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January 31, 1990

BY HAND

Robert I. Komitor, Esq.
Levy Phillips & Konigsberg
90 Park Avenue
New York, New York 10016

Re: New York Asbestos Litigation/
GAF Corporation's Second
Supplemental Responses to
Plaintiff's Punitive Damages
Redated Interrogatories

Dear Bob:

Please find enclosed GAR Corporation's second supplemental responses to the above-referenced discovery requests. As you may recall, GAF's first supplemental responses were served upon you on December 22, 1989.

Sincerely yours,

Amalia

Amalia G. Pena

AGP/bcn

(i) Settlement of cases;

(ii) Satisfaction of judgments.

(d) The total amount paid by you, or on your behalf, for the defense of these claims exclusive of the amounts set forth in response to Items (b) and (c) above;

(e) Your gross sales;

(f) Your gross profits;

(g) The gross amount of dividends paid to your shareholders.

(h) The gross compensation paid to your chief executive officer.

Response: (a) through (h): See GAF's supplemental response to Interrogatory No. 5, dated December 22, 1989. See also GAF Corporation's Proxy Statements for 1984, 1985 and 1986, attached hereto, respectively, as Exhibits "A," "B" and "C."

6. Identify any witness whose testimony you expect to offer at the damage phase of a punitive damage trial in these cases, setting forth:

(a) His name and address;

(b) His educational background and qualifications;

(c) His relationship to your company;

(d) The substance of the testimony that you expect him to give;

(e) Any documents upon which he may rely;

(f) All facts upon which he may rely in forming any opinions to which he expects to testify;

(g) Any opinions to which he expects to give testimony;

(h) The basis for any such opinions.

Response: See GAF's supplemental response to Interrogatory No. 6, dated December 22, 1989.

REQUEST FOR PRODUCTION OF DOCUMENTS

(1) All profit and loss statements for the years 1930 to the present.

Response: See GAF's supplemental response to Request No. 1, dated December 22, 1989. See also Exhibits "A," "B" and "C," attached hereto.

(2) All annual statements for the years 1930 to the present.

Response: See GAF's supplemental response to Request No. 1, above.

(3) All K-1 or other statements ever filed by your company with the Securities and Exchange Commission.

Response: See GAF's supplemental response to Request Nos. 1 and 3, dated December 22, 1989.

(4) All documents relied upon in answering these interrogatories.

Response: See GAF's supplemental response to Request No. 1, above.

Dated: New York, New York
January 31, 1990

Respectfully submitted,

ANDERSON KILL OLICK & OSHINSKY, P.C.

By: Amelia G. Petro
A Member of the Firm
Attorneys for Defendant
GAF Corporation
666 Third Avenue
New York, New York 10017
(212) 850-0700

YOUR VOTE IS IMPORTANT

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

Notice of Annual Meeting April 28, 1986 and Proxy Statement

GAF

GAF Corporation

GAF CORPORATION
1361 ALPS ROAD
WAYNE, NEW JERSEY 07470

SAMUEL J HEYMAN
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

March 27, 1986

FELLOW SHAREHOLDERS:

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

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

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

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

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

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

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

Sincerely,

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

GAF Corporation
NOTICE OF ANNUAL MEETING
To Be Held April 28, 1986

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

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

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

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

By Order of the Board of Directors

EDWARD E. SHEA
Secretary

Wayne, New Jersey
March 27, 1986

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

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

PROXY STATEMENT

GAF CORPORATION
1361 Alps Road
Wayne, New Jersey 07470

ANNUAL MEETING OF SHAREHOLDERS

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

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

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

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

Proposal No. 1
ELECTION OF DIRECTORS

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

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

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

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

Nominees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Committees, Meetings and Directors' Fees

The Board of Directors met fourteen times in 1985.

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

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

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

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

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

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

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

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

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

Certain Litigation Involving Directors

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

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

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

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

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

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

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

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

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

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

*Less than .1%

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

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

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

(4) All shares held jointly with his wife.

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

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

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

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

EXECUTIVE COMPENSATION AND CERTAIN TRANSACTIONS

CASH COMPENSATION

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

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

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

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

Compensation Pursuant To Plans

Executive Incentive Compensation Plan

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

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

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

1969 Restricted Stock Purchase Plan

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

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

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

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

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

Stock Option Plans

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

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

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

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

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

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

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

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

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

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

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

Employee Stock Purchase Plan

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

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

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

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

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

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

Prior Pension Plan

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

Capital Accumulation Plan

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

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

Executive Deferred Compensation Program

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

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

Severance Policy

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

Life Insurance

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

Personal Benefits

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

CERTAIN TRANSACTIONS WITH RELATED PARTIES

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

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

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

General

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

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

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

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

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

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

Other Considerations

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

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

Description of the Proposed Amendments to the Certificate

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General

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

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

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

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

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

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

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

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

Potential Anti-Takeover Effects

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

Additional Proposed Amendment

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

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

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

Proposal No. 4
PROPOSAL TO RATIFY SELECTION OF AUDITORS

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

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

1987 SHAREHOLDER PROPOSALS

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

OTHER MATTERS

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

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

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

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

By Order of the Board of Directors,

EDWARD E. SHEA
Secretary

Wayne, New Jersey
March 27, 1986

APPENDIX A

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

Article NINTH:

. . .

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

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

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

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

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

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

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

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

. . .

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

. . .

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

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

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

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

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

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

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

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

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

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

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

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

Article TENTH:

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

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

APPENDIX B

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

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

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

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

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

Preferred Stock

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

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

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

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

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

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

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

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

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

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

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

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

^

Common Stock

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

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

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

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

YOUR VOTE IS IMPORTANT
PLEASE DATE, SIGN AND RETURN THE ENCLOSED WHITE PROXY PROMPTLY.

Notice of Annual Meeting April 29, 1985 and Proxy Statement

GAF

GAF Corporation

G A F CORPORATION
1361 ALPS ROAD
WAYNE, NEW JERSEY 07470

SAMUEL J HEYMAN
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

March 27, 1985

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 29, 1985.

The enclosed notice and proxy statement will furnish you with complete information concerning the business to come before the meeting. The Company's 1984 Annual Report has also been provided.

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 full year in office.

Sincerely,

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

GAF Corporation

NOTICE OF ANNUAL MEETING

To Be Held April 29, 1985

The Annual Meeting of Shareholders of GAF Corporation will be held Monday, April 29, 1985 at 10:00 A.M. at the auditorium of the Chase Manhattan Bank, N.A., One Chase Manhattan Plaza, New York, New York 10081, for the following purposes:

1. To elect 11 directors;
2. To act on a shareholder proposal to limit the term of office of outside Directors;
3. To act on a shareholder proposal to adopt cumulative voting; and
4. To transact such other business as may properly come before the meeting.

The Board of Directors has fixed the close of business on March 18, 1985 as the record date for determination of shareholders entitled to notice of and to vote at the meeting.

A list of shareholders entitled to vote at the meeting will be open to the examination of any shareholder, for any purpose germane to the meeting, at the offices of the Corporation, 1180 Avenue of the Americas, New York, New York 10020, during ordinary business hours for ten days prior to the meeting.

By Order of the Board of Directors

EDWARD E. SHEA
Secretary

Wayne, New Jersey
March 27, 1985

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

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

PROXY STATEMENT

GAF Corporation
1361 Alps Road
Wayne, New Jersey 07470

ANNUAL MEETING OF SHAREHOLDERS

This proxy statement is furnished to shareholders by the Board of Directors of GAF Corporation (the "Corporation" or "GAF") for solicitation of proxies to be voted at the Annual Meeting of Shareholders to be held on Monday, April 29, 1985, and at any adjournment thereof.

The Board of Directors has set March 18, 1985, as the Record Date for determination of shareholders entitled to notice of, and to vote at, the meeting. As of the close of business on the Record Date, there were outstanding 16,076,458 shares of the Corporation's Common Stock and 969,674 shares of its $1.20 Convertible Preferred Stock. Holders of record of shares of each such class, voting together and not as classes, are entitled to one vote for each share held by them as of the Record Date on any matter which may properly come before the meeting.

Shares represented by a valid unrevoked proxy will be voted at the meeting, or any adjournment thereof, as specified therein by the person giving the proxy. If no specification is made, the shares represented by such proxy will be voted (1) FOR the election of the Board of Directors' nominees as Directors, (2) AGAINST the shareholder proposal to limit the term of office of outside Directors, (3) AGAINST the shareholder proposal to adopt cumulative voting, and (4) in the discretion of the persons named as proxies, on such other matters as may properly come before the meeting. Proxies may be revoked by the person executing the same at any time before the authority thereby granted is exercised by execution of a later dated proxy, by delivery to and receipt by the Corporation's Secretary of written notice to such effect, or by attending the meeting and voting in person.

This statement and the proxies solicited hereby are being first sent or delivered to shareholders on or about March 28, 1985.

Proposal No. 1

ELECTION OF DIRECTORS

Eleven 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 persons, all 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. All present Directors have served the Corporation as Directors since December 13, 1983, except James T Sherwin who served from June 1974-May 1983 and has served since May 1984 and Harold C Simmons who has served since April 30, 1984. All present Directors were elected to serve until the next annual meeting and until their successors were elected and qualified. No family relationship exists between any of the Directors, nominees or officers.

Robert C. Wilson who is currently a Director of the Corporation has decided not to stand for reelection. The Corporation wishes to thank Mr. Wilson for the dedicated manner in which he performed his duties during the seventeen months he served as a Director and to recognize the contribution he made to the successful turnaround of the Corporation by new management.

Daniel T. Carroll **Age 59**

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, Gould, Inc. (manufacture of electrical and electronic equipment) (1975-1980); Director of Combined International Corporation, Conrac Corporation, Diebold, Inc., Wolverine World Wide, Inc., Michigan National Corporation and A.M. Castle & Co.

Dr. Jacob E. Goldman **Age 63**

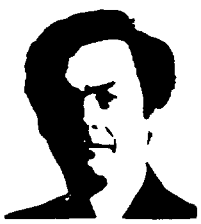
Chairman of the Board, Cauzin Systems Inc. (manufacturer of personal computer accessories) (1984-present), President, Medisystems Management Co. (development of medical instruments) (1982-present); Consultant (1982-Present), Senior Vice President and Chief Scientist (1978-1982), Senior Vice President, Research and Development (1968-1978) and Director (1970-1982), Xerox Corporation (development and production of reprographic equipment and other products); 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 Intermagnetics General Corp.

Samuel J. Heyman **Age 46**

Chairman of the Board and Chief Executive Officer, GAF Corporation (December 1983-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 68**

Private investor and consultant (1977-Present); Senior Vice President and Director, Xerox Corporation (development and production of reprographic equipment and other products) (1969-1977); Director of MicroPro International Corporation (development of software products for mini-computer industry) (1984), 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. (manufacturer 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 43**

President, William P. Lyons & Co., Inc. (investment banking and financial consulting) (1975-Present); Professor (Adjunct) (1984-Present), Associate Professor (Adjunct) (1979-1984) and Lecturer (1973-1979), Yale University School of Organization and Management; Director of Lydall, Inc. and LMH, Ltd.

Scott A. Rogers, Jr. **Age 67**

Consultant (1984-Present); Chairman, Chief Executive Officer, President 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) (1979-1981); 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 (manufacture of fluid power components) and Stauffer Chemical Company (manufacture of chemicals).

Edward E. Shea **Age 52**

Senior Vice President, General Counsel and Secretary, GAF Corporation (June 1984-Present); Partner (January-June 1984) and Counsel (1982-1983), Windels, Marx, Davies & Ives (attorneys); Professor (Adjunct), Finance Department, Graduate School of Business, Pace University (1982-Present); Chairman of the Board and General Counsel, Reichhold Chemicals, Inc. (manufacture of synthetic resins, basic chemicals and related products) (1972-1981).

James T. Sherwin **Age 51**

Vice Chairman and Chief Administrative Officer, GAF Corporation (May 1984-Present); Executive Vice President and Chief Financial Officer, Triangle Industries, Inc. (manufacture of vending machines, currency changers, juke boxes and copper insulated wire) (June 1983-May 1984); Executive Vice President—Finance (1974-May 1983), Group Vice President—Photography (1971-1974), General Manager—European Operations (1969-1971), Attorney and Associate Counsel (1960-1969), GAF Corporation. Mr. Sherwin, a Director of the Corporation from 1974 to May 1983, was reelected as a Director on May 21, 1984 by the Directors to fill a vacancy pursuant to the terms of an employment contract between Mr. Sherwin and the Corporation which expires on May 20, 1986.

Harold C. Simmons **Age 53**

President and Director. Contran Corporation (diversified holding company engaged through its subsidiaries in real estate, oil and gas, manufacturing, forest products and sugar production) (1968-Present); Chairman of the Board, Chief Executive Officer and Director, National City Lines, Inc. (diversified holding company engaged through its subsidiaries in real estate, oil and gas, manufacturing, forest products and sugar production) (1980-Present); Chairman of the Board, Chief Executive Officer and Director, T.I.M.E.-DC, Inc. (trucking) (1980-Present); Chairman of the Board (1983-Present) and Director, LLC Corporation (engaged through subsidiaries in restaurant and finance businesses); Director, National-Standard Company (manufacture of wire products, machinery and other metal products). Mr. Simmons was nominated for election as a Director of GAF for the term expiring on April 29, 1985 pursuant to the terms of an agreement between Mr. Simmons and the Corporation. The agreement has since been terminated, and Mr. Simmons' nomination for election for a second term as Director is not pursuant to any arrangement or understanding between him and any other person.

William Spier **Age 50**

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); Executive Vice President (1979-1980), Senior Vice President (1977-1979), Vice President (1976-1977) and Director (1978-1980), Engelhard Minerals & Chemicals Corp. (marketing of commodities, refining precious metals and producing minerals and catalysts).

Joseph D. Tydings **Age 56**

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.

Committees and Meetings

The Board of Directors met twelve times in 1984.

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

The Executive Committee is authorized to exercise, 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, Wilson and Spier presently constitute the Executive Committee. The Executive Committee met four times in 1984.

The Audit Committee reviews the integrity of the Corporation's financial statements, financial controls, 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 Tydings presently constitute the Corporation's Audit Committee. The Audit Committee met five times in 1984.

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

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 members of this Committee met twice in 1984. 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.

The Retirement Committee is responsible for administrating the Corporation's retirement plans. Messrs. Sherwin, Heyman, Kaplan, Lyons, Shea and Spier presently constitute the Retirement Committee. The Retirement Committee met three times in 1984.

Litigation

Each of the directors (except Messrs. Sherwin and Simmons) are named as defendants together with the Corporation in a lawsuit in Supreme Court, New York County by Jesse Werner, the former Chairman and Chief Executive Officer of the Corporation, alleging that they wrongfully prevented him from exercising options to purchase 120,000 shares of Common Stock and seeking to recover $800,000 in compensatory damages and $5,000,000 of punitive and exemplary damages. Dr Werner has also demanded that the Corporation submit to arbitration the dispute with respect to his employment agreement dated September 17, 1981 which the Corporation has declined to perform since the present management assumed office in December, 1983. In March 1984, the Corporation commenced a lawsuit in Supreme Court, New York County against Dr. Werner and certain former directors of GAF which seeks to recover compensatory damages in connection with Dr. Werner's compensation arrangements and costs incurred in waging the 1983 proxy contest plus $50,000,000 of punitive damages. In January, 1985, the Supreme Court, New York County ruled that counsel for Dr. Werner and the former directors could not represent them in the pending lawsuits because of prior representation of GAF. In January, 1985, the Supreme Court, Appellate Division stayed the arbitration proceeding demanded by Dr. Werner pending resolution by the trial court of allegations by GAF of corporate unfairness and waste affecting the validity of such employment agreement. Dr. Werner plans to appeal these decisions. Under its By-Laws and the Delaware General Corporation Law, the present and former directors and officers of the Corporation are entitled to indemnification against certain liability, costs and expenses in any action, suit or proceeding as a result of their service in such capacity unless it is finally determined that they failed to act in good faith and in a manner which they reasonably believed to be in, or not opposed to, the best interests of the Corporation. The Corporation maintained company reimbursement and directors and officers liability insurance policies with limits of $15,000,000 for the period April 25, 1980 through April 25, 1983 and $50,000,000 for the period April 25, 1983 through April 25, 1984 which were in effect during the period when the foregoing lawsuits were commenced.

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

During 1983, (i) the Jefferson Trust and Savings Bank of Peoria ("Jefferson Bank"), (ii) Raymond J. Donovan, as Secretary of the United States Department of Labor (the "Secretary") and (iii) the United Auto Workers, its Local 449 and certain of its members ("UAW Plaintiffs"), filed complaints against Harold C. Simmons and others in the United States District Court for the Central District of Illinois, Peoria Division. These complaints alleged, among other things, that Harold C. Simmons and certain other defendants who were fiduciaries of employee benefit plans established by corporate affiliates of Mr. Simmons invested funds of such plans to acquire control, or enhance their influence over, various corporations and in doing so breached their fiduciary duties to the beneficiaries of such plans in violation of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Each of the plaintiffs sought damages as well as preliminary and permanent injunctive relief. On January 18, 1984, the Secretary's action was settled upon court approval of two settlement agreements between the Secretary and the defendants. The terms of the settlement agreements generally provide that, (i) for a period of three years, the individual defendants may not cause the employee benefit plans for which they act as fiduciaries to make certain investments without prior approval by an independent plan fiduciary appointed for such purpose, and (ii) Mr. Simmons and another are enjoined from violating various provisions of ERISA for a period of eight years. The settlement agreements do not constitute an admission by any defendant or party of any violation of ERISA or any other statute, or any standard established by common law, or any admission by any defendant of any facts alleged in the Secretary's action. On January 8, 1985, the litigation brought by Jefferson Bank was settled. The litigation brought by the UAW Plaintiffs was tried to the court during the week of February 11, 1985 and no decision has yet been rendered.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of March 18, 1985, the following persons had reported to the Securities and Exchange Commission beneficial ownership in the amounts shown of more than five percent of a class of voting securities of the Corporation:

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class
Samuel J. Heyman............................ 877 Post Road East Westport, CT 06881	Common Preferred	1,322,083(1) 38,563	8.2% 4.0%
Lehman Brothers Kuhn Loeb Holding Company, Inc. 55 Water Street New York, NY 10041	Common	777,645(2)	4.8%
Harold C. Simmons.......................... 4835 LBJ Freeway Dallas, TX 75244	Common	2,581,200(3)	16.1%
Teledyne, Inc.................................... 1901 Avenue of the Stars Los Angeles, CA 90067	Common	1,182,925(4)	7.4%
Strong/Corneliuson Capital Management, Inc.......................... 815 East Mason Street Milwaukee, Wisconsin 53202	Common	921,000(5)	5.7%

(1) Mr. Heyman has reported to the Corporation that the shares of Common Stock beneficially owned by him include 10,000 shares of Common Stock owned by a private foundation of which Mr. Heyman is an officer, 849,740 shares of Common Stock owned by corporations of which Mr. Heyman is Chief Executive Officer or partnerships of which Mr. Heyman is Manager, 18,000 shares of Common Stock owned by Annette Heyman, Mr. Heyman's mother, from whom Mr. Heyman has a power of attorney entitling him to vote such shares, and 38,563 shares of $1.20 Preferred Stock convertible into 48,203 shares of Common Stock, including 29,327 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) 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.

(3) Mr. Simmons has reported in an amendment to his Schedule 13D, dated February 7, 1984, that the shares of Common Stock are held by the following corporations which may be deemed to be controlled by Mr. Simmons: National City Lines, Inc.—934,900 shares of Common Stock and The Amalgamated Sugar Company—1,646,300 shares of Common Stock. Mr. Simmons disclaims beneficial ownership of these 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 recently issued upon conversion of 375,700 shares of Preferred Stock beneficially owned by Teledyne, Inc. The conversion of Teledyne's Preferred Stock was reported in an amendment to its 13D, dated March 11, 1985.

(5) Strong/Corneliuson Capital Management, Inc. has reported on its Schedule 13G, dated February 8, 1985, that it has sole voting and dispositive power with respect to the shares.

As of March 18, 1985, each Director of the Corporation and all Directors and executive officers of the Corporation as a group beneficially owned the following equity securities of the Corporation:

Name	Title of Class	Amount and Nature of Beneficial Ownership(1)	Percent of Class
Daniel T Carroll	Common	1,000	*
Dr. Jacob E. Goldman	Common	3,333	*
Samuel J. Heyman	Common	1,322,083(2)	8.2%
	Preferred	38,563(2)	4.0%
Sanford Kaplan	Common	30,000	.2%
William P. Lyons	Common	12,300(3)	*
Scott A. Rogers, Jr.	Common	1,000	*
Edward E. Shea	Common	535(4)	*
James T. Sherwin	Common	6,000(5)	*
Harold C. Simmons	Common	2,581,200(6)	16.1%
William Spier	Common	22,300	.1%
Joseph D. Tydings	Common	1,825(7)	*
Robert C. Wilson	Common	21,000	.1%
All Directors and Executive Officers as a Group (15 individuals) (10).	Common	4,058,650(8)	25.1%
	Preferred	38,563(9)	4.0%

* Less than .1%

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

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

(3) Includes 4,900 shares held by Mr. Lyons' wife as trustee for their children, beneficial ownership of which shares is disclaimed by Mr. Lyons, and 5,900 shares held in a pension trust of which Mr. Lyons is one of two trustees.

(4) All shares held jointly with his wife.

(5) Includes 5,000 shares which Mr. Sherwin will have the right to acquire upon the exercise of options which are exercisable within 60 days of the date of this Proxy Statement.

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

(7) Includes 1,025 shares held in a Defined Benefit Trust of which Mr. Tydings is a trustee and 200 shares held by Mr. Tydings as custodian for two family members, beneficial ownership of which latter shares is disclaimed by Mr. Tydings.

(8) See footnotes above. Also includes 39,500 shares which three executive officers have the right to acquire upon exercise of options (which are presently exercisable) and 100 shares held jointly with a spouse.

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

(10) Does not include stock held by executive officers who resigned during 1984 whose current beneficial ownership is unknown by the Corporation.

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 1984 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 1984 as a group:

Name of Individual or Number in Group	Capacities in Which Served	Cash Compensation (1)
Samuel J. Heyman	Chairman of the Board and Chief Executive Officer	$ 263,300(2)
James T. Sherwin	Vice Chairman of the Board and Chief Administrative Officer	111,230
John A. Brennan	Senior Vice President, Building Materials Division	106,666
Carl R. Eckardt	Senior Vice President, Chemicals Division	134,999
Raymond J. Lacroix	Senior Vice President and Chief Financial Officer	98,333
All Executive Officers as a Group (8 individuals)(3)		1,018,055

(1) See "Executive Incentive Compensation Plan" for a description of cash bonuses earned during 1984 and paid in early 1985 to the Executive Officers.

(2) Includes cash compensation earned from December 13, 1983 to December 31, 1983, but paid in 1984.

(3) Includes cash compensation paid to two officers whose employment with the Corporation terminated in June and October, respectively, of 1984.

Compensation Pursuant to Plans

Executive Incentive Compensation Plan

GAF has an Executive Incentive Compensation Plan which was approved by the shareholders in May, 1967. The Plan covers approximately 154 officers, managers and other professional employees of the Company.

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

Criteria used to determine awards include the level of success achieved during the year by the employee, the Division or department in which the employee works and the Corporation For fiscal 1983, no such awards were made. For fiscal 1984, the total incentive compensation fund was determined to be $1,950,000 for allocation among the 154 eligible officers, managers and employees. The awards paid to the executive officers listed above were as follows: Samuel J. Heyman—$187,500, James T. Sherwin—$75,000, John A. Brennan—$67,200, Carl R Eckardt—$87,500, Raymond J. Lacroix—$45,000 and all executive officers as a group (8 individuals)—$512,200

1969 Restricted Stock Purchase Plan.

The Plan for the Sale of Restricted and Unrestricted Common Stock to Employees Who Perform Executive, Administrative or Supervisory Functions authorizes the sale of an aggregate of 650,000 shares of Common Stock to full-time executive, administrative and supervisory employees of the Corporation and its subsidiaries. The Plan authorizes the sale of shares subject to prescribed restrictions as to disposition ("Restricted Shares") and without such restrictions ("Unrestricted Shares"). All sales under the 1969 Purchase Plan to date have been of Restricted Shares. Restricted Shares may not be resold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except as provided in the Plan, for a one-year period from the date of purchase and such further period or periods as may be provided by the Committee. The policy of the Stock Purchase Committee with respect to new sales pursuant to the Plan is to provide for the lapsing of the restrictions on one-fifth of the stock awarded on each of the first through fifth anniversaries of the date of sale. Prior to October 1, 1982, sales were made on terms providing for the lapse of restrictions on 20% of the stock awarded on each of the fifth through the ninth anniversaries of the date of sale. From October 1982 until April 29, 1983, sales were made on terms providing for the lapse of restrictions on one-ninth of the stock awarded on the first through ninth anniversaries of the date of sale. In addition, on October 1, 1982, the lapse of restrictions on shares previously sold was changed so that restrictions would lapse as to one-seventh of the shares purchased in 1979 immediately and as to an additional one-seventh thereof on each of the fourth through ninth anniversaries of the date of purchase; as to one-eighth thereof on each of the third through ninth anniversaries of the date of purchase; and as to one-ninth of the shares purchased in 1981 immediately and as to an additional one-ninth thereof on each of the second through ninth anniversaries of the date of purchase. No change was made at that time as to shares purchased prior to 1979. On September 22, 1983, the Board of Directors amended the Plan to provide that restrictions on shares outstanding on September 22, 1983 which would otherwise have lapsed on the ninth anniversary of the date of purchase of such shares would lapse instead as of October 15, 1983. If the employee's employment terminates for any reason, other than retirement subsequent to the fifth anniversary of the date of purchase or death subsequent to the completion of five years of continuous employment, 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.

The selection of eligible employees to receive awards under the Plan is made by the Stock Purchase Committee. It is the Company's intent that awards be based on the Committee's evaluation of an employee's past or potential contribution to the Company or its subsidiaries. The Stock Purchase Committee determines the number of shares to be awarded to any employee, the date of the award and the terms and conditions governing the award. There is no stated maximum or minimum number of shares which may be awarded under the Plan to any one eligible person or group of persons. The price of Restricted Shares must be at least 50% of the closing price of the Corporation's Common Stock on the New York Stock Exchange on the last trading day on which such stock was traded preceding the date on which an employee is designated as one to whom such shares may be offered for sale. To accept an award, the employee must make payment in full of the purchase price. The Company does not provide any credit facilities or deferred or installment payment arrangements for use in connection with such purchase.

No awards of stock were made to executive officers under this Plan in 1984. The difference between the purchase price and the market value on the date of lapse for Restricted Shares held by each executive officer named in the Executive Compensation Table and for all executive officers as a group who hold Restricted Shares purchased under this Plan as to which restrictions lapsed during 1984 was as follows: John A. Brennan $27,919.19 (1,768 shares); Carl R. Eckardt—$17,243.98 (992 shares); Raymond J. Lacroix—$5,637.56 (293 shares) and all executive officers as a group (8 individuals) $78,730.96 (7,578 shares).

Stock Option Plans

1975 Stock Option Plan. This Plan authorizes the grant of "non-qualified" options (within the meaning of the Internal Revenue Code) to purchase a maximum of 800,000 shares of the Corporation's Common Stock to key employees. The selection of eligible employees to receive options is made by the Stock Option Committee. It is the Corporation's intent that awards of options be based on the Stock Option Committee's evaluation of an employee's past or potential contribution to the Company or its subsidiaries. The Stock Option Committee determines the number of shares to be optioned to any employee, the date of the option grant and the terms and conditions governing the options. There is no stated maximum or minimum number of options or shares which may be issued to any one eligible person or group of persons. The exercise price at which shares of Common Stock may be purchased may not be less than 100% of the fair market value of the shares on the date the option is granted. Options granted expire not later than ten years from the date of grant There is no maximum amount of options which may be exercised in any year.

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

The 1975 Stock Option Plan terminated on February 12, 1985.

1984 Stock Option Plan. This Plan authorizes the grant of options to purchase a maximum of 800,000 shares of the Company's Common Stock. Options may be either options intended to be "incentive stock options" within the meaning of section 422A of the Internal Revenue Code of 1954, as amended (the "Code"), or "non-qualified" stock options for purposes of the Code. Key employees of the Company and its subsidiaries are eligible to receive options under the 1984 Option Plan. The selection of eligible employees to receive options is made by the Executive Compensation Committee. It is the Corporation's intent that awards of options be based on the Executive Compensation Committee's evaluation of an employee's past or potential contribution to the Corporation or its subsidiaries. The Executive Compensation Committee determines the number of shares to be optioned to any employee, the date of the option grant, whether the option is intended to be an incentive stock option or a nonqualified option, and other terms governing the options. There is no stated maximum or minimum number of options or shares which may be issued to any one eligible person or group of persons. However, the aggregate fair market value of the Common Stock (determined at the date of the option grant) for which any employee may be granted incentive stock options in any calendar year may not exceed $100,000, plus certain carryover allowances from the previous three years permitted under the Code.

The exercise price of options granted 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.) There is no maximum amount of options which may be exercised in any one year.

Options may not be exercised during the first year after the date of grant, but thereafter, except as noted below, each option becomes exercisable as to 20% of the shares subject thereto on each of the first through the fifth anniversaries of the date of grant. With respect to any incentive stock option granted to a participant who owns stock possessing more than 10% of the voting rights of the Company's outstanding capital stock on the date of grant, the exercise price of the option must be at least equal to 110% of the Fair Market Value on the date of grant 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.

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

The table set forth below includes, for each executive officer named in the Executive Compensation Table and for all executive officers as a group, for fiscal 1984, data on the following: (i) all options granted under the 1975 and 1984 Plans [each of which includes provision for stock appreciation rights ("SARs")] to purchase the capital stock of the Corporation, which were granted to such executive officers whether as incentive stock options or nonstatutory stock options (none of which is exercisable before May 21, 1984), and (ii) the net value realized in shares or cash on exercise of options or related SARs awarded in previous years.

	1975 Plan		1984 Plan		
	Options and related SARs granted in 1984	Average exercise price per share	Options and related SARs granted in 1984	Average exercise price per share	Net value of options and SARs exercised during 1984*
Samuel J Heyman	69,400	$17.625	5,600	$17.625	0
James T. Sherwin	19,200	17.125	5,800	17.125	0
John A. Brennan	1,900	17.625	5,600	17.625	0
Carl R. Eckardt	9,400	17.625	5,600	17.625	0
Raymond J. Lacroix	0	—	5,500	17.625	0
All Executive Officers as a Group (8 individuals)	104,300	17.533	5,600	17.539	$437,625

* Net value of shares received on exercise of options (market value less exercise price). ' Reflects exercise of options granted prior to January 1, 1985. No stock appreciation rights were exercised.

Employee Stock Purchase Plan

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

There has been one offering of stock pursuant to the Plan which occurred from October 1 to October 31, 1984. Stock purchased by immediate payment of the purchase price was deemed acquired on October 31, 1984 at a purchase price of $18.70 per share. Stock subscribed to by payroll deductions will not be deemed to be acquired until the last installment is paid on May 31, 1985 and will be acquired at the lower of $18.70 or 85% of the fair market value of the stock on May 31, 1985.

The following table sets forth, as to each of the executive officers named in the Cash Compensation Table above (except Mr. Heyman who is not eligible to participate) and to all executive officers as a group the number of shares of the Company's Common Stock purchased at $18.70 per share by immediate payment pursuant to the Plan during 1984 and the aggregate purchase price thereof.

Name of Individual or Number in Group	Number of Shares Purchased	Aggregate Purchase Price
James T. Sherwin	(1)	—
John A. Brennan	—	—
Carl R. Eckardt	(1)	—
Raymond J. Lacroix	267.38	$ 5,000
All Executive Officers as a Group (8 individuals)	601.605	11,250

(1) These executive officers participated in the Stock Purchase Plan by payroll deduction. They will acquire stock on May 31, 1985 with an aggregate price as follows: Mr. Sherwin—$9,000 and Mr Eckardt $7,000.

Prior Pension Plan

On September 23, 1982, the Board of Directors authorized the termination effective December 31, 1982 of the GAF Salaried Employees' Retirement Plan (the "Pension Plan"), a defined benefit pension plan. All participants in the Pension Plan who were not otherwise vested became vested on the termination date and each participant became entitled, at his option, either (a) to receive an annuity contract providing for the monthly payment of his accrued benefit as of December 31, 1982, in accordance with the terms of the Pension Plan, or (b) to receive an immediate lump sum distribution (in an amount which approximates the cost of the annuity contract) or (c) to transfer his accrued benefit to his account under the Corporation's Capital Accumulation Plan. Two former executive officers who terminated their employment in 1984 elected lump sum distributions which totaled $4,181 and $29,688, respectively, including interest at 8% per annum from November 1, 1982 to the date of payment. Messrs. Sherwin, Eckardt, Brennan and Lacroix elected annuity contracts which will provide at age 65 maximum monthly payments for their accrued benefits of $4,334, $665, $1,218 and $908, respectively, pursuant to the terms of the Pension Plan. No other current executive officers were participants in the Pension Plan at the time of its termination.

Capital Accumulation Plan

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

The GAFCAP Plan is a profit sharing retirement plan which contains a salary reduction arrangement which complies with Section 401(k) of the Internal Revenue Code of 1954, as amended. Pursuant to 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 contribute such amount to the GAFCAP Plan on his behalf. The Corporation will contribute an additional amount equal to 3% of a participant's compensation and will match the lesser of 4% of a participant's compensation or two-thirds of a participant's salary reduction contribution. A participant also may elect to make non-deductible (for federal income tax purpose) voluntary contributions to the GAFCAP Plan in an amount not to exceed 10% of his compensation. Distributions commence as soon as practicable after either the termination of employment or retirement, and a participant may elect to receive payment either (a) in monthly installments over a period equal to the participant's life expectancy or that of his spouse, if longer, or (b) in a lump sum. The amounts contributed during fiscal 1984 by the Corporation to the executive officers listed in the table above are Samuel J. Heyman—$8,750.04, James T. Sherwin—$7,786.15, John A. Brennan—$7,466.72, Carl R. Eckardt—$9,449.91, Raymond J. Lacroix—$6,883.40, and all executive officers as a group (8 individuals)—$40,336.22.

Severance Policy

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. Pursuant to the terms of this policy, Carl R. Eckardt would be entitled to a severence payment in excess of $60,000 if he is terminated at any time in the future. No other executive officer is entitled to payments in excess of $60,000 under this policy.

The Corporation has in the past, in certain instances, provided certain terminated officers with severance payments in excess of those set forth in the Corporation's severance policy. An executive officer who resigned from the Corporation during 1984 received a payment of $67,500 Pursuant to an employment agreement between the Corporation and James T. Sherwin dated May 21, 1984, Mr. Sherwin will be entitled to receive not less than 6 months salary (i.e., $90,000) if he is terminated on or before May 21, 1986.

Life Insurance

In 1984 employees of the Corporation were eligible to enroll on a contributory basis in a benefits package providing generally for term life insurance equal to approximately two times current annual base salary, an accidental death and dismemberment payment equal to two times current annual base salary and monthly long-term disability benefits of approximately 2% of two times current annual salary. All elected officers received the aforementioned accidental death and dismemberment and long-term disability coverages on a non-contributory basis; in addition, they are eligible to receive group term life insurance coverage equal to approximately four times current annual base salary on a non-contributory basis. The cost to the Corporation of such insurance coverage for all executive officers as a group (8 individuals) was $16,281.96 which was allocated among the officers named above as follows: Samuel J. Heyman—$3,319.92, James T. Sherwin—$2,588.16 John A. Brennan—$2,192.64, Carl R. Eckardt—$2,845.44 and Raymond J. Lacroix—$1,208.72.

Personal Benefits

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.

REMUNERATION OF DIRECTORS

During 1984 the Corporation compensated members of its Board of Directors who were not employees of the Corporation at the rate of $15,000 per year plus $600 per meeting of the Board or Committee thereof attended if such committee meeting was held in conjunction with a Board meeting or by telephone and $1,000 when a committee meeting was scheduled independent of a Board meeting. In addition, a chairperson of a committee was compensated at the rate of $3,000 per year but only one such retainer was paid annually regardless of the number of committees a Director chaired. Any member of the Corporation's Board of Directors who was not an employee of the

Corporation was entitled 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 provided life insurance in the face amount of $50,000 for any member of the Corporation's Board of Directors who was not an employee of the Corporation; such insurance coverage is not subject to termination after the completion of 10 years of service on the Board

CERTAIN TRANSACTIONS WITH RELATED PARTIES

In 1984, the Corporation engaged Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey, to render legal services in connection with a variety of matters. Joseph D Tydings, a Director of the Corporation, is a member of this firm. During 1984 the Corporation paid Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey fees and disbursements which were less than 5% of the firm's gross revenues for the last full fiscal year.

In 1984, the Corporation engaged Windels, Marx, Davies & Ives, to perform legal services. Edward E. Shea, a Director of the Corporation, was then a member of that firm. During 1984 the Corporation paid Windels, Marx, Davies & Ives fees and disbursements which were less than 5% of the firm's gross revenues for the last full fiscal year.

In 1984, the Corporation engaged Robert C. Wilson as a consultant on management organization and compensation methods pursuant to a contract between him and the Corporation. Mr. Wilson is a Director of the Corporation. During 1984 the Corporation paid Mr. Wilson $92,500 in fees.

Proposal No. 2

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'.

"Last year the owners of 549.403 shares representing over 5.3% of shares voted for this resolution.

"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 interest 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. 3

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 stockholders 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:

"Strong support along the lines we suggest were shown at the last annual meeting when 25%, owners of 2,567,044 shares, were cast in favor of this proposal. The vote against included the unmarked proxies.

"Among companies adopting cumulative voting in recent years are: Daylin, Elgin National, De Soto, Greyhound Corp., National Fuel Gas, Viacom, McDonough Co., Canal Randolph, Holly Sugar, Brascan Ltd., Noranda Mines Ltd, First Maryland Bancorp and U.S. Resources, Inc.

"In adopting cumulative voting the management of Monfort of Colorado, Inc. stated in their 1972 proxy statement:

'This system of voting rights is intended to increase the opportunity for minority 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 1984 Annual Meeting referred to above, more than 74% of the shares voting on the same resolution voted against such resolution.

In publicly owned corporations having a large number of shareholders, Directors should be elected for their ability and willingness to represent the interest 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 interest 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

.on in which independent persons of stature and experience would be reluctant to serve on the

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

1986 SHAREHOLDER PROPOSALS

Proposals of securities holders intended for possible action at the 1986 Annual Meeting must be ceived by the Corporation at its principal executive offices prior to November 28, 1985. All roposals received will be subject to the applicable rules of the Securities and Exchange Commission.

OTHER MATTERS

Upon recommendation of the Audit Committee, the Board of Directors has selected Arthur Andersen & Co. to audit the Corporation's accounts for 1984. Arthur Andersen & Co. has also been selected as the Corporation's independent public accountant for 1985. A representative of Arthur Andersen & Co. is expected to be present at the meeting to answer appropriate questions and will have an opportunity to make a statement.

The 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. 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.

For the results of last year's voting at the Annual Meeting of Shareholders, see Exhibit A.

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 $11,000, plus out-of-pocket expenses.

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

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

For a copy of the Corporation's Annual Report on Form 10K for the year ending December 31, 1984 as filed with the Securities and Exchange Commission, please contact: Office of the Secretary, GAF Corporation, 1361 Alps Road, Wayne, New Jersey 07470.

By Order of the Board of Directors.

EDWARD E. SHEA
Secretary

Wayne, New Jersey
March 27, 1985

EXHIBIT A

RESULTS OF 1984 ANNUAL MEETING OF SHAREHOLDERS
of
GAF CORPORATION

1. At the 1984 Annual Meeting, 84.2% 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 percentage of total shares cast for or against or withheld from the vote for each nominee for election as a Director of the Corporation at the 1984 Annual Meeting:

	Percentage of Shares For	Percentage of Shares Against or Withheld
Robert H. Beber	96%	4%
Daniel T. Carroll	96%	4%
Dr. Jacob E. Goldman	96%	4%
Samuel J. Heyman	96%	4%
Sanford Kaplan	96%	4%
William P. Lyons	96%	4%
Scott A. Rogers, Jr.	96%	4%
Edward E. Shea	96%	4%
Harold C. Simmons	96%	4%
Richard F. Smith	96%	4%
William Spier	96%	4%
Joseph D. Tydings	96%	4%
Robert C. Wilson	96%	4%

2. Set forth below is the percentage of total shares cast for and against a proposal to approve the 1984 Stock Option Plan:

	Percentage of Shares Cast
FOR	95.6%
AGAINST	4.4%

3. Set forth below is the percentage of total shares cast for and against a proposal to approve the 1984 Stock Purchase Plan:

	Percentage of Shares Cast
FOR	97%
AGAINST	3%

4. Set forth below is the percentage of total shares cast for and against a proposal to reimburse certain expenses incurred during the 1983 proxy contest:

	Percentage of Shares Cast
FOR	93.1%
AGAINST	6.9%

5. Set forth below is the percentage of total shares cast for and against a shareholder proposal to limit the term of office of outside Directors:

	Percentage of Shares Cast
FOR	5.4%
AGAINST	94.6%

6. Set forth below is the percentage of total shares cast for and against a shareholder proposal to provide for cumulative voting in the election of Directors:

	Percentage of Shares Cast
FOR	25.1%
AGAINST	74.9%

G A F 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.

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.

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%