% of its assets; or in which the plans hold, in the aggregate, more than 5% of the outstanding equity interest; or in which corporations directly or indirectly controlled by Mr. Simmons (or employee benefit plans maintained by such corporations) hold, in the aggregate, more than 2% of the outstanding equity interest. In addition, without such approval, no investment may be made in the securities of any corporation by corporations deemed to be controlled by Mr. Simmons if the plans hold, in the aggregate, more than 1% of the outstanding equity interest. The settlement further provides that Mr. Simmons and another individual are enjoined from violating various provisions of ERISA. The Court in which the DOL Action was pending issued an order approving the settlement agreements on January 18, 1984. The settlement agreements do not constitute an admission by Mr. Simmons or any other party of any violation of ERISA or any other statute, or any standards established by common law, or an admission by Mr. Simmons or any other party of any facts alleged against them in the DOL Action. Mr. Simmons denies, and understands that all of the other defendants in the Jefferson Action and the UAW Action deny, all allegations of wrongdoing in the complaints in such Actions.

On January 4, 1984, the Securities and Exchange Commission issued an Order Directing Private Investigation to determine the adequacy of disclosures made in the Schedule 13D filed by Mr. Simmons and others relating to the Common Stock of GAF and five other Schedule 13D's filed by Mr. Simmons and others relating to securities of certain other companies. The Order authorizes an investigation to determine whether, during the period from January 1, 1979 through January 4, 1984, Mr. Simmons and other entities controlled by him and certain other persons, in connection with the purchase or sale of securities, may have acted in a fraudulent manner concerning, among other things, the purposes, actions, plans or proposals reported in the aforesaid Schedule 13D's and the amendments thereto, and may have failed to timely report the purpose or purposes of the acquisitions of securities disclosed by such Schedule 13D's and amendments thereto, in possible violation of Sections 10(b) and 13(d) of the Securities Exchange Act of 1934 and Rules 10b-5, 13d-1 and 13d-2 thereunder. Mr. Simmons has advised GAF that he and the other persons and entities referred to in the Order deny that any violations of the federal securities laws have occurred, and that they believe that all statements in the Schedule 13D's and admendments thereto filed by them accurately disclosed on a timely basis all information required to be disclosed.

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 1983 by (i) the five most highly compensated current executive officers of the Corporation whose cash compensation exceeded $60,000, and (ii) all persons who were executive officers during 1983 as a group, including four persons no longer serving as such:

CASH COMPENSATION TABLE

Name of individual or number in group	Capacities in which served	Cash compensation
Robert H. Beber	Member, Board of Directors, Executive Vice President, General Counsel and Secretary	$ 159,167
John A. Brennan	Senior Vice President	100,000
Carl R. Eckardt	Senior Vice President	110,000
Raymond W. Smith	Vice President	100,000
Richard F. Smith	Member, Board of Directors, Executive Vice President	180,000
All executive officers as a group— 14 individuals(1)		$1,601,831

(1) Includes cash compensation of $431,260 paid in 1983 to Dr. Jesse Werner, former Chairman of the Board and Chief Executive Officer of the Corporation, through December 13, 1983. No compensation was paid to Dr. Werner after that date pursuant to a determination of a Special Ad Hoc Committee appointed by the Board of Directors that Dr. Werner's compensation arrangements should be repudiated. See "Employment Agreement" below.

Compensation of Chief Executive Officer. Samuel J. Heyman, the Chairman of the Board and Chief Executive Officer of the Corporation, is receiving a salary at the rate of $250,000 per year, effective as of December 13, 1983, the date of his election to such positions, pursuant to a resolution adopted by the Board of Directors (Mr. Heyman abstaining) at a meeting held on February 27, 1984.

Other Compensation. The Corporation provides certain personal benefits to its executive officers which are difficult to quantify in terms of business versus 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. Joseph D. Tydings, a Director of the Corporation, is a partner of the firm of Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey, one of a number of law firms providing legal counsel to the Corporation in 1984. See "Proposal No. 4—Approval of Reimbursement of Proxy Expenses."

Remuneration of Directors. During 1983 the Corporation compensated members of its Board of Directors who were not employees of the Corporation at the rate of $12,000 per year plus $500 per meeting of the Board or Committee thereof attended. Any member of the Corporation's Board of Directors who is not an employee of the Corporation may elect to defer compensation earned for attendance at a meeting of the Board or Committee thereof to a date following the termination of service as a member of the Board. In addition, the Corporation provides life insurance in the face amount of $50,000 for any member of the Corporation's Board of Directors who is not an employee of the Corporation; such insurance coverage is not subject to termination after the completion of 10 years of service on the Board.

Consulting Agreement. On February 27, 1984, the Board of Directors authorized the execution on behalf of the Corporation of a consulting agreement with one of the present members of the Board of Directors, Robert C. Wilson. This agreement, which was executed as of January 1, 1984 and terminates on December 31, 1984, provides for a fee of $2,500 per day plus reasonable expenses for such consulting services as may be required of Mr. Wilson by the Chief Executive Officer of the Corporation or his designee. To date, Mr. Wilson has been paid $35,000 for his services pursuant to this agreement.

Executive Incentive Compensation Plan. GAF has an Executive Incentive Compensation Plan which was approved by the shareholders in May 1967. The Plan provides that the Board of Directors, in its discretion, may credit to an incentive compensation fund an amount equal to 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 key executives as the Board directs, with the balance to be used for Executive Incentive Compensation Awards. Adjusted income is defined as income before extraordinary items plus foreign, federal, state and municipal income taxes and a charge equivalent to the investment tax credit plus the amount of executive incentive compensation charged to cost and expenses during the calendar year. 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. To the extent an award shall not have been actually paid, it may be forfeited if the employee's service with GAF terminates for a reason other than death, disability or retirement.

For fiscal 1980, 1982 and 1983, no such awards were made. For fiscal 1979 and 1981, the total amount of awards made was as follows: Robert H. Beber—$15,000; John A. Brennan—$45,000; Carl R. Eckardt—$50,000; Raymond W. Smith—$35,000; Richard F. Smith—$105,000; all current executive officers as a group—$1,097,500; all other current employees—$1,547,400.

Restricted Stock Plan. In April 1969, the shareholders approved a Plan for the Sale of Restricted and Unrestricted Common Stock to Employees Who Perform Executive, Administrative or Supervisory Functions, under which Plan an aggregate of 650,000 shares of the Corporation's Common Stock was reserved for sale to designated employees. The Plan, which is administered by the Stock Purchase Committee consisting of outside members of the Corporation's Board of Directors, authorizes the sale of shares subject to prescribed restrictions as to disposition ("Restricted Shares") and without such restrictions. Restricted Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except as provided in the Plan, for such period as may be provided by the Stock Purchase Committee. If an employee's employment terminates for any reason other than as permitted by the Plan, the Corporation has the right to repurchase, at the price which the employee paid for them, the shares which, at the time of termination of employment, remain subject to restrictions. Any shares so repurchased may be resold by the Corporation. The price of Restricted Shares must be at least 50% of the closing price of the Corporation's Common Stock on the Consolidated Tape Association Network A on the last trading day prior to the award. Prior to an amendment of the Plan made in 1973 in connection with the settlement of shareholder litigation concerning the Plan, Restricted Shares could be and were sold at 20% to 40% of such closing price.

All sales under the Plan have been Restricted Shares and prior to 1982 have provided for the lapsing of the restrictions on 20% of the stock awarded on each of the fifth through ninth anniversaries of the sale. In 1982, the Corporation's Board of Directors amended the Plan, both with respect to outstanding shares and with respect to shares sold thereafter, to reduce from five years to one year the minimum period of time after which the restrictions may lapse and recommended to the Stock Purchase Committee that it establish, with respect to any future sales, that such restrictions shall lapse as to one-ninth of the shares sold at the expiration of one year from the date of purchase and lapse as to an additional one-ninth on each of the second through ninth anniversaries of the purchase date. In addition, the Board also recommended that on October 1, 1982, restrictions shall lapse: as to one-seventh of the shares purchased in 1979 and as to an additional one-seventh thereof on each of the fourth through ninth anniversaries; as to one-eighth of the shares purchased in 1980 and as to an additional one-eighth thereof on each of the third through ninth anniversaries; and as to one-ninth of the shares purchased in 1981 and as to an additional one-ninth thereof on each of the second through ninth anniversaries. No change was recommended as to shares purchased prior to 1979. The Stock Purchase Committee adopted the Board's recommendations.

On September 22, 1983, the prior members of the Board of Directors amended the Plan to provide that restrictions on shares outstanding on September 22, 1983 which would otherwise lapse on the ninth anniversary of the date of purchase of such shares would lapse instead as of October 15, 1983.

For the period January 1, 1979 through December 31, 1983, Restricted Shares were purchased by the following persons at the average per share purchase prices indicated—the average per share market price of such shares on the date of grant is shown parenthetically: Robert H. Beber—10,000 shares at $7.44 per share ($14.88); John A. Brennan—13,000 shares at $5.65 per share ($10.94); Carl R. Eckardt—7,500 shares at $6.14 per share ($11.76); Raymond W. Smith—5,000 shares at $6.59 per share ($13.19); Richard F. Smith—25,000 shares at $6.01 per share ($11.68); all current executive officers as a group—74,000 shares at $6.21 per share ($12.18); all other current employees—27,000 shares at $6.05 per share ($11.82). For the same period, the difference between the purchase price and the market value on the date of lapse for all Restricted Shares as to which restrictions lapsed during the period was as follows: Robert H. Beber—$20,527; John A. Brennan—$59,029; Carl R. Eckardt—$23,752; Raymond W. Smith—$52,588; Richard F. Smith—$119,791; all current executive officers as a group—$316,065; all other current employees—$117,164.

Stock Options. In April 1975 and April 1976, the shareholders approved the 1975 Stock Option Plan (the "1975 Plan"). All options are for shares of the Corporation's Common Stock, are not "qualified" as defined under the Internal Revenue Code of 1954, as amended, and include a form of stock appreciation right which is exercisable only at the discretion of the Stock Option Committee of the Board of Directors. In July 1982, the Board of Directors amended the 1975 Plan, with respect to options held by any employee who continued to be a Director of the Corporation after termination of employment, to extend the exercise date from three months after termination of employment to 90 days after termination as a Director, but in no event later than the expiration of the option. In accordance with this amendment, Ms. Juliette M. Moran, a former member of the Board, exercised options covering 35,000 shares of Common Stock on December 21, 1983 at an average per share exercise price of $9.96 per share, thereby realizing a net value over the market price of approximately $228,750.

In August 1982 the Stock Option Committee implemented the recommendation of the Corporation's Board of Directors to grant to holders of stock options certain limited stock appreciation rights ("Limited Rights") in addition to the stock appreciation rights already included under the 1975 Plan. Should a tender or exchange offer for the Corporation's Common Stock be made by a bidder other than the Corporation, the option holder is entitled to surrender any then exercisable option or portion thereof within a 30-day period following the date that shares are first purchased or exchanged under the tender or exchange offer, and to receive either cash or the Corporation's Common Stock, as determined by the Stock Option Committee, 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.

For the period January 1, 1979 through December 31, 1983, the following persons were granted options as to the number of shares indicated at the average per share exercise price indicated: Robert H. Beber—10,000 shares at $14.88 per share; John A. Brennan—15,500 shares at $10.75 per share; Carl R. Eckardt—14,500 shares at $11.95 per share; Raymond W. Smith—13,000 shares at $12.92 per share; Richard F. Smith—28,000 shares at $12.24 per share; all current executive officers as a group—101,500 shares at $12.31 per share; all other current employees—46,000 shares at $12.33 per share. All options held at this time are presently exercisable. For the same period and as to the same persons and groups, the difference as to exercised options between the exercise price for the shares of Common Stock subject to options and the market value on the date of exercise was: Robert H. Beber—0; John A. Brennan—0; Carl R. Eckardt—0; Raymond W. Smith—0; Richard F. Smith—0; all current executive officers as a group—$10,125; all other current employees—

$218,969. For the same period, indicated hereafter is the aggregate number of shares of GAF's Common Stock sold by the persons and group named: Robert H. Beber—none; John A. Brennan—6,303 shares; Carl R. Eckardt—none; Raymond W. Smith—2,713 shares; Richard F. Smith—none; all current executive officers as a group—9,016 shares.

Prior Pension Plan. On September 23, 1982, the Board of Directors authorized the termination of the GAF Corporation Salaried Employees' Retirement Plan (the "Pension Plan"), a defined benefit pension plan, effective December 31, 1982. All participants in the Pension Plan who were not otherwise vested became vested on the termination date. On October 20, 1983, the prior members of the Board of Directors, upon the advice of outside counsel, resolved that benefits could be paid pursuant to the Pension Plan without the receipt of a favorable determination regarding the qualified status of the Pension Plan from the Internal Revenue Service. Subsequent to the satisfaction of certain other government requirements and the successful resolution of a related lawsuit, each participant became entitled, at his option, to receive either (a) 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, or (b) an immediate lump sum distribution (in an amount which approximates the cost of the annuity contract). Messrs. Beber, Raymond W. Smith, and Richard F. Smith elected lump sum distributions which were paid in 1984 and which totaled $4,181, $20,704 and $29,688, respectively, including interest at 8% per annum from November 1, 1982 to the date of payment. Messrs. Eckardt and Brennan elected annuity contracts which will provide at age 65 maximum monthly payments for their accrued benefits of $665 and $1,218, respectively, pursuant to the terms of the Pension Plan. Dr. Jesse Werner elected a lump sum distribution, which he received in 1983, in the amount of $930,717.60.

Excess Benefit Plan. On August 18, 1977, the Board of Directors adopted the GAF Corporation Excess Benefit Plan in order to provide additional benefits to those employees whose pensions would otherwise be limited by Section 415 of the Internal Revenue Code. Concurrently with the termination of the GAF Corporation Salaried Employees' Retirement Plan, the Excess Benefit Plan was terminated effective December 31, 1982. On August 10, 1983, the former members of the Board of Directors resolved that benefits should be paid pursuant to the Excess Benefit Plan at the same time as benefits are payable under the terminated Pension Plan, notwithstanding that such benefits may be payable while a participant remains an active employee of the Corporation, and on October 20, 1983, the Board resolved that the payment of such benefits shall be made without regard to obtaining a favorable determination as to the qualified status of the terminated Pension Plan from the Internal Revenue Service. Dr. Werner was the only participant in the Excess Benefit Plan, and he received a lump sum payment of $538,088 in 1983 pursuant to the terms of said Plan.

Salary Reduction Plan. Effective January 1, 1983, the Corporation adopted the GAF Capital Accumulation Plan (the "GAFCAP Plan") for salaried employees of the Corporation or eligible salaried employees of participating subsidiaries, including officers. The GAFCAP Plan is a profit sharing plan which contains a salary reduction arrangement of the type described in Section 401(k) of the Internal Revenue Code of 1954, as amended. Pursuant to the GAFCAP Plan, 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 or a subsidiary of the Corporation contribute such amount to the GAFCAP Plan on his behalf. For participants under age 65, 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 purposes) voluntary contributions to the GAFCAP Plan in an amount not to exceed 10% of his compensation. Participants in the GAFCAP Plan who were also participants in the Pension Plan at the time of its termination were able to elect to have the lump sum distribution payable to them under the Pension Plan, if any, transferred directly to the GAFCAP Plan. Compensation is defined in the GAFCAP Plan as salary (including the employee's salary reduction contribution), executive incentive compensation, overtime pay, sales commissions, deferred compensation in the period paid and/or bonuses, but excludes contributions to or payments received under any pension or profit sharing plan or welfare benefit plan (including tuition refunds, reimbursement of moving expenses and other fringe benefits includable in gross income), and also excludes all other earnings (including earnings attributable to any restricted stock purchase plan and/or stock option plan). Participants are immediately fully vested in both their own and the Corporation's contributions on their behalf to the GAFCAP Plan and have the option of designating the investment of these contributions which is managed by Citibank, N.A. pursuant to a trust agreement. 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. In July of 1983, the Corporation received from the Internal Revenue Service a favorable determination regarding the qualified status of the GAFCAP Plan under Section 401(a) of the Internal Revenue Code.

Indemnification. On April 28, 1983, the prior members of the Board of Directors authorized the Corporation to enter into agreements with the Directors and certain officers and employees of GAF, providing for the payment of litigation expenses and costs, in advance of final disposition, actually and reasonably incurred in defending or investigating certain pending litigations and any future litigations which arise in connection with such person's relationship to or employment with the Corporation, upon receipt by the Corporation of an undertaking to repay any amount paid unless it shall ultimately be determined that the person is entitled to be indemnified pursuant to the By-Laws of the Corporation and Section 145 of the General Corporation Law of Delaware. Thereafter, the Corporation executed agreements as to the foregoing with each of the prior Directors of the Corporation and certain officers and employees of the Corporation, including Robert H. Beber, Richard F. Smith and four persons included in the Cash Compensation Table above under all executive officers as a group.

On April 28th, the Board also authorized the execution and funding of escrow agreements to assure the satisfaction of the aforementioned financial obligations of the Corporation, and accordingly the amount of $1,500,000 ($100,000 per indemnified person) was deposited with a bank pursuant to an escrow agreement dated April 28, 1983. This agreement provides for, among other things, the payment directly to the indemnified party of amounts in satisfaction of the Corporation's indemnification obligations. Each of the indemnified persons was an individual signatory to this agreement and the escrow agreement described below, with the exception of T. Roland Berner.

On September 22, 1983, the prior members of the Board of Directors authorized the Corporation to enter into and fund a second escrow agreement as to an additional $1,000,000 to be available only on a collective basis by the Directors then in office (other than Robert H. Beber) and a former Director who resigned in June of 1983. A related agreement was executed with the same bank as of September 23, 1983 and amended in October 1983 as to certain minor provisions.

On December 13, 1983, the present Board of Directors, with Messrs. Beber and Smith not present or voting, authorized and directed the Chairman of the Board, on behalf of the Corporation, to take all action necessary in order to terminate the indemnification and escrow agreements described above and to obtain the return of all related funds to the Corporation. Thereafter, the Chairman delivered written notification to all parties of the termination of said agreements. To date, the escrowed funds have not been returned to the Corporation, but the Corporation is pursuing said return.

Severance Policy. On April 28, 1983, the prior members of the Board of Directors adopted a "stay bonus" providing that certain non-union employees who remained with the Corporation would receive three months' severance pay upon termination of employment in addition to that to which they were entitled under GAF's existing severance policy, but in no event less than six months' severance. On August 10, 1983, the prior members of the Corporation's Board of Directors further amended the severance policy with respect to Vice Presidents to provide for the payment of nine months' severance pay to Vice Presidents and twelve months' severance pay to Senior Vice Presidents and Executive Vice Presidents upon their termination. The Board also specified that the term "termination" was to be construed to include, among other things, a resignation resulting from a proposed or implemented reduction in salary, benefits, title or responsibilities. These amendments were rescinded by the present members of the Board's Executive Committee on January 5, 1984. The Corporation's basic severance policy for salaried employees, which continues in effect, provides for payments to exempt (as regards the federal Fair Labor Standards Act) and non-exempt salaried employees based upon the age and length of service of the employee at the time of termination. The payments are calculated on the basis of number of months or partial months of salary (exempt) and number of weeks (non-exempt), with minimum payments of a half-month's salary (exempt) or two weeks' base salary (non-exempt) and with maximum payments of 8 months (exempt) and 34 weeks (non-exempt) in the case of a terminated employee age 56 and over who has been employed by the Corporation for 35 years or more. In addition, the Corporation has in the past, in certain instances, provided certain terminated officers with severance payments in excess of that set forth in the Corporation's severance policy.

Life Insurance. Employees of the Corporation are 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 receive the aformentioned 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.

Employment Agreement. On September 17, 1981, the former Chairman of the Board and Chief Executive Officer of GAF, Dr. Jesse Werner, entered into an employment agreement with the Corporation having a term ending December 31, 1986, and providing for compensation at an annual rate of $450,000 to December 31, 1983, and increasing by increments of $25,000 for each subsequent year thereafter during such term. Additionally, the contract provides that the Corporation will provide, after the termination of Dr. Werner's employment, supplemental medical insurance sufficient to provide Dr. Werner and his spouse during their lives, dental, medical and hospital benefits equal to those benefits then provided to officers of the Corporation. The agreement also calls for a supplemental retirement benefit and supplemental survivors retirement benefit, based on the number of months of service by Dr. Werner after December 31, 1981. The monthly benefit formula is $3,000 multiplied by the number of months served after December 31, 1981, divided by twelve. In the event of Dr. Werner's death, the contract provides for a death benefit equal to two years' salary based on the last year's salary rate paid to Dr. Werner during his lifetime. The agreement also provides that in the event Dr. Werner's employment is terminated by the Corporation for any reason other than disability, material breach by Dr. Werner or just cause, Dr. Werner will be entitled to the full amount of the salary due him during the full term of the agreement and to participate in certain benefit plans of the Corporation. If Dr. Werner is prevented from performing his duties under the agreement, by reason of illness or disability, for a continuous period of 180 days in any year, the agreement provides that the Corporation may terminate his employment, and upon such termination, that Dr. Werner will be entitled to receive two-thirds of the salary due him during the full term of the agreement and to participate in certain benefit plans of the Corporation.

On December 13, 1983, the new Board of Directors, at its first meeting, established a Special Ad Hoc Committee to investigate charges of corporate waste and unfairness that had been asserted in pending shareholder derivative actions (see "Legal Proceedings" above), especially in connection with past compensation and employment arrangements between GAF and Dr. Werner, and to recommend what actions, if any, should be taken against Dr. Werner. By letter dated December 29, 1983, the Corporation advised Dr. Werner that all payments and other benefits to him would be held in abeyance pending the final report of the Special Ad Hoc Committee. On January 23, 1984, the Special Committee rendered a preliminary report to the Board of Directors which indicated that the charges of corporate unfairness and waste had sufficient substance and validity to obligate the Corporation, as a matter of proper corporate governance, to pursue them further. The Board of Directors, at the same meeting, authorized the Corporation to repudiate its employment agreement with Dr. Werner and challenge other payments made to, or benefits conferred on, Dr. Werner during his period of employment with GAF. By letter dated January 18, 1984, Dr. Werner demanded that any dispute with respect to his employment agreement be submitted to arbitration. On February 7, 1984, GAF petitioned the Supreme Court, State of New York, County of New York (the "New York Court"), to stay the arbitration proceeding commenced by Dr. Werner, pending adjudication of the Corporation's claims of corporate waste and unfairness against Dr. Werner and others. These were asserted in an action commenced by the Corporation against Dr. Werner and certain other former Directors of the Corporation in the New York Court on or about March 8, 1984. The action seeks recovery of compensatory damages, in an amount to be determined, resulting from the corporate unfairness and waste in connection with Dr. Werner's compensation arrangements and the costs incurred in waging the 1983 proxy contest (see "Legal Proceedings" above). The action also seeks recovery of punitive damages of $50,000,000.

By letter dated January 3, 1984, Dr. Werner sought to exercise options covering 120,000 shares of GAF Common Stock previously granted to him, which exercise was denied by GAF. On February 15, 1984, Dr. Werner commenced a lawsuit in the New York Court against the Corporation and all present Directors, seeking $800,000 in compensatory and $5,000,000 in punitive and exemplary damages as a result of the refusal by the Corporation to permit Dr. Werner to exercise the aforementioned options. The Corporation has moved to stay Dr. Werner's suit or consolidate it with that of the Corporation.

Transactions with Management. Credit Suisse is one of 10 banks which provided a $100,000,000 line of credit to the Corporation pursuant to a Revolving Credit Agreement dated as of June 30, 1982, which was reduced at the option of the Corporation to $50,000,000 effective January 31, 1984. Credit Suisse's maximum commitment in 1983 was $12,000,000 which was reduced in 1984 to $6,000,000. The maximum amount outstanding to Credit Suisse in 1983 was $10,260,000. For the year 1983, commitment fees of $24,081, facility fees of $60,000 and interest of $743,401 were paid to Credit Suisse. Peter Bosshard, a former Director of the Corporation, is an Executive Vice President of Credit Suisse.

On February 22, 1983, the Corporation engaged Treadwell Corporation ("Treadwell") to provide engineering services in connection with the Corporation's roofing plant in Joliet, Illinois. Robert Spitzer, a former Director of the Corporation, is Chairman of the Board of Directors and President of Treadwell. During 1983, GAF paid Treadwell approximately $346,000 for professional services and expenses as to this project. Since the work has been completed, no additional payments in this regard are anticipated.

On March 29, 1984, Mr. Simmons entered into an agreement with the Corporation pursuant to which Mr. Simmons agreed that he, the persons and entities identified as "reporting persons" on his Schedule 13D and other "affiliates" of his (as that term is defined for purposes of federal securities laws) (collectively, the "Simmons Interests") would not purchase or otherwise acquire voting securities of GAF in excess of their present holdings, and pursuant to which the Corporation agreed to include Mr. Simmons as a nominee for election to the Board of Directors at all meetings of shareholders at which Directors are to be elected during the term of such agreement. The agreement further provides, subject to certain limited exceptions, that, during the term of the agreement, the Simmons Interests (1) will not solicit or encourage others to solicit proxies in opposition to management, (2) will not engage or solicit others to engage in a tender offer for voting securities of the Corporation or otherwise attempt, directly or indirectly, to cause a change in control of the Corporation, and (3) will provide the Corporation a right of first refusal with respect to any sales of more than 100,000 shares of the Common Stock owned by the Simmons Interests. In addition, the agreement provides that in connection with any proposed issuance of voting securities by the Corporation, subject to certain limited exceptions, the Corporation will offer the Simmons Interests the opportunity to purchase that portion of such issuance as they would have a right to acquire had they "pre-emptive rights" with respect to the voting securities of the Corporation. The agreement is for a term of three years, provided, however, that it may be earlier terminated (1) on March 1, 1985 or March 1, 1986, by either party, upon 30 days' prior written notice to the other party, (2) at the option of the Corporation, if the Simmons Interests at any time own less than 5% of the total then outstanding voting securities of the Corporation, (3) if Mr. Simmons is not elected as a Director of the Corporation, (4) at Mr. Simmons' option, if an unaffiliated third party acquires or offers to acquire more than 15% of the outstanding voting securities of the Corporation and Mr. Simmons reasonably believes such party may attempt to influence the policies of the Corporation, or (5) at Mr. Simmons' option, if the Corporation announces a merger with or into another entity which will result in shareholders of the Corporation receiving cash or other consideration for their shares in the Corporation.

Proposal No. 2
STOCK OPTION PLAN

On February 27, 1984, the Board of Directors unanimously approved for submission to the shareholders the 1984 Stock Option Plan (the "1984 Plan") set forth as Exhibit A to this proxy statement. The 1984 Plan will permit the continued grant of stock options after February 12, 1985, when the Corporation's 1975 Stock Option Plan terminates. Authority to grant options under the 1984 Plan will terminate five years after the date it is approved by the shareholders. The objective of the 1984 Plan is to help the Corporation retain outstanding employees and to attract new talent to GAF in competition with the many other leading industrial firms which also have stock option plans.

Under the 1984 Plan, either "incentive" stock options or "non-qualified" stock options may be granted to purchase up to a total of 800,000 shares of Common Stock (subject to adjustment in the event of stock splits, stock dividends, recapitalizations or the like). At December 31, 1983, a total of 124,000 shares remained available for grant under the 1975 Stock Option Plan. To date, no options have been granted under the 1984 Plan. Incentive stock options are intended to be treated as such within the meaning of Section 422A of the Internal Revenue Code of 1954, as amended (the "Code"). Non-qualified options are, in general, options which do not have the special income tax advantages to the optionee of incentive stock options. The inclusion of non-qualified options is deemed desirable by the Board of Directors to afford the Corporation and the optionees greater flexibility and increased incentive.

Under the 1984 Plan, the Executive Compensation Committee (the "Committee"), which will administer the Plan, will determine the number of shares subject to an option granted to any employee, the date of option grant, whether the option is an incentive stock or non-qualified option, and the terms and conditions governing the option. The Committee is presently comprised of Messrs. Carroll, Goldman, Rogers and Wilson. Key employees, including officers and Directors, of the Corporation and its subsidiaries will be eligible to receive options, but Directors of the Corporation or its subsidiaries who are not employees, and persons then serving on the Committee, will not be eligible. Ten officers and Directors and approximately one hundred forty-five other key employees are presently eligible to receive options under the 1984 Plan. There is no stated maximum or minimum number of shares which may be subject to an option granted to any one eligible employee. Optionees may be granted additional options or may relinquish options and be granted other options, including options exercisable at prices lower than those of the relinquished options, upon such terms as the Committee may determine. Shares subject to an option which expires, terminates or is relinquished will again be available for the grant of options under the 1984 Plan. Shares sold under the 1984 Plan may be either authorized but unissued shares or shares issued and reacquired by the Corporation.

No options granted under the 1984 Plan are transferable by the optionee other than by will or by the laws of descent and distribution, and each option is exercisable, during the lifetime of the optionee, only by the optionee. Any options granted to an employee will terminate three months after the employee's termination of employment for any reason other than death or disability or one year thereafter in the case of death or disability.

The exercise price of all stock options for Common Stock granted under the 1984 Plan must be at least equal to the fair market value of such shares on the date of grant. The term of each option will be five years and sixty days (five years for certain incentive stock options, as noted below). Options may not be exercised during the first year after the date of grant, but thereafter, except as noted below, the option becomes exercisable as to 20% of the shares subject thereto on each of the first through the fifth anniversary of 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 the grant, the exercise price of the option must be at least equal to 110% of the fair market value on the date of grant and the option may not be exercisable more than five years after the date of grant. As to such options, the option will become exercisable as to the final 20% of shares subject thereto four years and ten months from the date of grant. In the event of certain mergers and consolidations and upon a sale of all or substantially all of the Corporation's assets, the Committee has the right to remove the restrictions on exercise referred to in this paragraph.

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. The 1984 Plan permits the exercise of options either by a cash payment or by surrender of shares of Common Stock owned by the optionee and valued at their then fair market value or a combination thereof.

Under the 1984 Plan, the Committee, in its discretion, may accept the surrender of all or any portion of an option granted under the 1984 Plan to the extent such option is then exercisable and, in consideration of such surrender, the Committee may authorize payment of an amount equal to the excess of the then fair market value of the shares covered by the surrendered portion of the option over the exercise price of the shares. Such amount may be paid in (a) cash, (b) Common Stock, or (c) any combination of cash and Common Stock, with the form of payment to be at the election of the Committee. Any shares of Common Stock delivered in payment are to be valued at the then fair market value. The 1984 Plan also provides that an option may include an unconditional right to surrender the entire option (regardless of the extent to which such option is then exercisable) and receive payment as provided above in the event of a tender or exchange offer for shares of the Corporation's Common Stock (other than an offer made by the Corporation) and in the case of such a surrender, the fair market value of the shares of Common Stock will be based on the average price of the Common Stock during the period commencing on the public announcement of the tender or exchange offer and ending on the date shares were first purchased or exchanged in connection therewith. The shares covered by any surrendered option will not thereafter be available for the grant of other options.

The federal income tax treatment of incentive stock options under the 1984 Plan is generally more favorable to employees than the treatment accorded non-qualified options. Under current law, an employee will not realize taxable income by reason of either the grant or the exercise of an incentive stock option. If an employee exercises an incentive stock option and does not dispose of the shares prior to the expiration of certain holding periods, as described in Section 422A(a)(1) of the Code, the entire gain, if any, realized upon disposition will be taxable to the employee as long-term capital gain, and the Corporation will not be entitled to any deduction. If an employee disposes of shares prior to the expiration of the holding periods described above, the employee will realize ordinary income in an amount equal to the excess of the fair market value of the shares on the date the option is exercised over the option price and the Corporation will be entitled to a deduction in the same amount. Any additional appreciation will be treated as a capital gain (long-term or short-term depending on how long the employee held the shares prior to disposition).

As to non-qualified options, there will be no federal income tax consequences to either the employee or the Corporation on the grant of the option. On the exercise of a non-qualified option, the employee (except as described below) has taxable ordinary income equal to the difference between the option price of the shares and the fair market value of the shares on the exercise date. The Corporation will be entitled to a tax deduction in an amount equal to the employee's taxable ordinary income. Upon disposition of the stock by the employee, he will recognize long-term or short-term capital gain or loss, as the case may be, equal to the difference between the amount realized on such disposition and his basis for the stock, which will include the amount previously recognized by him as ordinary income. His holding period for capital gains purposes will commence on the day the optionee acquires the shares pursuant to the option.

If an option is accepted for surrender under the 1984 Plan, the employee will recognize ordinary income for federal income tax purposes in an amount equal to the fair market value of any stock issued and the amount of any cash paid in consideration of such surrender, and the Corporation will be allowed a tax deduction in the same amount. Upon disposition of stock received upon such surrender, the employee will recognize long-term or short-term capital gain or loss, as the case may be, equal to the difference between the amount realized on such disposition and the fair market value of such stock on the date of surrender of the option.

The recognition of taxable income by officers and Directors who are subject to the restrictions of Section 16(b) of the Securities Exchange Act of 1934, with respect to shares of Common Stock received upon the surrender of an option or the exercise of a non-qualified option, will occur when the Section 16(b) restrictions no longer apply unless the individual elects to recognize taxable income upon acquiring the shares. The holding period for capital gains purposes with respect to such securities will commence at the same time taxable income is recognized.

The foregoing federal income tax information is a summary only, and does not purport to be a complete statement of the relevant provisions of the Code.

The Board of Directors may from time to time amend or terminate the 1984 Plan, but no such amendment may, without the prior approval of shareholders, increase the number of shares of Common Stock that may be issued under the 1984 Plan, permit the grant of options to persons other than officers or key employees, reduce the minimum option price per share or extend the period for granting or exercising options or may, without the consent of holders of outstanding options, impair their rights under outstanding options.

On March 20, 1984, the closing price for the Corporation's Common Stock on the New York Stock Exchange was $16.50.

The Board of Directors Recommends a Vote "For" the Adoption of the 1984 Stock Option Plan.

Proposal No. 3
EMPLOYEE STOCK PURCHASE PLAN

On February 27, 1984, the Board of Directors unanimously approved for submission to the shareholders the 1984 Employee Stock Purchase Plan (the "Purchase Plan") set forth as Exhibit B to this proxy statement. The Purchase Plan is designed to encourage stock ownership by employees, to provide an increased incentive to employees and to facilitate the efforts of the Corporation to secure and retain employees of outstanding ability. The Board of Directors believes that implementation of an employee stock purchase plan is in the Corporation's best interests and therefore recommends adoption of the Purchase Plan.

The Purchase Plan covers 600,000 shares of Common Stock (subject to adjustment in the event of stock splits, stock dividends, recapitalizations or the like), will become effective upon approval by the shareholders and will have a duration of five years thereafter, subject to earlier termination by the Board of Directors. Options granted under the Purchase Plan are intended to be options issued pursuant to an "Employee Stock Purchase Plan" as defined in Section 423 of the Code. The Purchase Plan will be administered by the Executive Compensation Committee (the "Committee"), presently comprised of Messrs. Carroll, Goldman, Rogers and Wilson; Committee members are not eligible to participate in the Purchase Plan.

All employees of the Corporation and any subsidiary (except employees (a) who will own, immediately after an option is granted, stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Corporation, or (b) who are customarily employed for twenty hours or less per week or for five months or less in any calendar year) are eligible to receive options under the Purchase Plan. As of January 31, 1984, approximately 4,200 employees, including 9 officers, were eligible to receive options under the Purchase Plan. An eligible employee may not be granted an option if such option, when added to the employee's options under other employee stock purchase plans (within the meaning of Section 423 of the Code) of the Corporation, would enable the employee to purchase Common Stock with a fair market value in excess of $25,000 during any calendar year.

Grants of options to purchase shares of Common Stock will be made pursuant to offerings ("Offerings") which will be made at such time or times as shall be determined by the Committee, except that no Offerings may be made more than five years from the effective date of the Purchase Plan. Each Offering will be effective for a period fixed by the Committee, during which employees may purchase stock either by cash payment of the purchase price or through payroll deductions.

The option price at which shares of Common Stock may be purchased under any option granted under the Purchase Plan is the lesser of 85% of the fair market value of the Common Stock on the date of grant of the option or 85% of the fair market value of the Common Stock on the date of purchase of the stock. Shares sold under the Purchase Plan may be either authorized but unissued shares or shares issued and reacquired by the Corporation.

Under current law, for federal income tax purposes, an employee does not realize income at the time of entry into the Purchase Plan or of purchase of any Common Stock. If no disposition of the stock is made by the employee (a) within two years from the date of grant of the option pertaining to such stock, and (b) within one year from the date such stock was transferred to the employee, then upon subsequent disposition of the stock, the employee will realize ordinary income to the extent of the lesser of (a) the excess, if any, of the fair market value of the stock at the time of disposition over the price paid under the option, or (b) 15% of the fair market value of the stock at the time the option was granted. Any additional gain upon such disposition is taxed at capital gains rates. No income tax deduction will be allowed the Corporation for shares transferred to an employee if such shares are held for the required periods described above.

In the event of a disqualifying disposition (*i.e.*, not meeting the holding period requirements described above), an employee will realize ordinary income in the year he disposes of such stock in the amount of the difference between the option price and the fair market value of the stock on the date of exercise of the option. In such event, the Corporation will receive an income tax deduction in the same amount. In addition, if the amount realized on disposition exceeds the fair market value of the Common Stock at the time of exercise, the excess will be treated as long- or short-term capital gain depending upon the holding period of the stock.

The foregoing federal income tax information is a summary only, and does not purport to be a complete statement of the relevant provisions of the Code.

Upon an employee's retirement, death or termination of employment, he will immediately cease to be a participant in the Purchase Plan and the amounts paid or deducted from his pay which have not been applied to purchase shares will be returned to the employee or his estate.

Options granted under the Purchase Plan may not be transferred except by will or the laws of descent and distribution. During the lifetime of an employee to whom an option has been granted, the option may be exercised only by him.

The Purchase Plan may be amended by the Board of Directors but may not, without prior shareholder approval, be amended to increase the number of shares or change the class of employees eligible to participate in the Purchase Plan. The Purchase Plan provides for proportionate adjustments to reflect stock splits, stock dividends or other changes in the capital stock.

On March 20, 1984, the closing price for the Corporation's Common Stock on the New York Stock Exchange was $16.50.

The Board of Directors Recommends a Vote "For" the Adoption of the 1984 Employee Stock Purchase Plan.

Proposal No. 4
APPROVAL OF REIMBURSEMENT OF PROXY EXPENSES

The Proxy Contest

In 1981, Samuel J. Heyman, personally and through corporations and partnerships controlled by him, began investing in GAF's Common and Preferred Stock. Approximately one year later, after being dissatisfied with prior management's policies and performance, Mr. Heyman organized The GAF Shareholders Committee for New Management (the "Shareholder Committee") and, in February of 1982, began preparing for a proxy contest in connection with the 1982 Annual Meeting of Shareholders. However, in order to avoid any possibility of jeopardizing alleged merger and sale discussions announced by then incumbent management, the Shareholder Committee agreed to forego its challenge in reliance upon management's written commitment to pursue in good faith these merger and sale discussions. Management also reimbursed Mr. Heyman for expenses incurred in the amount of $250,000.

Thereafter, the Shareholder Committee, believing that then incumbent management was not taking required actions designed to maximize shareholder values, commenced a proxy contest for the election of the Shareholder Committee's ten nominees as Directors of GAF at the 1983 Annual Meeting of Shareholders. The proxy contest, which was protracted and extraordinarily hard fought, focused on economic issues of concern to all GAF shareholders, the record of the then incumbent management and competing plans for realizing the asset values of the Corporation.

In addition to the solicitation of shareholders, the proxy contest involved various federal and state legal proceedings between Mr. Heyman and the Shareholder Committee, on the one hand, and GAF and then incumbent management, on the other hand. Among the lawsuits relating to the proxy contest was an action commenced by Mr. Heyman to obtain a list of the Corporation's shareholders, and two separate federal actions alleging, in both individual and derivative claims, that then incumbent management had violated various provisions of federal securities laws and Delaware corporate law. In its actions, the Corporation alleged, among other things, that Mr. Heyman had not incurred the full $250,000 for which he had been reimbursed in 1982 and that the Shareholder Committee's proxy materials violated various provisions of the federal securities laws. See "Proposal No. 1—Election of Directors—Legal Proceedings."

The 1983 Annual Meeting of Shareholders was held on April 28, 1983. A preliminary tally of the votes cast indicated that the shareholders voted overwhelmingly in favor of the Shareholder Committee's nominees—approximately 7,471,000 shares (or 56.3% of the votes cast) were voted in favor of the slate of Directors proposed by the Shareholder Committee. and approximately 5,335,000 shares (or 40.2% of the votes cast) for the incumbent Board.

Following the Annual Meeting and before final certification of the election results, the Corporation's management obtained an injunction delaying certification of the election results. A federal District Court subsequently ordered a resolicitation of proxies. The Shareholder Committee appealed this decision, and on December 8, 1983, the United States Court of Appeals for the Second Circuit reversed the judgment of the District Court and removed the injunction which had prevented the Shareholder Committee's nominees from assuming office. The Court concluded: "This was a proxy contest fought on the issues of GAF's financial performance and future corporate policy. Presented with a clear choice, the shareholders voted decisively in favor of the insurgent slate."

On December 13, 1983, the 1983 Annual Meeting of Shareholders of GAF was reconvened for the thirteenth time. The Inspectors of Election presented their Final Report certifying that the Shareholder Committee's ten nominees had been duly elected Directors of the Corporation. The individuals who were so elected are: Daniel T. Carroll, Dr. Jacob E. Goldman, Samuel J. Heyman, Sanford Kaplan, William P. Lyons, Scott A. Rogers, Jr., Edward E. Shea, William Spier, Joseph D. Tydings and Robert C. Wilson. The election of these individuals as Directors of the Corporation may be deemed to have effected a change in control of the Corporation.

The exact number of shares voted and percentage of shares voted on each proposal at the 1983 Annual Meeting are set forth on Exhibit C annexed hereto.

Reimbursement of Proxy Expenses

The Committee incurred proxy expenses in connection with the proxy contest in the aggregate amount of $3,328,096, including accrued expenses totaling $76,813 (the "proxy expenses"), including legal fees and expenses incurred in connection with the various litigations that were a necessary and integral part of the proxy contest. Mr. Tydings is a partner in the firm of Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey, which, along with a number of other firms, provided legal counsel to the Shareholder Committee (and is one of a number of law firms providing legal counsel to the Corporation in 1984).

The Shareholder Committee's proxy expenses were paid or accrued by Mr. Heyman and by two corporations (The Gateway Company and General Improvement Company) and two partnerships (Heyman Associates #1 and Heyman Joint Venture) controlled by Mr. Heyman. Mr. Heyman and these entities agreed that they would pay, and have paid or accrued, such expenses in approximate proportion to their respective holdings of Common Stock of the Corporation. In its proxy statement mailed to all of the Corporation's shareholders in connection with the 1983 Annual Meeting, the Shareholder Committee indicated that, to the extent permissible, Mr. Heyman and such partnerships and corporations would seek reimbursement from the Corporation for these expenses subject to submitting the matter of such reimbursement to a vote of the Corporation's shareholders for their approval.

On February 27, 1984, the Board of Directors authorized the Corporation, subject to shareholder approval, to reimburse the payment of the proxy expenses. These expenses have been reviewed by the Corporation's independent auditors, Deloitte Haskins & Sells, who have reported that the expenses have in fact been incurred or paid in connection with the 1983 proxy contest.

The Board of Directors believes that the proxy contest involved important issues of corporate policy, that the election of the Shareholder Committee's nominees benefited the Corporation and its shareholders, and that the Shareholder Committee's proxy expenses are reasonable given the intensity and duration of the proxy contest. In this latter connection, the Shareholder Committee's expenses were less than one half of the Corporation's expenses in connection with its proxy effort, the Corporation having incurred expenses of approximately $6,700,000, including $1,200,000 in connection with various proposals to sell GAF's building materials and chemical businesses made by then incumbent management during the course of the proxy contest.

The Board of Directors of the Corporation Recommends a Vote "For" the Proposal to Reimburse the Shareholder Committee for its Proxy Expenses.

Proposal No. 5
SHAREHOLDER PROPOSAL TO LIMIT TERM OF OUTSIDE DIRECTORS

Evelyn Y. Davis, 1127 Connecticut Avenue, N.W., Washington, D.C. 20036, who is the owner of 110 shares of GAF Common Stock, has advised the Corporation of her intention to introduce the following resolution:

"RESOLVED: 'That the stockholders of GAF recommend that the Board take the necessary steps so that future outside directors shall not serve for more than six years.' "

The following statement has been submitted in support of the resolution:

"REASONS. 'The President of the U.S.A. has a term limit, so do Governors of many states.'

" 'Newer directors may bring in fresh outlooks and different approaches with benefits to all shareholders.'

" 'No director should be able to feel that his or her directorship is until "retirement".'

" 'If you AGREE, please mark your proxy FOR this resolution.' "

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

The Board of Directors of the Corporation believes that the adoption of this proposal would not be in GAF's best interests because it would arbitrarily limit the contributions to be made by outside Directors.

Through experience gained over time, new members of the Board acquire increased knowledge and awareness of the Corporation's businesses and develop a focused perception which enhances their ability to analyze and respond to the Corporation's concerns. Imposing a six-year time limit on the tenure of outside Directors as proposed could deprive the Corporation prematurely of the services of those who possess a combination of ability, experience and knowledge pertaining to the Corporation which might be difficult to replace.

The tenure of outside Directors is not guaranteed; they are subject to the mandate of the shareholders and must be elected each year. Imposing an additional limitation on Board service as proposed by this resolution could result in the loss to the Corporation of the benefits of the experience and depth of knowledge of such outside Directors and the concomitant strength of corporate direction at an inopportune time in the Corporation's development.

Proposal No. 6

SHAREHOLDER PROPOSAL TO ADOPT CUMULATIVE VOTING

Lewis D. Gilbert and/or John J. Gilbert, 1165 Park Avenue, New York, New York 10128, each of whom owns ten shares of GAF Common Stock and represents an additional family interest of 160 shares of Common Stock and 300 shares of $1.20 Convertible Preferred Stock, and/or David Brown, 189-45 46th Avenue, Flushing, New York 11358, who owns five shares of Common Stock, have advised the Corporation that they will cause to be introduced the following resolution:

"RESOLVED: That the shareholders of GAF Corporation, assembled in annual meeting in person and by proxy, hereby request the Board of Directors to take the steps necessary to provide for cumulative voting in the election of directors, which means each stockholder shall be entitled to as many votes as shall equal the number of shares he or she owns multiplied by the number of directors to be elected, and he or she may cast all of such votes for a single candidate, or any two or more of them as he or she may see fit."

The following statement has been submitted in support of the resolution:

"Last year 5,895 owners of 1,505,257 shares voted in favor of our similar resolution. The vote against included the unmarked proxies.

"The importance of cumulative voting has been noted in the following words by Giant Portland Cement Corporation in their 1974 proxy statement:

> 'Cumulative voting is a form of proportional representation which permits minority shareholders to have representation on the Board of Directors. Under the existing by-laws a shareholder is entitled to one vote for each share of stock registered in his name. Thus, the holders of a majority of the shares may elect all of the directors, in which event the remaining shareholders may not elect any directors. The proposed Article Ninth provides for cumulative voting in the election of directors, in which case each stockholder is entitled to as many votes as he owns shares, multiplied by the number of directors to be elected, to be cast for one or distributed among two or more directors, as he sees fit. Therefore the proposed amendment would permit a person or a group of persons holding a significant block of shares to have representation on the Board of Directors.'

"If you agree, please mark your proxy for this resolution; otherwise it is automatically cast against it, unless you have marked to abstain."

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

At the Corporation's 1983 Annual Meeting referred to above, more than 42% of the shares voting on the same resolution voted against such resolution. (Over 46% abstained.)

In publicly owned corporations having a large number of shareholders, Directors should be elected for their ability and willingness to represent the interests of all the shareholders and not those of a special group. Cumulative voting gives those holding a relatively small percentage of outstanding stock potential power disproportionate to the number of shares owned by allowing a relatively small group of shareholders to elect one or more Directors; it thereby tends to produce Directors representing special minority interests. A Director so elected might consider himself to be the representative of the group responsible for his election, and the interests of such group might not coincide with the interests of the Corporation and its shareholders as a whole.

Cumulative voting could also introduce an element of discord on the Board and thus impair the ability of the Directors to work together for the best interests of the Corporation. This might lead to a situation in which independent persons of stature and experience would be reluctant to serve on the Board.

The present method of electing Directors by a majority vote is the method used by most large United States corporations and is considered generally to create a cohesive and effective panel of Board members. The Board of Directors of GAF believes that the interests of the whole body of shareholders is best served by the present simple system of one vote for each share.

INDEPENDENT PUBLIC ACCOUNTANTS

Management presently has under consideration proposals from several accounting firms for the Corporation's 1984 auditing services. Accordingly, no accounting firm has been selected to date to audit the accounts of the Corporation for 1984. No such selection shall be made without the recommendation and approval of the Corporation's Audit Committee.

Deloitte Haskins & Sells performed the audit of the Corporation's accounts in 1983. A representative of Deloitte Haskins & Sells is expected to be present at the meeting to answer appropriate questions and will have an opportunity to make a statement.

1985 SHAREHOLDER PROPOSALS

Proposals of securities holders intended for possible action at the 1985 Annual Meeting must be received by the Corporation at its principal executive offices prior to December 4, 1984. All proposals received will be subject to the applicable rules of the Securities and Exchange Commission.

OTHER MATTERS

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the meeting, voting together as one class, is necessary for approval of each of the proposals, except for the election of Directors, which requires a plurality vote, and the adoption of the Stock Purchase Plan, which requires a majority of the outstanding voting securities of the Corporation (unless a lesser vote is sufficient to qualify the Plan for tax purposes, in which case such lesser vote, but in any event at least a majority of those present or represented, will control). Shareholders of record holding a majority of all shares of stock of the Corporation, issued and outstanding, and entitled to vote thereat, present in person or represented by proxy, constitute a quorum for the transaction of business at the meeting.

The cost of the solicitation 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 The Kissel-Blake Organization, Inc. to aid in the solicitation of proxies at an estimated aggregate fee of $10,500, 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.

By Order of the Board of Directors,

ROBERT H. BEBER
Secretary

New York, New York
April 2, 1984

G A F Corporation

1984 STOCK OPTION PLAN

1. Purpose

The purpose of this Plan is to further the growth and development of GAF Corporation (the "Corporation") by encouraging key employees of the Corporation and its subsidiaries to invest in shares of the Corporation's Common Stock, by providing increased incentives for said employees to promote the well-being of the Corporation and by facilitating the efforts of the Corporation to secure and retain employees of outstanding ability.

It is intended that an option granted under the Plan may be either an incentive stock option within the meaning of Section 422A of the Internal Revenue Code of 1954, as the same may be amended from time to time (the "Code") (a "qualified option"), or an option which is not a qualified option (a "non-qualified option").

2. Definitions

For purposes of this Plan:

(a) *Committee* means the Executive Compensation Committee of the Board of Directors of the Corporation, which has been appointed by the Board of Directors of the Corporation to administer the Plan and perform the functions set forth herein for the Committee, among other things. The Committee shall be composed of three or more members of the Board of Directors, all of whom shall be "disinterested persons" within the meaning of Section 240.16b-3 of the Regulations issued under the Securities Exchange Act of 1934, as amended.

(b) *Common Stock* means the Common Stock of the Corporation, par value $1.00 per share, and any other stock or securities resulting from the adjustment thereof or substitution therefor as described in Section 11 below.

(c) *Disability* means the condition which results when an individual has become permanently and totally disabled within the meaning of Section 105(d)(4) of the Code.

(d) *Fair Market Value*, as of any date means: (i) in the event the Common Stock is listed on a national securities exchange, the closing price as reported for composite transactions on that date, or, if no sales occurred on that date, then the closing price on the next preceding date on which such sales of Common Stock occurred; (ii) in the event the Common Stock is not listed on a national securities exchange, the mean between the high bid and low asked prices reported for shares of Common Stock traded over-the-counter on that date, or, if no bid and asked prices were reported on that date, then the mean between the high bid and low asked prices on the next preceding date on which such prices were reported; or (iii) in the event there are no over-the-counter prices for the Common Stock and it is not listed on a national securities exchange, the fair market value determined by the Committee either on the basis of the available price of the Common Stock or in such other manner as the Committee may deem reasonable.

(e) *Key Employee* means a regular employee, whether or not a Director, of the Corporation or a Subsidiary or a Parent who is an officer or holds a managerial or other key position, as determined by the Committee, and who, in the opinion of the Committee, has demonstrated a capacity for making a substantial contribution to the success of the business of the Corporation, its Parent or a Subsidiary.

(f) *Over-Ten-Percent Shareholder* means a Key Employee, who, at the time an option is to be granted to him, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation, its Parent or a Subsidiary within the meaning of Section 422A(b)(6) of the Code.

(g) *Parent* means a parent corporation of the Corporation within the meaning of Section 425(e) of the Code.

(h) *Plan* means the GAF Corporation 1984 Stock Option Plan as set forth in this instrument and as it may be amended from time to time.

(i) *Stock Option Agreement* or the *Agreement* means the written agreement between a Key Employee and the Corporation evidencing the grant of an option under the Plan and setting forth the terms and conditions of that grant.

(j) *Subsidiary* means a subsidiary corporation of the Corporation within the meaning of Section 425(f) of the Code.

(k) *Successor Corporation* means a corporation, or a Parent or Subsidiary corporation of such corporation within the meaning of Sections 425(e) or (f) of the Code, which issues or assumes a stock option in a transaction to which Section 425(a) of the Code applies.

3. Administration

The Plan shall be administered by the Committee. The Committee shall keep minutes of its meetings. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which there is a quorum, or acts approved in writing by the unanimous consent of its members, shall be the acts of the Committee.

The Committee is authorized, subject to the provisions of the Plan, to adopt, amend and rescind such rules and regulations as it may deem appropriate for the administration of the Plan, and to make determinations and interpretations which it deems consistent with the Plan's provisions. The Committee's determinations and interpretations shall be final and conclusive.

4. Eligibility

Key Employees of the Corporation or any Subsidiary or Parent, shall be eligible to receive options under the Plan. The Committee shall, from time to time, (i) determine those Key Employees to whom stock options shall be granted and the number of shares and conditions of each such option, and (ii) grant such options. No member of the Committee, while serving as such, shall be eligible to receive any option under the Plan, or under any other plan of the Corporation or that of a Subsidiary or Parent, entitling its participants to acquire stock or options to purchase the Corporation's Common Stock or the stock or securities of any Subsidiary or Parent. Any person may be granted additional options, or may relinquish an option or options and be granted one or more other options, including options exercisable at prices lower than those of the relinquished options, as the Committee may determine.

5. Shares Subject to Option

Subject to Section 11 of the Plan, the shares to be optioned under the Plan shall be shares of the Corporation's Common Stock, and may be authorized but unissued shares or shares issued and reacquired by the Corporation or treasury shares, as the Committee may from time to time determine. The aggregate number of shares for which options may be granted under the Plan shall be 800,000 shares, subject to adjustment under Section 11 of the Plan.

The aggregate Fair Market Value (as fixed at the time the option is granted) of the stock for which any Key Employee may be granted qualified options in any calendar year (under this Plan and all other plans of the Corporation or those of any Parent and Subsidiary corporations required to be aggregated for this purpose under the provisions of Section 422A(b)(8) of the Code), shall not exceed $100,000 plus any "unused limit carryover" to that year within the meaning of Sections 422A(b)(8) and 422A(c)(4) of the Code.

Shares subject to and not delivered under an option which (i) expires or terminates or (ii) is relinquished pursuant to Section 4 of the Plan during the term of the Plan, shall again be available for option under the Plan. If all or any portion of an option is surrendered pursuant to Section 9 of the Plan, the shares covered thereby shall not thereafter be available for the granting of other options under the Plan.

6. Granting of Options

Subject to the provisions of the Plan, the Committee shall have full authority in its discretion to determine those Key Employees to whom options shall be granted and in each case the number of shares to be subject to such option, the date on which it is to be granted, the option price at which shares covered thereby may be purchased (subject, however, to Section 7 of the Plan), whether it is intended to be a qualified option or a non-qualified option, and the other terms thereof.

Each option shall be evidenced by a Stock Option Agreement containing terms and conditions established by the Committee and consistent with the provisions of the Plan. The terms and conditions of options may differ. If the Committee grants options intended to be qualified options, the Agreement shall contain such terms and provisions as may in the Committee's judgment be necessary to render them incentive stock options within the meaning of Section 422A(b) of the Code.

7. Option Price

The Committee shall establish the option price at the time an option is granted. The option price shall not be less than 100% of the Fair Market Value of the shares of Common Stock subject to the option at the time the option is granted; provided, however, that the option price shall be at least 110% of the Fair Market Value of the shares of Common Stock subject to any qualified option at the time such qualified option is granted, if the qualified option is granted to an Over-Ten-Percent Shareholder. In any event, the option price shall not be less than the par value of the shares subject to the option.

8. Exercise of Options

Subject to Section 11, no option to purchase shares shall be exercisable for a period of one year from the date of grant. Thereafter, subject to Section 11, shares originally subject to the option may be purchased as follows: 20% of such shares after the expiration of one year from the date of grant; 40% of such shares after the expiration of two years from the date of grant; 60% of such shares after the expiration of three years from the date of grant; 80% of such shares after the expiration of four years from the date of grant; 100% of such shares after the expiration of five years from the date of grant; provided, however, that any qualified option granted under the Plan to an Over-Ten-Percent Shareholder shall be exercisable, as to 100% of the shares subject thereto, after the expiration of four years and ten months from the date of grant. No option granted under the Plan shall be exercisable as to all or any portion of the shares subject to such option more than sixty days after the fifth anniversary of the date of grant of such option, except that no qualified option granted to an Over-Ten-Percent Shareholder shall be exercisable more than five years after the date of grant. Not less than 100 shares may be purchased at any one time upon the exercise of an option, unless the number of shares so purchased constitutes the total number then purchasable under the option.

Payment for shares of Common Stock purchased upon exercise of an option granted under the Plan shall be made (except in the case of a surrender pursuant to Section 9) to the Corporation in cash (including check, bank draft, money order or wire transfer), or by delivering shares of Common Stock already owned by the option holder and having an aggregate value (based on the Fair Market Value of the Common Stock so delivered as of the day preceding the date of delivery) equal to the option price of the shares purchased, or by delivering to the Corporation a combination of such shares and cash and having an aggregate value (based on the Fair Market Value of the Common Stock so delivered as of the day preceding the date of delivery) equal to the option price of the shares purchased. A Key Employee to whom an option is granted shall not be deemed the holder of any shares subject to the option or have any rights of a shareholder with respect thereto until the shares are delivered to him.

9. Surrender and Repurchase of Options

(a) The Committee, in its discretion and on such terms and conditions as it deems appropriate, may accept the surrender of all or any portion of an option granted under the Plan, and in consideration of such surrender, the Committee may authorize payment of an amount equal to the excess of the Fair Market Value of the shares covered by the surrendered portion of the option over the option price of such shares. Such amount shall be paid in (a) cash, (b) Common Stock, or (c) any combination of cash and Common Stock, with the form of payment to be at the election of the Committee; provided, however, that in every instance the Committee shall determine that such payment is consistent with the purposes set forth in Section 1 of the Plan. No surrender shall be made prior to the date that the option may be exercised, and any such surrender shall be subject to such conditions and limitations as the Committee may determine. The Fair Market Value of the shares covered by the surrendered portion of an option shall be determined as of the day preceding the date of the surrender, and any shares of Common Stock delivered in payment pursuant to this Section 9 shall be valued at their Fair Market Value on the day preceding the date of such surrender.

(b) Notwithstanding the provisions of Subsection (a), a Stock Option Agreement may provide that in the event of any tender or exchange offer (other than an offer by the Corporation) for shares of Common Stock of the Corporation, the optionee will have the unconditional right (a "Limited Right") to surrender all or any portion of such option (regardless of the extent to which such option is then exercisable) during the 30-day period following the date shares are first purchased or exchanged pursuant to such offer (but without regard to the number of shares so purchased) and to receive in consideration of such surrender the amount provided in Subsection (a) and in the form determined by the Committee as provided in Subsection (a). For the purposes of Limited Rights, the term "Fair Market Value on the date of surrender" shall mean the average of the Fair Market Value of the shares of Common Stock during the period commencing on the date the bidder publicly announced its intention to pay the price which was initially paid for, or the exchange ratio which was initially used for, such shares first purchased or exchanged and ending on the date on which such shares were first purchased or exchanged, inclusive.

10. Conditions of Exercise of Options

(a) Each qualified option granted under the Plan, by its terms, shall also provide that it is not exercisable while there is outstanding (within the meaning of Section 422A(c)(7) of the Code) any incentive stock option (within the meaning of Section 422A(b) of the Code) which was granted before the granting of such option, to such Key Employee to purchase stock in the Corporation, in a corporation which (at the time of the granting of such option) is a Parent or Subsidiary of the Corporation or in a predecessor corporation of any such corporation within the meaning of Section 422A(b)(7) of the Code.

(b) Options granted under the Plan shall not be transferable by the optionee except by will, or if the optionee dies intestate, by laws of descent and distribution of the state of the optionee's domicile at the time of his death. During an optionee's lifetime, options granted under the Plan are exercisable only by the optionee.

(c) Subject to the terms and conditions and within the limitations of the Plan, the Committee may modify, extend, replace or renew outstanding options granted under the Plan, or accept the surrender of outstanding options (to the extent they have not yet been exercised) and grant new options in substitution for them. Notwithstanding the foregoing, however, no modification of an option shall alter or impair any rights or obligations under any option granted under the Plan without the affected optionee's consent.

(d) If the employment of an optionee by the Corporation, by a Parent or a Subsidiary or by a Successor Corporation, shall terminate for any reason other than his death or Disability, then all the options held by that optionee on the date of such termination, to the extent then exercisable, may be exercised at any time prior to the earlier of (i) their expiration dates or (ii) the expiration of a three-month period following the date of termination of employment. An option shall not be affected by any change in the duties or position of an optionee (including transfer to or from a Parent or Subsidiary) so long as he continues in the employ of the Corporation or a Subsidiary or Parent or a Successor Corporation. If the employment of an optionee by the Corporation, by a Parent or a Subsidiary or by a Successor Corporation, shall terminate by reason of his death or Disability, then all options held by the optionee on the date of his death or Disability, to the extent then exercisable, may be exercised, at any time prior to the earlier of (i) their expiration dates or (ii) the expiration of one year following the date of the optionee's death or Disability, including the date death or Disability occurs. In the event of an optionee's death, his options shall be exercisable, to the extent otherwise provided in the Plan, by the executor or by any other person who may be empowered to do so under the optionee's will. If the optionee has failed to make a testamentary disposition of his options or dies intestate, his options shall be exercisable by his legal representative.

(e) Each option shall be confirmed by a Stock Option Agreement which shall be executed by the Corporation and by the person to whom the option is granted.

(f) To the extent that an option is not exercised within the period of time prescribed by the Plan and the Stock Option Agreement confirming the option, the option shall lapse and all rights of the optionee with respect to it shall terminate.

(g) Nothing in the Plan or in the Stock Option Agreement shall confer on any employee any right to continue in the employ of the Corporation or any Parent or Subsidiary or Successor Corporation; affect the right of the Corporation or any Parent or Subsidiary or a Successor Corporation to terminate his employment at any time; or be deemed a waiver or modification of any provision contained in any agreement between the employee and the Corporation or any such Parent or Subsidiary. The Stock Option Agreements may contain such provisions as the Committee shall approve with reference to the effect of approved leaves of absence.

11. Changes in Common Stock

The number of shares subject to the Plan, the number of shares subject to outstanding options and the option price of such outstanding options shall be appropriately adjusted, in any reasonable manner determined by the Committee, to reflect any future stock dividends, split-ups, reorganizations, recapitalizations or other substitutions of securities of the Corporation for the present Common Stock. The Committee's adjustment shall be effective and binding for all purposes of the Plan and each Stock Option Agreement entered into under the Plan. No adjustment or substitution provided for in this Section 11 shall require the Corporation to issue a fractional share.

Upon the effective date of any merger or consolidation of the Corporation with or into another corporation (other than a merger or consolidation in which the Corporation is the surviving corporation and which does not result in any reclassification or reorganization of the then outstanding shares of Common Stock) and upon the effective date of any sale of all or substantially all of the assets of the Corporation to any other entity pursuant to a plan of liquidation (a "Terminating Event"), the Plan and any unexercised options granted under the Plan shall terminate unless provision shall be made in writing in connection with such Terminating Event for the continuance of the Plan and, if the Corporation is not the surviving corporation, for the assumption of such unexercised options by a successor employer or parent or subsidiary thereof or for the substitution for such unexercised options of new options covering shares of such successor with appropriate adjustments as to number, price and kind of securities or property subject to such new options. In such event, the Plan and the unexercised options theretofore granted or the new options substituted therefor shall continue in the manner and under the terms provided in the Plan. Prior to any such termination of the Plan, upon the effective date of any Terminating Event in which provision is not made for the continuance of the Plan and for the assumption or substitution of options, the Committee may in its discretion permit each optionee under the Plan to accelerate the time at which his option may be exercised and to purchase the full number of shares under his option which he would otherwise have been entitled to purchase during the remaining term of such option.

12. Amendment or Discontinuance

The Board of Directors may from time to time alter or suspend or at any time discontinue the Plan, but may not, without the consent of the holder of the option (except as provided in or permitted by Section 11 of the Plan), make any alteration which would affect an option previously granted or, without the approval of the shareholders of the Corporation, make any alteration which would (except as provided in Section 11 of the Plan) (a) increase the aggregate number of shares for which options may be granted; (b) decrease the minimum option price as set forth in Section 7 of the Plan; (c) make persons serving as members of the Committee eligible to receive options under the Plan; (d) extend the term of the Plan or the maximum period during which any option may be exercised; (e) change the class of employees eligible to receive options; or (f) withdraw the administration of the Plan from a committee whose members are ineligible to be allotted stock or to receive options under the Plan, under any other plan of the Corporation or under that of any Parent or Subsidiary.

13. Liability

No member of the Board of Directors or the Committee and no officer or employee of the Corporation or of any Parent or Subsidiary or Successor Corporation shall be personally liable for any act taken or omission made in good faith in connection with the Plan.

14. Compliance with Law and Other Conditions

All options and Stock Option Agreements under this Plan, together with the Plan itself, shall be governed by the laws of the State of New York, to the extent not superseded by the laws of the United States. No shares shall be issued, sold or delivered pursuant to the exercise or surrender of any option granted under the Plan prior to (i) any registration or other qualification of such shares under any state or federal law or regulation which the Committee shall, in its absolute discretion upon the advice of counsel, deem necessary or advisable, and (ii) the admission of such shares to listing on any stock exchange on which the stock may then be listed free of any conditions not acceptable to the Committee.

15. Good-Faith Attempts

As to qualified options granted under the Plan, to the extent consistent with Section 422A(c)(1) of the Code and Regulations issued by the Secretary of the Treasury for incentive stock options, (i) the requirement set forth in Section 7 of the Plan that the option price of any option granted under the Plan be not less than 100% of the Fair Market Value of the Common Stock subject to the option at the time if it is granted to a Key Employee other than an Over-Ten-Percent Shareholder, and not less than 110% of the Fair Market Value of the Common Stock if granted to an Over-Ten-Percent Shareholder, and (ii) the limitation on the aggregate Fair Market Value of the Common Stock for which a Key Employee may be granted qualified options as set forth in Section 5 of the Plan, shall be considered to have been met if the Committee has made a good-faith attempt to meet the requirements of Section 422A(b)(4) or Sections 422A(b)(8) and 422A(c)(4) of the Code, as applicable, and such requirements are considered to have been met pursuant to Section 422A(c)(1) of the Code.

16. Construction

It is intended that all qualified options granted under the Plan shall constitute "incentive stock options" under Section 422A of the Code. To that end, the Plan and all Stock Option Agreements entered into pursuant to it shall be construed and interpreted so that all qualified options granted under the Plan constitute "incentive stock options" within the meaning of Section 422A of the Code, unless the terms and provisions of this instrument clearly and unequivocally require a contrary interpretation or construction.

17. Effective Date and Duration

The Plan shall become effective on the date on which it is approved by a majority of votes cast on the proposal as to the Plan by the shareholders of the Corporation entitled to vote thereon, provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. No options may be granted under the Plan after the fifth anniversary of the effective date of the Plan.

EXHIBIT B

G A F Corporation

1984 EMPLOYEE STOCK PURCHASE PLAN

1. Purpose

The purpose of this Plan is to provide incentive for and to facilitate stock ownership by employees of GAF Corporation ("GAF"). It is intended that this Plan shall be an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code of 1954, as amended (the "Code").

2. Shares Subject to Option

Subject to Section 10 of the Plan, the shares to be optioned under the Plan shall be shares of GAF's Common Stock, and may be authorized but unissued shares or shares issued and reacquired by GAF or treasury shares, as the Committee may from time to time determine. The aggregate number of shares for which options may be granted under the Plan shall be 600,000 shares, subject to adjustment under Section 10 of the Plan. Shares subject to and not delivered under an Option which expires or terminates during the term of the Plan shall again be available for option under the Plan.

3. Definitions

For purposes of this Plan:

(a) *Common Stock* means the Common Stock of GAF, par value $1.00 per share, and any other stock or securities resulting from the adjustment thereof or substitution therefor as described in Section 10 of this Plan.

(b) *Committee* means the Executive Compensation Committee of GAF, which has been appointed by the Board of Directors of GAF to administer the Plan and perform the functions set forth herein for the Committee, among other things. The Committee shall be composed of three or more members of the Board of Directors, all of whom shall be "disinterested persons" within the meaning of Section 240.16b-3 of the Regulations issued under the Securities Exchange Act of 1934, as amended.

(c) *Eligible Employee* means an employee of GAF or any Subsidiary other than:

(1) employees whose customary employment is twenty (20) hours or less per week; and

(2) employees whose customary employment is for not more than five (5) months per year.

(d) *Fair Market Value*, as of any date means: (i) in the event the Common Stock is listed on a national securities exchange, the closing price as reported for composite transactions on that date, or, if no sales occurred on that date, the closing price on the next preceding date on which such sales of Common Stock occurred; (ii) in the event the Common Stock is not listed on a national securities exchange, the mean between the high bid and low asked prices reported for shares of Common Stock traded over-the-counter on that date, or, if no bid and asked prices were reported on that date, the mean between the high bid and low asked prices on the next preceding date on which such prices were reported; or (iii) in the event there are no over-the-counter prices for the Common Stock and it is not listed on a national securities exchange, the fair market value determined by the Committee either on the basis of the available price of the Common Stock or in such other manner as the Committee may deem reasonable.

(e) *Offering* means the granting of Options to Eligible Employees on any Offering Date.

(f) *Offering Date* means any date on which Options are granted to Eligible Employees under this Plan.

(g) *Offering Period* means the period, fixed by the Committee, commencing on the Offering Date and during which Eligible Employees to whom Options have been granted may exercise their Options in accordance with Subsection (a)(i) of Section 6 of this Plan or may make the election described in Subsection (a)(ii) of said Section 6.

(h) *Option* means an option to purchase Common Stock granted to an Eligible Employee under this Plan.

(i) *Purchase Period* means the period, fixed by the Committee, over which installment purchases of shares subject to an Option may be made, provided, however, that no Purchase Period shall extend beyond twenty-seven (27) months from the Offering Date.

(j) *Purchase Price* means the price to be paid for shares of Common Stock upon the exercise of an Option, which price shall be equal to the lesser of eighty-five percent (85%) of the Fair Market Value of the Common Stock on the

Offering Date or eighty-five percent (85%) of the Fair Market Value of the Common Stock on the date of exercise, but in no event less than the par value thereof.

(k) *Plan* means the GAF Corporation 1984 Employee Stock Purchase Plan as set forth in this instrument and as it may be amended from time to time.

(l) *Subsidiary* means a subsidiary corporation of GAF within the meaning of Section 425(f) of the Code.

4. Administration

The Plan shall be administered by the Committee. The Committee shall keep minutes of its meetings. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which there is a quorum, or acts approved in writing by the unanimous consent of its members, shall be the acts of the Committee.

The Committee is authorized, subject to the provisions of the Plan, to adopt, amend and rescind such rules and regulations as it may deem appropriate for the administration of the Plan and necessary for all Options granted hereunder to qualify as options granted under an employee stock purchase plan within the meaning of Section 423 of the Code. The Committee shall make such determinations and interpretations which it deems consistent with the Plan's provisions. The Committee's determinations and interpretations shall be final and conclusive.

5. Offering

(a) From time to time, GAF may offer Options to Eligible Employees to purchase shares of Common Stock. The number of shares of Common Stock subject to each Option shall be determined by the Committee and, except as provided below, each Option granted in any Offering shall be for the same number of shares. Notwithstanding the preceding sentence, the Committee may provide that the number of shares subject to each Option granted in any Offering shall bear a uniform relationship to the compensation of each Eligible Employee; provided, however, that the Committee may limit the maximum number of shares that may be purchased by any one Eligible Employee in any Offering or in all Offerings under the Plan.

(b) Except as otherwise provided in Subsection (a), if an Offering is made, (i) all Eligible Employees who are employed as of the Offering Date shall be granted Options pursuant to such Offering, (ii) all optionees under Options granted in such Offering shall have the same rights and privileges with respect to such Options, and (iii) the terms of each such Option shall be identical.

6. Exercise of Options and Delivery of Certificates

(a) An Eligible Employee to whom an Option has been granted may, if the Committee so permits,

(i) deliver to the Committee, during the Offering Period, a signed subscription agreement, in a form provided by the Committee, exercising his Option as to all or a portion of the shares of Common Stock subject to the Option, together with his payment of the Purchase Price for such shares, such payment to be made in cash (including check, bank draft, money order or wire transfer), or

(ii) elect to pay for all or a portion of the shares of Common Stock subject to an Option in installments by means of payroll deductions, by delivering to the Committee during the Offering Period a signed subscription agreement in a form provided by the Committee, for a designated number of shares (or for such number of shares as may be purchased by his payroll deductions during the Purchase Period) together with a payroll deduction form authorizing regular payroll deductions and specifying the date such payroll deductions are to commence and the amount to be deducted each pay period.

(b) If an Eligible Employee fails to deliver a subscription agreement as to all or any of the shares of Common Stock subject to an Option during the Offering Period, such Eligible Employee's Option with respect to such shares shall automatically terminate.

(c) An Eligible Employee who has made the election described in Subsection (a)(ii) of this Section 6 shall be deemed to have exercised his Option to purchase that portion of his subscribed shares of Common Stock for which payment has been received by GAF as of the close of business on the last day of the Purchase Period applicable to his subscription. Any excess funds held by GAF following such exercise of the Eligible Employee's Option shall be returned to the Eligible Employee, without interest.

(d) An Eligible Employee who has made the election described in Subsection (a)(ii) of this Section 6 may exercise his Option to purchase all or a portion of the shares of Common Stock under his subscription agreement at any time and from time to time prior to the last day of the applicable Purchase Period by delivering to the Committee a signed statement to the effect that he wishes to exercise his Option, together with payment of the Purchase Price (less any amounts deducted from his pay in connection with such subscription agreement not theretofore applied to purchase shares hereunder) in cash for such shares.

(e) The exercise date of an Eligible Employee's Option shall be (i) in the case of an Eligible Employee making the election described in Subsection (a)(ii) of this Section 6, the last day of the Purchase Period applicable to his subscription; provided, however, that the Committee, by the adoption of such rules and regulations as it deems necessary, may provide for the automatic exercise of Options as an Eligible Employee accumulates sufficient funds through payroll deductions to purchase one (1) or more shares of Common Stock; or (ii) in the case of a Eligible Employee exercising his Option pursuant to Subsection (a)(i) or Subsection (d) of this Section 6, the date on which the Committee has received full payment for the subscribed shares and the Eligible Employee's subscription agreement or signed statement, as the case may be, exercising his Option.

(f) Until the exercise date of an Eligible Employee's Option, the Eligible Employee shall not have an ownership interest in any of the shares of Common Stock subject to such Option nor shall the Eligible Employee have any right to dividends or any other rights with respect to such shares.

(g) GAF shall issue and deliver to the Eligible Employee a certificate or certificates for the number of shares of Common Stock purchased under this Plan as soon as practicable after the exercise of the Eligible Employee's Option with respect to such shares and payment therefor.

7. Limitation on Purchases

(a) In no event may an Eligible Employee be granted an Option to purchase Common Stock under this Plan if such Eligible Employee, immediately after the Option is granted, would own Common Stock and other securities possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of GAF or of any Subsidiary. For purposes of determining stock ownership under this Subsection (a), the rules of Section 425(d) of the Code shall apply, and any Common Stock the Eligible Employee is entitled to purchase under any outstanding options (whether or not such options were granted under this Plan) to purchase Common Stock shall be treated as Common Stock owned by the Eligible Employee.

(b) No Eligible Employee may be granted an Option to purchase Common Stock under this Plan that permits his purchase of Common Stock under any or all employee stock purchase plans (within the meaning of Section 423 of the Code) of GAF and its Subsidiaries to accrue at a rate which exceeds twenty-five thousand dollars ($25,000) of Fair Market Value of Common Stock (determined as of the Offering Date) for each calendar year in which such Option is outstanding at any time.

8. Termination of Subscription or Participation

(a) To the extent that an Eligible Employee has not effectively exercised his Option to purchase shares of Common Stock under a subscription agreement in accordance with Subsections (c) or (d) of Section 6 of this Plan, the Eligible Employee's subscription (or the unexercised portion thereof) shall automatically terminate upon the close of business on the last day of the applicable Purchase Period.

(b) An Eligible Employee who has made the election in Subsection (a)(ii) of Section 6 of this Plan may voluntarily terminate any subscription agreement in whole or in part at any time on or before the close of business on the last day of the applicable Purchase Period. Upon such termination, the Eligible Employee may choose, as applicable, one or more of the following options: (i) to have returned to him, without interest, the amounts paid by him or deducted from his pay in connection with the subscription, to the extent not previously applied to the purchase of shares of Common Stock; (ii) to accept delivery of that portion of his subscribed shares for which he has already paid and as to which the exercise date has not occurred; or (iii) to reduce future payroll deductions made in connection with such subscription.

(c) An Eligible Employee who dies or whose employment is terminated (whether voluntarily or involuntarily, and with or without cause) for any reason shall immediately cease to be an Eligible Employee, whereupon the amounts paid or deducted from his pay in connection with any subscription which have not been applied to the purchase of shares of Common Stock shall be returned to the Eligible Employee or to his estate, without interest.

9. Rights Under Plan Not Transferable

An Eligible Employee's right to purchase shares under this Plan cannot be sold, pledged, assigned or transferred in any manner, voluntarily or involuntarily, and the right to purchase may be exercised only by the Eligible Employee. Any attempted transfer in violation of this provision shall effect a termination of the Eligible Employee's subscription, effective as of the date of such attempt.

10. Adjustment Upon Changes in Capitalization

The number of shares subject to the Plan, the number of shares subject to outstanding Options, and the Purchase Price of such outstanding Options shall be appropriately adjusted, in any reasonable manner determined by the Committee to reflect any future stock dividends, split-ups, reorganizations, recapitalizations, or other substitutions of securities of GAF for the present Common Stock. Upon the effective date of any merger or consolidation of GAF with or into another corporation (other than a merger or consolidation in which GAF is the surviving corporation and which does not result in any reclassification or reorganization of the then outstanding shares of Common Stock) and upon the effective date of any sale of all or substantially all of the assets of GAF to any other entity pursuant to a plan of liquidation, the Committee, in its discretion, may either (i) terminate the Plan and all Options granted hereunder pursuant to Section 11 hereof or (ii) seek to cause the corporation which survives or results from such merger or consolidation or which so acquires GAF's assets to assume the Plan and the Options granted hereunder or to grant options on its own stock in substitution for the unexercised portion of the Options granted under the Plan.

11. Amendment and Termination of the Plan

The Board of Directors of GAF may at any time amend this Plan in any respect, except that (i) the aggregate number of shares of Common Stock that may be purchased pursuant to this Plan may not be increased and (ii) the employees who may become Eligible Employees may not be changed, without approval of the shareholders of GAF by such vote as would then be required for adoption of any employee stock purchase plan within the meaning of Section 423 of the Code. The Board of Directors may terminate this Plan at any time. The termination or any modification or amendment of this Plan, without the consent of an Eligible Employee, shall not affect his rights under any uncompleted subscription agreement.

12. Compliance with Law and Other Conditions

All Options and subscription agreements under this Plan, together with this Plan itself, shall be governed by Section 423 of the Code and the regulations thereunder and all applicable laws of the United States and, to the extent not superseded thereby, laws of the State of New York. No shares shall be issued, sold or delivered pursuant to the exercise of any option granted under the Plan prior to (i) any registration or other qualification of such shares under any state or federal law or regulation which the Committee shall, in its absolute discretion upon the advice of counsel, deem necessary or advisable, and (ii) the admission of such shares to listing on any stock exchange on which the stock may then be listed free of any conditions not acceptable to the Committee.

13. Effective Date

The Plan shall become effective upon approval by the holders of a majority of the outstanding shares of GAF entitled to vote thereon (unless a lesser vote is sufficient to qualify the Plan under Section 423 of the Code), provided that this Plan is approved by such shareholders not later than twelve (12) months after it is adopted by the Board of Directors of GAF. No Options may be offered under this Plan more than five (5) years after the effective date of the Plan.

EXHIBIT C

Results of 1983 Annual Meeting of Shareholders
of
GAF Corporation

1. At the 1983 Annual Meeting, 78.9% of the Corporation's voting securities were present in person or by proxy and voting or withholding authority to vote for the election of Directors. Set forth below are the total number of shares and percentage of total shares cast for each nominee for election as a Director of the Corporation at the 1983 Annual Meeting:

	No. of Shares For(1)	Percentage of Shares For(1)
(a) Nominees of The GAF Shareholders Committee for New Management—elected as Directors of the Corporation:		
Daniel T. Carroll	7,471,372	56.3%
Dr. Jacob E. Goldman	7,471,289	56.3%
Samuel J. Heyman	7,468,225	56.3%
Sanford Kaplan	7,471,943	56.3%
William P. Lyons	7,472,123	56.3%
Scott A. Rogers, Jr.	7,471,979	56.3%
Edward E. Shea	7,469,928	56.3%
William Spier	7,471,460	56.3%
Joseph D. Tydings	7,469,074	56.3%
Robert C. Wilson	7,471,423	56.3%
(b) Incumbent Board of Directors—not reelected:		
Jesse Werner	5,314,156	40.0%
T. Roland Berner	5,333,537	40.2%
Peter Bosshard	5,336,321	40.2%
Augustine R. Marusi	5,336,444	40.2%
Juliette M. Moran	5,335,633	40.2%
James T. Sherwin	5,336,526	40.2%
Richard F. Smith	5,336,372	40.2%
Herman Sokol	5,335,820	40.2%
Nolan B. Sommer	5,336,765	40.2%
Robert Spitzer	5,331,892	40.2%

(1) Not included within the shares voted for either slate are: (a) shares for which authority to vote for one slate was withheld, which shares are not deemed voted for the other slate; (b) standoffs (shares for which there are equally valid same-dated proxies for both slates); and set-asides (shares represented by proxies which, in the opinion of the Inspectors of Election, are invalid with respect to the election of Directors).

2. Set forth below are the total number of shares and percentage of total shares cast for and against and abstaining on a proposal to ratify the selection of Deloitte Haskins & Sells as the auditors of the Corporation for the fiscal year ended December 31, 1983:

	No. of Shares	Percentage of Shares Cast
FOR	7,249,202	54.6%
AGAINST	223,703	1.7%
ABSTAIN	5,799,114	43.7%

3. Set forth below are the total number of shares and percentage of total shares cast for and against and abstaining on a shareholder proposal to provide for cumulative voting in the election of Directors:

	No. of Shares	Percentage of Shares Cast
FOR	1,505,257	11.3%
AGAINST	5,639,027	42.5%
ABSTAIN	6,127,735	46.2%