

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2021

OR

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

For the transition period from _____ to _____

Commission File Number: **001-40620**

BUILDERS FIRSTSOURCE, INC.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

2001 Bryan Street, Suite 1600

Dallas, Texas

(Address of principal executive offices)

52-2084569

*(I.R.S. Employer
Identification No.)*

75201

(Zip Code)

Registrant's telephone number, including area code:
(214) 880-3500

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
Common stock, par value \$0.01 per share

Trading Symbol(s)
BLDR

Name of Each Exchange on Which Registered
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Emerging growth company

Accelerated filer

Non-accelerated filer

Smaller reporting
company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2021 was approximately \$8,744.7 million based on the closing price per share on that date of \$42.66 as reported on the NASDAQ Stock Market LLC.

The number of shares of the registrant's common stock, par value \$0.01, outstanding as of February 23, 2022 was 176,772,541.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its annual meeting of stockholders to be held on June 14, 2022 are incorporated by reference into Part II and Part III of this Form 10-K.

BUILDERS FIRSTSOURCE, INC.
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PART I

Item 1. Business

CAUTIONARY STATEMENT

Statements in this report and the schedules hereto that are not purely historical facts or that necessarily depend upon future events, including statements about expected market share gains, forecasted financial performance or other statements about anticipations, beliefs, expectations, hopes, intentions or strategies for the future, may be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Readers are cautioned not to place undue reliance on forward-looking statements. In addition, oral statements made by our directors, officers and employees to the investor and analyst communities, media representatives and others, depending upon their nature, may also constitute forward-looking statements. All forward-looking statements are based upon currently available information and the Company's current assumptions, expectations and projections about future events. Forward-looking statements are by nature inherently uncertain, and actual results or events may differ materially from the results or events described in the forward-looking statements as a result of many factors. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any forward-looking statements involve risks and uncertainties, many of which are beyond the Company's control or may be currently unknown to the Company, that could cause actual events or results to differ materially from the events or results described in the forward-looking statements, including risks or uncertainties related to the continuing COVID-19 pandemic, the BMC Merger (as defined below) and the Company's other acquisitions, the Company's growth strategies, including gaining market share and its digital strategies, or the Company's revenues and operating results being highly dependent on, among other things, the homebuilding industry, lumber prices and the economy, including labor and supply shortages. The Company may not succeed in addressing these and other risks. Further information regarding the risk factors that could affect our financial and other results are included as Item 1A of this annual report on Form 10-K and may also be described from time to time in the other reports the Company files with the Securities and Exchange Commission ("SEC"). Consequently, all forward-looking statements in this report are qualified by the factors, risks and uncertainties contained therein.

BMC MERGER

On January 1, 2021, Builders FirstSource, Inc. completed its all stock merger transaction with BMC Stock Holdings, Inc., a Delaware corporation ("BMC"), pursuant to the Agreement and Plan of Merger, dated as of August 26, 2020 (as amended, restated, supplemented, or otherwise modified from time to time, the "Merger Agreement"), by and among Builders FirstSource, Inc., Boston Merger Sub I Inc., a Delaware corporation and direct wholly owned subsidiary of Builders FirstSource, Inc. ("Merger Sub"), and BMC. On the terms and subject to the conditions set forth in the Merger Agreement, on January 1, 2021, Merger Sub merged with and into BMC, with BMC continuing as the surviving corporation and a wholly owned subsidiary of Builders FirstSource, Inc. (the "BMC Merger"). On January 1, 2022, we completed a legal entity reorganization pursuant to which, among other things, BMC was merged with and into Builders FirstSource, Inc., with Builders FirstSource, Inc. continuing as the surviving corporation.

In this annual report, unless otherwise stated or the context otherwise requires, references to the "company," "we," "our," "ours" or "us" refer to Builders FirstSource, Inc. and its consolidated subsidiaries.

The BMC Merger was accounted for using the acquisition method of accounting, and the Company was treated as the accounting acquirer. The operating results of BMC are reported as part of the Company beginning on January 1, 2021, and as such, references to the Company's historical financial condition prior to that date, including results of operations and cash flows, do not include BMC, unless otherwise noted.

OVERVIEW

We are a leading supplier and manufacturer of building materials, manufactured components and construction services to professional homebuilders, sub-contractors, remodelers and consumers. The Company operates approximately 565 locations in 42 states across the United States, which are internally organized into geographic operating divisions. Due to the similar economic characteristics, categories of products, distribution methods and customers, our operating divisions are aggregated into one reportable segment.

We offer an integrated solution to our customers by providing manufacturing, supply and installation of a full range of structural and related building products. Our manufactured products include our factory-built roof and floor trusses, wall panels, vinyl windows, custom millwork and trim, as well as engineered wood that we design, cut, and assemble specifically for each home. We also assemble interior and exterior doors into pre-hung units. Additionally, we supply our customers with a broad offering of professional grade building products not manufactured by us, such as dimensional lumber and lumber sheet goods and various window, door and millwork lines. Our full range of construction-related services include professional installation, turn-key framing and shell

construction, spanning all of our product categories. Further, through our Paradigm subsidiary, we offer software solutions and services for the building products industry.

Builders FirstSource, Inc. is a Delaware corporation formed in 1998 as BSL Holdings, Inc. On October 13, 1999, our name changed to Builders FirstSource, Inc. Our common stock traded on the NASDAQ Global Select Market of the NASDAQ Stock Market LLC (“NASDAQ”) under the symbol “BLDR” from June 22, 2005 until July 16, 2021. On July 19, 2021, we transferred the listing of our common stock to the New York Stock Exchange (“NYSE”) under the symbol “BLDR.”

OUR INDUSTRY

We compete in the professional segment (“Pro Segment”) of the U.S. residential building products supply market. Suppliers in the Pro Segment primarily focus on serving professional customers such as homebuilders and remodeling contractors. The Pro Segment consists predominantly of small, privately owned suppliers, including framing and shell construction contractors, local and regional materials distributors, single or multi-site lumberyards, and truss manufacturing and millwork operations. Because of the predominance of smaller privately owned companies and the overall size and diversity of the target customer market, the Pro Segment remains highly fragmented. There were only nine building product suppliers, excluding BMC, with manufacturing capabilities in the Pro Segment that generated more than \$500 million in sales, according to *HBS Dealer* magazine’s 2021 Top 300 list. Including BMC, we are the largest building product supplier with manufacturing capabilities on the *HBS Dealer*’s list and the only building supplier with manufacturing capabilities with over \$5 billion in sales.

The residential building products industry is driven by the level of activity in both the U.S. residential new construction market and the U.S. residential repair and remodeling market. Growth within these markets is linked to a number of key factors, including demographic trends, housing demand, interest rates, employment levels, availability of credit, foreclosure rates, consumer confidence, the availability of qualified tradesmen, and the state of the economy in general.

The residential building products industry is characterized by several key trends, including greater utilization of manufactured components, an expanding role of the distributor in providing turn-key services and a consolidation of suppliers by homebuilders, as described in more detail below. Additionally, there is increasing interest in using digital tools to help drive end-to-end efficiencies throughout the construction industry.

- *Prefabricated components:* Compared to conventional “stick-build” construction where builders cut and assemble lumber at the job site with their own labor, prefabricated components are engineered in an offsite location using specialized equipment and labor. This outsourced task allows for optimal material usage, lower overall labor costs and improved quality of structural elements. In addition, using prefabricated components typically results in faster construction because fabrication can be automated and performed more systematically. As such, we believe there is a long-term trend towards increased use of prefabricated components by homebuilders.
- *Turn-key services:* Many homebuilders have taken a more limited role in the homebuilding process and have outsourced certain key elements of the construction process, including process management, product selection, order input, scheduling, framing and installation. As such, we believe that many homebuilders are increasingly looking to suppliers in the Pro Segment to perform these critical functions, resulting in greater demand for integrated project services.
- *Consolidation of suppliers by homebuilders:* We believe that homebuilders are increasingly looking to consolidate their supplier base. Many homebuilders are seeking a more strategic relationship with suppliers that are able to offer a broad range of products and services and, as a result, are allocating a greater share of wallet to a select number of larger, full-service suppliers.

According to the U.S. Census Bureau, the single-family residential construction market was an estimated \$421.0 billion in 2021, which was 12.5% higher than 2020, but still lagging the historical high of \$470.4 billion in 2006. Further, according to the Home Improvement Research Institute (“HIRI”) in its September 2021 semi-annual forecast, the professional repair and remodel end market was an estimated \$160.9 billion in 2021, which was 18.2% higher than 2020.

OUR CUSTOMERS

We serve a broad customer base across the United States. We have a diverse geographic footprint, as we have operations in 47 of the top 50 and 85 of the top 100 U.S. Metropolitan Statistical Areas (“MSAs”), as ranked by single family housing permits based on available 2021 U.S. Census data. In addition, approximately 93% of U.S. single-family housing permits in 2021 were issued in MSAs in which we operate. Given the local nature of our business, we have historically and will continue to locate our facilities in close proximity to our key customers and co-locate multiple operations in one facility to improve efficiency.

We have a diversified customer base, ranging from large production builders to small custom homebuilders, as well as multi-family builders, repair and remodeling contractors and light commercial contractors. For the year ended December 31, 2021, our top 10 customers accounted for approximately 18% of net sales, with our largest customer accounting for approximately 5% of net sales. Our top 10 customers are comprised primarily of the largest national production homebuilders, including publicly traded companies such as D.R. Horton, Inc., Pulte Homes, Inc., Lennar Corporation, Taylor Morrison Home Corporation, and M/I Homes, Inc.

In addition to the largest production homebuilders, we also service and supply regional production and local custom homebuilders as well as repair and remodeling contractors and multi-family builders. These customers require high levels of service and a broad product offering. Our sales team expects to work very closely with the designers on a day-to-day basis in order to ensure the appropriate products are identified, ordered or produced and delivered on time to the building site. To account for these increased service costs, pricing in the industry is tied to the level of service provided and the volumes purchased.

OUR PRODUCTS AND SERVICES

We group our building products and services into six product categories:

Lumber & Lumber Sheet Goods. Lumber & lumber sheet goods include dimensional lumber, plywood and oriented strand board (“OSB”) products used in on-site house framing. Lumber & lumber sheet goods are our largest sales volume product category. The products in this category are highly sensitive to fluctuations in market prices for such commodities.

Manufactured Products. Manufactured products are factory-built substitutes for job-site framing and include wood floor and roof trusses, steel roof trusses, wall panels, and engineered wood that we design, cut, and assemble for each home. Manufactured products also include our proprietary whole-house framing solution, Ready-Frame®, which designs, pre-cuts, labels, and bundles lumber and lumber sheet goods into customized framing packages, saving builders both time and money and improving job site safety. Our manufactured products allow builders to build higher quality homes more efficiently. Roof trusses, floor trusses, and wall panels are built in a factory-controlled environment. Engineered floors and beams are cut to the required size and packaged for the given application at many of our locations. Without manufactured products, builders construct these items on site, where weather and variable labor quality can negatively impact construction cost, quality and installation time. In addition, engineered wood beams have greater structural strength than conventional framing materials, allowing builders to frame houses with more open space creating a wider variety of house designs. Engineered wood floors are also stronger and straighter than conventionally framed floors. While not as sensitive to commodity price fluctuations as Lumber & Lumber Sheet Goods, the products in this category include lumber & lumber sheet goods, and thus are somewhat sensitive to commodity price fluctuations.

Windows, Doors & Millwork. Windows & doors are comprised of the manufacturing, assembly and distribution of windows, and the assembly and distribution of interior and exterior door units. We manufacture a portion of the vinyl windows that we distribute in our plant in Houston, Texas which allows us to supply builders, primarily in the Texas market, with cost-competitive products. Our pre-hung interior and exterior doors consist of a door slab with hinges and door jambs attached, reducing on-site installation time and providing higher quality finished door units than those constructed on site. These products typically require a high degree of product knowledge and training to sell. Millwork includes interior trim and custom features, including those that we manufacture under the Synboard® brand name. Synboard is produced from extruded PVC and offers several advantages over traditional wood features, such as greater durability and no ongoing maintenance, such as periodic caulking and painting.

Siding, Metal, and Concrete. Siding, metal, and concrete includes vinyl, composite, and wood siding, exterior trim, other exteriors, metal studs and cement.

Gypsum, Roofing & Insulation. Gypsum, roofing, and insulation include wallboard, ceilings, joint treatment and finishes.

Other Building Products & Services. Other building products & services consist of various products, including cabinets and hardware. This category also includes services such as turn-key framing, shell construction, design assistance and professional installation of products spanning all of our product categories. We provide professional installation and turn-key services as a solution for our homebuilder customers. Through our installation services program, we help homebuilders realize efficiencies through improved scheduling, resulting in reduced cycle time and better cost controls. By utilizing an energy efficiency software program, we also assist homebuilders in designing energy efficient homes in order to meet increasingly stringent energy rating requirements. Upgrading to our premium windows, doors, and insulating products can reduce overall cost to the homebuilder by minimizing costs of the required heating/cooling system. We work closely with the homebuilder to select the appropriate mix of our products to meet current and forthcoming energy codes. We believe these services require scale, capital and sophistication that smaller competitors do not possess. We also offer software products through our Paradigm subsidiary, including drafting, estimating, quoting, and virtual

home design services, help provide software solutions to retailers, distributors, manufacturers and homebuilders that boost sales, reduce costs, and become more competitive. We will continue to pursue profitable business in this category.

We compete in a fragmented marketplace. We believe our integrated approach and scale allow us to compete effectively through our comprehensive product lines, prefabricated components and value-added services, combined with the knowledge of our integrated sales forces to enable our homebuilder customers to complete construction more quickly, with higher quality and at a lower cost. While we expect these benefits to be particularly valuable to our customers in market environments characterized by labor shortages, sourcing challenges or sharply rising demand for new homes, we expect such benefits will also be increasingly valued and demanded by our customers operating under normal market conditions.

MANUFACTURING

Our manufacturing facilities utilize industry leading technology and high-quality materials to improve product quality, increase efficiency, reduce lead times and minimize production errors. We manufacture products within two of our product categories: manufactured products, and windows, doors & millwork.

Manufactured Products — Trusses and Wall Panels. Truss and wall panel production has two steps — design and fabrication. Each house requires its own set of designed shop drawings, which vary by builder type — production versus custom builders. Production builders use prototype house plans as they replicate houses. These house plans may be minimally modified to suit individual customer demand. We maintain an electronic master file of trusses and wall panels for each builder's prototype houses. For custom builders, the components are designed individually for each house. We download the shop drawings from our design department to computerized saws. We assemble the cut lumber to form roof trusses, floor trusses or wall panels, before shipping the finished components by house to the job site. In addition, we offer our Ready-Frame[®] framing system which uses specialty software to calculate project-specific lumber needs to provide pre-cut and labeled packages delivered and ready to assemble on the jobsite.

Manufactured Products — Engineered Wood. As with trusses and wall panels, engineered wood components have design and fabrication steps. We design engineered wood floors using a master filing system similar to the truss and wall panel system. Engineered wood beams are designed to ensure the beam will be structurally sound in the given application. After the design phase, a printed layout is generated. We use this layout to cut the engineered wood to the required length and assemble all of the components into a house package. We design and fabricate engineered wood at many of our distribution locations.

Custom Millwork. Our manufactured custom millwork consists primarily of interior and exterior pre hung door systems, intricate interior and exterior mouldings, custom and premium windows, finish hardware, stair parts, mantels and columns units.

Windows. We manufacture a full line of traditional vinyl windows at an approximately 200,000 square foot manufacturing facility located in Houston, Texas. The process begins by purchasing vinyl lineal extrusions. We cut these extrusions to size and join them together to form the window frame and sash. We then purchase sheet glass and cut it to size. We combine two pieces of identically shaped glass with a sealing compound to create a glass unit with improved insulating capability. We then insert the sealed glass unit and glaze it into the window frame and sash. The unit is completed when we install a balance to operate the window and add a lock to secure the window in a closed position.

Pre-hung Doors. We pre-hang interior and exterior doors at many of our locations. We insert door slabs and pre-cut door jambs into a door machine, which bores holes into the doors for the door hardware and applies the jambs and hinges to the door slab. We then apply the casing that frames interior doors at a separate station. Exterior doors do not have a casing, and instead may have sidelights applied to the sides of the door, a transom attached over the top of the door unit and a door sill applied to the threshold.

OUR STRATEGY

By pursuing the Company's four pillar strategic priorities as outlined below, we intend to build on our advantaged market position to create value for our shareholders by increasing profits and net cash flow generation, while making us a more valuable partner to our customers. The resulting cash flow should provide meaningful opportunities for increased investment in organic and acquisitive growth that preserve our balance sheet strength, grow our return on invested capital and return capital to our shareholders.

Organic Growth of Value-add Products and Services

Maximize our share of wallet by capturing above-market growth in our higher margin value added products. We believe our national manufacturing footprint and differentiated capabilities will allow us to capture growth in our higher margin value-added products,

including trusses, wall panels and millwork. We believe our value-added products address the growing demand for ways to build homes more efficiently, addressing labor constraints and rising costs. We plan to accelerate this growth by further expanding our national manufacturing footprint to serve locations that do not currently have adequate access to these high margin products. By focusing on our differentiated platform and broad product mix, we are able to offer a complete array of products and services that would otherwise need to be sourced from various distributors, providing us an opportunity to capture a greater share of wallet. This operational platform often will make us a preferred distributor for large-scale national homebuilders as well as local and custom homebuilders looking for more efficient ways to build a home. We believe that customers continue to place an increased value on these capabilities, which further differentiates us from our competitors.

Leverage our competitive strengths to capitalize on housing market growth. As the U.S. housing market returns to a historically normalized level, we intend to leverage our core business strengths including size, national footprint, unmatched scale in manufacturing capability, breadth of product portfolio, and end market exposure to expand our sales and profit margins. Our customers continue to emphasize the importance of competitive pricing, a broad product portfolio, sales force knowledge, labor-saving manufactured products, on-site services and overall “ease of use” with their building products suppliers. Our comprehensive product offering, experienced sales force, strong strategic vendor relationships, and tenured senior management team position us well to capitalize on strong demand in the new home construction market and the repair and remodel segment. Our large delivery fleet, professional drivers, and comprehensive inventory management enable us to provide “just-in-time” product delivery, ensuring a smoother and faster production cycle for the homebuilder. Our comprehensive network of products, services and facilities provides a strategically advantaged service model which enhances our value to our customers and provides a strong platform to drive growth.

Drive Operational Excellence

Optimize our highly scalable cost structure with operational excellence initiatives. We continue to focus on standardizing and automating processes and technology-based workflows to minimize costs, streamline our operations and enhance working capital efficiency. We are implementing operational excellence initiatives that are designed to further improve efficiency, as well as customer service. These initiatives, including distribution and logistics, pricing and margin management, back-office efficiencies, customer integration and systems-enabled process improvements, should yield significant cost savings. The scope and scale of our existing infrastructure, customer base, and logistical capabilities mean that improvements in efficiency, when replicated across our network, can yield substantial profit margin expansion.

Continue to Build our High-Performing Culture

Strong emphasis on putting our people first. Our team members are a critical resource, and every single one makes a difference. Enhancing talent acquisition, employee development and retention will ensure we continue to attract and retain this valuable component of our business. Our team members are the face of the Company to our customers and the communities in which we operate. Their contributions in serving our customers is a fundamental component in our success. We care about our team members and strive to have a strong environmental, health and safety program that drives world-class safety results and ensures our team members leave their workplace safely, every day. We recognize how important it is for our team members to develop and progress in their careers and strive to build a performance-based culture.

Environmental, social and governance strategy. We are also committed to making informed choices that improve our corporate governance, financial strength, operational efficiency, environmental stewardship, community engagement and resource management. Consistent with our core values, our goal is to be recognized by our customers as the preferred supplier, by our employees as a safe, diverse and inclusive workforce, by the industry as being at the forefront of innovation, by our stakeholders as an ethical company and by the communities in which we serve as a good corporate citizen. We recognize that the environmental sustainability of our products is important to both us as a company and to our customers. We prioritize purchasing and supplying sustainable wood products led by the Sustainable Forestry Initiative. Helping homebuilders become more productive, more efficient, and safer is fundamental to what we do and we are passionate about building this future together.

Pursue Strategic Acquisitions

Leverage free cash flow to accelerate strategic growth. The highly fragmented nature of the Pro Segment of the U.S. residential new construction building products supply market presents substantial acquisition opportunities. Our long-term acquisition strategy is focused on the continued growth of our prefabricated components business and on the potential for geographic expansion. First, we plan to selectively seek acquisition targets that manufacture prefabricated components such as factory-built roof and floor trusses, wall panels, and engineered wood, as well as other value-added products such as vinyl windows and millwork. We also intend to pursue potential acquisitions that present an opportunity to add manufacturing capabilities in a relatively short period of time. Second, there remain a number of attractive homebuilding markets where we do not currently operate. We believe that our proven operating model can be successfully adapted to these markets and where homebuilders, many of whom we currently serve elsewhere, would value our broad product and service offering, professional expertise, and superior customer service. When entering a new market, our strategy is

to acquire market-leading distributors and subsequently expand their product offerings or add manufacturing facilities while integrating their operations into our centralized platform. This strategy allows us to quickly achieve the scale required to maximize profitability and leverage existing customer relationships in the local market. Our management has shown the capability to effectively and efficiently integrate newly acquired businesses, ramping up productivity and driving value. We have successfully integrated approximately 50 acquisitions since 1998, including the BMC and ProBuild transactions both of which were company and industry transforming.

SALES AND MARKETING

We seek to attract and retain customers through exceptional customer service, leading product quality, broad product and service offerings, and competitive pricing. This strategy is centered on building and maintaining strong customer relationships rather than traditional marketing and advertising. We strive to add value for the homebuilders through shorter lead times, lower project costs, faster project completion and higher quality. By executing this strategy, we believe we will continue to generate new business.

Our experienced, locally focused sales force is at the core of our sales effort. This sales effort involves deploying salespeople who are skilled in housing construction to meet with a homebuilder's construction superintendent, local purchasing agent, or local executive with the goal of becoming their primary product supplier. If selected by the homebuilder, the salesperson and his or her team review blueprints for the contracted homes and advise the homebuilder in areas such as opportunities for cost reduction, increased energy efficiencies, and regional aesthetic preferences. Next, the team determines the specific package of products that are needed to complete the project and schedules a sequence of site deliveries. Our large delivery fleet and comprehensive inventory management systems enable us to provide "just-in-time" product delivery, ensuring a smoother and faster production cycle for the homebuilder. Throughout the construction process, the salesperson makes frequent site visits to ensure timely delivery and proper installation, and to make suggestions for efficiency improvements. We believe this level of service is highly valued by our customers and generates significant customer loyalty. At December 31, 2021, we employed approximately 2,300 sales representatives, who are paid a commission based on gross margin dollars collected and worked with approximately 2,500 sales coordinators and product specialists.

BACKLOG

Due to the nature of our business, backlog information is not meaningful. While our customers may provide an estimate of their future needs, in most cases we do not receive a firm order from them until just prior to the anticipated delivery dates. Accordingly, in many cases the time frame from receipt of a firm order to shipment does not exceed a few days.

MATERIALS AND SUPPLIER RELATIONSHIPS

We purchase inventory primarily for distribution, some of which is also utilized in our manufacturing plants. The key materials we purchase include dimensional lumber, OSB and plywood along with engineered wood, windows, doors, millwork, gypsum and roofing. Our largest suppliers are national companies such as Boise Cascade Company, Weyerhaeuser Company, Canfor Corporation, Norbord, Inc., West Fraser Timber Co. Ltd., James Hardie Industries plc, PlyGem Holdings, Inc., Mitek Industries, Inc., M I Windows and Doors, Inc., Andersen Corporation, Masonite International Corporation and JELD-WEN Inc. We believe marketplace supply allows us to competitively source most of our requirements without reliance on any particular supplier and that our diversity of suppliers affords us purchasing flexibility. Due to our centralized procurement platform for commodity wood products and corporate oversight of purchasing programs, we believe we are able to maximize the advantages of both our and our suppliers' broad geographic footprints and negotiate purchases across multiple markets to achieve more favorable contracts with respect to price, terms of sale, and supply. Additionally, for certain customers, we institute purchasing programs on commodity wood products such as OSB and lumber to align portions of our procurement costs with our customer pricing commitments. We balance our OSB and lumber purchases with a mix of contract and spot market purchases to ensure consistent supply of product necessary to fulfill customer contracts, to source products at the lowest possible cost, and to minimize our exposure to the volatility of commodity lumber prices.

We currently source products from thousands of suppliers in order to reduce our dependence on any single company and to maximize purchasing leverage. Although no purchases from any single supplier represented more than approximately 7% of our total materials purchases for the year ended December 31, 2021, we believe we are one of the largest customers for many suppliers, and therefore have significant purchasing leverage. We have found that using multiple suppliers ensures a stable source of products and the best purchasing terms as the suppliers compete to gain and maintain our business.

We maintain strong relationships with our suppliers, and we believe opportunities exist to improve purchasing terms in the future, including inventory storage or "just-in-time" delivery to reduce our inventory carrying costs. We will continue to pursue additional procurement cost savings which would further enhance our margins and cash flow.

COMPETITION

We compete in the Pro Segment of the U.S. residential building products supply market. We have and will continue to experience competition for homebuilder business due to the highly fragmented nature of the Pro Segment. Most of our competitors in the Pro Segment are small, privately held local or regional businesses. Most of these companies have limited access to capital and lack sophisticated information technology systems and large-scale procurement capabilities. We believe we have substantial competitive advantages over these smaller competitors due to our long-standing customer relationships, local market knowledge and competitive pricing. Our largest competitors in our markets often include one or more of 84 Lumber Company, Carter Lumber Company and US LBM Holdings, LLC. Our customers primarily consist of professional homebuilders and those that provide construction services to them, with whom we focus on developing strong relationships. The principal methods of competition in the Pro Segment are the development of long-term relationships with professional builders and retaining such customers by (i) delivering a full range of high-quality products on time, and (ii) offering trade credit, competitive pricing and integrated service and product packages, such as turn-key framing and shell construction, as well as manufactured components and installation. Our leading market positions in the highly competitive Pro Segment create economies of scale that allow us to cost-effectively supply our customers, which both enhances profitability and reduces the risk of losing customers to competitors.

HUMAN CAPITAL

At December 31, 2021, we had approximately 28,000 employees. Less than 2% are covered by collective bargaining agreements, where we believe our relations with the labor unions are generally good. Employee levels are managed to align with the pace of business and management believes it has sufficient human capital to operate its business successfully.

At Builders FirstSource, our people are the key to our success and our continued focus on delivering exceptional customer service and innovative solutions. In managing our human capital, our goal is to ensure their safety, growth and development in an inclusive and team-based environment. By participating in regular surveys and focus groups, we place a strong emphasis on enhancing and increasing the retention and engagement level of our team members. Key areas of the Company's human capital focus include the following:

Workplace Health & Safety

We care about our team members and anyone who enters our workplace. We strive to have a strong environmental, health and safety program that focuses on implementing policies and training programs, as well as performing self-audits to ensure our team members leave their workplace safely, every day. Over the past several years, we have developed and implemented programs designed to promote workplace safety, with the goal of reducing the frequency and severity of employee injuries. We also review and monitor our performance closely by updating our executive team monthly on progress.

During 2021, our experience and continuing focus on workplace safety enabled us to preserve business continuity without sacrificing our commitment to keeping our team members and workplace visitors safe during the COVID-19 pandemic.

The Company also aspires to reduce its lost time and recordable injuries each year. In 2021, we reduced our Total Recordable Incident Rate for the sixth consecutive year and by approximately 18% over the prior year.

We also broadly provide accessible safety training to our employees in a number of formats to accommodate the learner's style and pace, location, and access to technology.

Diversity & Inclusion

Our team members are the face of the Company to our customers and the communities in which we operate. Their contributions in serving our customers is a fundamental component in our success, and every single team member makes a difference.

Our Company strives to foster a culture that encourages collaboration, flexibility and fairness to enable all team members to contribute to their full potential. We are committed to enhancing our efforts related to diversity and inclusion across all aspects of our organization, including hiring, promotion and developmental opportunities. We conduct both in-person and online diversity training through our online learning management system, and we are working to create greater awareness, eliminate unconscious bias and foster more open and honest communication through our recently established Corporate Inclusion Council.

To assess and improve our efforts, the Company recently surveyed employees finding that the majority of employees feel welcome, safe and included, treated fairly with opportunities to reach full potential, supported professionally, emotionally and socially and are comfortable sharing experiences and opinions, and valued as a team member. We identified four key priorities through our

survey: enhance awareness, increase diversity of the workforce, improve and enhance communication, and increase inclusion and engagement. With these priorities in mind we have launched diversity and inclusion trainings, introduced quarterly town halls and engage in regular Companywide communications, introduced leadership development and sales trainings, and are in the process of establishing regional and local employee resource groups.

Learning & Development

In order to attract and retain top talent, we provide several resources in a variety of formats that promote the ongoing learning and development of our team members. We offer leadership development training for new and existing leaders in topics such as: Effective Communication, Conducting Performance Management, Developing Successful and Productive Teams, Conflict Resolution & Management, Providing Exceptional Customer Service, Hiring for Fit and Building a Diverse and Inclusive Team. We have maintained our commitment to learning and development through our online learning management system and limited on-site courses facilitated in a safe setting by our training and development team. We significantly expanded our online course availability during 2021 by offering approximately 8,000 courses in our system which is available to all team members.

INFORMATION TECHNOLOGY SYSTEMS

Our operations are dependent upon our information technology systems, which encompass all of our major business functions. Our primary enterprise resource planning (“ERP”) systems, which we currently use for operations representing the majority of our sales, are proprietary systems that have been highly customized by our computer programmers. The materials required for thousands of standard builder plans are stored by the system for rapid quoting or order entry. Hundreds of price lists are maintained on hundreds of thousands of SKUs, facilitating rapid price changes in a changing product cost environment. A customer’s order can be tracked at each stage of the process and billing can be customized to reduce a customer’s administrative costs and speed payment.

We have a customized financial reporting system that consolidates financial, sales and workforce data from our ERP systems and our human resource information system (“HRIS”), delivering standardized enterprise key performance indicators. This technology platform provides management with robust corporate and location level performance management by leveraging standardized metrics and analytics allowing us to plan, track and report performance and compensation measures.

We have developed a proprietary program for use in our component plants. This software reviews product designs for errors, schedules the plants and provides the data used to measure plant efficiency. In addition, we have purchased several software products that have been integrated with our primary ERP system. These programs assist in various aspects of our business such as analyzing blueprints to generate material lists, purchasing lumber products at the lowest cost, delivery management, resource planning and scheduling and financial planning and analysis.

SEASONALITY AND OTHER FACTORS

Our first and fourth quarters have historically been, and are generally expected to continue to be, adversely affected by weather causing reduced construction activity during these quarters. In addition, quarterly results historically have reflected, and are expected to continue to reflect, fluctuations from period to period arising from the following:

- The volatility of lumber prices;
- The cyclical nature of the homebuilding industry;
- General economic conditions in the markets in which we compete;
- The pricing policies of our competitors;
- Disruptions in our supply chain;
- The production schedules of our customers; and
- The effects of weather.

The composition and level of working capital typically change during periods of increasing sales as we carry more inventory and receivables. Working capital levels typically increase in the first and second quarters of the year due to higher sales during the peak residential construction season. These increases may result in negative operating cash flows during this peak season, which historically have been financed through available cash and borrowing availability under credit facilities. Generally, collection of receivables and reduction in inventory levels following the peak building and construction season positively impact cash flow.

AVAILABLE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith, we file reports, proxy and information statements and other information with the SEC. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy and information statements and other information and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available through the investor relations section of our website under the links to “Financial Information.” Our Internet address is www.bldr.com. Reports are available on our website free of charge as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. In addition, our officers and directors file with the SEC initial statements of beneficial ownership and statements of change in beneficial ownership of our securities, which are also available on our website at the same location. We are not including this or any other information on our website as a part of, nor incorporating it by reference into, this Form 10-K or any of our other SEC filings.

In addition to our website, the SEC maintains an Internet site that contains our reports, proxy and information statements, and other information that we electronically file with, or furnish to, the SEC at www.sec.gov.

Item 1A. Risk Factors

Risks associated with our business, any investment in our securities, and with achieving the forward looking statements contained in this report or in our news releases, websites, public filings, investor and analyst conferences or elsewhere, include the risk factors described below. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. Any of these risks, whether known or unknown, could cause our actual results to differ materially from expectations and could have a material adverse effect on our business, financial condition or results of operations, and we may not succeed in addressing these challenges and risks. You should read these Risk Factors in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 and our consolidated financial statements and related notes in Item 8.

Economic and Industry Risks

The COVID-19 pandemic has impacted our business, and will likely continue to impact our business in the future.

The COVID-19 pandemic has adversely impacted economic activity and conditions worldwide, including workforces, liquidity, capital markets, consumer behavior, supply chains, and macroeconomic conditions, which in turn has materially impacted our business. While demand for building products has remained high throughout most of the pandemic, the COVID-19 pandemic has caused significant disruptions and delays in the manufacture and distribution of building products throughout the industry supply chain, resulting in shortages and shipping delays of several categories of building products, such as windows and lumber. In turn, these supply chain disruptions have in many cases led to significant spikes in the prices of the affected building products, which may impact our margins if we are unable to pass along these price increases to our customers. Furthermore, the COVID-19 pandemic has resulted in increased labor costs and a general labor shortage in our industry to meet the high demand for our services. While we expect the COVID-19 pandemic to continue to impact our business in the near term, particularly in regions where we derive a significant amount of our revenue or profit or where our suppliers and customers are located, the extent and duration of the continued effects of the COVID-19 pandemic on our business and results of operation is unknown and will depend on future developments, which are highly uncertain and outside our control. These developments include the scope, duration and severity of the pandemic (including the possibility of further surges or variations of concern of COVID-19 or the emergence of other health epidemics or pandemics), the efficacy of the vaccination program in the U.S., supply chain disruptions, decreased demand for our products and services, rising inflation, our ability to maintain sufficient qualified personnel due to labor shortages, employee illness, quarantine, willingness to return to work, vaccine and/or testing mandates, face-coverings and other safety requirements, or travel and other restrictions, and the actions taken by governments, businesses and individuals to contain the impact of COVID-19, as well as further actions taken to limit the resulting economic impact. It is also possible that the pandemic and its aftermath will lead to a prolonged economic slowdown or recession in the U.S. economy. Any of these developments could materially and adversely affect our business, financial condition and results of operations.

We cannot predict the duration or scope of the COVID-19 pandemic or when or how our business, financial conditions and results of operations will be further impacted by it, including as a result of a deterioration in the U.S. economy, inflation, rising interest rates, supply chain disruption or labor shortages. In particular, any significant downturn in residential construction as a result of the economic impact of the COVID-19 pandemic could have an adverse effect on our business, financial condition and results of operations.

To the extent the COVID-19 pandemic adversely affects our business, financial conditions and results of operations, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section.

The industry in which we operate is dependent upon the residential homebuilding industry, as well as the U.S. economy, the credit markets and other important factors.

The building products industry is highly dependent on new home and multifamily construction as well as repair and remodel, which in turn are dependent upon a number of factors, including interest rates, consumer confidence, employment rates, foreclosure rates, housing inventory levels and occupancy, housing demand and the health of the U.S. economy and mortgage markets. Unfavorable changes in demographics, credit markets, consumer confidence, household incomes, inflation, housing affordability, or housing inventory levels and occupancy, or a weakening of the U.S. economy or of any regional or local economy, including as a result of the COVID-19 pandemic, in which we operate could adversely affect consumer spending, result in decreased demand for our products, and adversely affect our business. Production of new homes and multifamily buildings may also decline because of shortages of qualified tradesmen, reliance on inadequately capitalized builders and sub-contractors, and shortages of suitable building lots and material. In addition, the building industry is subject to various local, state, and federal statutes, ordinances, and regulations concerning zoning, building design and safety, construction, energy and water conservation and similar matters, including regulations that impose restrictive zoning and density requirements in order to limit the number of homes that can be built within the boundaries of a particular area or in order to maintain certain areas as primarily or exclusively residential. Regulatory restrictions may increase our operating expenses and limit the availability of suitable building lots for our customers, which could negatively affect our sales and earnings. Because we have substantial fixed costs, relatively modest declines in our customers’ production levels could have a significant adverse effect on our financial condition, operating results and cash flows.

The building supply industry is subject to cyclical market pressures.

Prices of building products are subject to fluctuations arising from changes in supply and demand, national and international economic conditions, including inflation and interest rates, labor costs, competition, market speculation, government regulation, and trade policies, as well as from periodic delays in the delivery of lumber and other products. For example, prices of wood products, including lumber and panel products, are subject to significant volatility, such as the spike in lumber prices experienced in our industry as a result of the COVID-19 outbreak, and directly affect our sales and earnings. In particular, low prices for wood products over a sustained period can adversely affect our financial condition, operating results and cash flows, as can excessive spikes in prices. Our lumber and lumber sheet goods product category represented 42.3% of total net sales for the year ended December 31, 2021. We have limited ability to manage the timing and amount of pricing changes for building products. In addition, the supply of building products fluctuates based on available manufacturing capacity. A shortage of capacity or excess capacity in the industry can result in significant increases or declines in prices for those building products, often within a short period of time. Such price fluctuations can adversely affect our financial condition, operating results and cash flows.

In addition, the building products industry is cyclical in nature. Despite disruptions from the COVID-19 pandemic, the homebuilding industry has experienced growth in recent years and industry forecasters expect to see continued growth in the housing market over the next year. However, it is likely, based on historical experience, that we will face future downturns in the homebuilding industry which could have an adverse effect on our operating results, financial condition or cash flows. We are not able to predict the timing, severity or duration of any future downturns in the housing market.

Our industry is highly fragmented and competitive, and increased competitive pressure may adversely affect our results.

The building products supply industry is highly fragmented and competitive. We face, and will continue to face, significant competition from local, regional and other national building materials chains, as well as from privately-owned single site enterprises. Any of these competitors may (1) foresee the course of market development more accurately than we do, (2) develop products that are superior to our products, (3) have the ability to produce or supply similar products at a lower cost, (4) develop stronger relationships with local homebuilders or commercial builders or (5) adapt more quickly to new technologies or evolving customer requirements than we do or. As a result, we may not be able to compete successfully with them. In addition, home center retailers, which have historically concentrated their sales efforts on retail consumers and small contractors, have intensified their marketing efforts to professional homebuilders in recent years and may continue to intensify these efforts in the future. Furthermore, certain product manufacturers sell and distribute their products directly to production homebuilders or commercial builders, and the volume of such direct sales could increase in the future. Additionally, manufacturers of products distributed by us may elect to sell and distribute directly to homebuilders or commercial builders in the future or enter into exclusive supplier arrangements with other distributors. Consolidation of production homebuilders or commercial builders may result in increased competition for their business. Finally, we may not be able to maintain our operating costs or product prices at a level sufficiently low for us to compete effectively. If we are unable to compete effectively, our financial condition, operating results and cash flows may be adversely affected.

Homebuyer demand may shift towards smaller homes creating fluctuations in demand for our products.

Home affordability can be a key driver in demand for our products and home prices have increased meaningfully since the beginning of the COVID-19 pandemic. Home affordability is influenced by a number of economic factors, such as the level of employment, consumer confidence, consumer income, supply of houses, the availability of financing and interest rates. Changes in the inventory of available homes as well as economic factors relative to home prices may result in homes becoming less affordable. Furthermore, consumer preferences could shift to smaller or larger homes in the future. This could cause homebuyer demand to soften or shift substantially which could have an adverse impact on our financial condition, operating results and cash flows if we are unable to respond to the new market demands effectively.

A range of factors may make our quarterly revenues, earnings and cash flows variable.

We have historically experienced, and in the future will continue to experience, variability in revenues, earnings and cash flows on a quarterly basis. The factors expected to contribute to this variability include, among others: (1) the volatility of prices of lumber, wood products and other building products, (2) the cyclical nature of the homebuilding industry, (3) general economic conditions in the various areas that we serve, (4) the intense competition in the industry, including expansion and growth strategies by competitors, (5) the production schedules of our customers and suppliers, (6) the effects of the weather and (7) labor costs, labor shortages and available capacity to meet customer demand for our products. These factors, among others, make it difficult to project our operating results and cash flows on a consistent basis, which may affect the price of our stock.

Operational and Strategic Risks

We may be unable to successfully implement our growth strategy, which includes increasing sales of our prefabricated components and other value-added products, pursuing strategic acquisitions, opening new facilities, implementing operational excellence, pursuing digitization opportunities and initiatives, and maintaining a balanced debt level.

Our long-term strategy depends in part on growing our sales of prefabricated components and other value-added products, increasing our market share, and implementing various initiatives to increase our operational efficiency, improve our margins, optimize our pricing strategies, and streamline the customer experience. If any of these initiatives are not successful, or require extensive investment, our growth may be limited, and we may be unable to achieve or maintain expected levels of growth and profitability.

Our long-term business plan also provides for continued growth through strategic acquisitions and organic growth through the construction of new facilities or the expansion of existing facilities. Failure to identify and acquire suitable acquisition candidates on appropriate terms could have a material adverse effect on our growth strategy. Moreover, our liquidity position, or the requirements of our debt instruments could prevent us from obtaining the capital required to effect new acquisitions or expand our existing facilities. Our failure to make successful acquisitions or to build or expand needed facilities, including manufacturing facilities, produce saleable product, or meet customer demand in a timely manner could adversely affect our financial condition, operating results, and cash flows. A negative impact on our financial condition, operating results and cash flows, or our decision to invest in strategic acquisitions or new facilities, could adversely affect our ability to maintain a balanced debt level.

Furthermore, we have made significant investments, and intend to continue to invest, in technology solutions designed to increase the efficiency of the homebuilding process. There is no guarantee that such solutions will be effective, will be adopted by our customers, will be able to compete with alternative technology solutions, including from start-up and more well established technology companies or our competitors, or that we will realize the anticipated benefits from our investments in these solutions. As a result, we may suffer losses on these investments or lose market share if competing technology solutions are more widely adopted than the technology solutions we are developing.

We have consummated a number of strategic acquisitions as part of our growth strategy and intend to continue to pursue strategic acquisitions in the future as part of our growth strategy. Strategic acquisitions involve risks and if we are unable to realize the anticipated benefits of these transactions or identify suitable acquisition candidates in the future our growth, financial condition and results of operations could be materially and adversely affected

Strategic acquisitions are an important part of our growth strategy and we seek to identify attractive acquisitions opportunities that we believe will be accretive and result in increased sales and EBITDA, cost savings, synergies and various other benefits. Assessing the viability and realizing the benefits of these transactions is subject to significant uncertainty. Additionally, in connection with evaluating potential strategic transactions, we may incur significant expenses for the evaluation and due diligence investigation and negotiation of any potential transaction. Furthermore, multiples for acquisition targets have generally increased over the past few years and we face increased competition from other acquirors for attractive acquisition opportunities. As a result, we may not be able to consummate acquisitions on favorable terms, if at all. We may also not be able to obtain necessary approvals to consummate acquisitions. An inability to continue to identify and consummate attractive acquisitions could adversely affect our growth.

If we complete an acquisition, we need to successfully integrate the target company's products, services, associates and systems into our business operations in order to realize the anticipated benefits from an acquisition. Integration can be a complex and time-consuming process, and if the integration is not fully successful or is delayed for a material period of time, we may not achieve the anticipated synergies or benefits of the acquisition. Although we have been successful in the past with the integration of numerous acquisitions, we may not be able to successfully integrate the operations of any future acquired businesses, including the recent BMC Merger, with our own in an efficient and cost-effective manner or without significant disruption to our or the acquired companies' existing operations. Furthermore, even if a target company is successfully integrated, an acquisition may fail to further our business strategy as anticipated, expose us to increased competition or challenges with respect to our products or services, and expose us to additional liabilities. Any impairment of goodwill or other intangible assets acquired in a strategic transaction may reduce our earnings. Moreover, acquisitions involve significant risks and uncertainties, including uncertainties as to the future financial performance of the acquired business, the achievement of expected synergies, difficulties integrating acquired personnel and corporate cultures into our business, the potential loss of key employees, customers or suppliers, difficulties in integrating different computer and accounting systems, exposure to unforeseen liabilities of acquired companies and the diversion of management attention and resources from existing operations. We may be unable to successfully complete potential acquisitions due to multiple factors, such as issues related to regulatory review of the proposed transactions. We may also be required to incur additional debt or issue additional shares of our common stock in order to consummate acquisitions in the future. Potential new debt may be substantial and may limit our flexibility in using our cash flow from operations. The issuance of new shares of our common stock could dilute the equity value of our existing stockholders. Our failure to fully integrate future acquired businesses effectively or to manage other consequences of our acquisitions, including increased indebtedness, could prevent us from remaining competitive and, ultimately, could adversely affect our financial condition, operating results and cash flows

We are subject to competitive pricing pressure from our customers.

Production homebuilders and multi-family builders historically have exerted and will continue to exert significant pressure on their outside suppliers, including on us, to keep prices low because of their market share and their ability to leverage such market share in the highly fragmented building products supply industry. Given this pricing pressure, we may not be able to pass along price increases for lumber, wood products and other building products to our customers, which could impact our margins. In addition, continued consolidation among production homebuilders or multi-family and commercial builders, or changes in such builders' purchasing policies or payment practices, could result in additional pricing pressure, and our financial condition, operating results and cash flows may be adversely affected.

Furthermore, in periods of economic downturn these pricing pressures tend to increase. As a result, we may face heightened pricing pressures in the event of an economic downturn resulting from the continuing COVID-19 pandemic or otherwise, and our financial condition, operating results and cash flows may be adversely affected.

The loss of any of our significant customers or a reduction in the quantity of products they purchase could affect our financial health.

Our ten largest customers generated approximately 18% of our net sales for the year ended December 31, 2021. We cannot guarantee that we will maintain or improve our relationships with these customers or that we will supply these customers at historical levels. Moreover, in the event of any downturn, some of our homebuilder customers may exit or severely curtail building activity in certain of our markets.

In addition, production homebuilders, multi-family builders and other customers may: (1) seek to purchase some of the products that we currently sell directly from manufacturers, (2) elect to establish their own building products manufacturing and distribution facilities or (3) give advantages to manufacturing or distribution intermediaries in which they have an economic stake. Continued consolidation among production homebuilders could also result in a loss of some of our present customers to our competitors. The loss

of one or more of our significant customers or deterioration in our relations with any of them could significantly affect our financial condition, operating results and cash flows. Furthermore, our customers are not required to purchase any minimum amount of products from us. The contracts into which we have entered with most of our professional customers typically provide that we supply particular products or services for a certain period of time when and if ordered by the customer. Should our customers purchase our products in significantly lower quantities than they have in the past, such decreased purchases could have a material adverse effect on our financial condition, operating results and cash flows.

Product shortages, loss of key suppliers, and our dependence on third-party suppliers and manufacturers could affect our financial health.

Our ability to offer a wide variety of products to our customers is dependent upon our ability to obtain adequate product supply from manufacturers and other suppliers. Generally, our products are obtainable from various sources and in sufficient quantities. However, as noted above, the COVID-19 pandemic has caused significant disruptions and delays in the manufacture and distribution of building products throughout the industry supply chain, resulting in shortages and shipping delays of several categories of building products, including windows and lumber. The loss of, or an ongoing substantial decrease in the availability of products from our suppliers or the loss of key supplier arrangements could adversely impact our financial condition, operating results, and cash flows.

Although in many instances we have agreements with our suppliers, these agreements are generally terminable by either party on limited notice. Failure by our suppliers to continue to supply us with products on commercially reasonable terms, or at all, could put pressure on our operating margins or have a material adverse effect on our financial condition, operating results and cash flows. Short-term changes in the cost of these materials, some of which are subject to significant fluctuations, are oftentimes, but not always, passed on to our customers. Our delayed ability to pass on material price increases to our customers could adversely impact our financial condition, operating results and cash flows.

Furthermore, the inability of our suppliers to meet our supply needs in a timely manner or our quality standards could cause delays to delivery date requirements of our customers. Such failures could result in the cancellation of orders, customers' refusal to accept deliveries, a reduction in purchase prices, and ultimately, termination of customer relationships, any of which could have a material adverse effect on our business, financial condition, results of operations and liquidity. In that case, we may be required to seek alternative sources of materials or products. Our inability to identify and secure alternative sources of supply could have a material and adverse effect on our ability to satisfy customer orders. While we have largely been able to manage these supply chain disruptions to date, there is no guarantee that we will be able to do so in the future.

Failure to attract and retain our key employees and the impact of our recent leadership changes may adversely impact our ability to successfully execute our business strategies.

Our success depends in part on our ability to attract, hire, train and retain qualified managerial, operational, sales and other personnel. We face significant competition for these types of employees in our industry and from other industries. We may be unsuccessful in attracting and retaining the personnel we require to conduct and expand our operations successfully. In addition, key personnel may leave us and compete against us. Our success also depends to a significant extent on the continued service of our senior management team. We may be unsuccessful in replacing key managers who either resign or retire. The loss of any member of our senior management team or other experienced senior employees could impair our ability to execute our business plan, cause us to lose customers and reduce our net sales, or lead to employee morale problems and/or the loss of other key employees. In any such event, our financial condition, operating results and cash flows could be adversely affected.

Furthermore, business combinations such as the BMC Merger increase the risk of employee retention and we may not be successful in retaining the talents and dedication of the professionals previously separately employed by us and BMC. It is possible that these employees may decide not to remain with us. If key employees terminate their employment, or if an insufficient number of employees are retained to maintain effective operations, our business activities may be adversely affected and management's attention may be diverted from successfully integrating the operations of BMC into our existing operations to hiring suitable replacements, all of which may have an adverse impact on our business and results of operations. We also underwent significant leadership changes in connection with the BMC Merger. Any significant leadership changes involve inherent risk and any failure to ensure the effective transfer of knowledge and a smooth transition could hinder our strategic planning, execution and future performance.

In addition, competition for non-management employees has increased significantly since the COVID-19 pandemic resulting in higher labor costs and labor shortages at our facilities. As a result, we may continue to face higher operating expenses and may lose revenue opportunities if we lack capacity due to labor shortages to meet customer demand. While only a small percentage of our workforce is unionized, there can be no assurance that additional employees will not conduct union organization campaigns or become union members in the future and a failure to renew existing collective bargaining agreements on favorable terms could lead to further labor shortages and higher labor costs.

We may be adversely affected by any disruption in our respective information technology systems.

Our operations are dependent upon our information technology systems, which encompass all of our major business functions. Our primary ERP systems are proprietary systems that have been highly customized by our computer programmers. Our centralized financial reporting system currently draws data from our ERP systems. We rely upon our information technology systems to run critical accounting and financial information systems, process receivables, manage and replenish inventory, fill and ship customer orders on a timely basis, and coordinate our sales activities across all products and services. A substantial disruption in our information technology systems for any prolonged time period could result in problems and delays in generating critical financial and operational information, processing receivables, receiving inventory and supplies and filling customer orders. These disruptions could adversely affect our operating results as well as our customer service and relationships. Our systems, or those of our significant customers or suppliers, might be damaged or interrupted by natural or man-made events or by computer viruses, physical or electronic break-ins, or similar disruptions affecting the global Internet. In addition, we rely on a number of third-party service providers to execute certain business processes and maintain certain information technology systems and infrastructure, and any breach of security or disruption in their systems could impair our ability to operate effectively. Such disruptions, delays, problems, or associated costs relating to our systems or those of our significant customers, suppliers or third-party providers could have a material adverse effect on our financial condition, operating results and cash flows.

We are subject to cybersecurity risks and expect to incur increasing costs in an effort to minimize those risks.

Our business employs systems that allow for the secure storage and transmission of customers', vendors' and employees' proprietary information. Security breaches could expose us to a risk of loss or misuse of this information, litigation and potential liability. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Any compromise of our security could result in a violation of applicable privacy and other laws, significant legal and financial exposure, damage to our reputation and a loss of confidence in our security measures, which could harm our business. The regulatory environment related to information security and privacy is increasingly rigorous, with new and constantly changing requirements applicable to our business, and compliance with those requirements could result in additional costs. Our computer systems have been, and will likely continue to be, subjected to computer viruses or other malicious codes, unauthorized access attempts and cyber- or phishing-attacks. These events could compromise ours' and our customers' and suppliers' confidential information, impede or interrupt our business operations, and could result in other negative consequences, including remediation costs, loss of revenue, litigation and reputational damage. While we have not experienced any material losses relating to cyber-attacks or other information security breaches to date, we have been the subject of attempted hacking and cyber-attacks and there can be no assurance that we will not suffer such significant losses in the future. As cyber-attacks become more sophisticated, we expect to incur increasing costs to strengthen our systems from outside intrusions. While we have implemented administrative and technical controls and have taken other preventive actions to reduce the risk of cyber incidents and protect our information technology, they may be insufficient to prevent physical and electronic break-ins, cyber-attacks or other security breaches to our computer systems.

Changes in our customer or product sales mix affect our operating results.

Our operating results vary according to the amount and type of products we sell to each of our primary customer types: single-family homebuilders, remodeling contractors, and multi-family, commercial and other contractors. We tend to realize higher gross margins on sales to remodeling contractors due to the smaller product volumes purchased by those customers, as well as the more customized nature of the projects those customers generally undertake. Gross margins on sales to single-family, multi-family, commercial and other contractors vary based on a variety of factors, including the purchase volumes of the individual customer, the mix of products sold to that customer, the cost to serve that customer, the size and selling price of the project being constructed and the number of upgrades added to the project before or during its construction.

We generate significant business from the large single-family homebuilders; however, our gross margins on sales to them tend to be lower than our gross margins on sales to other market segments. A shift in our sales mix towards the larger homebuilders could negatively impact our gross margins.

In addition, we typically realize higher gross margins on more highly engineered and customized products, or ancillary products that are often purchased based on convenience and are therefore less price sensitive to our customers. For example, sales of lumber and lumber sheet goods tend to generate lower gross margins due to their commodity nature and the relatively low switching costs of sourcing those products from different suppliers. Structural components and millwork, doors and windows often generate higher gross margins relative to other products. A shift in our sales mix towards the lumber and lumber sheet goods product category could negatively impact our gross margins.

The implementation of our supply chain and technology initiatives could disrupt our operations, and these initiatives might not provide the anticipated benefits or might fail.

We have made, and we plan to continue to make, significant investments in our supply chain and technology. These initiatives are designed to streamline our operations to allow our employees to continue to provide high quality service to our customers, while simplifying customer interaction and providing our customers with a more interconnected purchasing experience. The cost and potential problems and interruptions associated with the implementation of these initiatives, including those associated with managing third-party service providers and employing new web-based tools and services, could disrupt or reduce the efficiency of our operations. In the event that we continue to grow, there can be no assurance that we will be able to keep up, expand or adapt our IT infrastructure to meet evolving demand on a timely basis and at a commercially reasonable cost, or at all. In addition, our improved supply chain and new or upgraded technology might not provide the anticipated benefits, it might take longer than expected to realize the anticipated benefits or the initiatives might fail altogether.

Furthermore, our customers are continuing to increasingly demand and rely on increased technology in their operations. We anticipate digitization trends in the home-building industry to continue and have made significant investments in technology solutions to further drive digitization of the home-building industry. While we believe such trends present opportunities for our business, we may be unsuccessful in keeping pace with the development of such technologies, which could result in loss of customers.

We occupy most of our facilities under long-term non-cancelable leases. We may be unable to renew leases at the end of their terms. If we close a facility, we are still obligated under the applicable lease.

Most of our facilities are leased. Many of our leases are non-cancelable, typically have initial expiration terms ranging from five to 15 years and most provide options to renew for specified periods of time. We believe that leases we enter into in the future will likely be for similar terms (five to 15 years), will be non-cancelable and will feature similar renewal options. If we close or idle a facility we would remain committed to perform our obligations under the applicable lease, which would include, among other things, payment of the base rent, insurance, taxes and other expenses on the leased property for the balance of the lease term. We have closed or idled a number of facilities for which we continue to remain liable. Our obligation to continue making rental payments with respect to leases for closed or idled facilities could have a material adverse effect on our business and results of operations. At the end of a lease term, for those locations where we have no renewal options remaining, we may be unable to renew the lease without additional cost, if at all. If we are unable to renew our facility leases, we may close or, if possible, relocate the facility, which could subject us to additional costs and risks which could have a material adverse effect on our business. Additionally, the revenue and profit generated at a relocated facility may not equal the revenue and profit generated at the former operation.

Integrating the business of BMC into our existing business may be more difficult, costly or time-consuming than expected, and we may fail to realize the anticipated benefits of the BMC Merger, which may adversely affect our business results and negatively affect the value of our common stock following the BMC Merger.

The success of the BMC Merger will depend on, among other things, our continued ability to integrate the business of BMC into our existing business in a manner that facilitates growth opportunities and realizes cost savings. Our goal is to achieve the anticipated growth and cost savings without adversely affecting current revenues and investments in future growth. While our integration of BMC has been largely successful to date, anticipated growth and cost savings, may be lower than what we expect and may take longer to achieve than anticipated, which could have an adverse effect on our revenues, level of expenses and operating results.

In addition, the continued integrating of the business of BMC into our existing business may result in additional and unforeseen expenses, and the anticipated benefits of our integration plan may not be fully realized. If we are not able to adequately address integration challenges, we may be unable to fully realize the anticipated benefits of the integration of BMC's operations into our existing business. If we are not able to successfully achieve these objectives, the anticipated benefits of the BMC Merger may not be realized fully, or may take longer to realize than expected. An inability to realize the full extent of the anticipated benefits of the BMC Merger, as well as any delays encountered in the integration process, could have an adverse effect upon our revenues, level of expenses and operating results, which may adversely affect the value of our common stock.

We will incur significant integration costs in connection with the BMC Merger.

We have incurred and expect to incur a number of non-recurring costs associated with combining the operations of BMC into our existing operations. These costs and expenses include fees paid to financial, legal and accounting advisors, facilities and systems consolidation costs, severance and other potential employment-related costs, and other related charges. There are also a large number of processes, policies, procedures, operations, technologies and systems that must be integrated as part of integrating BMC's operations into our existing operations. While we anticipated that a certain level of expenses would be incurred in connection with the BMC Merger, there are many factors beyond our control that could affect the total amount or the timing of the integration and implementation expenses.

There may also be additional unanticipated significant costs in connection with the BMC Merger that we may not recoup. These costs and expenses could reduce the realization of efficiencies, strategic benefits and additional income we expect to achieve from the BMC Merger. Although we expect that these benefits will offset the transaction expenses and implementation costs over time, this net benefit may not be achieved in the near term or at all

Financial and Liquidity Risks

Our level of indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, and prevent us from meeting our obligations under our debt instruments.

As of December 31, 2021, our debt totaled \$2,957.3 million, which includes \$206.8 million of finance lease and other finance obligations. As of December 31, 2021, we also had a \$1.4 billion revolving credit facility which was extended in December 2021 to a maturity date of December 17, 2026 (“2026 facility”) and increased on February 4, 2022 to \$1.8 billion. We had \$588.0 million in outstanding borrowings and \$126.4 million of letters of credit outstanding as of December 31, 2021 under the 2026 facility. In addition, we also have \$472.0 million in obligations under operating leases. Subsequent to December 31, 2021, the Company also completed a private offering of an additional \$300.0 million in aggregate principal amount of 2032 notes.

Our level of indebtedness could have important consequences to us, including:

- make it more difficult for us to satisfy our obligations with respect to our other indebtedness, resulting in possible defaults on and acceleration of such indebtedness;
- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of our operating cash flow to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our liquidity and our ability to use our cash flow to fund our operations, capital expenditures, future business opportunities, share repurchases and retirement of debt;
- exposing us to the risk of increased interest rates, and corresponding increased interest expense, because borrowings under the 2026 facility are at variable rates of interest;
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions, and general corporate or other purposes;
- limiting our ability to adjust to changing marketplace conditions and placing us at a competitive disadvantage compared to our competitors who may have less debt; and
- limiting our attractiveness as an investment opportunity for potential investors.

In addition, our debt instruments contain cross-default provisions that could result in our debt being declared immediately due and payable under a number of debt instruments, even if we default on only one debt instrument. In such event, it is possible that we would not be able to satisfy our obligations under all of such accelerated indebtedness simultaneously.

Our financial condition and operating performance, including that of our subsidiaries, are also subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. There are no assurances that we will maintain a level of liquidity sufficient to permit us to pay the principal, premium and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital, or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations in an effort to meet our debt service and other obligations. The agreements governing our debt instruments restrict our ability to dispose of assets and to use the proceeds from such dispositions. We may not be able to consummate those dispositions or be able to obtain the proceeds that we could realize from them, and these proceeds may not be adequate to meet any debt service obligations then due.

We may have future capital needs and may not be able to obtain additional financing on acceptable terms.

We are substantially reliant on cash on hand and borrowing availability under the 2026 facility, which totaled \$728.2 million at December 31, 2021, to provide working capital and fund our operations. Our working capital requirements are likely to grow as we continue to grow organically and through acquisitions. Our inability to renew, amend or replace our debt instruments when required or when business conditions warrant could have a material adverse effect on our business, financial condition and results of operations.

Economic and credit market conditions, the performance of our industry, and our financial performance, as well as other factors, may constrain our financing abilities. Our ability to secure additional financing, if available, and to satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, the availability of credit, economic conditions and financial, business and other factors, many of which are beyond our control. Significant worsening of current housing market conditions or the macroeconomic factors that affect our industry could require us to seek additional capital and have a material adverse effect on our ability to secure such capital on favorable terms, if at all.

We may be unable to secure additional financing, financing on favorable terms or our operating cash flow may be insufficient to satisfy our financial obligations under indebtedness outstanding from time to time. The agreements governing our debt instruments, moreover, restrict the amount of permitted indebtedness allowed. In addition, if financing is not available when needed, or is available on unfavorable terms, we may be unable to take advantage of business opportunities, including potential acquisitions, or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition, and results of operations. If additional funds are raised through the issuance of additional equity or convertible debt securities, our stockholders may experience significant dilution.

We may incur additional indebtedness.

We may incur additional indebtedness in the future, including collateralized debt, subject to the restrictions contained in the agreements governing our debt instruments. If new debt is added to our current debt levels, the related risks that we now face could intensify.

Our debt instruments contain various covenants that limit our ability to operate our business.

Our financing arrangements, including the agreements governing our debt instruments, contain various provisions that limit our ability to, among other things:

- transfer or sell assets, including the equity interests of our restricted subsidiaries, or use asset sale proceeds;
- incur additional debt;
- pay dividends or distributions on our capital stock or repurchase our capital stock;
- make certain restricted payments or investments;
- create liens to secure debt;
- enter into transactions with affiliates;
- merge or consolidate with another company or continue to receive the benefits of these financing arrangements under a “change in control” scenario (as defined in those agreements); and
- engage in unrelated business activities.

The agreement governing the 2026 facility contains a financial covenant requiring the satisfaction of a minimum fixed charge ratio of 1.00 to 1.00 if our excess availability falls below the greater of \$80.0 million or 10% of the maximum borrowing amount, which was \$140.0 million as of December 31, 2021.

These provisions may restrict our ability to expand or fully pursue our business strategies. Our ability to comply with the agreements governing our debt instruments may be affected by changes in our operating and financial performance, changes in general business and economic conditions, adverse regulatory developments, a change in control or other events beyond our control. The breach of any of these provisions could result in a default under our indebtedness, which could cause those and other obligations to become due and payable. If any of our indebtedness is accelerated, we may not be able to repay it.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly.

Interest rates may increase in the future. As a result, interest rates on our 2026 facility could be higher or lower than current levels. As of December 31, 2021, we had approximately \$588.0 million, or 19.9%, of our outstanding debt at variable interest rates. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease. Further, an increase in interest rates could also trigger a limitation on the deductibility of those interest costs, increasing our tax expense and further decreasing our net income and cash flows. In recent years, the Company has executed several debt transactions designed to reduce debt, extend maturities or lower our interest rates. The Company is likely to execute similar debt

transactions in the future. However, there can be no assurance that we will be successful in anticipating the direction of interest rates or changes in market conditions, which could result in future debt transactions having a material adverse impact on our financial condition, operating results and cash flows.

A 1.0% increase in interest rates on the 2026 facility would result in approximately \$5.9 million in additional interest expense annually as we had \$588.0 million in outstanding borrowings as of December 31, 2021. The 2026 facility also assesses variable commitment and outstanding letter of credit fees based on quarterly average loan utilization.

If the housing market declines, we may be required to take impairment charges relating to our operations or temporarily idle or permanently close under-performing locations.

If conditions in the housing industry deteriorate we may need to take goodwill and/or asset impairment charges relating to certain of our reporting units. Any such non-cash charges would have an adverse effect on our financial results. In addition, in response to industry conditions, we may have to temporarily idle or permanently close certain facilities in under-performing regions. Any such facility closures could have a significant adverse effect on our financial condition, operating results and cash flows.

We do not have any current plan to pay dividends on our common stock, and as a result, your ability to achieve a return on your investment in our common stock may be limited to any increases in the price of our common stock.

We anticipate that we will retain future earnings and other cash resources for the future operation and development of our business, including acquisitions, and to fund potential share repurchases and debt reduction. Accordingly, we do not expect to declare or pay regular cash dividends on our common stock in the near future. Our board of directors may approve the payment of future dividends after taking into account many factors, including our operating results, financial condition, current and anticipated cash needs, plans for expansion, and any restrictions on the payment of such dividends by the terms of our outstanding indebtedness.

Our inability to effectively deploy our excess capital may negatively affect return on equity and stockholder value.

Throughout 2021, we generated significant excess cash flows. Our business plan calls for us to execute a variety of strategies to deploy excess capital including, but not limited to, continued organic balance sheet growth and the consideration of potential acquisition opportunities to further deploy our excess capital when we expect such opportunities to significantly enhance long-term stockholder value. We have also repurchased approximately \$2.0 billion of our shares since January 2021 and intend to continue repurchasing shares pursuant to the additional \$1.0 billion share repurchase authorization approved by our board of directors and announced on February 18, 2022. Our inability to effectively and timely deploy our excess capital through these strategies may constrain growth in earnings and return on equity and thereby diminish potential growth in stockholder value.

Legal and Compliance Risks

The nature of our business exposes us to product liability, product warranty, casualty, construction defect, asbestos, vehicle and other claims and legal proceedings.

We are involved in product liability, product warranty, casualty, construction defect, asbestos, vehicle and other claims relating to the products we manufacture and distribute, and services we provide or have provided that, if adversely determined, could adversely affect our financial condition, operating results, and cash flows. We rely on manufacturers and other suppliers to provide us with many of the products we sell and distribute. Because we have no direct control over the quality of such products manufactured or supplied by such third-party suppliers, we are exposed to risks relating to the quality of such products. The Company has a number of known and threatened construction defect legal claims. We are also involved in several asbestos personal injury suits due to the alleged sale of asbestos-containing products by legacy businesses that we acquired. In addition, we are exposed to potential claims arising from the conduct of our respective employees and subcontractors, and builders and their subcontractors, for which we may be contractually liable. Although we currently maintain what we believe to be suitable and adequate insurance in excess of our self-insured amounts, there can be no assurance that we will be able to maintain such insurance on acceptable terms or that such insurance will provide adequate protection against potential liabilities. Product liability, product warranty, casualty, construction defect, asbestos, vehicle, and other claims can be expensive to defend and can divert the attention of management and other personnel for significant periods, regardless of the ultimate outcome. Claims of this nature could also have a negative impact on customer confidence in our products and our company. In addition, we are involved on an ongoing basis in other types of legal proceedings, such as workers' compensation proceedings. We cannot assure you that any current or future claims against us will not adversely affect our financial condition, operating results and cash flows.

Federal, state, local and other regulations could impose substantial costs and/or restrictions on our operations that would reduce our net income.

We are subject to various federal, state, local and other regulations, including, among other things, regulations promulgated by the Department of Transportation and applicable to our fleet of delivery trucks, work safety regulations promulgated by the Department of Labor's Occupational Safety and Health Administration, employment regulations promulgated by the United States Equal Employment Opportunity Commission, tariff regulations on imported products promulgated by the Federal government, accounting standards issued by the Financial Accounting Standards Board ("FASB") or similar entities, state and local regulations relating to our escrow business, and state and local zoning restrictions and building codes. More burdensome regulatory requirements in these or other areas may increase our general and administrative costs and adversely affect our financial condition, operating results and cash flows. Moreover, failure to comply with the regulatory requirements applicable to our business could expose us to substantial penalties that could adversely affect our financial condition, operating results and cash flows.

Future changes to tax laws and regulations could have an adverse impact on our business.

We are subject to income and other taxes in the United States. We are subject to ongoing tax audits in various jurisdictions. We regularly assess the likely outcome of these audits in order to determine the appropriateness of our tax provision. However, there can be no assurance that we will accurately predict the outcome of these audits, and the amounts ultimately paid upon resolution of audits could be materially different from the amounts previously included in our income tax expense and therefore could have a material impact on our tax provision, net income and cash flows. In addition, our effective tax rate in the future could be adversely affected by changes to our operating structure, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, and the discovery of new information in the course of our tax return preparation. Any future changes in federal and state tax laws and regulations could have an adverse direct impact on our corporate taxes and/or an adverse indirect impact such as making purchasing a home less attractive, which could reduce demand for homes. Adverse impacts from any future changes in federal and state laws and regulations on our business could include an adverse impact on our financial condition, operating results and cash flows.

We are subject to potential exposure to environmental liabilities and are subject to environmental regulation.

We are subject to various federal, state and local environmental laws, ordinances and regulations. Although we believe that our facilities are in material compliance with such laws, ordinances, and regulations, as owners and lessees of real property, we can be held liable for the investigation or remediation of contamination on such properties, in some circumstances, without regard to whether we knew of or were responsible for such contamination. No assurance can be provided that remediation may not be required in the future as a result of spills or releases of petroleum products or hazardous substances, the discovery of unknown environmental conditions, more stringent standards regarding existing residual contamination, or changes in legislation, laws, rules or regulations. More burdensome environmental regulatory requirements may increase our general and administrative costs and adversely affect our financial condition, operating results and cash flows.

General Risks

We may be adversely affected by uncertainty in the economy and financial markets, including as a result of terrorism, unrest, or pandemics.

Instability in the economy and financial markets, including as a result of terrorism, unrest or pandemics, including COVID-19, may result in a decrease in housing starts, which would adversely affect our business. In addition, such adverse developments, may cause unpredictable or unfavorable economic conditions and could have a material adverse effect on our financial condition, operating results, and cash flows. Any shortages of fuel or significant fuel cost increases related to geopolitical conditions, or other factors, could seriously disrupt our ability to distribute products to our customers. In addition, domestic terrorist attacks, civil unrest and outbreaks of disease may affect our ability to keep our operations and services functioning properly and could have a material adverse effect on our financial condition, operating results and cash flows.

We may be adversely affected by any natural or man-made disruptions to our operations and our distribution and manufacturing facilities.

We currently maintain a broad network of distribution and manufacturing facilities throughout the U.S. Any widespread disruption to our operations resulting from fire, earthquake, weather-related events (such as tornadoes, hurricanes, flooding and other storms), other natural disasters, an act of terrorism or any other cause could damage multiple facilities and a significant portion of our inventory and could materially impair our ability to distribute our products to customers. Moreover, we could incur significantly higher costs and longer lead times associated with distributing our products to our customers during the time that it takes for us to

reopen or replace a damaged facility. If any of these events were to occur, our financial condition, operating results and cash flows could be materially adversely affected.

In addition, general weather patterns affect our operating results throughout the year, with adverse weather historically reducing construction activity in the first and fourth quarters in the regions in which we primarily operate. Adverse weather events, natural disasters or similar events, including as a result of climate change, could generally reduce or delay construction activity, which could adversely impact our financial condition, operating results and cash flows. Furthermore, if certain regions where we have made significant investments become less desirable for new home building due to the frequency of adverse weather events or climate change, we could incur significant losses at our facilities throughout these regions

The price of our common stock is volatile and may decline.

The market price of our common stock historically has experienced and may continue to experience significant price fluctuations similar to those experienced by the broader stock market in recent years. For example, between January 1, 2021 and December 31, 2021, the closing price of our common stock on the NASDAQ (through July 16, 2021) or on the NYSE (from July 19, 2021) ranged from \$37.94 to \$85.71 per share. In addition, the price of our common stock may fluctuate significantly in response to various factors, including:

- actual or anticipated fluctuations in our results of operations;
- announcements by us or our competitors of significant business developments, changes in customer relationships, acquisitions, or expansion plans;
- changes in the prices of products we sell;
- involvement in litigation;
- our sale or repurchases of common stock or other securities in the future;
- market conditions in our industry;
- changes in key personnel;
- changes in market valuation or earnings of our competitors;
- the trading volume of our common stock;
- changes in the estimation of the future size and growth rate of our markets; and
- general economic and market conditions.

Broad market and industry factors may materially harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against that company.

If we were involved in any similar litigation we could incur substantial costs and our management's attention and resources could be diverted, which could adversely affect our financial condition, results of operations and cash flows. As a result, it may be difficult for you to resell your shares of common stock in the future.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We have a broad network of distribution and manufacturing facilities in 42 states throughout the U.S. Based on available 2021 U.S. Census data, we have operations in 47 of the top 50 and 85 of the top 100 U.S. Metropolitan Statistical Areas, as ranked by single family housing permits in 2021.

Distribution centers typically include 10 to 15 acres of outside storage, a 45,000 square foot warehouse, 4,000 square feet of office space, and 15,000 square feet of covered storage. The outside area provides space for lumber storage and a staging area for delivery while the warehouse stores millwork, windows and doors. The distribution centers are usually located in industrial areas with

low cost real estate and easy access to freeways to maximize distribution efficiency and convenience. Many of our distribution centers are situated on rail lines for efficient receipt of goods.

Our manufacturing facilities produce trusses, wall panels, engineered wood, windows, pre-hung doors and custom millwork. Where efficient, they are located on the same premises as our distribution facilities. Truss and panel manufacturing facilities vary in size from 30,000 square feet to 60,000 square feet with eight to 10 acres of outside storage for lumber and for finished goods. Our window manufacturing facility in Houston, Texas is approximately 200,000 square feet.

We contractually lease approximately 415 facilities and own approximately 150 facilities. These leases typically have an initial lease term of five to 15 years and most provide options to renew for specified periods of time. A majority of our leases provide for fixed annual rentals. Certain of our leases include provisions for escalating rent, as an example, based on changes in the consumer price index. Most of the leases require us to pay taxes, insurance and common area maintenance expenses associated with the properties. As described in Note 9 to the consolidated financial statements included in Item 8 of this annual report on Form 10-K, 121 of our leased facilities are subject to a sales-lease back transaction that is accounted for in our financial statements as owned assets with offsetting financing obligations.

In addition, we operate a fleet of approximately 17,700 rolling stock units, which includes approximately 7,700 trucks and 7,100 forklifts as well as trailers to deliver products from our distribution and manufacturing centers to our customers' job sites. Through our emphasis on local market flexibility and strategically placed locations, we minimize shipping and freight costs while maintaining a high degree of local market expertise. Through knowledge of local homebuilder needs, customer coordination and rapid restocking ability, we reduce working capital requirements and guard against out-of-stock products. We believe that this reliability is highly valued by our customers and reinforces customer relationships.

Item 3. Legal Proceedings

The Company has a number of known and threatened construction defect legal claims. While these claims are generally covered under the Company's existing insurance programs to the extent any loss exceeds the deductible, there is a reasonable possibility of loss that is not able to be estimated at this time because (i) many of the proceedings are in the discovery stage, (ii) the outcome of future litigation is uncertain, and/or (iii) the complex nature of the claims. Although the Company cannot estimate a reasonable range of loss based on currently available information, the resolution of these matters could have a material adverse effect on the Company's financial position, results of operations or cash flows.

In addition, we are involved in various other claims and lawsuits incidental to the conduct of our business in the ordinary course. We carry insurance coverage in such amounts in excess of our self-insured retention as we believe to be reasonable under the circumstances and that may or may not cover any or all of our liabilities in respect of such claims and lawsuits. Although the ultimate disposition of these other proceedings cannot be predicted with certainty, management believes the outcome of any such claims that are pending or threatened, either individually or on a combined basis, will not have a material adverse effect on our consolidated financial position, cash flows or results of operations. However, there can be no assurances that future adverse judgments and costs would not be material to our results of operations or liquidity for a particular period.

Although our business and facilities are subject to federal, state and local environmental regulation, environmental regulation does not have a material impact on our operations. We believe that our facilities are in material compliance with such laws and regulations. As owners and lessees of real property, we can be held liable for the investigation or remediation of contamination on such properties, in some circumstances without regard to whether we knew of or were responsible for such contamination. Our current expenditures with respect to environmental investigation and remediation at our facilities are minimal, although no assurance can be provided that more significant remediation may not be required in the future as a result of spills or releases of petroleum products or hazardous substances or the discovery of unknown environmental conditions.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

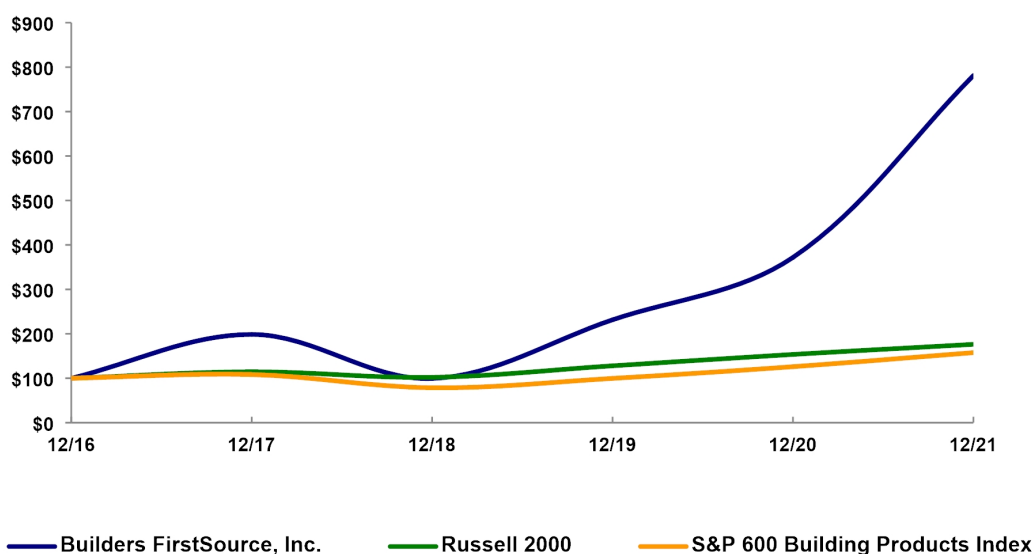
Our common stock is traded on the NYSE under the symbol “BLDR”. The approximate number of stockholders of record of our common stock as of February 23, 2022 was 96.

We currently do not pay dividends. Any future determination relating to dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including restrictions in our debt instruments, as well as our future earnings, capital requirements, financial condition, prospects and other factors that our board of directors may deem relevant. Our debt agreements currently restrict our ability to pay dividends. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” contained in Item 7 of this annual report on Form 10-K.

The graph below matches the cumulative 5-Year total return of holders of Builders FirstSource, Inc.’s common stock with the cumulative total returns of the Russell 2000 index and the S&P 600 Building Products index. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was \$100 on December 31, 2016 and tracks it through December 31, 2021.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Builders FirstSource, Inc., the Russell 2000 Index, and S&P 600 Building Products Index



*\$100 invested on 12/31/16 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

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	12/16	12/17	12/18	12/19	12/20	12/21
Builders FirstSource, Inc.	100.00	198.63	99.45	231.63	372.01	781.31
Russell 2000	100.00	114.65	102.02	128.06	153.62	176.39
S&P 600 Building Products Index	100.00	108.38	78.68	99.77	126.08	157.71

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

The information regarding securities authorized for issuance under equity compensation plans appears in our definitive proxy statement for our annual meeting of stockholders to be held on June 14, 2022 under the caption “Equity Compensation Plan Information,” which information is incorporated herein by reference.

Company Stock Repurchases

The following table provides information with respect to our purchases of Builders FirstSource, Inc. common stock during the fourth quarter of fiscal year 2021:

Period	Total Number of Shares Purchased	Average Price Paid per Share (including fees)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs
October 1, 2021 — October 31, 2021	4,475,045	\$ 56.01	4,474,200	\$ 171,531,266
November 1, 2021 — November 30, 2021	3,128,981	70.10	3,128,800	952,276,139
December 1, 2021 — December 31, 2021	8,898,768	78.65	8,898,000	252,635,195
Total	16,502,794	\$ 70.89	16,501,000	\$ 252,635,195

In the fourth quarter of 2021, 16,501,000 share were repurchased and retired pursuant to the total \$2.0 billion share repurchase plan authorized by our board of directors, including an incremental \$1.0 billion share repurchase authorization in November 2021. The remaining 1,794 shares presented in the table above represent shares tendered in order to meet tax withholding requirements for restricted stock units vested.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related footnotes contained in Item 8. Financial Statements and Supplementary Data of this annual report on Form 10-K. See "Risk Factors" contained in Item 1A. Risk Factors of this annual report on Form 10-K and "Cautionary Statement" contained in Item 1. Business of this annual report on Form 10-K for a discussion of the uncertainties, risks and assumptions associated with these statements.

OVERVIEW

We are a leading supplier and manufacturer of building materials, manufactured components and construction services to professional contractors, sub-contractors and consumers. The Company operates approximately 565 locations in 42 states across the United States. Given the span and depth of our geographical reach, our locations are organized into three geographical divisions (East, Central, and West), which were also our operating segments. All of our segments have similar customers, products and services, and distribution methods. Due to the similar economic characteristics, categories of products, distribution methods and customers, our operating segments are aggregated into one reportable segment.

We offer an integrated solution to our customers providing manufacturing, supply and installation of a full range of structural and related building products. Our manufactured products include our factory-built roof and floor trusses, wall panels, vinyl windows, custom millwork and trim, as well as engineered wood that we design, cut, and assemble for each home. We also assemble interior and exterior doors into pre-hung units. Additionally, we supply our customers with a broad offering of professional grade building products not manufactured by us, such as dimensional lumber and lumber sheet goods and various window, door and millwork lines along with other various building products. Our full range of construction-related services includes professional installation, turn-key framing and shell construction, and spans all our product categories.

We group our building products into six product categories:

- *Lumber & Lumber Sheet Goods.* Lumber & lumber sheet goods include dimensional lumber, plywood, and OSB products used in on-site house framing.
- *Manufactured Products.* Manufactured products consist of wood floor and roof trusses, steel roof trusses, wall panels, and engineered wood.
- *Windows, Door & Millwork.* Windows & doors are comprised of the manufacturing, assembly, and distribution of windows and the assembly and distribution of interior and exterior door units. Millwork includes interior and exterior trim and custom features that we manufacture, such as intricate mouldings, stair parts, and columns.
- *Gypsum, Roofing & Insulation.* Gypsum, roofing, & insulation include wallboard, ceilings, joint treatment and finishes.
- *Siding, Metal, and Concrete.* Siding, metal, and concrete includes vinyl, composite, and wood siding, exterior trim, other exteriors, metal studs and cement.
- *Other Building Products & Services.* Other building products & services are comprised of products such as cabinets and hardware as well as services such as turn-key framing, shell construction, design assistance, and professional installation spanning the majority of our product categories, as well as revenue from our Paradigm subsidiary.

Our operating results are dependent on the following trends, strategies, events and uncertainties, some of which are beyond our control:

- *Homebuilding Industry and Market Competition.* Our business is driven primarily by the residential new construction market and the residential repair and remodel market, which are in turn dependent upon a number of factors, including demographic trends, interest rates, consumer confidence, employment rates, housing affordability, household formation, land development costs, the availability of skilled construction labor, and the health of the economy and mortgage markets. According to the U.S. Census Bureau, annual U.S. total and single-family housing starts were 1.6 million and 1.1 million, respectively, in 2021. Due to increased competition for homebuilder business and cyclical fluctuations in commodity prices, we may experience pressure on our gross margins. In addition to these factors, there has been a trend of consolidation within the building products supply industry. However, our industry remains highly fragmented and competitive and we will continue to face significant competition from local and regional suppliers. We believe there are several meaningful trends that indicate U.S. housing demand will continue to grow, including historically low interest rates, the aging of housing stock, and normal population growth due to immigration and birthrate exceeding death rate. Building upon the current rate of market growth, industry forecasters, including the National Association of Homebuilders ("NAHB"), expect to see continued increases in housing demand over the next year.

- *Effect of COVID-19 Pandemic.* In March of 2020, the U.S. economy began to see significant disruption, uncertainty and record high levels of unemployment as a result of the COVID-19 pandemic. While the COVID-19 pandemic has not had a materially adverse impact on our financial results to date, the extent and duration of any future impact resulting from the pandemic is not fully known, and we may experience a decline in housing starts, reduced sales demand, volatility in commodity prices, challenges in the supply chain, labor shortages, increased margin pressures and/or increased operating costs as a result.
- *Targeting Large Production Homebuilders.* The homebuilding industry continues to undergo consolidation, and the larger homebuilders continue to increase their market share. We expect that trend to continue as larger homebuilders have better liquidity and land positions relative to the smaller, less capitalized homebuilders. Our focus is on maintaining relationships and market share with these customers while balancing the competitive pressures we are facing in servicing large homebuilders with certain profitability expectations. Additionally, we have been successful in expanding our custom homebuilder base while maintaining acceptable credit standards.
- *Repair and remodel end market.* Although the repair and remodel end market is influenced by housing starts to a lesser degree than the homebuilding market, the repair and remodel end market is still dependent upon some of the same factors as the homebuilding market, including demographic trends, interest rates, consumer confidence, employment rates and the health of the economy and home financing markets. The repair and remodel end market has been impacted by the COVID-19 pandemic and while the extent of this impact and related uncertainties are yet to be fully known, we may experience reduced sales demand, challenges in the supply chain, increased margin pressures and/or increased operating costs in this area of our business as a result. We expect that our ability to remain competitive in this space will depend on our continued ability to provide a high level of customer service coupled with a broad product offering.
- *Use of Prefabricated Components.* Homebuilders are increasingly using prefabricated components in order to realize increased efficiency, overcome skilled construction labor shortages and improve quality. Shortening cycle time from start to completion is a key imperative of the homebuilders during periods of strong consumer demand. We continue to see the demand for prefabricated components increasing within the residential new construction market as the availability of skilled construction labor remains limited.
- *Economic Conditions.* Economic changes both nationally and locally in our markets impact our financial performance. The building products supply industry is highly dependent upon new home construction and subject to cyclical market changes. Our operations are subject to fluctuations arising from changes in supply and demand, national and local economic conditions, labor costs and availability, competition, government regulation, trade policies, rising inflation and other factors that affect the homebuilding industry such as demographic trends, interest rates, housing starts, the high cost of land development, employment levels, consumer confidence, and the availability of credit to homebuilders, contractors, and homeowners. The disruptions and uncertainties as a result of the ensuing COVID-19 pandemic may have a significant impact on our future operating results.
- *Housing Affordability.* The affordability of housing can be a key driver in demand for our products. Home affordability is influenced by a number of economic factors, such as the level of employment, consumer confidence, consumer income, supply of houses, the availability of financing and interest rates. Changes in the inventory of available homes as well as economic factors relative to home prices could result in changes to the affordability of homes. As a result, homebuyer demand may shift towards smaller, or larger, homes creating fluctuations in demand for our products.
- *Cost and/or Availability of Materials.* Prices of wood products, which are subject to cyclical market fluctuations, may adversely impact operating income when prices rapidly rise or fall within a relatively short period of time. We purchase certain materials, including lumber products, which are then sold to customers as well as used as direct production inputs for our manufactured and prefabricated products. Short-term changes in the cost and/or availability of these materials, some of which are subject to significant fluctuations, are oftentimes passed on to our customers, but our pricing quotation periods and market competition may limit our ability to pass on such price changes. We may also be limited in our ability to pass on increases on in-bound freight costs on our products. We may also be limited in our ability to find suitable products for our customers and may be forced to provide other materials as substitution for contracted orders. Our inability to pass on material price increases to our customers could adversely impact our operating results.
- *Controlling Expenses.* Another important aspect of our strategy is controlling costs and striving to be a low-cost building materials supplier in the markets we serve. We pay close attention to managing our working capital and operating expenses. Further, we pay careful attention to our logistics function and its effect on our shipping and handling costs.
- *Multi-Family and Light Commercial Business.* Our primary focus has been, and continues to be, on single-family residential new construction and the repair and remodel end market. However, we will continue to identify opportunities for profitable growth in the multi-family and light commercial markets.

- *Capital Structure.* We had \$2,957.3 million of indebtedness as of December 31, 2021. We strive to optimize our capital structure to ensure that our financial needs are met in light of economic conditions, business activities, organic investments, opportunities for growth through acquisition and the overall risk characteristics of our underlying assets. In addition to these factors, we also evaluate our capital structure on the basis of our leverage ratio, our liquidity position, our debt maturity profile and market interest rates. As such, we may enter into various debt or equity transactions in order to appropriately manage and optimize our capital structure and liquidity needs.

RECENT DEVELOPMENTS

BMC Merger & Other Acquisitions

On January 1, 2021, we completed our all stock merger transaction with BMC. During the twelve months ended December 31, 2021, we have also completed six other acquisitions. The BMC Merger and the other acquisitions were accounted for using the acquisition method of accounting, with Builders FirstSource, Inc. as the accounting acquirer. The operating results of BMC are included as part of the Company beginning on January 1, 2021, while the results of the other acquired companies are included from the date of each acquisition and as such, the historical financial condition, results of operations and cash flows of the Company presented in this annual report Form 10-K for periods prior to that date do not include BMC or the other acquired companies. These transactions are described in Note 3 to the consolidated financial statements included in Item 8 of this annual report on Form 10-K.

COVID-19 Pandemic

Despite experiencing disruptions to our operations and implementing a number of health and safety precautions as a result of the COVID-19 pandemic, our financial results and financial condition were not materially adversely affected by the pandemic. Furthermore, housing starts and repair and remodeling activity generally increased throughout our markets despite the pandemic.

Despite the limited impact of the COVID-19 pandemic on our financial results, the extent to which the pandemic may impact our results in future periods is uncertain and will depend upon, among other things, the duration and severity of the outbreak or subsequent outbreaks, related government responses, the pace of recovery of economic activity and the impact to consumers, and contributing effects of the pandemic including any potential supply disruptions, labor shortages, inflation, and the impact of housing starts and repair and remodeling activity, all of which are uncertain and difficult to predict in light of the rapidly evolving landscape. Refer to Part I, Item 1A. Risk Factors for a full discussion of the risks associated with the COVID-19 pandemic.

Company Shares Repurchases

Subsequent to year-end, on February 18, 2022, the Company announced that its board of directors authorized the repurchase of an additional \$1.0 billion of its shares of common stock. This authorization is in addition to the two previous \$1.0 billion authorizations in 2021, which were completed on January 12, 2022.

These transactions are described in Note 15 to the consolidated financial statements included in Item 8 of this annual report on Form 10-K.

Debt Transactions

During the year ended December 31, 2021, the Company executed several debt transactions, including the issuance of \$1.0 billion in aggregate principal amount of 4.25% senior unsecured notes due 2032 (“2032 notes”), redemption of \$165.0 million in outstanding aggregate principal amount of 6.75% senior secured notes due 2027 (“2027 notes”), and amendments to our 2026 facility to both extend maturity and increase the total commitments.

Subsequent to year-end, on January 21, 2022, the Company completed a private offering of an additional \$300.0 million in aggregate principal amount of 2032 notes at an issue price equal to 100.50% of par value.

On February 4, 2022, the Company amended the 2026 facility to increase the total commitments by an aggregate amount of \$400.0 million resulting in a new \$1.8 billion amended credit facility.

These transactions are described in Notes 8 and 15 to the consolidated financial statements included in Item 8 of this annual report on Form 10-K. Collectively, these transactions have extended our debt maturity. From time to time, based on market conditions and other factors and subject to compliance with applicable laws and regulations, the Company may repurchase or call our notes, repay debt, repurchase shares of our common stock or otherwise enter into transactions regarding its capital structure.

CURRENT OPERATING CONDITIONS AND OUTLOOK

According to the U.S. Census Bureau, actual U.S. total housing starts for the year ended December 31, 2021 were 1.6 million, an increase of 15.8% compared to the year ended December 31, 2020. Actual U.S. single-family housing starts for the year ended December 31, 2021 were 1.1 million, an increase of 13.6% compared to the year ended December 31, 2020. A composite of third party sources, including the NAHB, are forecasting 1.7 million U.S. total housing starts and 1.2 million U.S. single-family housing starts for 2022, which are increases of 4.0% and 4.0%, respectively, from 2021. In addition, in its September 2021 semi-annual forecast, the Home Improvement Research Institute (“HIRI”) forecasted sales in the professional repair and remodel end market to increase approximately 7.1% in 2022 compared to 2021.

Our net sales for the year ended December 31, 2021 increased 132.4% over the same period last year. The significant increase was primarily driven by acquisitions with our BMC Merger accounting for 76.6% of our sales growth in the year ended December 31, 2021, while commodity price inflation accounted for another 30.2%. The remainder of the increase was a result of core organic sales growth primarily in the single-family customer segment. Our gross margin percentage increased by 3.4% during the year ended December 31, 2021 compared to the year ended December 31, 2020, primarily attributable to effective pricing relative to the impact of commodity inflation, as well as growth in value-added product categories. Our selling, general and administrative expenses, as a percentage of net sales, were 17.4% in 2021, a 2.2% decrease from 19.6% in 2020, primarily driven by cost leverage on increased net sales in the year ended December 31, 2021 compared to the year ended December 31, 2020.

We believe the long-term outlook for the housing industry is positive due to growth in the underlying demographics compared to historical new construction levels, despite the uncertainty in the industry at the outset of the COVID-19 pandemic. We feel we are well-positioned to take advantage of the construction activity in our markets and to increase our market share, which may include strategic acquisitions. We will continue to focus on working capital by closely monitoring the credit exposure of our customers, remaining focused on maintaining the right level of inventory and by working with our vendors to improve payment terms and pricing on our products. We strive to achieve the appropriate balance of short-term expense control while maintaining the expertise and capacity to grow the business as market conditions expand.

RESULTS OF OPERATIONS

A discussion regarding our financial condition and results of operations for the year ended December 31, 2021 compared to the year ended December 31, 2020 is presented below. A discussion regarding our financial condition and results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019 can be found under Item 7 of Part II of our Annual Report on Form 10-K, as amended for the fiscal year ended December 31, 2020, filed with the SEC on February 21, 2021, with such amendment filed with the SEC on July 21, 2021.

2021 Compared with 2020

The following table sets forth the percentage relationship to net sales of certain costs, expenses and income items for the years ended December 31:

	2021	2020
Net sales	100.0%	100.0%
Cost of sales	70.6%	74.0%
Gross margin	29.4%	26.0%
Selling, general and administrative expenses	17.4%	19.6%
Income from operations	12.0%	6.4%
Interest expense, net	0.7%	1.6%
Income tax expense	2.6%	1.1%
Net income	8.7%	3.7%

Net Sales. Net sales for the year ended December 31, 2021 were \$19.9 billion, a 132.4% increase from net sales of \$8.6 billion for 2020. The BMC Merger and commodity price inflation increased net sales by 76.6% and 30.2%, respectively. The remaining increase in sales is attributable to core organic growth in our single family customer segment and net sales from other acquisitions.

The following table shows net sales classified by major product category for the years ended December 31, (dollars in millions):

	Twelve Months Ended December 31,				
	2021		2020		% Change
	Net Sales	% of Net Sales	Net Sales	% of Net Sales	
Lumber & lumber sheet goods	\$ 8,412.2	42.3%	\$ 3,076.4	35.9%	
Manufactured products	4,333.3	21.8%	1,640.5	19.2%	164.1%
Windows, doors & millwork	3,332.0	16.7%	1,629.2	19.0%	104.5%
Siding, metal & concrete products	1,531.1	7.7%	773.6	9.0%	97.9%
Gypsum, roofing & insulation	656.4	3.3%	514.6	6.0%	27.6%
Other building products & services	1,628.9	8.2%	924.6	10.9%	76.2%
Net sales	<u>\$ 19,893.9</u>	<u>100.0%</u>	<u>\$ 8,558.9</u>	<u>100.0%</u>	<u>132.4%</u>

We achieved increased net sales in all of our product categories, primarily due to the BMC Merger, commodity inflation and core organic sales growth.

Gross Margin. Gross margin increased \$3.6 billion to \$5.9 billion, driven primarily by the BMC Merger, commodity price inflation, and core organic sales growth. Our gross margin percentage increased to 29.4% in 2021 from 26.0% in 2020, a 3.4% increase. This increase was primarily attributable to pricing relative to the impact of commodity price inflation, as well as growth particularly in value-added product categories.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$1.8 billion, or 106.3%, and as a percentage of net sales decreased to 17.4% from 19.6% in 2020. This increase in expenses was primarily due to the BMC Merger, which accounted for approximately 73% of the increase including an increase of \$387.4 million in related depreciation and amortization expense, and higher variable compensation costs as a result of higher sales and profitability.

Interest Expense, Net. Interest expense was \$135.9 million in 2021, an increase of \$0.2 million from 2020. Interest expense increased primarily due to higher debt balances in 2021 compared to 2020, offset by one-time charges of \$29.4 million related to debt transactions executed in 2020, compared to one-time charges of \$8.1 million related to debt transactions executed in 2021.

Income Tax Expense. We recorded income tax expense of \$526.1 million during the year ended December 31, 2021 compared to income tax expense of \$94.6 million during the year ended December 31, 2020, an increase of \$431.5 million, driven by an increase in income before income taxes in the current period. Our effective tax rate was approximately 23% in both 2021 and 2020.

LIQUIDITY AND CAPITAL RESOURCES

Our primary capital requirements are to fund working capital needs and operating expenses, meet required interest and principal payments, and to fund capital expenditures and potential future growth opportunities. Our capital resources at December 31, 2021 consist of cash on hand and borrowing availability under our 2026 facility.

Our 2026 facility will be primarily used for working capital, general corporate purposes, and funding capital expenditures and growth opportunities. In addition, we may use the 2026 facility to facilitate debt consolidation. Availability under the 2026 facility is determined by a borrowing base. Our borrowing base consists of trade accounts receivable, inventory, other receivables which include progress billings and credit card receivables, and qualified cash that all meet specific criteria contained within the credit agreement, minus agent specified reserves. Net excess borrowing availability is equal to the maximum borrowing amount minus outstanding borrowings and letters of credit.

The following table shows our borrowing base and excess availability as of December 31, 2021 and 2020 (in millions):

	December 31, 2021	December 31, 2020
Accounts receivable availability	\$ 1,032.9	\$ 608.8
Inventory availability	1,125.3	514.7
Other receivables availability	110.8	50.9
Gross availability	2,269.0	1,174.4
Less:		
Agent reserves	(66.6)	(40.6)
Plus:		
Cash in qualified accounts	11.3	413.9
Borrowing base	2,213.7	1,547.7
Aggregate revolving commitments	1,400.0	900.0
Maximum borrowing amount (lesser of borrowing base and aggregate revolving commitments)	1,400.0	900.0
Less:		
Outstanding borrowings	(588.0)	(75.0)
Letters of credit	(126.4)	(78.0)
Net excess borrowing availability on revolving facility	\$ 685.6	\$ 747.0

As of December 31, 2021, we had \$588.0 million in outstanding borrowings under our 2026 facility and our net excess borrowing availability was \$685.6 million after being reduced by outstanding letters of credit of approximately \$126.4 million. Excess availability must equal or exceed a minimum specified amount, currently \$140.0 million, or we are required to meet a fixed charge coverage ratio of 1:00 to 1:00. We were not in violation of any covenants or restrictions imposed by any of our debt agreements at December 31, 2021.

Liquidity

Our liquidity at December 31, 2021 was \$728.2 million, which consists of net borrowing availability under the 2026 facility and cash on hand.

Our level of indebtedness results in significant interest expense and could have the effect of, among other things, reducing our flexibility to respond to changing business and economic conditions. From time to time, based on market conditions and other factors and subject to compliance with applicable laws and regulations, the Company may repurchase or call our notes, repay debt, or otherwise enter into transactions regarding its capital structure.

Should the current industry conditions deteriorate or we pursue additional acquisitions, we may be required to raise additional funds through the sale of capital stock or debt in the public capital markets or in privately negotiated transactions. There can be no assurance that any of these financing options would be available on favorable terms, if at all. Alternatives to help supplement our liquidity position could include, but are not limited to, idling or permanently closing additional facilities, adjusting our headcount in response to current business conditions, attempts to renegotiate leases, managing our working capital and/or divesting of non-core businesses. There are no assurances that these steps would prove successful or materially improve our liquidity position.

On February 4, 2022, the Company amended the 2026 facility to increase the total commitments by an aggregate amount of \$400.0 million resulting in a new \$1.8 billion amended credit facility.

Consolidated Cash Flows

A discussion regarding our consolidated cash flows for the year ended December 31, 2021 compared to the year ended December 31, 2020 is presented below. A discussion regarding our consolidated cash flows for the year ended December 31, 2020 compared to the year ended December 31, 2019 can be found under Item 7 of Part II of our Annual Report on Form 10-K, as amended for the fiscal year ended December 31, 2020, filed with the SEC on February 21, 2021, with such amendment filed with the SEC on July 21, 2021.

2021 Compared with 2020

Cash provided by operating activities was \$1.7 billion in 2021, compared to cash provided by operating activities of \$260.1 million in 2020. The increase in cash used in operating activities was largely the result of an increase in net income in 2021, exceeding the net income in 2020.

For the year ended December 31, 2021 the Company used \$1.3 billion in cash in investing activities, \$1.2 billion more than the same period in the prior year. Of this increase, \$1.2 billion more was spent on acquisitions and \$110.7 million more as a net investment in property, plant and equipment. Offsetting these increases in cash used for investing activities was cash acquired from the Gypsum Divestiture.

Cash used in financing activities was \$780.1 million in 2021, which consisted primarily of \$1.7 billion in repurchases of common stock, cash used to extinguish \$359.8 million of debt acquired in the BMC Merger and the redemption of \$165.0 million of the Company's 2027 notes, partially offset by cash received from the issuance of \$1.0 billion of 2032 notes and net borrowings under the 2026 facility of \$513.0 million. Cash provided by financing activities was \$285.9 million for 2020, which was primarily related to the net proceeds received from the Company's financing transactions during the period, including the issuance of \$550.0 million in 2030 notes and \$350.0 million of 2027 notes. The proceeds from these issuances were offset by the redemption of the remaining \$503.9 million of 2024 notes, repayment of the remaining \$52.0 million term loan, and partial redemption of \$47.5 million of 2027 notes. These transactions are described in Note 8 to the consolidated financial statements included in Item 8 of this annual report on Form 10-K.

Capital Expenditures

Capital expenditures vary depending on prevailing business factors, including current and anticipated market conditions. Historically, capital expenditures have, for the most part, remained at relatively low levels in comparison to the operating cash flows generated during the corresponding periods. We expect our 2022 capital expenditures to be in the range of approximately \$400 million to \$420 million primarily related to rolling stock, equipment and facility expansion and improvements to support our operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are those that both are important to the accurate portrayal of a company's financial condition and results, and require subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

In order to prepare financial statements that conform to generally accepted accounting principles, we make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may be significantly different from our expectations.

We have identified the following accounting policy that requires us to make the most subjective or complex judgments in order to fairly present our consolidated financial position and results of operations.

Business Combinations

We allocate the purchase price of acquired companies to the assets acquired and liabilities assumed based on estimated fair values at the acquisition date, with the excess of purchase price over the estimated fair value of the identifiable net assets acquired recorded as goodwill. The allocation of the purchase price requires us to make significant estimates and assumptions to determine the fair value of assets acquired and liabilities assumed and the related useful lives of the acquired assets, when applicable, as of the acquisition date.

Examples of critical estimates used in valuing certain of the intangible assets we have acquired or may acquire in the future include, but are not limited to, future expected cash flows, trade names and customer relationships, the period of time the acquired trade names and customer relationships will continue to be used, anticipated customer attrition rates, and discount rates used to determine the present value of estimated future cash flows. We engage third-party valuation experts to assist in determining the fair value associated with our business combinations and related identifiable intangible assets. These estimates are inherently uncertain and unpredictable, and if different estimates were used, the purchase price for the acquisition could be allocated to the acquired assets and assumed liabilities differently from the allocation that we have made.

Future changes in the judgments, assumptions and estimates that are used in our acquisition valuations and intangible asset and goodwill impairment testing, including discount rates or future operating results and related cash flow projections, could result in significantly different estimates of the fair values in the future. An increase in discount rates, a reduction in projected cash flows or a combination of the two could lead to a reduction in the estimated fair values, which may result in impairment charges that could materially affect our financial statements in any given year.

RECENTLY ISSUED ACCOUNTING STANDARDS

Information regarding recent accounting pronouncements is discussed in Note 2 to the consolidated financial statements included in Item 8 of this annual report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We may experience changes in interest expense if changes in our debt occur. Changes in market interest rates could also affect our interest expense. Our 2027 notes, 2030 notes and 2032 notes bear interest at a fixed rate, therefore, our interest expense related to these notes would not be affected by an increase in market interest rates. Borrowings under the 2026 facility bear interest at either a base rate or eurodollar rate, plus, in each case, an applicable margin. A 1.0% increase in interest rates on the 2026 facility would result in approximately \$5.9 million in additional interest expense annually based on our \$588.0 million in outstanding borrowings as of December 31, 2021. The 2026 facility also assesses variable commitment and outstanding letter of credit fees based on quarterly average loan utilization.

We purchase certain materials, including lumber products, which are then sold to customers as well as used as direct production inputs for our manufactured products that we deliver. Short-term changes in the cost of these materials and the related in-bound freight costs, some of which are subject to significant fluctuations, are sometimes, but not always, passed on to our customers. Delays in our ability to pass on material price increases to our customers can adversely impact our operating results.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders' of Builders FirstSource, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Builders FirstSource, Inc. and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of operations, of changes in stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Merger with BMC Stock Holdings, Inc. - Valuation of Customer Relationships

As described in Notes 3 and 6 to the consolidated financial statements, the Company completed an all stock merger transaction with BMC Stock Holdings, Inc. on January 1, 2021 for consideration transferred of \$3.7 billion. This merger transaction resulted in the recording of \$1.47 billion of intangible assets, of which a significant portion relates to customer relationship intangible assets. Management estimated the fair value of acquired customer relationship intangible assets by applying the multi-period excess earnings method, which involved the use of significant estimates and assumptions related to forecasted revenue growth rates, gross margin, contributory asset charges, customer attrition rates, and market-participant discount rates.

The principal considerations for our determination that performing procedures relating to the valuation of customer relationships acquired in connection with the merger with BMC Stock Holdings, Inc. is a critical audit matter are the significant judgment by management when estimating the fair value of the customer relationships acquired; this in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to the forecasted revenue growth rates, gross margin, customer attrition rates, and market-participant discount rates. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management's valuation of the customer relationships and controls over the development of significant assumptions related to the forecasted revenue growth rates, gross margin, customer attrition rates, and market-participant discount rates. These procedures also included, among others, reading the purchase agreement; testing management's process for estimating the fair value of the customer relationships; evaluating the appropriateness of the multi-period excess earnings method; testing the completeness, accuracy, and relevance of underlying data used in the multi-period excess earnings method; and evaluating the reasonableness of significant assumptions related to the forecasted revenue growth rates, gross margin, customer attrition rates, and market-participant discount rates. Evaluating management's significant assumptions related to the forecasted revenue growth rates and gross margin involved evaluating whether the significant assumptions used were reasonable considering the current and past performance of BMC Stock Holdings, Inc.; the consistency with external market and industry data; and whether the assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of the multi-period excess earnings method and the reasonableness of the significant assumptions related to the customer attrition rates and market-participant discount rates.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas
March 1, 2022

We have served as the Company's auditor since 1999.

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands, except per share amounts)	Years Ended December 31,		
	2021	2020	2019
Net sales	\$ 19,893,856	\$ 8,558,874	\$ 7,280,431
Cost of sales	14,042,900	6,336,290	5,303,602
Gross margin	5,850,956	2,222,584	1,976,829
Selling, general and administrative expenses	3,463,532	1,678,730	1,584,523
Income from operations	2,387,424	543,854	392,306
Interest expense, net	135,877	135,688	109,551
Income before income taxes	2,251,547	408,166	282,755
Income tax expense	526,131	94,629	60,946
Net income	\$ 1,725,416	\$ 313,537	\$ 221,809
<i>Net income per share:</i>			
Basic	\$ 8.55	\$ 2.69	\$ 1.92
Diluted	\$ 8.48	\$ 2.66	\$ 1.90
<i>Weighted average common shares:</i>			
Basic	201,839	116,611	115,713
Diluted	203,470	117,917	117,025

The accompanying notes are an integral part of these consolidated financial statements.

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(in thousands, except per share amounts)	December 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 42,603	\$ 423,806
Accounts receivable, less allowances of \$39,510 and \$17,637 at December 31, 2021 and December 31, 2020, respectively	1,708,796	822,753
Other receivables	255,075	76,436
Inventories, net	1,626,244	784,527
Contract assets	207,587	57,265
Other current assets	127,964	58,895
Total current assets	3,968,269	2,223,682
Property, plant and equipment, net	1,385,441	749,130
Operating lease right-of-use assets, net	457,833	274,562
Goodwill	3,270,192	785,305
Intangible assets, net	1,603,409	119,882
Other assets, net	29,199	21,110
Total assets	\$ 10,714,343	\$ 4,173,671
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,093,370	\$ 600,357
Accrued liabilities	718,904	327,081
Contract liabilities	216,097	58,455
Current portion of operating lease liabilities	96,680	61,625
Current maturities of long-term debt	3,660	27,335
Total current liabilities	2,128,711	1,074,853
Noncurrent portion of operating lease liabilities	375,289	219,239
Long-term debt, net of current maturities, discounts and issuance costs	2,926,122	1,596,905
Deferred income taxes	362,121	49,495
Other long-term liabilities	119,619	80,396
Total liabilities	5,911,862	3,020,888
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000 shares authorized; zero shares issued and outstanding	—	—
Common stock, \$0.01 par value, 300,000 shares authorized; 179,820 and 116,829 shares issued and outstanding at December 31, 2021 and December 31, 2020, respectively	1,798	1,168
Additional paid-in capital	4,260,670	589,241
Retained earnings	540,013	562,374
Total stockholders' equity	4,802,481	1,152,783
Total liabilities and stockholders' equity	\$ 10,714,343	\$ 4,173,671

The accompanying notes are an integral part of these consolidated financial statements.

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)	Year Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income	\$ 1,725,416	\$ 313,537	\$ 221,809
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	547,352	116,566	100,038
Amortization of debt discount, premium and issuance costs	3,869	3,508	3,880
Loss on extinguishment of debt	3,027	6,700	8,189
Deferred income taxes	(34,573)	16,614	50,994
Stock-based compensation expense	31,486	17,022	12,239
Net gain on sales of assets and asset impairments	(32,421)	(1,067)	(949)
Changes in assets and liabilities, net of assets acquired and liabilities assumed:			
Receivables	(453,911)	(246,912)	45,687
Inventories	(282,165)	(220,101)	44,202
Contract assets	(103,326)	(12,631)	(2,898)
Other current assets	(33,489)	(19,743)	4,674
Other assets and liabilities	(1,155)	50,370	1,611
Accounts payable	191,885	160,947	4,070
Accrued liabilities	91,419	55,361	7,004
Contract liabilities	90,135	19,896	3,496
Net cash provided by operating activities	1,743,549	260,067	504,046
Cash flows from investing activities:			
Cash used for acquisitions, net of cash acquired	(1,206,471)	(32,643)	(92,855)
Proceeds from divestiture of business	76,162	—	—
Purchases of property, plant and equipment	(227,891)	(112,082)	(112,870)
Proceeds from sale of property, plant and equipment	13,560	8,500	6,545
Net cash used in investing activities	(1,344,640)	(136,225)	(199,180)
Cash flows from financing activities:			
Borrowings under revolving credit facility	3,125,000	891,000	1,040,000
Repayments under revolving credit facility	(2,612,000)	(843,000)	(1,192,000)
Proceeds from long-term debt and other loans	1,000,000	895,625	478,375
Repayments of long-term debt and other loans	(554,677)	(618,542)	(610,834)
Payments of debt extinguishment costs	(4,950)	(22,686)	(2,301)
Payments of loan costs	(19,450)	(13,800)	(8,618)
Exercise of stock options	726	1,424	4,873
Repurchase of common stock	(1,714,761)	(4,153)	(10,392)
Net cash (used in) provided by financing activities	(780,112)	285,868	(300,897)
Net change in cash and cash equivalents	(381,203)	409,710	3,969
Cash and cash equivalents at beginning of period	423,806	14,096	10,127
Cash and cash equivalents at end of period	\$ 42,603	\$ 423,806	\$ 14,096
Supplemental disclosures of cash flow information:			
Cash paid for interest (1)	\$ 105,570	\$ 110,600	\$ 100,354
Cash paid for income taxes	633,060	43,400	18,107
Supplemental disclosures of non-cash activities:			
Non-cash consideration for the BMC Merger	\$ 3,658,362	\$ —	\$ —
Accrued purchases of property, plant and equipment	8,052	1,962	3,378
Right-of-use assets obtained in exchange for operating lease obligations	64,939	42,606	86,373
Assets acquired under finance lease obligations	1,644	16,964	16,462
Amounts accrued for repurchases of common stock	51,545	—	—

(1) Includes \$5.0 million, \$22.7 million and \$2.3 million of debt extinguishment costs paid in 2021, 2020, and 2019, respectively, classified as financing outflows above and discussed more fully in Note 8.

The accompanying notes are an integral part of these consolidated financial statements.

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands)	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
Balance at December 31, 2018	115,078	\$ 1,151	\$ 560,221	\$ 34,966	\$ 596,338
Vesting of restricted stock units	735	7	(7)	—	—
Shares withheld for restricted stock units vested	(196)	(2)	(2,448)	—	(2,450)
Repurchase of common stock (1)	(460)	(4)	—	(7,938)	(7,942)
Exercise of stock options	895	9	4,950	—	4,959
Stock compensation expense	—	—	12,239	—	12,239
Net income	—	—	—	221,809	221,809
Balance at December 31, 2019	116,052	1,161	574,955	248,837	824,953
Vesting of restricted stock units	732	7	(7)	—	—
Shares withheld for restricted stock units vested	(190)	(2)	(4,151)	—	(4,153)
Exercise of stock options	235	2	1,422	—	1,424
Stock compensation expense	—	—	17,022	—	17,022
Net income	—	—	—	313,537	313,537
Balance at December 31, 2020	116,829	1,168	589,241	562,374	1,152,783
Merger consideration	89,586	896	3,657,466	—	3,658,362
Vesting of restricted stock units	1,168	11	(11)	-	-
Stock-based compensation expense	-	-	31,486	-	31,486
Repurchase of common stock (2)	(27,459)	(274)	-	(1,747,777)	(1,748,051)
Exercise of stock options	90	1	739	-	740
Shares withheld for restricted stock units vested	(394)	(4)	(18,251)	-	(18,255)
Net income	-	-	-	1,725,416	1,725,416
Balance at December 31, 2021	<u>179,820</u>	<u>\$ 1,798</u>	<u>\$ 4,260,670</u>	<u>\$ 540,013</u>	<u>\$ 4,802,481</u>

- (1) During the year ended December 31, 2019, we repurchased and retired 0.5 million shares of our common stock, at an average price of \$17.24 per share, for \$7.9 million pursuant to the repurchase program authorized by our board of directors in February 2019. The primary purpose of the repurchase program was to offset dilution from employee stock awards.
- (2) During the year ended December 31, 2021, we repurchased and retired 27.5 million shares of our common stock at an average price of \$63.63 per share, for \$1,748.1 million, net of fees, pursuant to the repurchase program authorized by our board of directors in August 2021, and further expanded by our board of directors in November 2021. The primary purpose of the repurchase program was to offset dilution from the BMC Merger.

The accompanying notes are an integral part of these consolidated financial statements.

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the Business

Builders FirstSource, Inc., a Delaware corporation formed in 1998, is a leading supplier of building materials, manufactured components and construction services to professional contractors, sub-contractors, and consumers. The company operates approximately 565 locations in 42 states across the United States.

In this annual report, references to the “Company,” “we,” “our,” “ours” or “us” refer to Builders FirstSource, Inc. and its consolidated subsidiaries, unless otherwise stated or the context otherwise requires.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements present the results of operations, financial position, and cash flows of Builders FirstSource, Inc. and its wholly-owned subsidiaries. All intercompany transactions have been eliminated in consolidation.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Estimates are used when accounting for items such as revenue, vendor rebates, allowance for returns, discounts and credit losses, employee compensation programs, depreciation and amortization periods, income taxes, inventory values, insurance programs, goodwill, other intangible assets and long-lived assets.

Reclassifications

Certain prior periods’ amounts have been reclassified to conform to the current year presentation, including presenting contract assets and contract liabilities separately on the face of the financial statements, whereas, these contract assets and contract liabilities had previously been presented as a component of accounts receivable and accrued liabilities, respectively. These reclassifications had no impact on net income, total assets and liabilities, stockholders’ equity, or cash flows as previously reported

Segments

We offer an integrated solution to our customers providing manufacturing, supply, and installation of a full range of structural and related building products. We provide a wide variety of building products and services directly to homebuilder customers. We manufacture floor trusses, roof trusses, wall panels, stairs, millwork, windows, and doors. We also provide a full range of construction services. For the period ended December 31, 2021, these product and service offerings are distributed across approximately 565 locations operating in 42 states across the United States.

Following the merger with BMC Stock Holdings, Inc. on January 1, 2021, which is discussed in Note 3 to these consolidated financial statements, the Company reorganized the structure of its internal organization.

Given the span and depth of our geographical reach, our locations are organized into three geographical divisions (East, Central, and West), which are also our operating segments. Our operating divisions are organized on a geographical basis to facilitate a disaggregated management of the Company and to respond to the local needs of the customers in the markets we serve. All of our segments have similar customers, products and services, and distribution methods.

Due to these similarities, along with the similar economic profitability achieved across all our operating segments, we aggregate our three operating segments into one reportable segment in accordance with GAAP. Centralized financial and operational oversight, including resource allocation and assessment of performance on an income from continuing operations before income taxes basis, is performed by our CEO, whom we have determined to be our chief operating decision maker (“CODM”).

The accounting policies of our operating segments are consistent with the accounting policies described in this Note 2 to these consolidated financial statements. Since the Company operates in one reportable segment, the primary measures reviewed by the CODM, including revenue, gross margin and income before income taxes, are shown in these consolidated financial statements. Our segments do not have any revenues or long-lived assets located in foreign countries.

Business Combinations

When they meet the requirements under ASC 805, Business Combinations, merger and acquisition transactions are accounted for using the acquisition method, and accordingly the results of operations of the acquiree are included in the Company's consolidated financial statements from the acquisition date. The consideration transferred is allocated to the identifiable assets acquired and liabilities assumed based on estimated fair values at the acquisition date, with any excess recorded as goodwill. Transaction-related costs are expensed in the period the costs are incurred. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding adjustment to goodwill.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Estimates are used when accounting for items such as revenue, vendor rebates, allowance for returns, discounts and credit losses, employee compensation programs, depreciation and amortization periods, income taxes, inventory values, insurance programs, goodwill, other intangible assets and long-lived assets.

Revenue Recognition

We recognize revenue as performance obligations are satisfied by transferring control of a promised good or service to a customer in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We generally classify our revenues into two types: (i) distribution sales; or (ii) sales related to contracts with service elements.

Distribution sales typically consist of the sale of building products we manufacture and the resale of purchased building products. We recognize revenue related to distribution sales at a point in time upon delivery of the ordered goods to our customers. Payment terms related to distribution sales are not significant as payment is generally received shortly after the point of sale.

Our contracts with service elements primarily relate to installation and construction services. We evaluate whether multiple contracts should be combined and accounted for as a single contract and whether a single or combined contract should be accounted for as a single performance obligation or multiple performance obligations. If a contract is separated into more than one performance obligation, we allocate the transaction price to each performance obligation generally based on observable standalone selling prices of the underlying goods or services. Revenue related to contracts with service elements is generally recognized over time based on the extent of progress towards completion of the performance obligation because of continuous transfer of control to the customer. We consider costs incurred to be indicative of goods and services delivered to the customer. As such, we use a cost-based input method to recognize revenue on our contracts with service elements as it best depicts the transfer of assets to our customers. Payment terms related to sales for contracts with service elements are specific to each customer and contract. However, they are considered to be short-term in nature as payments are normally received either throughout the life of the contract or shortly after the contract is complete.

Contract costs include all direct material and labor, equipment costs and those indirect costs related to contract performance. Provisions for estimated losses on uncompleted contracts are recognized in the period in which such losses are determinable. Prepayments for materials or services are deferred until such materials have been delivered or services have been provided. All sales recognized are net of allowances for discounts and estimated returns, based on historical experience. The Company records sales incentives provided to customers as a reduction of revenue. We present all sales tax on a net basis in our consolidated financial statements.

Costs to obtain contracts are expensed as incurred as our contracts are typically completed in one year or less, and where applicable, we generally would incur these costs whether or not we ultimately obtain the contract. We do not disclose the value of our remaining performance obligations on uncompleted contracts as our contracts generally have a duration of one year or less.

The timing of revenue recognition, invoicing and cash collection results in accounts receivable, unbilled receivables, contract assets and contract liabilities. Contract assets include unbilled amounts when the revenue recognized exceeds the amount billed to the customer, and amounts representing a right to payment from previous performance that is conditional on something other than passage of time, such as retainage. Contract liabilities consist of deferred revenue and customer advances and deposits.

The following table disaggregates our net sales by product category for the years ended December 31:

(in thousands)	2021	2020	2019
	(in thousands)		
Lumber & lumber sheet goods	\$ 8,412,210	\$ 3,076,376	\$ 2,251,580
Manufactured products	4,333,283	1,640,460	1,449,550
Windows, doors & millwork	3,332,005	1,629,179	1,542,924
Siding, metal & concrete products	1,531,058	773,640	712,644
Gypsum, roofing & insulation	656,383	514,638	528,571
Other building products & services	1,628,917	924,581	795,162
Net sales	<u>\$ 19,893,856</u>	<u>\$ 8,558,874</u>	<u>\$ 7,280,431</u>

Net sales from installation and construction services represents less than 10% of the Company's net sales for each period presented.

Cash and Cash Equivalents & Checks Outstanding

Cash and cash equivalents consist of cash on hand and all highly liquid investments with an original maturity date of three months or less. Also included in cash and cash equivalents are proceeds due from credit card transactions that generally settle within two business days. We maintain cash at financial institutions in excess of federally insured limits. Further, we maintain various banking relationships with different financial institutions. Accordingly, when there is a negative net book cash balance resulting from outstanding checks that had not yet been paid by any single financial institution, they are reflected in accounts payable on the accompanying consolidated balance sheets.

Accounts Receivable

We extend credit to qualified professional homebuilders and contractors, in many cases on a non-collateralized basis. Accounts receivable potentially expose us to concentrations of credit risk. Because our customers are dispersed among our various markets, our credit risk to any one customer or geographic economy is not significant. Other receivables consist primarily of vendor rebates receivables and income tax receivables.

Our customer mix is a balance of large national homebuilders, regional homebuilders, local and custom homebuilders and repair and remodeling contractors as well as multi-family builders. For the year ended December 31, 2021, our top 10 customers accounted for approximately 18% of our net sales, with our largest customer accounting for approximately 5% of net sales.

The allowance for credit losses is based on management's assessment of the amount which may become uncollectible in the future and is estimated using specific review of problem accounts, overall portfolio quality, current and forecasted economic conditions that may affect the customer's ability to pay, and historical experience. Accounts receivable are written off when deemed uncollectible.

We also establish reserves for credit memos and customer returns. The reserve balance was \$17.7 million and \$11.9 million at December 31, 2021 and 2020, respectively. The activity in this reserve was not significant for each year presented.

The following table shows the changes in our allowance for credit losses (in thousands):

	2021	2020	2019
Balance at January 1,	\$ 5,774	\$ 5,936	\$ 6,195
Additions	20,451	4,720	5,811
Deductions (write-offs, net of recoveries)	(4,464)	(4,882)	(6,070)
Balance at December 31,	<u>\$ 21,761</u>	<u>\$ 5,774</u>	<u>\$ 5,936</u>

Accounts receivable consisted of the following at December 31 (in thousands):

	2021	2020
Accounts receivable	\$ 1,748,306	\$ 840,390
Less: allowances for returns and credit losses	(39,510)	(17,637)
Accounts receivable, net	<u>\$ 1,708,796</u>	<u>\$ 822,753</u>

Inventories

Inventories consist principally of materials purchased for resale, including lumber, lumber sheet goods, windows, doors and millwork and other building products, as well as certain manufactured products and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method, the use of which approximates the first-in, first-out method. We accrue for shrink based on the actual historical shrink results of our most recent physical inventories adjusted, if necessary, for current economic conditions. These estimates are compared with actual results as physical inventory counts are taken and reconciled to the general ledger.

During the year, we monitor our inventory levels by market and record provisions for excess inventories based on slower moving inventory. We define potential excess inventory as the amount of inventory on hand in excess of the historical usage, excluding special order items purchased in the last six months. We then apply our judgment as to forecasted demand and other factors, including liquidation value, to determine the required adjustments to net realizable value. Our inventories are generally not susceptible to technological obsolescence.

Our arrangements with vendors provide for rebates of a specified amount of consideration, payable when certain measures, generally related to a stipulated level of purchases, have been achieved. We account for estimated rebates as a reduction of the prices of the vendor's inventory until the product is sold, at which time such rebates reduce cost of sales in the accompanying consolidated statement of operations. Throughout the year we estimate the amount of the rebates based upon the expected level of purchases. We continually evaluate and revise these estimates as necessary based on actual purchase levels.

We source products from a large number of suppliers. Materials purchased from our largest single supplier represented approximately 7% of our total materials purchased in 2021.

Shipping and Handling Costs

Handling costs incurred in manufacturing activities are included in cost of sales. All other shipping and handling costs are included in selling, general and administrative expenses in the accompanying consolidated statement of operations and totaled \$512.8 million, \$347.7 million and \$332.5 million in 2021, 2020 and 2019, respectively.

Income Taxes

We account for income taxes utilizing the asset and liability method described in the *Income Taxes* topic of the FASB Accounting Standards Codification ("Codification"). Deferred income taxes are recorded to reflect consequences on future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which differences are expected to affect taxable earnings. We record a valuation allowance to reduce deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Warranty Expense

We have warranty obligations with respect to most manufactured products; however, the liability for the warranty obligations is not significant as a result of third-party inspection and acceptance processes.

Debt Issuance Costs and Debt Discount/Premium

Loan costs are capitalized upon the issuance of long-term debt and amortized over the life of the related debt. Debt issuance costs associated with term debt are presented as a reduction to long-term debt. Debt issuance costs associated with revolving debt arrangements are presented as a component of other assets. Debt issuance costs incurred in connection with revolving debt

arrangements are amortized using the straight-line method. Debt issuance costs, discounts and premiums incurred in connection with term debt are amortized over the life of the related debt using the effective interest method. Amortization of debt issuance costs, discounts and premiums are included in interest expense. Upon changes to our debt structure, we evaluate debt issuance costs, discounts and premiums in accordance with the *Debt* topic of the Codification. We adjust debt issuance costs, discounts and premiums as necessary based on the results of this evaluation, as discussed in Note 8.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. The estimated lives of the various classes of assets are as follows:

Buildings and improvements	10 to 40 years
Machinery and equipment	7 to 10 years
Furniture, fixtures and information technology	3 to 5 years
Leasehold improvements	The shorter of the estimated useful life or the remaining lease term

Major additions and improvements are capitalized, while maintenance and repairs that do not extend the useful life of the property are charged to expense as incurred. Gains or losses from dispositions of property, plant and equipment are recorded in the period incurred. We also capitalize certain costs of computer software developed or obtained for internal use, including interest, provided that those costs are not research and development, and certain other criteria are met. Internal use computer software costs are included in furniture, fixtures and information technology and generally depreciated using the straight-line method over the estimated useful lives of the assets, generally three years.

Leases

We lease certain land, buildings, rolling stock and other types of equipment for use in our operations. These leases typically have initial terms ranging from five to 15 years. Many of our leases contain renewal options which are exercisable at our discretion. These renewal options generally have terms ranging from one to five years. We also lease certain properties from related parties, including current employees and non-affiliate stockholders.

Under the *Leases* topic of the Codification, lessees are required to recognize the following for all leases, with the exception of short-term leases, at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

We determine if an arrangement is a lease at the inception of the arrangement. Lease liabilities are recognized based on the present value of lease payments over the lease term at the arrangement's commencement date. Right-of-use assets are recognized based on the amount of the measurement of the lease liability adjusted for any lease payments made to the lessor at or before the commencement date, minus any lease incentives received and any initial direct costs incurred. Renewal options are included in the calculation of our right-of-use assets and lease liabilities when it is determined that they are reasonably certain of exercise based on an analysis of the relevant facts and circumstances. As the implicit rate of return of our lease agreements is usually not readily determinable, we generally use our incremental borrowing rate in determining the present value of lease payments. We determine our incremental borrowing rate based on information available to us at the lease commencement date. Certain of our lease arrangements contain lease and non-lease components. We have elected to account for non-lease components as a part of the related lease components for all of our leases. Leases with an initial term of 12 months or less are not recognized on our balance sheet. We recognize the expense for these leases on a straight-line basis over the lease term.

We have certain lease agreements that are subject to changes based on the Consumer Price Index or another referenced index. In the event of changes to the relevant index, lease liabilities are not remeasured and incremental costs are treated as variable lease payments and recognized in the period in which the obligation for those payments is incurred.

In addition, we have residual value guarantees on certain equipment leases. Under these leases, we have the option of (a) purchasing the equipment at the end of the lease term, (b) arranging for the sale of the equipment to a third party, or (c) returning the equipment to the lessor to sell the equipment. If the sales proceeds in any case are less than the residual value, we are required to reimburse the lessor for the deficiency up to a specified level as stated in each lease agreement. If the sales proceeds exceed the residual value, we are entitled to all of such excess amounts.

Long-Lived Assets

We evaluate our long-lived assets, other than goodwill, for impairment when events or changes in circumstances indicate, in our judgment, that the carrying amount of such assets may not be recoverable. The determination of whether or not impairment exists is based on our estimate of undiscounted future cash flows before interest attributable to the assets as compared to the net carrying amount of the assets. If impairment is indicated, the amount of the impairment recognized is determined by estimating the fair value of the assets based on estimated discounted future cash flows and recording a provision for loss if the carrying amount is greater than estimated fair value. The net carrying amount of assets identified to be disposed of in the future is compared to their estimated fair value, usually the quoted market price obtained from an independent third-party less the cost to sell, to determine if impairment exists. Until the assets are disposed of, an estimate of the fair value is reassessed when related events or circumstances change.

Insurance

We have established insurance programs to cover certain insurable risks consisting primarily of physical loss to property, business interruptions resulting from such loss, workers' compensation, employee healthcare, and comprehensive general and auto liability. Third party insurance coverage is obtained for exposures above predetermined deductibles as well as for those risks required to be insured by law or contract. On a quarterly basis, we engage an external actuarial professional to independently assess and estimate the total liability outstanding. Provisions for losses are developed from these valuations which rely upon our past claims experience, which considers both the frequency and settlement of claims. The legal costs associated with these claims are included in these developed provisions. We discount our worker's compensation, general liability, and auto liability insurance reserves based upon estimated future payment streams at our risk-free rate. Our total insurance reserve balances were \$171.1 million and \$90.8 million as of December 31, 2021 and 2020, respectively. Of these balances \$103.0 million and \$52.1 million were recorded as other long-term liabilities as of December 31, 2021 and 2020, respectively. Included in these reserve balances as of December 31, 2021 and 2020, were approximately \$12.6 million and \$5.7 million, respectively, of claims that exceeded stop-loss limits and are expected to be recovered under insurance policies which are also recorded as other receivables and other assets in the accompanying consolidated balance sheet.

Net Income per Common Share

Net income per common share, or earnings per share ("EPS"), is calculated in accordance with the *Earnings per Share* topic of the Codification, which requires the presentation of basic and diluted EPS. Basic EPS is computed using the weighted average number of common shares outstanding during the period. Diluted EPS is computed using the weighted average number of common shares outstanding during the period, plus the dilutive effect of potential common shares.

The table below presents the calculation of basic and diluted EPS for the years ended December 31:

	Years Ended December 31,		
	2021	2020	2019
	(in thousands, except per share amounts)		
Numerator:			
Net income	\$ 1,725,416	\$ 313,537	\$ 221,809
Denominator:			
Weighted average shares outstanding, basic	201,839	116,611	115,713
Dilutive effect of options and RSUs	1,631	1,306	1,312
Weighted average shares outstanding, diluted	<u>203,470</u>	<u>117,917</u>	<u>117,025</u>
Net income per share:			
Basic	<u>\$ 8.55</u>	<u>\$ 2.69</u>	<u>\$ 1.92</u>
Diluted	<u>\$ 8.48</u>	<u>\$ 2.66</u>	<u>\$ 1.90</u>
Antidilutive and contingent RSUs excluded from diluted EPS	<u>225</u>	<u>291</u>	<u>402</u>

Goodwill and Other Intangible Assets

Intangibles subject to amortization

We recognize an acquired intangible asset apart from goodwill whenever the intangible asset arises from contractual or other legal rights, or whenever it can be separated or divided from the acquired entity and sold, transferred, licensed, rented, or exchanged, either individually or in combination with a related contract, asset or liability. Impairment losses are recognized if the carrying amounts of an intangible asset subject to amortization is not recoverable from expected future cash flows and its carrying amount exceeds its estimated fair value.

Goodwill

We recognize goodwill as the excess cost of an acquired entity over the net amount assigned to assets acquired and liabilities assumed. Goodwill is tested for impairment on an annual basis and between annual tests whenever impairment is indicated. This annual test takes place as of December 31 each year. Impairment losses are recognized whenever the carrying amount of a reporting unit exceeds its fair value.

Stock-based Compensation

We have four stock-based employee compensation plans, which are described more fully in Note 10. We issue new common stock shares upon exercises of stock options and vesting of RSUs. We recognize the effect of pre-vesting forfeitures in the period they actually occur.

We did not grant any options during the years ended December 31, 2021, 2020, or 2019.

The fair value of RSU awards which are subject to or contain market conditions is estimated on the date of grant using the Monte Carlo simulation model with the following weighted average assumptions for the year ended December 31:

	2021	2020	2019
Expected volatility (company)	51.3%	40.0%	38.3%
Expected volatility (peer group median)	42.9%	40.0%	33.2%
Correlation between the company and peer group median	0.6	0.5	0.5
Expected dividend yield	0.0%	0.0%	0.0%
Risk-free rate	0.3%	0.9%	2.6%

The expected volatilities and correlation are based on the historical daily returns of our common stock and the common stocks of the constituents of the Company's peer group over the most recent period equal to the measurement period. The expected dividend yield is based on our history of not paying regular dividends in the past and our current intention to not pay regular dividends in the foreseeable future. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant and has a term equal to the measurement period.

Fair Value

The *Fair Value Measurements and Disclosures* topic of the Codification provides a framework for measuring the fair value of assets and liabilities and establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy can be summarized as follows:

Level 1 — unadjusted quoted prices for identical assets or liabilities in active markets accessible by us

Level 2 — inputs that are observable in the marketplace other than those inputs classified as Level 1

Level 3 — inputs that are unobservable in the marketplace and significant to the valuation

If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation.

As of December 31, 2021 and 2020, the Company does not have any financial instruments which are measured at fair value on a recurring basis. We have elected to report the value of our 2027 notes, 2030 notes, 2032 notes, and 2026 facility at amortized cost. The fair values of the 2027 notes, 2030 notes, and 2032 notes at December 31, 2021 were approximately \$646.2 million, \$590.9 million, and \$1,045.0 million, respectively, and were determined using Level 2 inputs based on market prices. The carrying amount of the 2026 facility at December 31, 2021 approximates fair value as the rates are comparable to those at which we could currently borrow under similar terms, are variable and incorporate a measure of our credit risk. As such, the fair value of the 2026 facility was also classified as Level 2 in the hierarchy.

Comprehensive Income

Comprehensive income is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It consists of net income and other gains and losses affecting stockholders' equity that, under GAAP, are excluded from net income. We had no items of other comprehensive income for the years ended December 31, 2021, 2020, and 2019.

Recently Issued Accounting Pronouncements

In October 2021, the Financial Accounting Standards Board ("FASB") issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers which intends to address diversity and inconsistency in the accounting related to recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. This standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The purpose of ASU 2020-04 is to provide optional guidance for a period of time related to accounting for reference rate reform on financial reporting. It is intended to reduce the potential burden of reviewing contract modifications related to discontinued rates. The amendments and expedients in this update are effective, as elected, beginning March 12, 2020 through December 31, 2022 and may be elected by topic. We have yet to elect adoption and the adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In December 2019, the FASB issued an update to existing guidance under the *Income Taxes* topic of the FASB Accounting Standards Codification ("Codification"). This updated guidance simplifies the accounting for income taxes by removing certain exceptions to the general principles in the *Income Taxes* topic. This guidance is effective for public companies annual and interim periods beginning after December 15, 2020 with early adoption permitted. The adoption of this guidance did not have a material impact on our consolidated financial statements.

3. Business Combinations and Dispositions

On January 1, 2021, we completed our all stock merger transaction with BMC Stock Holdings, Inc., a Delaware corporation ("BMC"), pursuant to the Agreement and Plan of Merger, dated as of August 26, 2020 (as amended, restated, supplemented, or otherwise modified from time to time, the "Merger Agreement"), by and among Builders FirstSource, Inc., Boston Merger Sub I Inc., a Delaware corporation and direct wholly owned subsidiary of Builders FirstSource, Inc. ("Merger Sub") and BMC. On the terms and subject to the conditions set forth in the Merger Agreement, on January 1, 2021, Merger Sub merged with and into BMC, with BMC continuing as the surviving corporation and a wholly owned subsidiary of Builders FirstSource, Inc. (the "BMC Merger"). On January 1, 2022, we completed a legal entity reorganization pursuant to which, among other things, BMC was merged with and into Builders FirstSource, Inc., with Builders FirstSource, Inc. continuing as the surviving corporation. The BMC Merger expands the Company's geographic reach and value-added offerings.

The BMC Merger was accounted for by the acquisition method, and accordingly the results of operations have been included in the Company's consolidated financial statements from the acquisition date. Net sales and income before income taxes attributable to BMC were \$6.5 billion and \$789.5 million, respectively, for the year ended December 31, 2021. Income before income taxes attributable to BMC reflects an increase in depreciation and amortization expense related to the recording of these assets at fair value as of the acquisition date and is also impacted by changes in the business post-acquisition. The consideration transferred was allocated to the identifiable assets acquired and liabilities assumed based on estimated fair values at the acquisition date, with the excess recorded as goodwill. The fair value of acquired intangible assets of \$1.5 billion was primarily related to customer relationships. Immediately following the BMC Merger, the Company settled certain assumed long-term debt of \$359.8 million using cash on hand. We incurred transaction-related costs of \$17.6 million and \$22.5 million related to the BMC Merger in the years ended December 31, 2021 and 2020, respectively, which are included in selling, general and administrative expenses in the accompanying consolidated statement of operations.

The consideration transferred was determined as the sum of the following: (A) the price per share of the Company’s common stock (“BFS common stock”) of \$40.81 (based on the closing price per share of BFS common stock on December 31, 2020), multiplied by each of: (1) the approximately 88.7 million shares of BFS common stock issued to BMC stockholders in the BMC Merger (based on the number of shares of BMC common stock outstanding on December 31, 2020, multiplied by the exchange ratio as set forth in the Merger Agreement); and (2) the approximately 0.9 million shares of BFS common stock issued to holders of outstanding BMC restricted stock awards in connection with the BMC Merger (based on the number of BMC restricted stock awards outstanding as of December 31, 2020 (with performance-based awards vesting at target level of performance), multiplied by the exchange ratio as set forth in the Merger Agreement); plus (B) the fair value attributable to fully vested, outstanding options for BMC common stock held by current BMC employees that were assumed by the Company at the effective time and became options to purchase BFS common stock, with the number of shares and exercise price adjusted by the exchange ratio.

The calculation of consideration transferred is as follows (in thousands, except ratios and per share amounts):

Number of BMC common shares outstanding	67,568
Exchange ratio for common shares outstanding per Merger Agreement	1.3125
Shares of BFS common stock issued for BMC outstanding common stock	88,683
Number of BMC stock awards that vested as a result of the BMC Merger	688
Exchange ratio for stock awards expected to vest per Merger Agreement	1.3125
Shares of BFS common stock issued for BMC vested restricted stock awards	903
Price per share of BFS common stock	\$ 40.81
Fair value of BFS common stock issued for BMC outstanding common stock and vested equity awards	\$ 3,655,988
Fair value of modified BMC fully vested, unexercised options	2,374
Total consideration transferred	\$ 3,658,362

On May 3, 2021, we acquired certain assets and operations of John’s Lumber and Hardware Co. (“John’s Lumber”) for a purchase price of \$24.8 million. Located in Detroit, Michigan, John’s Lumber is a supplier of lumber and sheet goods, windows, doors, millwork, siding, decking, kitchen and bath and installation services to homebuilders, remodel contractors and retail consumers. This acquisition was funded with a combination of cash on hand and borrowings under our 2026 facility.

On July 1, 2021, we acquired all of the operating affiliates of Cornerstone Building Alliance SW, LLC (“Alliance”) for a purchase price of, \$408.9 million, net of cash acquired. Alliance operates in Arizona, primarily serving the greater Phoenix, Tucson, and Prescott Valley metropolitan areas. Alliance manufactures roof trusses and distributes lumber and related products to residential homebuilders and commercial contractors. This acquisition was funded with a combination of cash on hand and borrowings under our 2026 facility.

On August 16, 2021, we acquired certain assets and operations of WTS Paradigm, LLC (“Paradigm”), a software solutions and services provider for the building products industry for a purchase price of \$449.6 million, net of cash acquired. Located in Middleton, Wisconsin, Paradigm enhances the Company’s digital capabilities and aligns with our broader vision to provide digital solutions that improve efficiency and solve pain points in the homebuilding process. This acquisition was funded with cash on hand.

On September 1, 2021, we acquired certain assets and operations of CTF Holdings Limited Partnership (“CTF”) for a purchase price of \$182.5 million, net of cash acquired. Prior to the acquisition, CTF was the largest independent truss manufacturer in California, supplying framing contractors and builders in both the single and multifamily markets. This acquisition was funded with cash on hand.

On December 6, 2021, we acquired certain assets and operations of Truss Technologies, Inc. (“TTI”) for a purchase price of \$29.8 million. TTI operates in Michigan, primarily in the greater Grand Rapids area and manufactures roof and floor trusses and engineered wood products. This acquisition was funded with cash on hand.

On December 31, 2021, we acquired certain assets and operations of National Lumber Massachusetts Business Trust and its subsidiary, as well as the affiliated corporation Oxford Lumber and Materials, Inc. (collectively “National Lumber”) for a combined purchase price of \$278.3 million, net of cash acquired. National Lumber is the largest independent lumber and building materials platform in New England, distributing lumber and lumber sheet goods, manufacturing prefabricated components and trusses, and providing various service offerings. The purchase agreement for National Lumber contains an earn-out provision contingent upon the

achievement of specified profitability targets through fiscal year 2022 and includes certain employment restrictions. This earn-out provision could result in an additional cash payment ranging from zero to \$21.5 million depending on the level of achievement of the specified targets. This acquisition was funded with cash on hand and borrowings under the 2026 facility.

These six transactions were accounted for by the acquisition method, and accordingly the results of operations have been included in the Company's consolidated financial statements from each respective acquisition date. The purchase price was allocated to the assets acquired and liabilities assumed based on estimated fair values at the acquisition date, with the excess of purchase price over the estimated fair value of the net assets acquired recorded as goodwill. The fair value of acquired intangible assets of \$372.1 million was primarily related to customer relationships, and developed technology acquired from Paradigm. Customer relationships associated with John's Lumber, Alliance, Paradigm, CTF, TTI and National were \$2.6 million, \$108.2 million, \$22.3 million, \$52.8 million, \$10.8 million and \$53.6 million, respectively. Developed Technology associated with Paradigm was \$95.6 million. We recorded goodwill for John's Lumber, Alliance, Paradigm, CTF, TTI and National of \$8.4 million, \$181.5 million, \$318.2 million, \$98.1 million, \$9.7 million and \$127.5 million, respectively.

Pro forma results of operations as well as net sales and income attributable to the acquisitions discussed above are not presented as these acquisitions did not have a material impact on our results of operations, individually or in the aggregate. We incurred \$9.3 million of acquisition related costs attributable to these acquisitions in the year ended December 31, 2021, which is included in selling, general and administrative expenses in the consolidated statements of operations.

On July 26, 2021, we completed the sale of our standalone Eastern U.S. gypsum distribution operations ("Gypsum Divestiture") for total cash proceeds of \$76.2 million, resulting in a gain on sale totaling \$26.3 million. The disposition does not meet the criteria for discontinued operations classification, thus the results of operations for this divestiture are reported within the Company's one reportable segment, and the gain on sale is included within selling, general and administrative expenses in the consolidated statement of operations for the year ended December 31, 2021.

The following table summarizes the aggregate fair values of the assets acquired and liabilities assumed for these acquisitions during the year ended December 31, 2021, (in thousands):

	BMC Merger	All Other Acquisitions	Total
Cash and cash equivalents	\$ 167,490	\$ 44,469	\$ 211,959
Accounts receivable	428,221	146,742	574,963
Other receivables	36,704	6,660	43,364
Inventories	460,146	116,571	576,717
Contract assets	40,983	6,014	46,997
Other current assets	32,891	3,716	36,607
Property, plant and equipment	555,170	70,419	625,589
Operating lease right-of-use assets	179,133	44,083	223,216
Goodwill	1,751,604	743,207	2,494,811
Intangible assets	1,470,000	372,100	1,842,100
Other assets	6,244	641	6,885
Total assets	\$ 5,128,586	\$ 1,554,622	\$ 6,683,208
Accounts payable	\$ 279,980	\$ 19,808	\$ 299,788
Accrued liabilities	201,046	47,407	248,453
Contract liabilities	45,072	22,436	67,508
Operating lease liabilities	180,650	44,083	224,733
Long-term debt	366,797	42	366,839
Deferred income taxes	349,971	1,881	351,852
Other long-term liabilities	46,707	535	47,242
Total liabilities	\$ 1,470,224	\$ 136,192	\$ 1,606,416
Total consideration transferred	\$ 3,658,363	\$ 1,418,430	\$ 5,076,793

The following table reflects the unaudited pro forma operating results for the Company which gives effect to the BMC Merger as if it had occurred on January 1, 2020 (in thousands). The pro forma results are based on assumptions that the Company believes are reasonable under the circumstances. The pro forma results are not necessarily indicative of future results. The pro forma financial

information includes the historical results of the Company and BMC adjusted for certain items, which are described below, and does not include the effects of any synergies or cost reduction initiatives related to the BMC Merger.

	Twelve Months Ended December 31,	
	2021	2020
	(in thousands)	
Net sales	\$ 19,893,856	\$ 12,766,114
Net income	1,874,632	240,699

Pro forma net income reflects the following adjustments:

- Property, plant and equipment and intangible assets are assumed to be recorded at their estimated fair values as of January 1, 2020, and are depreciated or amortized over their estimated useful lives from that date.
- Transaction-related expenses of \$17.6 million incurred in 2021 are assumed to have occurred on January 1, 2020, and are presented as an expense during the twelve months ended December 31, 2020.
- Interest expense related to certain assumed long-term debt settled in connection with the BMC Merger has been adjusted.
- Cost of sales related to the sell-through of inventory stepped-up in value in connection with the BMC Merger has been adjusted and is presented as cost of sales for the year ended December 31, 2020.

4. Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31:

	2021	2020
	(in thousands)	
Land	\$ 329,354	\$ 206,321
Buildings and improvements	565,546	386,922
Machinery and equipment	937,648	517,543
Furniture, fixtures and information technology	138,115	102,309
Construction in progress	80,500	16,568
Finance lease right-of-use assets	6,054	43,256
Property, plant and equipment	2,057,217	1,272,919
Less: accumulated depreciation	671,776	523,789
Property, plant and equipment, net	\$ 1,385,441	\$ 749,130

Depreciation expense was \$189.3 million, \$94.5 million and \$84.0 million, of which \$43.5 million, \$20.8 million, and \$19.7 million was included in cost of sales, for the years ended December 31, 2021, 2020, and 2019, respectively.

Included in property, plant and equipment are certain assets held under other finance obligations. These assets are recorded at the present value of the lease payments and include land, buildings and equipment. Amortization charges associated with assets held under other finance obligations are included in depreciation expense.

The following balances held under other finance obligations are included on the accompanying consolidated balance sheet as of December 31:

	2021	2020
	(in thousands)	
Land	\$ 110,878	\$ 116,638
Buildings and improvements	119,240	131,390
Assets held under other finance obligations	230,118	248,028
Less: accumulated amortization	24,309	25,015
Assets held under other finance obligations, net	\$ 205,809	\$ 223,013

5. Goodwill

The following table sets forth the changes in the carrying amount of goodwill for the years ended December 31, 2021 and 2020 (in thousands):

Balance as of December 31, 2019 (1)	\$	769,022
Acquisitions		16,283
Balance as of December 31, 2020 (1)	\$	785,305
BMC Merger		1,751,604
All other acquisitions		743,207
Gypsum Divestiture		(9,924)
Balance as of December 31, 2021 (1)	\$	<u>3,270,192</u>

(1) Goodwill is presented net of accumulated impairment losses of \$44.6 million.

In 2021, the change in the carrying amount of goodwill is attributable to the BMC Merger and other acquisitions, as well as the Gypsum Divestiture. The amount allocated to goodwill is attributable to the assembled workforces acquired, expected synergies, and expected growth from the new markets the Company entered into. The goodwill recognized from the BMC Merger and CTF will not be deductible for tax purposes. The \$645.1 million of goodwill recognized from the other acquisitions is expected to be tax deductible and will be amortized ratably over a 15-year period for tax purposes.

We closely monitor trends in economic factors and their effects on operating results to determine if an impairment trigger was present that would warrant a reassessment of the recoverability of the carrying amount of goodwill prior to the required annual impairment test in accordance with the *Intangibles – Goodwill and Other* topic of the Codification.

In evaluating goodwill for impairment, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If it is concluded that it is more likely than not that the fair value of the reporting unit is not less than its carrying value, then no further testing of the goodwill is required. However, if we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, we perform a quantitative goodwill impairment test. This test identifies both the existence of and the amount of goodwill impairment by comparing the fair value of a reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount goodwill is not impaired. If the carrying amount of a reporting unit exceeds its fair value an impairment loss is recognized in an amount equal to that excess, limited to the amount of goodwill allocated to that reporting unit.

The process of evaluating goodwill for impairment involves the determination of the fair value of our reporting units. As a result of the change in segments discussed in Note 2 to these consolidated financial statements, the Company has determined that the reporting units to be used in the analysis of goodwill impairment should align with its three operating segments. Inherent in such fair value determinations are certain judgments and estimates relating to future cash flows, including our interpretation of current economic indicators and market valuations and assumptions about our strategic plans with regard to our operations. Due to the uncertainties associated with such estimates, actual results could differ from such estimates resulting in further impairment of goodwill.

In evaluating goodwill for impairment at December 31, 2021, we developed the fair value using a discounted cash flow methodology. The discounted cash flow methodology establishes fair value by estimating the present value of the projected future cash flows to be generated from the reporting unit. The discount rate applied to the projected future cash flows to arrive at the present value is intended to reflect all risks of ownership and the associated risks of realizing the stream of projected future cash flows. The discounted cash flow methodology uses our projections of financial performance for a five-year period. The significant assumptions used in the discounted cash flow methodology are the discount rate, the terminal value and the expected future revenues and profitability.

We recorded no goodwill impairment charges in 2021, 2020, and 2019.

6. Intangible Assets

The following table presents intangible assets as of December 31:

	2021		2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in thousands)			
Customer relationships	\$ 1,781,264	\$ (328,540)	\$ 195,435	\$ (94,690)
Trade names	201,861	(155,141)	52,061	(38,138)
Subcontractor relationships	5,440	(3,757)	5,440	(1,944)
Non-compete agreements	13,519	(3,243)	3,719	(2,001)
Developed technology	95,600	(3,594)	-	-
Total intangible assets	<u>\$ 2,097,684</u>	<u>\$ (494,275)</u>	<u>\$ 256,655</u>	<u>\$ (136,773)</u>

During the years ended December 31, 2021, 2020, and 2019, we recorded amortization expense in relation to the above-listed intangible assets of \$358.1 million, \$22.1 million, and \$16.1 million, respectively. We recorded no intangible asset impairment charges for the years ended December 31, 2021, 2020 or 2019.

In connection with the BMC Merger and current year acquisitions, we recorded intangible assets of \$1.8 billion, which includes \$1.6 billion of customer relationships, \$149.8 million of trade names, \$95.6 million of developed technology, and \$9.8 million of non-compete agreements. The weighted average useful lives of the acquired intangible assets are 12.2 years in total, 12.5 years for customer relationships, 7.0 years for trade names, 9.1 years for developed technology and 5.7 years for non-compete agreements. The fair value of acquired customer relationship intangible assets was primarily estimated by applying the multi-period excess earnings method, which involved the use of significant estimates and assumptions primarily related to forecasted revenue growth rates, gross margin, contributory asset charges, customer attrition rates, and market-participant discount rates. These measures are based on significant Level 3 inputs not observable in the market. Key assumptions developed based on the Company's historical experience, future projections and comparable market data include future cash flows, long-term growth rates, attrition rates and discount rates.

In connection with the Gypsum Divestiture, we derecognized \$0.5 million of intangible assets, net. Refer to Note 3 – Business Combinations and Dispositions for additional information.

The following table presents the estimated amortization expense for intangible assets for the years ending December 31 (in thousands):

2022	\$ 260,867
2023	230,168
2024	201,423
2025	172,843
2026	153,052
Thereafter	585,056
Total future net intangible amortization expense	<u>\$ 1,603,409</u>

7. Accrued Liabilities

Accrued liabilities consisted of the following:

	December 31, 2021	December 31, 2020
	(in thousands)	
Accrued payroll and other employee related expenses	\$ 385,800	\$ 176,379
Accrued business taxes	81,055	46,717
Self-insurance reserves	68,060	38,642
Accrued rebates payable	51,805	18,592
Amounts accrued for repurchases of common stock	51,545	—
Accrued interest	31,666	13,567
Income taxes payable	2,230	12,236
Other	46,743	20,948
Total accrued liabilities	<u>\$ 718,904</u>	<u>\$ 327,081</u>

8. Long-Term Debt

Long-term debt consisted of the following:

	December 31, 2021	December 31, 2020
	(in thousands)	
2026 revolving credit facility (1)	\$ 588,000	\$ 75,000
2027 notes	612,500	777,500
2030 notes	550,000	550,000
2032 notes	1,000,000	-
Other finance obligations	202,995	216,072
Finance lease obligations	3,787	23,873
	<u>2,957,282</u>	<u>1,642,445</u>
Unamortized debt discount/premium and debt issuance costs	(27,500)	(18,205)
	<u>2,929,782</u>	<u>1,624,240</u>
Less: current maturities of lease obligations	3,660	27,335
Long-term debt, net of current maturities, discounts and issuance costs	<u>\$ 2,926,122</u>	<u>\$ 1,596,905</u>

(1) The weighted average interest rate was 2.8% and 3.8% as of December 31, 2021 and 2020, respectively.

2019 Debt Transactions

Note Repurchase Transactions

In the first quarter of 2019, the Company executed a series of open market purchases of its 5.625% senior secured notes due 2024 (“2024 notes”). These transactions resulted in \$20.4 million in aggregate principal amount of the 2024 notes being repurchased at prices ranging from 94.9% to 95.9% of par value. These repurchases were considered to be debt extinguishments and as such, we recognized a gain on debt extinguishment of \$0.7 million in interest expense.

Refinancing Transactions

In April 2019, the Company extended the maturity date of its previous revolving credit facility by 20 months to November 22, 2023. All other material terms of the revolving credit facility were unchanged from those of the previous agreement.

We incurred \$1.2 million in lender and third-party fees which, together with \$5.9 million in remaining unamortized debt issuance costs, were recorded as other assets and are being amortized over the remaining contractual life.

In May 2019, we completed a private offering of \$400.0 million in aggregate principal amount of 6.750% senior secured notes due 2027 (the “2027 notes”) at an issue price equal to 100% of their par value. The proceeds from the issuance of the 2027 notes were used, together with cash on hand, to purchase \$97.0 million in aggregate principal amount of 2024 notes, to repay \$300.0 million of our previous senior secured term loan facility due 2024 (the “2024 term loan”) and to pay related transaction fees and expenses.

We incurred \$6.1 million of various third-party fees and expenses. Of these costs, \$2.1 million were recorded to interest expense in the second quarter of 2019. The remaining \$4.0 million in costs incurred have been recorded as a reduction to long-term debt and are being amortized over the contractual life of the 2027 notes using the effective interest method. Further, we recorded an additional \$2.2 million to interest expense in the second quarter of 2019 related to the write-off of unamortized debt discount and debt issuance costs in connection with the partial repayment of the 2024 term loan.

In July 2019, we completed a private offering of an additional \$75.0 million in aggregate principal amount of 2027 notes at an issue price of 104.5% of their par value. The proceeds from the issuance of the 2027 notes were used together with cash on hand to redeem an additional \$75.0 million in aggregate principal amount of 2024 notes and to pay related transaction fees and expenses.

The additional \$3.4 million in proceeds received in excess of par value represents a debt premium which has been recorded as an increase to long-term debt. In addition, we incurred \$1.3 million of various third-party fees and expenses which have been recorded as a reduction to long-term debt, which together with the premium are being amortized over the contractual life of the 2027 notes using the effective interest method.

The redemption of the 2024 notes was considered to be a debt extinguishment. As such, we recognized a loss on extinguishment of \$3.1 million recorded to interest expense.

Term Loan Repayment

In November 2019, we repaid \$105.1 million of the 2024 term loan using cash on hand. In connection with this repayment we recognized a loss on extinguishment of \$3.5 million related to the write-off of unamortized debt discount and debt issuance costs. This loss on extinguishment was recorded to interest expense in the fourth quarter of 2019.

2020 Debt Transactions

Refinancing Transactions

In February 2020, the Company completed a private offering of \$550.0 million in aggregate principal amount of its 5.00% unsecured senior notes due 2030 ("2030 notes") at an issue price equal to 100% of par value. The net proceeds from the issuance of the 2030 notes were used together with a borrowing on our previous revolving credit facility to redeem the remaining \$503.9 million in outstanding aggregate principal amount of 2024 notes and \$47.5 million in aggregate principal amount of 2027 notes and to pay related transaction fees and expenses.

We incurred \$8.3 million of various third-party fees and expenses which were recorded as a reduction to long-term debt and are being amortized over the contractual life of the 2030 notes using the effective interest method.

In addition, as the Company concluded that the redemption of the 2024 notes and 2027 notes were debt extinguishments, the Company recorded a loss on extinguishment of \$28.0 million in interest expense. Of this loss, approximately \$22.7 million was attributable to the payment of redemption premiums on the extinguished notes and \$5.3 million was attributable to the write-off of unamortized debt issuance costs and debt premium.

In April 2020, the Company completed a private offering of an additional \$350.0 million in aggregate principal amount of 2027 notes at an issue price of 98.75% of par value. The net proceeds from the issuance of the 2027 notes were used to repay the funds borrowed under the previous revolving credit facility and to pay related transaction fees and expenses, with the remaining net proceeds used for general corporate purposes.

The Company recognized the \$4.4 million in proceeds received below par value as a debt discount recorded as a reduction to long-term debt. In addition, we incurred \$5.5 million of various third-party fees and expenses, recorded as a reduction to long-term debt, which together with the discount will be amortized over the contractual life of the 2027 notes using the effective interest method.

Term Loan Repayment

In November 2020, we repaid the remaining \$52.0 million of the 2024 term loan using cash on hand. In connection with this repayment we recognized a loss on extinguishment of \$1.4 million related to the write-off of unamortized debt discount and debt issuance costs recorded to interest expense.

2021 Debt Transactions

Revolving Credit Facility Amendments

On January 29, 2021, the Company amended its revolving credit facility to increase the total commitments by an aggregate amount of \$500.0 million resulting in a new \$1.4 billion amended credit facility, and to extend the maturity date from November 2023 to January 2026 (the “2026 facility”). All other material terms of the credit facility remain unchanged from those of the previous agreement. In connection with this amendment, we expensed approximately \$1.0 million of unamortized debt issuance costs related to exiting lenders to interest expense. Approximately \$4.3 million of new debt issuance costs related to the amendment will be amortized over the remaining contractual life.

On December 17, 2021, the Company amended its revolving credit facility to extend the maturity by 11 months to December 17, 2026. Additionally, the amendment reduced the interest rates and commitment fee under the credit facility by 0.500% and 0.175%, respectively. All other material terms of the credit facility remain unchanged from those of the previous agreement. In connection with this amendment, we incurred approximately \$1.5 million of new debt issuance costs which, together with the previous unamortized debt issuance costs, will be deferred and amortized over the remaining contractual life.

Subsequent to year-end on February 4, 2022, the Company amended the 2026 facility to increase the total commitments by an aggregate amount of \$400.0 million resulting in a new \$1.8 billion amended credit facility. All other material terms of the credit facility remain unchanged from those of the previous agreement.

Notes Repurchase Transactions

On March 3, 2021, pursuant to the optional call feature in the indenture governing our 2027 notes, \$82.5 million of 2027 notes were redeemed at a redemption price equal to 103% of the principal amount of the notes, plus accrued and unpaid interest. In connection with this redemption, we recognized a loss on extinguishment of \$3.6 million, which was recorded to interest expense in second quarter of 2021. Of this loss, approximately \$2.5 million was attributable to the payment of redemption premiums on the extinguished notes and \$1.1 million was attributable to the write-off of unamortized net debt discount and debt issuance costs.

On December 3, 2021, we redeemed an additional \$82.5 million of 2027 notes at a redemption price equal to 103% of the principal amount of the notes, plus accrued and unpaid interest. In connection with this redemption, we recognized a loss on extinguishment of \$3.5 million, which was recorded to interest expense in the fourth quarter of 2021. Of this loss, approximately \$2.5 million was attributable to the payment of redemption premiums on the extinguished notes and \$1.0 million was attributable to the write-off of unamortized net debt discount and debt issuance costs.

Notes Offering Transaction

On July 23, 2021, the Company completed a private offering of \$1.0 billion in aggregate principal amount of 2032 notes (the “2032 notes”) at an issue price equal to 100% of their par value. Net proceeds from the offering were used to repay indebtedness outstanding under the 2026 facility and related transaction fees and expenses, with the remaining net proceeds used for general corporate purposes. In connection with the offering, we incurred \$13.7 million of various third-party fees and expenses. These costs have been recorded as a reduction to long-term debt and are being amortized over the contractual life of the 2032 notes using the effective interest method. The 2032 notes are discussed in more detail below.

2026 Revolving Credit Facility

As of December 31, 2021, the 2026 facility provides for a \$1.4 billion revolving credit line, further amended on February 4, 2022 to \$1.8 billion as noted above, to be used for working capital, general corporate purposes and funding capital expenditures and growth opportunities. In addition, we may use the 2026 facility to facilitate debt repayment and consolidation. The available borrowing capacity, or borrowing base, is derived from a percentage of the Company’s eligible receivables and inventory, as defined by the agreement, subject to certain reserves. As of December 31, 2021, we had \$588.0 million in outstanding borrowings under our 2026 facility and our net excess borrowing availability was \$685.6 million after being reduced by outstanding letters of credit of approximately \$126.4 million.

As of December 31, 2021, borrowings under the 2026 facility bear interest, at our option, at either a eurodollar rate or a base rate, plus, in each case, an applicable margin. The applicable margin ranges from 1.25% to 1.50% per annum in the case of eurodollar rate loans and 0.25% to 0.50% per annum in the case of base rate loans. The margin in either case is based on a measure of availability under the 2026 facility. A commitment fee, currently 0.20% per annum, is charged on the unused amount of the revolver based on quarterly average loan utilization. Letters of credit under the 2026 facility are assessed at a rate equal to the applicable eurodollar margin, currently 1.25%, as well as a fronting fee at a rate of 0.125% per annum. These fees are payable quarterly in arrears at the end of March, June, September, and December. Effective with the February 4, 2022 amendment, the applicable margin ranges for eurodollar rate loans were amended to be from 1.35% to 1.60% and there are no changes to base rate loan borrowings.

All obligations under the 2026 facility are guaranteed jointly and severally by the Company and all other subsidiaries that guarantee the 2027 notes, the 2030 notes, and the 2032 notes (such subsidiaries, the “Debt Guarantors”). All obligations and the guarantees of those obligations are secured by substantially all of the assets of the Company and the Debt Guarantors subject to certain exceptions and permitted liens, including with respect to the 2026 facility, a first-priority security interest in such assets that constitute ABL Collateral (as defined below) and a second-priority security interest in such assets that constitute Notes Collateral (as defined below).

“ABL Collateral” includes substantially all presently owned and after-acquired accounts receivable, inventory, rights of unpaid vendors with respect to inventory, deposit accounts, commodity accounts, securities accounts and lock boxes, investment property, cash and cash equivalents, and general intangibles, books and records, supporting obligations and documents and related letters of credit, commercial tort claims or other claims related to and proceeds of each of the foregoing. “Notes Collateral” includes all collateral that is not ABL Collateral.

The 2026 facility contains restrictive covenants which, among other things, limit the Company’s ability to incur additional indebtedness, incur liens, engage in mergers or other fundamental changes, sell certain assets, pay dividends, make acquisitions or investments, prepay certain indebtedness, change the nature of our business, and engage in certain transactions with affiliates. In addition, the 2026 facility also contains a financial covenant requiring the satisfaction of a minimum fixed charge ratio of 1.00 to 1.00 if our excess availability falls below the greater of \$80.0 million or 10% of the maximum borrowing amount, which was \$140.0 million as of December 31, 2021.

Senior Secured Notes due 2027

As of December 31, 2021, we have \$612.5 million outstanding in aggregate principal amount of the 2027 notes which mature on June 1, 2027. Interest accrues on the 2027 notes at a rate of 6.75% per annum and is payable semi-annually on June 1 and December 1 of each year.

The terms of the 2027 notes are governed by the indenture, dated as of the May 30, 2019 (the “2027 Indenture”), among the Company, the guarantors named therein and Wilmington Trust, National Association, as trustee and as notes collateral agent. The 2027 notes, subject to certain exceptions, are guaranteed, jointly and severally, on a senior secured basis, the Debt Guarantors. All obligations under the 2027 notes, and the guarantees of those obligations, are secured by substantially all of the assets of the Company and the Debt Guarantors subject to certain exceptions and permitted liens, including a first-priority security interest in such assets that constitute Notes Collateral and a second-priority security interest in such assets that constitute ABL Collateral.

The 2027 Indenture contains restrictive covenants that limit the ability of the Company and its restricted subsidiaries to, among other things, incur additional debt or issue preferred stock, create liens, create restrictions on the Company’s subsidiaries’ ability to make payments to the Company, pay dividends and make other distributions in respect of the Company’s and its subsidiaries’ capital stock, make certain investments or certain other restricted payments, guarantee indebtedness, designate unrestricted subsidiaries, sell certain kinds of assets, enter into certain types of transactions with affiliates, and effect mergers and consolidations.

At any time prior to June 1, 2022, the Company may redeem the 2027 notes in whole or in part at a redemption price equal to 100% of the principal amount of the 2027 notes plus the “applicable premium” set forth in the 2027 Indenture. At any time on or after June 1, 2022, the Company may redeem the 2027 notes at the redemption prices set forth in the 2027 Indenture, plus accrued and unpaid interest, if any, to the redemption date. At any time and from time to time during the 36-month period following the May 30, 2019, the Company may redeem up to 10% of the aggregate principal amount of the 2027 notes during each twelve-month period commencing on May 30, 2019 at a redemption price of 103% of the aggregate principal amount thereof plus accrued and unpaid interest to the redemption date. As of December 31, 2021, we have exercised all the early call options as previously described. In addition, at any time prior to June 1, 2022, the Company may redeem up to 40% of the aggregate principal amount of the 2027 notes with the net cash proceeds of one or more equity offerings, as described in the 2027 Indenture, at a price equal to 106.750% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. If the Company experiences certain change

of control events, holders of the 2027 notes may require it to repurchase all or part of their 2027 notes at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

Senior Secured Notes due 2030

As of December 31, 2021, we have \$550.0 million outstanding in aggregate principal amount of the 2030 notes, which mature on March 1, 2030. Interest accrues on the 2030 notes at a rate of 5.00% per annum and is payable semi-annually on March 1 and September 1 of each year, commencing on September 1, 2020.

The terms of the 2030 notes are governed by the indenture, dated as of the February 11, 2020 (the “2030 Indenture”), among the Company, the guarantors named therein and Wilmington Trust, National Association, as trustee. The 2030 notes, subject to certain exceptions, are guaranteed, jointly and severally, on a senior unsecured basis, by the Debt Guarantors. Subject to certain exceptions, future subsidiaries that guarantee the 2026 facility, the 2027 notes, the 2032 notes or certain other indebtedness will also guarantee the 2030 notes.

The 2030 notes constitute senior unsecured obligations of the Company and the Debt Guarantors, *pari passu* in right of payment with all of the existing and future senior indebtedness of the Company, including indebtedness under the 2026 facility, the 2027 notes and the 2032 notes. The 2030 notes are also (i) effectively subordinated to all existing and future secured indebtedness of the Company and the Debt Guarantors (including under the 2027 notes) to the extent of the value of the assets securing such indebtedness, (ii) senior to all of the future subordinated indebtedness of the Company and the Debt Guarantors, and (iii) structurally subordinated to any existing and future indebtedness and other liabilities, including preferred stock, of the Company’s subsidiaries that do not guarantee the 2030 notes.

The 2030 Indenture contains restrictive covenants that limit the ability of the Company and its restricted subsidiaries to, among other things, incur additional debt or issue preferred stock, create liens, create restrictions on the Company’s subsidiaries’ ability to make payments to the Company, pay dividends and make other distributions in respect of the Company’s and its subsidiaries’ capital stock, make certain investments or certain other restricted payments, guarantee indebtedness, designate unrestricted subsidiaries, sell certain kinds of assets, enter into certain types of transactions with affiliates, and effect mergers and consolidations.

At any time prior to March 1, 2025, the Company may redeem the 2030 notes in whole or in part at a redemption price equal to 100% of the principal amount of the 2030 notes plus the “applicable premium” set forth in the 2030 Indenture. In addition, at any time prior to March 1, 2023, the Company may redeem up to 40% of the aggregate principal amount of the 2030 notes with the net cash proceeds of one or more equity offerings, as described in the 2030 Indenture, at a price equal to 105.0% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. At any time on or after March 1, 2025, the Company may redeem the 2030 notes at the redemption prices set forth in the 2030 Indenture, plus accrued and unpaid interest, if any, to the redemption date. If the Company experiences certain change of control events, holders of the 2030 notes may require it to repurchase all or part of their 2030 notes at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

Senior Secured Notes due 2032

As of December 31, 2021, we have \$1.0 billion outstanding in aggregate principal amount of the 2032 notes, which mature on February 1, 2032. Interest accrues on the 2032 notes at a rate of 4.25% per annum and is payable semi-annually on February 1 and August 1 of each year, commencing on February 1, 2022.

The terms of the 2032 notes are governed by the indenture, dated as of the July 23, 2021 (the “2032 Indenture”), among the Company, the guarantors named therein and Wilmington Trust, National Association, as trustee. The 2032 notes, subject to certain exceptions, are guaranteed, jointly and severally, on a senior unsecured basis, by the Debt Guarantors. Subject to certain exceptions, future subsidiaries that guarantee the 2026 facility, the 2027 notes, the 2030 notes or certain other indebtedness will also guarantee the 2032 notes.

The 2032 notes constitute senior unsecured obligations of the Company and Debt Guarantors, *pari passu* in right of payment with all of the existing and future senior indebtedness of the Company, including indebtedness under the 2026 facility, the 2027 notes and the 2030 notes, effectively subordinated to all existing and future secured indebtedness of the Company and the Debt Guarantors (including indebtedness under the 2026 facility and the 2027 notes) to the extent of the value of the assets securing such indebtedness, senior to all of the future subordinated indebtedness of the Company and the Debt Guarantors and structurally subordinated to any existing and future indebtedness and other liabilities, including preferred stock, of the Company’s subsidiaries that do not guarantee the 2032 notes.

The 2032 Indenture contains restrictive covenants that limit the ability of the Company and its restricted subsidiaries to, among other things, incur additional debt or issue preferred stock, create liens, create restrictions on the Company's subsidiaries' ability to make payments to the Company, pay dividends and make other distributions in respect of the Company's and its subsidiaries' capital stock, make certain investments or certain other restricted payments, guarantee indebtedness, designate unrestricted subsidiaries, sell certain kinds of assets, enter into certain types of transactions with affiliates, and effect mergers and consolidations.

At any time prior to August 1, 2026, the Company may redeem the 2032 notes in whole or in part at a redemption price equal to 100% of the principal amount of the 2032 notes plus the "applicable premium" set forth in the 2032 Indenture. At any time on or after August 1, 2026, the Company may redeem the 2032 notes at the redemption prices set forth in the 2032 Indenture, plus accrued and unpaid interest, if any, to the redemption date. At any time prior to August 1, 2024, the Company may redeem up to 40% of the aggregate principal amount of the 2032 notes with the net cash proceeds of one or more equity offerings, as described in the 2032 Indenture, at a price equal to 104.250% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. If the Company experiences certain change of control triggering events, holders of the 2032 notes may require it to repurchase all or part of their 2032 notes at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

On January 21, 2022, the Company completed a private offering of an additional \$300.0 million in aggregate principal amount of 2032 notes at an issue price equal to 100.50% of par value. The net proceeds from the offering were used to repay indebtedness outstanding under the 2026 facility and pay related transaction fees and expenses. In connection with the offering, we incurred \$3.8 million of various third-party fees and expenses. These costs will be recorded as a reduction to long-term debt in the first quarter of 2022 and amortized over the contractual life of the 2032 notes using the effective interest method.

As of December 31, 2021 we were not in violation of any covenants or restrictions imposed by any of our debt agreements.

Future maturities of long-term debt as of December 31, 2021 were as follows (in thousands):

Year ending December 31,	
2022	\$ -
2023	-
2024	-
2025	-
2026	588,000
Thereafter	2,162,500
Total long-term debt	<u>\$ 2,750,500</u>

9. Leases and Other Finance Obligations

Right-of-use assets and lease liabilities consisted of the following as of December 31:

	2021	2020
	(in thousands)	
Assets		
Operating lease right-of-use assets, net	\$ 457,833	\$ 274,562
Finance lease right-of-use assets, net (included in property, plant and equipment, net)	4,111	34,905
Total right-of-use assets	<u>\$ 461,944</u>	<u>\$ 309,467</u>
Liabilities		
Current		
Current portion of operating lease liabilities	\$ 96,680	\$ 61,625
Current portion of finance lease liabilities (included in current maturities of long-term debt)	1,439	12,178
Noncurrent		
Noncurrent portion of operating lease liabilities	375,289	219,239
Noncurrent portion of finance lease liabilities (included in long-term debt, net of current maturities)	2,348	11,695
Total lease liabilities	<u>\$ 475,756</u>	<u>\$ 304,737</u>

Total lease costs consisted of the following for the years ended December 31:

	2021	2020
	(in thousands)	
Operating lease costs (1)	\$ 133,009	\$ 85,798
Finance lease costs:		
Amortization of finance lease right-of-use assets	2,166	6,325
Interest on finance lease liabilities	360	1,424
Variable lease costs	27,276	17,607
Total lease costs	<u>\$ 162,811</u>	<u>\$ 111,154</u>

(1) Includes short-term lease costs and sublease income which were not material for either period.

Future maturities of lease liabilities as of December 31, 2021 were as follows:

	Finance Leases	Operating Leases
	(in thousands)	
2022	\$ 1,570	\$ 115,675
2023	1,337	102,699
2024	480	85,724
2025	257	62,585
2026	128	50,872
Thereafter	309	142,084
Total lease payments	<u>4,081</u>	<u>559,639</u>
Less: amount representing interest	<u>(294)</u>	<u>(87,670)</u>
Present value of lease liabilities	3,787	471,969
Less: current portion	<u>(1,439)</u>	<u>(96,680)</u>
Long-term lease liabilities, net of current portion	<u>\$ 2,348</u>	<u>\$ 375,289</u>

Weighted average lease terms and discount rates as of December 31 were as follows:

	2021	2020
Weighted average remaining lease term (years)		
Operating leases	6.3	6.3
Finance leases	3.4	2.1
Weighted average discount rate		
Operating leases	5.3%	6.3%
Finance leases	4.4%	5.9%

The following table presents cash paid for amounts included in the measurement of lease liabilities for the years ended December 31:

	2021	2020
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 118,314	\$ 82,559
Operating cash flows from finance leases	360	1,424
Financing cash flows from finance leases	2,709	13,409

Residual value guarantees in our lease agreements are not material. Based upon the expectation that none of these leased assets will have a residual value at the end of the lease term that is materially less than the value specified in the related operating lease agreement or that we will purchase the equipment at the end of the lease term, we do not believe it is probable that we will be required to fund any amounts under the terms of these guarantee arrangements. Accordingly, these guarantees have not been recognized in the calculation of our right-of-use assets and lease liabilities. Our lease agreements do not impose any significant restrictions or covenants on us. As of December 31, 2021, we do not have any material leases that have been signed but have not yet commenced and are not

reflected on our consolidated balance sheet. Leases with related parties are not significant as of and for the years ended December 31, 2021, 2020, and 2019.

Other Finance Obligations

In addition to the operating and finance lease arrangements described above, the Company is party to 121 individual property lease agreements with a single lessor as of December 31, 2021. These lease agreements had initial terms ranging from nine to 15 years with renewal options in five-year increments providing for up to approximately 30-year total lease terms. A related agreement between the lessor and the Company gives the Company the right to acquire a limited number of the leased facilities at fair market value. These purchase rights represent a form of continuing involvement with these properties, which precluded sale-leaseback accounting. As a result, the Company treats all of the properties that it leases from this lessor as a financing arrangement.

We were deemed the owner of certain of our facilities during their construction period based on an evaluation made in accordance with the *Leases* topic of the Codification. Effectively, a sale and leaseback of these facilities occurred when construction was completed and the lease term began. These transactions did not qualify for sale-leaseback accounting. As a result, the Company treats the lease of these facilities as a financing arrangement.

As of December 31, 2021, other finance obligations consist of \$203.0 million, with cash payments of \$21.2 million for the year ended December 31, 2021. These other finance obligations are included on the consolidated balance sheet as part of long-term debt. The related assets are recorded as components of property, plant, and equipment on the consolidated balance sheet.

Future maturities for other finance obligations as of December 31, 2021 were as follows (in thousands):

2022	\$	16,885
2023		16,893
2024		16,911
2025		16,911
2026		16,690
Thereafter		157,653
Total	\$	<u>241,943</u>

10. Employee Stock-Based Compensation

2014 Incentive Plan

Under our 2014 Incentive Plan ("2014 Plan"), as amended, the Company is authorized to grant awards in the form of incentive stock options, non-qualified stock options, restricted stock shares, restricted stock units, other common stock-based awards and cash-based awards. As of December 31, 2021, the Company had reserved 15.1 million shares of common stock for the grant of awards under the 2014 Plan, subject to adjustment as provided by the 2014 Plan. In 2020, the number of shares available under the 2014 Plan had been adjusted to allow for the assumption of options and shares granted in connection with the BMC Merger. All shares under the Plan may be made subject to options, stock appreciation rights ("SARs"), or stock-based awards. Stock options and SARs granted under the 2014 Plan may not have a term exceeding 10 years from the date of grant. The 2014 Plan also provides that all awards will become fully vested and/or exercisable upon a change in control (as defined in the 2014 Plan) if those awards (i) are not assumed or equitably substituted by the surviving entity or (ii) have been assumed or equitably substituted by the surviving entity, and the grantee's employment is terminated under certain circumstances. Other specific terms for awards granted under the 2014 Plan shall be determined by our Compensation Committee (or the board of directors if so determined by the board of directors). Awards granted under the 2014 Plan generally vest ratably over a three to four-year period or cliff vest after a period of three to four years. As of December 31, 2021, 8.1 million shares were available for issuance under the 2014 Plan. If it is assumed that shares will be issued at the target vesting amount for outstanding restricted stock units ("RSUs") with variable payout provisions, an additional 0.8 million shares would be included in the shares available for future issuance under the 2014 Plan.

2007 Incentive Plan

Under our 2007 Incentive Plan ("2007 Plan"), the Company was authorized to grant awards in the form of incentive stock options, non-qualified stock options, restricted stock, other common stock-based awards and cash-based awards. Stock options granted under the 2007 Plan do not have a term exceeding 10 years from the date of grant. As of May 24, 2017, no further grants will be made under the 2007 plan. All remaining awards granted under the 2007 Plan are fully vested and exercisable.

2005 Equity Incentive Plan

Under our 2005 Equity Incentive Plan (“2005 Plan”), we were authorized to grant stock-based awards in the form of incentive stock options, non-qualified stock options, restricted stock and other common stock-based awards. Stock options granted under the 2005 Plan do not have a term exceeding 10 years from the date of grant. As of June 27, 2015, no further grants will be made under the 2005 Plan. All remaining awards granted under the 2005 Plan are fully vested and exercisable.

1998 Stock Incentive Plan

Under the Builders FirstSource, Inc. 1998 Stock Incentive Plan (“1998 Plan”), we were authorized to issue shares of common stock pursuant to awards granted in various forms, including incentive stock options, non-qualified stock options and other stock-based awards. The 1998 Plan also authorized the sale of common stock on terms determined by our board of directors. As of January 1, 2005, no further grants will be made under the 1998 Plan. All remaining stock options granted under the 1998 Plan are fully vested and exercisable.

Stock Options

The following table summarizes our stock option activity:

	Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Years	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2020	199	\$ 7.68		
Assumed in BMC Merger	84	\$ 12.69		
Exercised	(90)	\$ 8.25		
Forfeited	-	\$ -		
Outstanding at December 31, 2021	193	\$ 9.60	2.9	\$ 14,696
Exercisable at December 31, 2021	\$ 193	\$ 9.60	2.9	\$ 14,696

The outstanding options at December 31, 2021 include 128,000 options under the 2014 plan, 28,000 options under the 2007 Plan, 18,000 options under the 2005 Plan and 19,000 options under the 1998 Plan. As of December 31, 2021, all outstanding options under the 2014 Plan, the 2007 Plan, the 2005 Plan and the 1998 Plan were exercisable. There were no options granted during the years ended December 31, 2021, 2020 or 2019. The total intrinsic value of options exercised during the years ended December 31, 2021, 2020, and 2019 were \$7.0 million, \$4.8 million and \$12.5 million, respectively. Vesting of all of our stock options is contingent solely on continuous employment over the requisite service period.

Restricted Stock Units

The total outstanding RSUs at December 31, 2021 include 2,058,000 units granted under the 2014 Plan.

The Company grants RSUs to employees under our 2014 Incentive Plan for which vesting is based solely on continuous employment over the requisite service period. Generally, the RSUs vest 33% per year at each anniversary of the grant date over the next three years or RSUs vest at 50% per year at each anniversary of the grant date over the next two years. A certain number of RSUs vest at 25% on each of the second and third anniversaries of the grant date and 50% on the fourth anniversary of the grant date.

The following table summarizes activity for RSUs subject solely to service conditions for the year ended December 31, 2021 (shares in thousands):

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2020	1,401	\$ 17.60
Granted	645	\$ 47.36
Vested	(726)	\$ 19.01
Forfeited	(37)	\$ 45.38
Nonvested at December 31, 2021	1,283	\$ 30.97

The weighted average grant date fair value of RSUs for which vesting is subject solely to service conditions granted during the years ended December 31, 2021, 2020 and 2019 were \$47.36, \$19.54, and \$14.29, respectively.

Performance and Service Condition Based Restricted Stock Unit Grants

The Company grants RSUs to employees under our 2014 Incentive Plan for which vesting is based on the Company's achievement of certain performance targets, generally over a two-year period ("performance condition"), as well as continued employment during the performance period. A certain number of RSUs vest based on a performance condition over a five-year period as well as continued employment during the performance period. Assuming continued employment and if the performance vesting condition is achieved, the awards will vest on the second anniversary of the grant date. The actual number of shares of common stock that may be earned ranges from zero to 120% of the RSUs granted. The total number of outstanding RSUs at December 31, 2021 subject to performance and service conditions was 92,000.

Performance, Market and Service Condition Based Restricted Stock Unit Grants

The Company grants RSUs to employees under our 2014 Incentive Plan, that cliff vest on the third anniversary of the grant date based on the Company's level of achievement of performance goals relating to return on invested capital over a three-year period ("performance condition") as well as continued employment during the performance period. The total number of shares of common stock that may be earned from the performance condition ranges from zero to 200% of the RSUs granted. The number of shares earned from the performance condition may be further increased by 10% or decreased by 10% based on the Company's total shareholder return relative to a peer group during the performance period ("market condition"). The total number of outstanding RSUs at December 31, 2021 subject to performance, market and service conditions was 683,000.

The following table summarizes activity for RSUs for which vesting is subject to performance, market and service conditions for the year ended December 31, 2021 (shares in thousands):

	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Nonvested at December 31, 2020	948	\$ 18.97
Granted	284	\$ 41.62
Vested	(442)	\$ 20.62
Forfeited	(15)	\$ 44.45
Nonvested at December 31, 2021	<u>775</u>	<u>\$ 25.85</u>

The weighted average grant date fair value of RSUs for which vesting is subject to performance, market and service conditions granted during the years ended December 31, 2021, 2020 and 2019 were \$41.62, \$23.18 and \$14.42, respectively.

Our results of operations include stock compensation expense of \$31.5 million, \$17.0 million and \$12.2 million for the years ended December 31, 2021, 2020 and 2019, respectively. We recognized excess tax benefits for stock options exercised and RSUs vested of \$8.7 million, \$2.1 million and \$2.2 million for the years ended December 31, 2021, 2020 and 2019, respectively. The total fair value of options vested during the years ended December 31, 2021, 2020, and 2019 were \$0.1 million, \$0.1 million and \$0.3 million, respectively. The total fair value of RSUs vested during the years ended December 31, 2021, 2020 and 2019 were \$22.9 million, \$11.3 million and \$9.8 million, respectively.

As of December 31, 2021, there was approximately \$33.0 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plans. That cost is expected to be recognized over a weighted-average period of 1.8 years.

11. Income Taxes

The components of income tax expense included in continuing operations were as follows for the years ended December 31:

	2021	2020	2019
	(in thousands)		
Current:			
Federal	\$ 475,737	\$ 66,017	\$ 3,678
State	84,967	11,998	6,274
	<u>560,704</u>	<u>78,015</u>	<u>9,952</u>
Deferred:			
Federal	(33,803)	16,270	45,955
State	(770)	344	5,039
	<u>(34,573)</u>	<u>16,614</u>	<u>50,994</u>
Income tax expense	<u>\$ 526,131</u>	<u>\$ 94,629</u>	<u>\$ 60,946</u>

Temporary differences, which give rise to deferred tax assets and liabilities, were as follows as of December 31:

	2021	2020
	(in thousands)	
Deferred tax assets related to:		
Accrued expenses	\$ 31,828	\$ 19,182
Insurance reserves	32,080	16,582
Stock-based compensation expense	5,008	3,549
Accounts receivable	8,742	4,726
Inventories	10,387	6,152
Operating loss and credit carryforwards	18,356	10,812
Operating lease liabilities	113,273	70,216
Other	3,098	3,746
	<u>222,772</u>	<u>134,965</u>
Valuation allowance	(2,573)	(2,409)
Total deferred tax assets	<u>220,199</u>	<u>132,556</u>
Deferred tax liabilities related to:		
Prepaid expenses	(8,960)	(3,914)
Goodwill and other intangible assets	(307,165)	(47,490)
Property, plant and equipment	(156,315)	(57,353)
Operating lease right-of-use assets	(109,880)	(68,641)
Total deferred tax liabilities	<u>(582,320)</u>	<u>(177,398)</u>
Net deferred tax liability	<u>\$ (362,121)</u>	<u>\$ (44,842)</u>

A reconciliation of the statutory federal income tax rate to our effective rate for continuing operations is provided below for the years ended December 31:

	2021	2020	2019
Statutory federal income tax rate	21.0%	21.0%	21.0%
State income taxes, net of federal income tax	3.2	3.7	2.8
Stock-based compensation windfall benefit	(0.4)	(0.5)	(0.8)
Permanent difference - 162(m) limitation	0.3	0.5	0.4
Permanent difference - credits	(0.9)	(1.7)	(2.3)
Permanent difference - other	0.2	0.3	0.7
Other	—	(0.1)	(0.2)
	<u>23.4%</u>	<u>23.2%</u>	<u>21.6%</u>

We have \$113.2 million of state net operating loss carryforwards and \$1.3 million of state tax credit carryforwards expiring at various dates through 2035. We also have \$63.2 million of federal net operating loss carryforwards expiring at various dates through 2034. We evaluate our deferred tax assets on a quarterly basis to determine whether a valuation allowance is required. In accordance

with the *Income Taxes* topic of the Codification we assess whether it is more likely than not that some or all of our deferred tax assets will not be realized. Significant judgment is required in estimating valuation allowances for deferred tax assets and in making this determination, we consider all available positive and negative evidence and make certain assumptions. The realization of a deferred tax asset ultimately depends on the existence of sufficient taxable income in the applicable carryforward period. Changes in our estimates of future taxable income and tax planning strategies will affect our estimate of the realization of the tax benefits of these tax carryforwards.

We base our estimate of deferred tax assets and liabilities on current tax laws and rates. In certain cases, we also base our estimate on business plan forecasts and other expectations about future outcomes. Changes in existing tax laws or rates could affect our actual tax results, and future business results may affect the amount of our deferred tax liabilities or the valuation of our deferred tax assets over time. Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting periods, as well as the residential homebuilding industry's cyclical nature and sensitivity to changes in economic conditions, it is possible that actual results could differ from the estimates used in previous analyses.

The balance for uncertain tax positions, excluding penalties and interest, was \$14.5 million and \$9.2 million as of December 31, 2021 and 2020, respectively, with \$5.3 million and \$7.2 million recorded in the Company's consolidated statement of operations for the years ended December 31, 2021 and 2020, and with no significant amounts recorded in the year ended December 31, 2019. We accrue interest and penalties on our uncertain tax positions as a component of our provision for income taxes. We accrued no significant interest and penalties in 2021, 2020 or 2019.

We are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. Based on completed examinations and the expiration of statutes of limitations, we have concluded all U.S. federal income tax matters for years through 2014. We are currently under IRS audit for various aspects of our 2015, 2016, 2017 and 2019 tax years. We report income-based tax in 41 states with various years open to examination.

12. Employee Benefit Plans

We maintain one active defined contribution 401(k) plan. Our employees are eligible to participate in the plan subject to certain employment eligibility provisions. Participants can contribute up to 75% of their annual compensation, subject to federally mandated maximums. Participants are immediately vested in their own contributions. We match a certain percentage of the contributions made by participating employees, subject to IRS limitations. Our matching contributions are subject to a pro-rata five-year vesting schedule. We recognized expense of \$30.2 million, \$8.1 million and \$7.8 million in 2021, 2020 and 2019, respectively, for contributions to the plan.

We maintain one active defined benefit post-retirement plan which provides income at a defined percentage of a participant's salary for a period after retirement. The plan is not material and is fully funded by investments segregated for the sole purpose of funding the plan.

The Company contributes to multiple collectively bargained union retirement plans including multiemployer plans. The Company does not administer the multiemployer plans, and contributions are determined in accordance with the provisions of negotiated labor contracts. The risks of participating in multiemployer plans are different from single-employer plans. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to a multiemployer plan, the unfunded obligations of that multiemployer plan may be borne by the remaining participating employers. If the Company chooses to stop participating in a multiemployer plan, the Company may be required to pay that plan an amount ("withdrawal liability") based on the plan's formula and the underfunded status of the plan attributable to the Company. Contributions to the plans for the years ended December 31, 2021, 2020 and 2019 were not significant.

13. Commitments and Contingencies

As of December 31, 2021, we had outstanding letters of credit totaling \$126.4 million under our 2026 facility that principally support our self-insurance programs.

The Company has a number of known and threatened construction defect legal claims. While these claims are generally covered under the Company's existing insurance programs to the extent any loss exceeds the deductible, there is a reasonable possibility of loss that is not able to be estimated at this time because (i) many of the proceedings are in the discovery stage, (ii) the outcome of future litigation is uncertain, and/or (iii) the complex nature of the claims. Although the Company cannot estimate a reasonable range of loss based on currently available information, the resolution of these matters could have a material adverse effect on the Company's financial position, results of operations or cash flows.

In addition, we are involved in various other claims and lawsuits incidental to the conduct of our business in the ordinary course. We carry insurance coverage in such amounts in excess of our self-insured retention as we believe to be reasonable under the circumstances and that may or may not cover any or all of our liabilities in respect of such claims and lawsuits. Although the ultimate disposition of these other proceedings cannot be predicted with certainty, management believes the outcome of any such claims that are pending or threatened, either individually or on a combined basis, will not have a material adverse effect on our consolidated financial position, cash flows or results of operations. However, there can be no assurances that future adverse judgments and costs would not be material to our results of operations or liquidity for a particular period.

14. Related Party Transactions

An executive officer of one of our customers, Ashton Woods USA, L.L.C., is a member of the Company's board of directors. Accounts receivable due from and net sales to Ashton Woods USA, L.L.C. were approximately 1% of our total accounts receivable and our total net sales, respectively, for the year ended December 31, 2021. Further, the Company has entered into certain leases of land and buildings with certain employees or non-affiliate stockholders. Activity associated with these related party transactions was not significant as of or for the years ended December 31, 2021, 2020 or 2019.

Transactions between the Company and other related parties occur in the ordinary course of business. However, the Company carefully monitors and assesses related party relationships. Management does not believe that any of these transactions with related parties had a material impact on the Company's results for the years ended December 31, 2021, 2020, or 2019.

15. Subsequent Events

Debt Transactions

As discussed in Note 8, on January 21, 2022, the Company completed a private offering of an additional \$300.0 million in aggregate principal amount of 2032 notes at an issue price equal to 100.50% of par value. Net proceeds from the offering were used to repay borrowings on the 2026 facility and to pay related transaction fees and expenses. In addition, the Company amended the 2026 facility to increase the total commitments by an aggregate amount of \$400.0 million resulting in a new \$1.8 billion amended credit facility.

Company Shares Repurchases

On January 12, 2022, the Company completed its final share repurchases under its two previously announced share repurchase authorizations totaling \$2.0 billion. From January 1, 2022 to January 12, 2022, the Company repurchased and retired approximately 3.1 million shares of our common stock at an average price of \$81.35 per share for \$252.7 million, including fees. Additionally, on February 18, 2022, the Company announced that its board of directors authorized the repurchase an additional \$1.0 billion of its shares of common stock.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls Evaluation and Related CEO and CFO Certifications. Our management, with the participation of our principal executive officer (“CEO”) and principal financial officer (“CFO”) conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this annual report.

Certifications of our CEO and our CFO, which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended (“Exchange Act”), are attached as exhibits to this annual report. This “Controls and Procedures” section includes the information concerning the controls evaluation referred to in the certifications, and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

Limitations on the Effectiveness of Controls. We do not expect that our disclosure controls and procedures will prevent all errors and all fraud. A system of controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Because of the limitations in all such systems, no evaluation can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Furthermore, the design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how unlikely. Because of these inherent limitations in a cost-effective system of controls and procedures, misstatements or omissions due to error or fraud may occur and not be detected.

Scope of the Controls Evaluation. The evaluation of our disclosure controls and procedures included a review of their objectives and design, the Company’s implementation of the controls and procedures and the effect of the controls and procedures on the information generated for use in this annual report. In the course of the evaluation, we sought to identify whether we had any data errors, control problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, were being undertaken if needed. This type of evaluation is performed on a quarterly basis so that conclusions concerning the effectiveness of our disclosure controls and procedures can be reported in our quarterly reports on Form 10-Q. Many of the components of our disclosure controls and procedures are also evaluated by our internal audit department, our legal department and by personnel in our finance organization. The overall goals of these various evaluation activities are to monitor our disclosure controls and procedures on an ongoing basis, and to maintain them as dynamic systems that change as conditions warrant.

Conclusions regarding Disclosure Controls. Based on the required evaluation of our disclosure controls and procedures, our CEO and CFO have concluded that, as of December 31, 2021, we maintained disclosure controls and procedures that were effective in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles (“GAAP”). Internal control over financial reporting includes policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with existing policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework set forth in *Internal Control — Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting. During the period covered by this report, other than described below, there were no changes in our internal control over financial reporting identified in connection with the evaluation described above that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On January 1, 2021, the Company completed the BMC Merger. Throughout 2021, the Company was in the process of integrating BMC pursuant to the Sarbanes-Oxley Act of 2002. The Company evaluated changes to processes, information technology systems and other components of internal controls over financial reporting as part of its ongoing integration activities, and as a result, controls were periodically changed throughout the period. The Company believes, however, that it was able to maintain sufficient controls over the substantive results of its financial reporting throughout this integration process.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item appears in our definitive proxy statement for our annual meeting of stockholders to be held June 14, 2022 under the captions “Proposal 1 — Election of Directors,” “Continuing Directors,” “Information Regarding the Board and Its Committees,” “Corporate Governance,” “Section 16(a) Beneficial Ownership Reporting Compliance,” and “Executive Officers of the Registrant,” which information is incorporated herein by reference.

Code of Business Conduct and Ethics

Builders FirstSource, Inc. and its subsidiaries endeavor to do business according to the highest ethical and legal standards, complying with both the letter and spirit of the law. Our board of directors approved a Code of Business Conduct and Ethics that applies to our directors, officers (including our principal executive officer, principal financial officer and principal accounting officer) and employees. Our Code of Business Conduct and Ethics is administered by a compliance committee made up of representatives from our legal, human resources, finance and internal audit departments.

Our employees are encouraged to report any suspected violations of laws, regulations and the Code of Business Conduct and Ethics, and all unethical business practices. We provide continuously monitored hotlines for anonymous reporting by employees.

Our board of directors has also approved a Supplemental Code of Ethics for the Chief Executive Officer, President, and Senior Financial Officers of Builders FirstSource, Inc., which is administered by our general counsel.

Both of these policies are listed as exhibits to this annual report on Form 10-K and can be found in the “Investors” section of our corporate Web site at: www.bldr.com.

Stockholders may request a free copy of these policies by contacting the Corporate Secretary, Builders FirstSource, Inc., 2001 Bryan Street, Suite 1600, Dallas, Texas 75201, United States of America.

In addition, within four business days of:

- Any amendment to a provision of our Code of Business Conduct and Ethics or our Supplemental Code of Ethics for Chief Executive Officer, President and Senior Financial Officers of Builders FirstSource, Inc. that applies to our chief executive officer, chief financial officer or chief accounting officer as it relates to one or more of the items set forth in Item 406(b) of Regulation S-K; or
- The grant of any waiver, including an implicit waiver, from a provision of one of these policies to one of these officers that relates to one or more of the items set forth in Item 406(b) of Regulation S-K,

We will provide information regarding any such amendment or waiver (including the nature of any waiver, the name of the person to whom the waiver was granted and the date of the waiver) on our Web site at the Internet address above, and such information will be available on our Web site for at least a 12-month period. In addition, we will disclose on our Web site at the Internet address above any amendments and waivers to our Code of Business Conduct and Ethics or our Supplemental Code of Ethics for Chief Executive Officer, President and Senior Financial Officers of Builders FirstSource, Inc. that relate to any element of the definition of “code of ethics” enumerated in Item 406(b) of Regulation S-K under the Securities Exchange Act of 1934, as amended.

Item 11. Executive Compensation

The information required by this item appears in our definitive proxy statement for our annual meeting of stockholders to be held June 14, 2022, under the captions “Executive Compensation and Other Information,” “Information Regarding the Board and its Committees — Compensation of Directors,” and “Compensation Committee Interlocks and Insider Participation,” which information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item appears in our definitive proxy statement for our annual meeting of stockholders to be held on June 14, 2022, under the caption “Ownership of Securities” and “Equity Compensation Plan Information,” which information is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item appears in our definitive proxy statement for our annual meeting of stockholders to be held June 14, 2022, under the caption “Election of Directors and Management Information,” “Information Regarding the Board and its Committees,” and “Certain Relationships and Related Party Transactions,” which information is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

The information required by this item appears in our definitive proxy statement for our annual meeting of stockholders to be held June 14, 2022, under the caption “Proposal 3 — Ratification of Selection of Independent Registered Public Accounting Firm — Fees Paid to PricewaterhouseCoopers LLP,” which information is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

- (a) (1) See the index to consolidated financial statements provided in Item 8 for a list of the financial statements filed as part of this report.
- (2) Financial statement schedules are omitted because they are either not applicable or not material.
- (3) The following documents are filed, furnished or incorporated by reference as exhibits to this report as required by Item 601 of Regulation S-K.

Exhibit Number	Description
2.1	<u>Agreement and Plan of Merger, dated August 26, 2020, by and among Builders FirstSource, Inc., BMC Stock Holdings, Inc., and Boston Merger Sub I Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 27, 2020, File Number 0-51357)</u>
3.1	<u>Amended and Restated Certificate of Incorporation of Builders FirstSource, Inc. (incorporated by reference to Exhibit 3.1 to Amendment No. 4 to the Registration Statement of the Company on Form S-1, filed with the Securities and Exchange Commission on June 6, 2005, File Number 333-122788)</u>
3.2	<u>Amendment to Amended and Restated Certificate of Incorporation of Builders FirstSource, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 4, 2021, File Number 0-51357)</u>
3.3	<u>Amended and Restated By-Laws of Builders FirstSource, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 14, 2020, File Number 0-51357)</u>
4.1	<u>Indenture, dated as of May 30, 2019, among Builders FirstSource, Inc., the guarantors party thereto, and Wilmington Trust, National Association, as trustee and notes collateral agent (form of Note included therein) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 31, 2019, File Number 0-51357)</u>
4.2	<u>First Supplemental Indenture, dated as of July 25, 2019, among Builders FirstSource, Inc., the guarantors party thereto, and Wilmington Trust, National Association, as trustee and notes collateral agent (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 30, 2019, File Number 0-51357)</u>
4.3	<u>Second Supplemental Indenture, dated as of April 24, 2020, among Builders FirstSource, Inc., the guarantors named therein and Wilmington Trust, National Association, as trustee and as notes collateral agent (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 24, 2020, File Number 0-51357)</u>
4.4	<u>Indenture, dated as of July 23, 2021, among Builders FirstSource, Inc., the guarantors named therein and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 23, 2021, File Number 001-40620)</u>
4.5*	<u>Description of Capital Stock</u>
10.1	<u>Amended and Restated ABL Credit Agreement, dated as of July 31, 2015, among Builders FirstSource, Inc., SunTrust Bank, as administrative agent and collateral agent, and the lenders and financial institutions party thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities Exchange Commission on August 6, 2015, File Number 0-51357)</u>
10.2	<u>Amendment No. 1 to Credit Agreement, dated as of March 22, 2017, among Builders FirstSource, Inc., SunTrust Bank, as administrative agent and collateral agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 28, 2017, File Number 0-51357)</u>

Exhibit Number	Description
10.3	<u>Amendment No. 2 to Credit Agreement, dated as of April 24, 2019, among Builders FirstSource, Inc., Truist Bank (as successor by merger to SunTrust Bank), as administrative agent and collateral agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 30, 2019, File Number 0-51357)</u>
10.4	<u>Amendment No. 3 to Credit Agreement, dated as of January 29, 2021, among Builders FirstSource, Inc., SunTrust Bank, as administrative agent and collateral agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 3 2021, File Number 0-51357)</u>
10.5	<u>Amendment No. 4 to Credit Agreement, dated as of December 17, 2021, among the Company, Truist Bank (as successor by merger to SunTrust Bank), as administrative agent and collateral agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 22, 2021, File Number 001-40620)</u>
10.6	<u>Amendment No. 5 to Credit Agreement, dated as of February 4, 2022, among the Company, Truist Bank (as successor by merger to SunTrust Bank), as administrative agent and collateral agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 8, 2022, File Number 001-40620)</u>
10.7	<u>ABL/Bond Intercreditor Agreement, dated as of May 29, 2013, among Builders FirstSource, Inc. and certain of its subsidiaries, as grantors, SunTrust Bank, as ABL agent, and Wilmington Trust, National Association, as notes collateral agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities Exchange Commission on June 3, 2013, File Number 0-51357)</u>
10.8	<u>Amended and Restated ABL Collateral Agreement, dated as of July 31, 2015, among the Company, certain of its subsidiaries, and SunTrust Bank (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed with the Securities Exchange Commission on August 6, 2015, File Number 0-51357)</u>
10.9	<u>Notes Collateral Agreement, dated as of May 30, 2019, among Builders FirstSource, Inc., certain of its subsidiaries, and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 31, 2019, File Number 0-51357)</u>
10.10	<u>Amended and Restated ABL Guarantee Agreement, dated as of July 31, 2015, among the Guarantors (as defined therein) and SunTrust Bank (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K, filed with the Securities Exchange Commission on August 6, 2015, File Number 0-51357)</u>
10.11	<u>Lease and Master Agreement Guaranty, dated as of July 31, 2015, by the Company in favor of LN Real Estate LLC (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, filed with the Securities and Exchange Commission on November 9, 2015, File Number 0-51357)</u>
10.12+	<u>Builders FirstSource, Inc. 2014 Incentive Plan (incorporated herein by reference to Appendix A of the Company's Definitive Proxy Statement on Schedule 14A, filed with the Securities and Exchange Commission on April 11, 2014, File Number 0-51357)</u>
10.13+	<u>Amendment to the Builders FirstSource, Inc. 2014 Incentive Plan (incorporated by reference to Appendix A of the Company's Definitive Proxy Statement on Schedule 14A, filed with the Securities and Exchange Commission on April 14, 2016, File Number 0-51357)</u>
10.14+	<u>Second Amendment to the Builders FirstSource, Inc. 2014 Incentive Plan (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission on February 26, 2021, File Number 0-51351)</u>
10.15+	<u>2017 Form of Builders FirstSource, Inc. 2014 Incentive Plan Director Restricted Stock Unit Award Certificate (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, filed with the Securities and Exchange Commission on November 9, 2017, File Number 0-51357)</u>
10.16+	<u>2017 Form of Builders FirstSource, Inc. 2014 Incentive Plan Restricted Stock Unit Award Certificate (incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission on March 1, 2018, File Number 0-51357)</u>

Exhibit Number	Description
10.17+	2019 Form of Builders FirstSource, Inc. 2014 Incentive Plan Restricted Stock Unit Award Certificate (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, filed with the Securities and Exchange Commission on May 3, 2019, File Number 0-51357)
10.18+	Stock Building Supply Holdings, Inc. 2013 Incentive Compensation Plan (incorporated by reference to Exhibit 10.21 to Amendment No. 2 to the Registration Statement of BMC Stock Holdings, Inc. on Form S-1, filed with the Commission on July 29, 2013, File Number 333-189368)
10.19+	Form of Nonqualified Stock Option Agreement Pursuant to the Stock Building Supply Holdings, Inc. 2013 Incentive Compensation Plan (incorporated by reference to Exhibit 10.23 to Amendment No. 2 to the Registration Statement of Stock Building Supply Holdings, Inc. on Form S-1, filed with the Securities and Exchange Commission on July 29, 2013, File Number 333-189368)
10.20*+	Builders FirstSource, Inc. Director Compensation Policy
10.21+	Builders FirstSource, Inc. Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.13 to Amendment No. 3 to the Registration Statement of the Company on Form S-1, filed with the Securities and Exchange Commission on May 26, 2005, File Number 333-122788)
10.22+	Amended and Restated Employment Agreement, dated as of August 26, 2020, between David E. Flitman, Builders FirstSource, Inc., and BMC Stock Holdings, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 27, 2020, File Number 0-51357)
10.23*+	Amendment No. 1 to Amended and Restated Employment Agreement, entered into as of January 31, 2022, between David E. Flitman and Builders FirstSource, Inc.
10.24*+	Employment Agreement, entered into as of January 31, 2022, between Peter M. Jackson and Builders FirstSource, Inc.
10.25*+	Employment Agreement, entered into as of January 31, 2022, between Timothy D. Johnson and Builders FirstSource, Inc.
10.26*+	Employment Agreement, entered into as of January 31, 2022, between Michael A. Farmer and Builders FirstSource, Inc.
10.27*+	Employment Agreement, entered into as of January 31, 2022, between Stephen J. Herron and Builders FirstSource, Inc.
10.28*+	Employment Agreement, entered into as of January 31, 2022, between Michael Hiller and Builders FirstSource, Inc.
10.29*+	Employment Agreement, entered into as of January 31, 2022, between Scott L. Robins and Builders FirstSource, Inc.
10.30+	Consulting Agreement, dated as of March 5, 2021, between Builders FirstSource, Inc. and M. Chad Crow (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, filed with the Securities and Exchange Commission on May 6, 2021, File Number 0-51357)
14.1*	Builders FirstSource, Inc. Code of Business Conduct and Ethics
14.2	Builders FirstSource, Inc. Supplemental Code of Ethics (incorporated by reference to Exhibit 14.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, filed with the Securities and Exchange Commission on March 13, 2006, File Number 0-51357)
21.1*	Subsidiaries of the Registrant
23.1*	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm
24.1*	Power of Attorney (included as part of signature page)
31.1*	Certification of Chief Executive Officer pursuant to 17 CFR 240.13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by David E. Flitman as Chief Executive Officer
31.2*	Certification of Chief Financial Officer pursuant to 17 CFR 240.13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Peter M. Jackson as Chief Financial Officer
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by David E. Flitman as Chief Executive Officer and Peter M. Jackson as Chief Financial Officer

Exhibit Number	Description
101*	The following financial information from Builders FirstSource, Inc.'s Form 10-K filed on March 1, 2022, formatted in Inline eXtensible Business Reporting Language ("Inline XBRL"): (i) Consolidated Statement of Operations and Comprehensive Income for the years ended December 31, 2021, 2020, and 2019, (ii) Consolidated Balance Sheet at December 31, 2021 and 2020, (iii) Consolidated Statement of Cash Flows for the years ended December 31, 2021, 2020, and 2019, (iv) Consolidated Statement of Changes in Stockholders' Equity for the years ended December 31, 2021, 2020, and 2019, and (v) the Notes to Consolidated Financial Statements.
104*	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2021 has been formatted in Inline XBRL.

* Filed herewith

** Builders FirstSource, Inc. is furnishing, but not filing, the written statement pursuant to Title 18 United States Code 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, of David E Flitman, our Chief Executive Officer, and Peter M. Jackson, our Chief Financial Officer.

+ Indicates a management contract or compensatory plan or arrangement

(b) A list of exhibits filed, furnished or incorporated by reference with this Form 10-K is provided above under Item 15(a)(3) of this report. **Builders FirstSource, Inc. will furnish a copy of any exhibit listed above to any stockholder without charge upon written request to Timothy D. Johnson, Executive Vice President, General Counsel and Corporate Secretary, 2001 Bryan Street, Suite 1600, Dallas, Texas 75201.**

(c) Not applicable

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 1, 2022

BUILDERS FIRSTSOURCE, INC.

/s/ DAVID E. FLITMAN

David E. Flitman

Chief Executive Officer and Director

The undersigned hereby constitute and appoint Timothy D. Johnson and his substitutes our true and lawful attorneys-in-fact with full power to execute in our name and behalf in the capacities indicated below any and all amendments to this report and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, and hereby ratify and confirm all that such attorney-in-fact or his substitutes shall lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ DAVID E. FLITMAN</u> David E. Flitman	Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2022
<u>/s/ PETER M. JACKSON</u> Peter M. Jackson	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 1, 2022
<u>/s/ JAMI COULTER</u> Jami Coulter	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 1, 2022
<u>/s/ PAUL S. LEVY</u> Paul S. Levy	Chairman and Director	March 1, 2022
<u>/s/ DANIEL AGROSKIN</u> Daniel Agroskin	Director	March 1, 2022
<u>/s/ MARK ALEXANDER</u> Mark Alexander	Director	March 1, 2022
<u>/s/ CORY J. BOYDSTON</u> Cory J. Boydston	Director	March 1, 2022
<u>/s/ DAVID W. BULLOCK</u> David W. Bullock	Director	March 1, 2022
<u>/s/ CLEVELAND A. CHRISTOPHE</u> Cleveland A. Christophe	Director	March 1, 2022
<u>/s/ WILLIAM B. HAYES</u> William B. Hayes	Director	March 1, 2022
<u>/s/ BRETT N. MILGRIM</u> Brett N. Milgrim	Director	March 1, 2022
<u>/s/ JAMES O'LEARY</u> James O'Leary	Director	March 1, 2022

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ FLOYD F. SHERMAN</u> Floyd F. Sherman	Director	March 1, 2022
<u>/s/ CRAIG A. STEINKE</u> Craig A. Steinke	Director	March 1, 2022

DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock does not purport to be complete and is subject to, and qualified in its entirety by, our amended and restated certificate of incorporation and amended and restated bylaws, which are incorporated by reference into this Description of Capital Stock, and by the Delaware General Corporation Law (the “DGCL”).

General Matters

Our certificate of incorporation, as amended, provides that we are authorized to issue 300,000,000 shares of common stock, par value \$0.01 per share, and 10,000,000 shares of undesignated preferred stock, par value \$0.01 per share.

Common Stock

Shares of our common stock have the following rights, preferences, and privileges:

- *Voting rights.* Each outstanding share of common stock entitles its holder to one vote on all matters submitted to a vote of our stockholders, including the election of directors. There are no cumulative voting rights. Generally, all matters to be voted on by stockholders must be approved by a majority of the votes entitled to be cast by all shares of common stock present or represented by proxy.
- *Dividends.* Holders of common stock are entitled to receive dividends as, when, and if dividends are declared by our board of directors out of assets or funds legally available for the payment of dividends, subject to any preferential dividend rights of any outstanding preferred stock.
- *Liquidation.* In the event of a liquidation, dissolution, or winding up of our affairs, whether voluntary or involuntary, after payment of our liabilities and obligations to creditors, our remaining assets will be distributed ratably among the holders of shares of common stock on a per share basis.
- *Rights and preferences.* Our common stock has no preemptive, redemption, conversion or subscription rights. The rights, powers, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.
- *Listing.* Our common stock is listed on the New York Stock Exchange under the symbol “BLDR.”
- *Transfer Agent and Registrar.* The transfer agent and registrar for our common stock is Computershare Shareowner Services LLC, and its telephone number is (877) 219-7020.

Preferred Stock

Under our certificate of incorporation, without further stockholder action, the board of directors is authorized, subject to any limitations prescribed by the law of the State of Delaware, to provide for the issuance of the shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions thereof.

Anti-Takeover Effects of Certain Provisions of Our Certificate of Incorporation and Bylaws

Our certificate of incorporation and bylaws contain provisions that are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and that may have the effect of delaying, deferring or preventing a future takeover or change in control of our company unless the takeover or change in control is approved by our board of directors. These provisions include the following:

Staggered board of directors. Our certificate of incorporation and bylaws provide for a staggered board of directors, divided into three classes, with our stockholders electing one class each year. Between stockholders' meetings, the board of directors will be able to appoint new directors to fill vacancies or newly created directorships so that no more than the number of directors in any given class could be replaced each year and it would take three successive annual meetings to replace all directors.

Elimination of stockholder action through written consent. Our certificate of incorporation and bylaws provide that stockholder action can be taken only at an annual or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting.

Elimination of the ability to call special meetings. Our certificate of incorporation and bylaws provide that, except as otherwise required by law, special meetings of our stockholders can only be called pursuant to a resolution adopted by a majority of our board of directors, a committee of the board of directors that has been duly designated by the board of directors and whose powers and authority include the power to call such meetings or by our chief executive officer or the chairman of our board of directors. Stockholders are not permitted to call a special meeting or to require our board to call a special meeting.

Advance notice procedures for stockholder proposals. Our bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board. Stockholders at our annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our board or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given to our secretary timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting.

Removal of directors; board of directors vacancies. Our certificate of incorporation and bylaws provide that members of our board of directors may not be removed without cause and the affirmative vote of holders of at least a majority of the voting power of our then-outstanding capital stock entitled to vote on the election of directors. Our bylaws further provide that only our board of directors may fill vacant directorships, except in limited circumstances. These provisions would prevent a stockholder from gaining control of our board of directors by removing incumbent directors and filling the resulting vacancies with such stockholder's own nominees.

Amendment of certificate of incorporation and bylaws. The DGCL provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote is required to amend or repeal a corporation's certificate of incorporation or bylaws, unless the certificate of incorporation requires a greater percentage. Our certificate of incorporation requires the approval of the holders of at least two-thirds of the voting power of the issued and outstanding shares of our capital stock entitled to vote in connection with the election of directors to amend certain provisions of our certificate of incorporation relating to the directors, including their authority to amend our by-laws, the size of our board of directors,

provision for a staggered board of directors, the removal of directors, and vacancies on the board of directors, as well as our authority to provide indemnification for our directors and officers. Our bylaws provide that a majority of our board of directors or, in most cases, the holders of at least a majority of the voting power of the issued and outstanding shares of our capital stock entitled to vote thereon have the power to amend or repeal our bylaws, except that, in the case of amendments or repeals approved by stockholders, the affirmative vote of holders of at least two-thirds of the voting power of the issued and outstanding shares of our capital stock entitled to vote thereon shall be required to amend or repeal provisions of our bylaws relating to meetings of stockholders, including the provision that stockholders may not take action by written consent in lieu of a meeting, the nomination and election of directors, vacancies on the board of directors, and our authority to provide indemnification for our directors and officers.

The foregoing provisions of our certificate of incorporation and bylaws could discourage potential acquisition proposals and could delay or prevent a change in control. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by our board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares, and, as a consequence, they also may inhibit fluctuations in the market price of the common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management or delaying or preventing a transaction that might benefit you or other minority stockholders.

Limitations on Liability and Indemnification of Officers and Directors

Our certificate of incorporation and bylaws provide indemnification for our directors and officers to the fullest extent permitted by the DGCL. We have entered into indemnification agreements with each of our directors that are, in some cases, broader than the specific indemnification provisions contained under Delaware law. In addition, as permitted by Delaware law, our certificate of incorporation includes provisions that eliminate the personal liability of our directors for monetary damages resulting from breaches of certain fiduciary duties as a director. The effect of this provision is to restrict our rights and the rights of our stockholders in derivative suits to recover monetary damages against a director for breach of fiduciary duties as a director, except that a director will be personally liable for:

- any breach of his duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- any transaction from which the director derived an improper personal benefit; or
- improper distributions to stockholders.

These provisions may not be held to be enforceable for violations of the federal securities laws of the United States.

BUILDERS FIRSTSOURCE, INC.

DIRECTOR COMPENSATION POLICY

(as amended effective November 16, 2021)

The Board of Directors (the "Board") of Builders FirstSource, Inc. (the "Company") has adopted the following compensation policy for purposes of compensating those directors of the Company who meet the eligibility requirements described herein (the "Eligible Directors"). This compensation policy has been developed to compensate the Eligible Directors of the Company for their time, commitment and contributions to the Board. In order to qualify as an Eligible Director for purposes of receiving compensation under this policy, the director cannot concurrently be employed in any capacity by the Company or any of its subsidiaries, unless otherwise determined by the Nominating Committee.

CASH COMPENSATION (WITH ELECTION TO RECEIVE STOCK IN LIEU OF CASH)**Retainers for Serving on the Board**

Eligible Directors shall be paid an annual retainer of \$100,000, payable in quarterly installments, for each year of his or her service on the Board (each a "Service Year"). In addition to the regular retainer for serving as a member of the Board, an Eligible Director who serves as Chairman of the Board shall be paid an annual cash retainer of \$100,000 for service in such role for each Service Year, payable in quarterly installments. Service Years will commence on the date of the Company's annual meeting of stockholders each year.

Retainers for Serving as Chairpersons or Members of a Board Committee

An Eligible Director who serves as a chairperson or as a member of the Audit Committee, the Compensation Committee or the Nominating Committee of the Board shall be paid additional annual retainers for service in such roles for each Service Year, payable in quarterly installments, in the following amounts:

Name of Committee	Chairman	Member
Audit Committee	\$30,000	\$5,000
Compensation Committee	\$20,000	\$5,000
Nominating Committee	\$10,000	\$5,000

A chairperson of a committee shall not be paid an additional retainer for also serving as a member of that committee. Eligible Directors shall not be paid any additional retainers for attendance at meetings of the Board or its committees.

Election to Receive Stock in Lieu of Cash Compensation

In lieu of receiving annual cash retainer(s) and/or retainers for serving as a chairperson or as a member of the Audit Committee, the Compensation Committee or the Nominating Committee of the Board, an Eligible Director may elect to receive fully vested shares of the Company's common stock having a value on the first day of the service quarter for which they are issued approximately equal to the amount of the cash retainer payment he or she would otherwise receive. Such stock grants in lieu of cash retainer payments will be awarded on a quarterly basis at the same time cash retainer payments would be made. Eligible Directors may make such election by notifying the General Counsel in writing during an open trading window preceding the commencement of the Service Year for which such election is to be effective, and such election may not be modified during such Service Year. Once an election to receive shares in lieu of receiving cash retainer(s) is effective for a Service Year, it shall remain effective for subsequent Service Years, unless a new

written notice is delivered to the General Counsel prior to the commencement of an upcoming Service Year.

Pro Rata Cash Retainer Payment for New Eligible Director

Following (i) the initial appointment or election of an Eligible Director to the Board or (ii) a change in status which causes an ineligible director to qualify as an Eligible Director under this policy, a pro rata payment of the quarterly cash retainers (regular retainer(s) and retainers for committee service, as applicable) will be made to such Eligible Director, prorated to reflect that portion of the quarter for which such director will serve on the Board and qualify as an Eligible Director. Such pro rata retainer payment will be made as of (i) the date of commencement of Board service for a new Eligible Director, or (ii) the date a serving director becomes an Eligible Director, or (iii) such other date as the Board shall determine.

EQUITY-BASED COMPENSATION

Annual Restricted Stock Unit Awards

At the start of each Service Year, Eligible Directors ("Grantees") shall receive equity-based compensation awards with a value at the time of issuance of approximately \$150,000. Such awards shall be made in the form of restricted stock units related to the Company's common stock and shall be granted by the Board pursuant to a form of restricted stock unit award agreement under the Company's 2014 Incentive Plan (or any successor plans), as amended from time to time. The restricted stock units shall vest and convert to shares on the first anniversary of the grant date.

Pro Rata Restricted Stock Unit Award for New Eligible Director

Following (i) the initial appointment or election of an Eligible Director to the Board or (ii) a change in status which causes an ineligible director to qualify as an Eligible Director under this policy, a pro rata grant of restricted stock units related to the Company's common stock will be made to such Eligible Director with a value at the time of issuance based on the approximately \$150,000 in value for regular annual restricted stock unit awards to Eligible Directors, but prorated for that portion of the Service Year in which such director will serve on the Board and qualify as an Eligible Director. Such grants shall be made as of (i) the date of commencement of Board service for a new Eligible Director, or (ii) the date a serving director becomes an Eligible Director, or (iii) such other date as the Board shall determine. The restricted stock units shall vest and convert to shares on the first anniversary of the grant date.

Vesting Upon Departure of a Director

If a Grantee shall cease to be a Director of the Company due to death, disability or retirement during the one-year vesting period applicable to any restricted stock units granted hereunder, all restricted stock units shall immediately vest and convert to shares. If the Grantee shall cease to be a Director of the Company for any other reason during such one-year vesting period, any unvested restricted stock units shall be forfeited by the Grantee and such restricted stock units shall be cancelled.

TRAVEL EXPENSE REIMBURSEMENT

Eligible Directors shall be entitled to receive reimbursement for reasonable travel expenses which they properly incur in connection with their functions and duties as directors.

AMENDMENTS, REVISION AND TERMINATION

This policy may be amended, revised or terminated by the Board of Directors at any time and from time-to-time.

**AMENDMENT NO. 1 TO
AMENDED AND RESTATED
EMPLOYMENT AGREEMENT**

This AMENDMENT NO. 1 TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “**Amendment**”) between David E. Flitman (“**Executive**”) and Builders FirstSource, Inc., a Delaware corporation (the “**Company**”), is entered into as of January 31, 2022 and is effective as of 12:01 am Eastern Time on January 1, 2021 (the “**Effective Time**”).

RECITALS

WHEREAS, reference is made to that certain Amended and Restated Employment Agreement between Executive, the Company, and BMC Stock Holdings, Inc., entered into as of August 26, 2020 and effective as of the Effective Time (the “**Current Employment Agreement**”); and

WHEREAS, Executive and the Company desire to amend Section 2.1(b) the Current Employment Agreement to correct a clerical error.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the Company and Executive hereby agree as follows:

AGREEMENT

1.1 Amendment

. Section 2.1(b) of the Current Employment Agreement is hereby amended and restated in its entirety to read as follows:

“Annual Cash Bonus. During the term of employment, Executive shall be eligible to participate under the Company’s annual incentive program for executive officers, as in effect and from time to time adopted by the Board (the “**Incentive Plan**”) for the award of an annual cash bonus (“**Annual Cash Bonus**”). The Annual Cash Bonus shall be determined based on a target bonus equal to 125% of Base Salary (the “**Target Bonus**”), and shall provide for a maximum Annual Cash Bonus opportunity equal to 200% of Target Bonus; provided that Executive’s Annual Cash Bonus in respect of the year during which the Effective Time occurs shall be prorated based on the number of days during such year Executive is employed by the Company. Payment of the Annual Cash Bonus, if any, shall be made pursuant to the terms and conditions of the Incentive Plan.”

1.2 Other Agreements

. Except as modified by this Amendment, the Current Employment Agreement shall remain in full force and effect in accordance with its terms.

1.3 Counterparts

. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

1.4 Governing Law

. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to its principles of conflicts of laws.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

COMPANY:

EXECUTIVE:

BUILDERS FIRTSOURCE, INC.

By: /s/ Timothy Johnson
Name: Timothy Johnson
Its: Executive Vice President & General
Counsel

/s/ David E. Flitman
David E. Flitman

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this “**Agreement**”) between Peter Jackson (“**Executive**”), Builders FirstSource, Inc., a Delaware corporation (the “**Company**”), is entered into as of January 31, 2022 and is effective as of January 1, 2021 (the “**Effective Date**”).

RECITALS

WHEREAS, the Company and Executive are parties to that certain Employment Agreement dated as of November 14, 2016 (as amended, the “**Prior Employment Agreement**”);

WHEREAS, the Company and Executive desire to terminate the Prior Employment Agreement, effective as of the Effective Date; and

WHEREAS, as of the Effective Date, this Agreement shall supersede and replace in its entirety the Prior Employment Agreement, and this Agreement shall set forth the terms and conditions of Executive’s employment with the Company from and after the Effective Date.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the Company and Executive hereby agree as follows:

SECTION 1

EMPLOYMENT TERMS

1.1 **Employment.** The Company hereby agrees to employ Executive pursuant to the terms of this Agreement, and Executive hereby accepts such employment by the Company, effective as of the Effective Date, for the period and upon the terms and conditions contained in this Agreement.

1.2 **Position and Duties.** Executive is hereby employed as of the Effective Date to serve as the Executive Vice President and Chief Financial Officer of the Company. In his capacity as Executive Vice President and Chief Financial Officer of the Company, Executive shall have all of the powers, duties and responsibilities commensurate with such position as shall be assigned to him by the Chief Executive Officer of the Company. In his capacity as _____ Executive Vice President and Chief Financial Officer of the Company, Executive will report directly to the Chief Executive Officer of the Company.

Executive shall devote Executive’s full business time and attention and full diligence and vigor and good faith efforts to the affairs of the Company. Executive shall not engage in any other material business duties or pursuits or render any services of a professional nature to any other entity or person (other than serving on a board of directors, including for a for-profit entity, but only to the extent it does not interfere with his duties to the Company, constitute a conflict of interest, or violate any restrictive covenant agreement between Executive and Company), without the prior written consent of the Company’s Board of Directors (the “**Board**”) or a committee designated by the Board to approve such matters.

1.3 **Term.** Executive’s employment under this Agreement shall commence on the Effective Date and shall continue for an indefinite term, until terminated in accordance with SECTION 3 below. Certain provisions, however, as more fully set forth in SECTION 4, SECTION 5 and SECTION 6 below, continue in effect beyond the date of the termination of Executive’s employment (the “**Termination Date**”). Executive agrees that, effective as of the applicable Termination Date, Executive shall resign from all positions held by Executive as an officer, director or otherwise with respect to the Company or any member of the Company Group (as defined below).

SECTION 2

COMPENSATION AND BENEFITS

2.1 Compensation.

(a) Base Salary. The Company shall pay to Executive an annual base salary at the rate not less than \$625,000 each calendar year (“**Base Salary**”), payable in accordance with the Company’s ordinary payroll and withholding practices from time to time in effect for its employees. During the term of employment hereunder, Executive’s salary shall be reviewed from time to time (but no less than annually) to determine whether an increase (not decrease) in Executive’s salary is appropriate. Any such increase shall be at the sole discretion of the Board, or where required, the Compensation Committee of the Board, and thereafter any such increased amount shall be Executive’s “Base Salary” for all purposes.

(b) Annual Cash Bonus. During the term of employment, Executive shall be eligible to participate under the Company’s annual incentive program for executive officers, as in effect and from time to time adopted by the Board (the “**Incentive Plan**”) for the award of an annual cash bonus (“**Annual Cash Bonus**”). The Annual Cash Bonus shall be determined based on a target bonus equal to 100% of Base Salary (the “**Target Bonus**”). Payment of the Annual Cash Bonus, if any, shall be made pursuant to the terms and conditions of the Incentive Plan.

(c) Annual Equity Grant. During the term of employment, Executive shall be eligible to participate under the applicable equity plan of the Company then in effect, as amended from time to time, or any successor plans (collectively, the “**Company Equity Plan**”), for the award of an annual grant of equity thereunder (the “**Annual Equity Grant**”). The actual award and amount of any Annual Equity Grant will be determined by the Board or the Compensation Committee of the Board in accordance with the terms of the applicable Company Equity Plan and subject to the provisions thereof.

2.2 Benefits.

(a) Generally. Executive shall be eligible to participate, to the extent it is legal and permitted by the applicable benefits plans, policies or contracts, in all employee benefits programs that the Company may adopt for its employees generally providing for sick or other leave, vacation, group health, disability and life insurance benefits. Executive shall be eligible to participate in the Company’s 401(k) plan on the terms and conditions and qualifications of such plan from time to time in effect, with a Company match (if any) no less favorable than that provided to any other Company executives.

(b) Executive. Executive shall be eligible to participate, to the extent it is legal and permitted by the applicable plans, policies or contracts, in all benefits or fringe benefits which are in effect generally for the Company’s executive personnel from time to time.

2.3 Expense Reimbursement. The Company shall pay or reimburse Executive for all reasonable expenses incurred in connection with performing his duties upon presentation of documents in accordance with the reasonable procedures established by the Company.

SECTION 3

TERMINATION

3.1 By the Company:

(a) For Cause. The Company shall have the right at any time, exercisable upon written notice, to terminate Executive’s employment for Cause. As used in this Agreement, “**Cause**” shall mean that Executive:

(i) has committed any act or omission that results in, or that may reasonably be expected to result in, a conviction, plea of no contest or imposition of unadjudicated probation for any felony or crime involving moral turpitude;

(ii) has committed any act of fraud, embezzlement or misappropriation, or engaged in material misconduct or breach of fiduciary duty against the Company (or any predecessor thereto or successor thereof);

(iii) has willfully failed to substantially perform such duties as are reasonably assigned to him under this Agreement;

(iv) has unlawfully used (including being under the influence) or possessed illegal drugs on the Company's premises or while performing his duties and responsibilities for the Company;

(v) materially fails to perform Executive's duties required under Executive's employment by or other relationship with the Company (it being agreed that failure of the Company to achieve operating results or similar poor performance of the Company shall not, in and of itself, be deemed a failure to perform Executive's duties);

(vi) fails to comply with a lawful directive of the Board or Chief Executive Officer that is consistent with the Company's business practices and Code of Ethics;

(vii) engages in (A) willful misconduct for which Executive receives a material and improper personal benefit at the expense of the Company, or (B) accidental misconduct resulting in such a benefit which Executive does not promptly report to the Company and redress promptly upon becoming aware of such benefit;

(viii) in carrying out his duties under this Agreement, has engaged in acts or omissions constituting gross negligence or willful misconduct resulting in, or which, in the good faith opinion of the Board, could be expected to result in, substantial economic harm to the Company;

(ix) has failed for any reason to correct, cease or alter any action or omission that (A) materially violates or does not conform with the Company's policies, standards or regulations (including, without limitation, any Company policy or rule related to discrimination or sexual and other types of harassment or abusive conduct), (B) constitutes a material breach of this Agreement, including SECTION 4, or (C) constitutes a material breach of his duty of loyalty to the Company; or

(x) has disclosed any Proprietary Information (as defined below) without authorization from the Board, except as otherwise permitted by this Agreement, another agreement between the parties or any Company policy in effect at the time of disclosure.

For purposes of the definition of "Cause", "Company" shall include any subsidiary, business unit or affiliate of the Company. The Company shall provide written notice to Executive of any act or omission that the Company believes constitutes grounds for "Cause" pursuant to clause (v), (vi), (vii)(B) or (ix) above, and no such act or omission shall constitute "Cause" unless Executive fails to remedy such act or omission within ten (10) days of the receipt of such notice; provided that such ten (10) day cure period shall not apply with respect to any matter that is incapable of cure within such period.

(b) Without Cause. The Company may terminate Executive's employment under this Agreement at any time without Cause. As used in this Agreement, a termination without Cause shall mean the termination of Executive's employment by the Company other than for Cause pursuant to SECTION 3.1(a) above.

3.2 By Executive:

(a) Without Good Reason. Executive may terminate his employment under this Agreement at any time without Good Reason. As used in this Agreement, a termination without Good Reason shall mean termination of Executive's employment by Executive other than for Good Reason pursuant to SECTION 3.2(b) below.

(b) For Good Reason. Executive shall have the right at any time to resign his employment under this Agreement for Good Reason. As used in this Agreement, "**Good Reason**" shall mean the occurrence of any of the following events, without Executive's consent: (i) a material diminution in Executive's Base Salary or Target

Bonus, in each case, other than as part of any across-the-board proportionate reduction applying to all senior executives of the Company, (ii) a material diminution in Executive's title, authority, duties and responsibilities as compared to Executive's title, authority, duties and responsibilities set forth herein (a "Material Diminution") (for the sake of clarity, (A) a change in reporting structure by itself does not constitute a Material Diminution, (B) a change to a different position that is of comparable status within the Company does not constitute a Material Diminution, (C) any changes generally implemented with regard to a broad group of senior executives does not constitute a Material Diminution, and (D) any change consented to by Executive is not a Material Diminution), (iii) any material breach by the Company or any member of the Company Group (as defined below) of this Agreement, (iv) there is a Change in Control and the successor to the Company, if applicable, does not assume and continue this Agreement, and (v) any requirement by the Company that Executive relocate his personal residence to any city more than one hundred (100) miles from Dallas, Texas.

Notwithstanding the foregoing, no event shall be a Good Reason event unless (i) Executive gives the Company written notice that he is resigning for Good Reason within ninety (90) days of the first occurrence of the Good Reason event, and (ii) the Company (A) accepts such resignation, (B) does not cure such Good Reason event, or (C) disputes the existence of Good Reason, in each case within thirty (30) days of receiving such notice, and in the case of clauses (A) and (B) Executive's resignation for Good Reason shall become effective as of the earlier of (x) the date the Company accepts such resignation, or (y) the expiration of the thirty day cure period (provided the Company has not cured the Good Reason event) and in the case of clause (C) shall become effective only if Good Reason is ultimately determined to exist upon final resolution of the Company's dispute of his resignation by a court of competent jurisdiction or otherwise.

(c) The term "**Change in Control**" shall have the meaning set forth in the Company's 2014 Incentive Plan, as may be amended from time to time.

3.3 Compensation Upon Termination. Upon termination of Executive's employment with the Company, the Company's obligation to pay compensation and benefits under SECTION 2 shall terminate, except that the Company shall pay to Executive or, if applicable, Executive's heirs, all earned but unpaid Base Salary under SECTION 2.1(a) and accrued but unused vacation under SECTION 2.2, in each case, through the Termination Date and Executive's unreimbursed expenses incurred through the Termination Date in accordance with SECTION 2.3. In addition, Executive shall be entitled to receive (i) any vested amounts or benefits due under any tax-qualified retirement or group insurance plan or program in accordance with the terms thereof, and (ii) other than on an involuntary termination by the Company for Cause or a voluntary termination by Executive without Good Reason (for the avoidance of doubt, for purposes of this subsection, a termination due to Executive's death shall not constitute a termination for Good Reason"), his Annual Cash Bonus for any completed fiscal year to the extent earned for such fiscal year and if such bonus has not previously been paid for such completed fiscal year, at the same time such Annual Cash Bonus would have been paid if Executive had continued in employment (it being understood that in the event of any such termination Executive is not entitled to an Annual Bonus for the then-current Fiscal Year). If the Company terminates Executive's employment without Cause or if Executive terminates his employment for Good Reason, then, in addition, to the foregoing compensation, upon execution and delivery (and non-revocation) by Executive of the Separation Agreement and General Release as set forth in SECTION 6.10, the Company shall pay severance benefits pursuant to SECTION 3.4 below. No other payments or compensation of any kind shall be paid in respect of Executive's employment with or termination from the Company, except as contemplated in Section 3.4(d) set forth below. Notwithstanding any contrary provision contained herein, in the event of any termination of Executive's employment, the exclusive remedies available to Executive shall be the amounts due under this SECTION 3, which are in the nature of liquidated damages, and are not in the nature of a penalty.

3.4 Severance Benefits.

(a) **Termination without Cause or for Good Reason.** Subject to the terms and conditions of eligibility for Executive's receipt of severance benefits under this Agreement, including the timely execution and delivery (and non-revocation) by Executive of the Separation Agreement and General Release as set forth in SECTION 6.10, if the Company terminates Executive's employment without Cause or Executive terminates his employment for Good Reason, the Company shall pay to Executive, as severance benefits, which amounts are in addition to the Compensation upon Termination set forth in SECTION 3.3 herein:

(i) An amount equal to 100% of his Base Salary which shall be paid to Executive on a salary continuation basis according to the Company's normal payroll practices over the twelve (12) month period following the date Executive incurs a Separation from Service, but in no event less frequently than monthly.

(ii) An amount equal to 100% of Executive's Target Bonus, which shall be paid to Executive in equal installments according to the Company's normal payroll practices over the twelve (12) month period following the date Executive incurs a Separation from Service, but in no event less frequently than monthly.

(iii) Subject to (1) Executive's timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), and (2) Executive's continued copayment of premiums at the same level and cost to Executive as if Executive were an employee of the Company (excluding, for purposes of calculating cost, an employee's ability to pay premiums with pre-tax dollars), continued participation in the Company's group health plan (to the extent permitted under applicable law and the terms of such plan) which covers Executive (and Executive's eligible dependents) for a period of twelve (12) months at the Company's expense, provided that Executive is eligible and remains eligible for COBRA coverage. The Company may modify its obligation under this SECTION 3.4(a)(iii) to the extent reasonably necessary to avoid any penalty or excise taxes imposed on it in connection with the continued payment of premiums by the Company under the Patient Protection and Affordable Care Act of 2010, as amended, or other applicable law.

(b) Notwithstanding any other provision of this Agreement, any severance benefits that would otherwise have been paid before the Company's first normal payroll payment date falling on or after the sixtieth (60th) day after the date on which Executive incurs a Separation from Service (the "**First Payment Date**") shall be made on the First Payment Date. Each separate severance installment payment and each other payment that Executive may be eligible to receive under this Agreement shall be a separate payment under this Agreement for all purposes.

(c) Executive shall have no duty or obligation to mitigate the amounts due under SECTION 3.4(a) above and any amounts earned by Executive from other employment shall not be offset or reduce the amounts due hereunder.

(d) If Executive's employment is terminated on or prior to June 30, 2022 without Cause by the Company or for Good Reason by Executive, all of Executive's unvested restricted stock units issued prior to December 15, 2020 pursuant to the Company's 2014 Equity Plan shall accelerate and immediately vest as a result of and on the date of such termination. If Executive's employment is terminated by the Company for Cause or by Executive without Good Reason, Executive shall not be entitled to receive the foregoing equity acceleration.

SECTION 4

CERTAIN AGREEMENTS

4.1 Confidentiality. Executive acknowledges that the Company owns and shall own and has developed and shall develop proprietary information concerning its business and the business of its subsidiaries and affiliates and each of their employees, customers and clients ("**Proprietary Information**"). Such Proprietary Information includes, among other things, trade secrets, financial information, product plans, customer lists, marketing plans, systems, manuals, training materials, forecasts, inventions, improvements, know-how and other intellectual property, in each case, relating to the Company's business. Executive shall, at all times, both during employment by the Company and thereafter, keep all Proprietary Information in confidence and trust and shall not use or disclose any Proprietary Information without the written consent of the Company, except as necessary in the ordinary course of Executive's duties. Executive shall keep the terms of this Agreement in confidence and trust and shall not disclose such terms, except to Executive's family, accountants, financial advisors, or attorneys, or as otherwise authorized or required by law. The parties acknowledge that pursuant to the Defend Trade Secrets Act of 2016 (the "**DTSA**"), an individual may not be held criminally or civilly liable under any Federal or state trade secret law for disclosure of a trade secret that (i) is made (A) in confidence to a Federal, state or local governmental authority, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected

violation of applicable law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Agreement or any other agreement Executive has with the Company or any of its affiliates is intended to conflict with the DTSA or create liability for disclosures of trade secrets that are expressly allowed by such section. Under the DTSA, any employee, contractor, or consultant who is found to have wrongfully misappropriated trade secrets (as the terms “misappropriate” and “trade secret” are defined in the DTSA) may be liable for, among other things, exemplary damages and attorneys’ fees. Further, nothing in this Agreement or any other agreement Executive has with the Company or any of its affiliates will prohibit or restrict Executive from making any voluntary disclosure of information or documents related to any violation of law to any governmental agency or legislative body, or any self-regulatory organization, in each case, without advance notice to the Company.

4.2 Company Property. Executive recognizes that all Proprietary Information, however stored or memorialized, and all identification cards, keys, flash drives, computers, mobile phones, Personal Data Assistants, telephone numbers, access codes, marketing materials, documents, records and other equipment or property which the Company provides are the sole property of the Company. Upon termination of employment, Executive shall (1) refrain from taking any such property from the Company’s premises, and (2) return any such property in Executive’s possession within ten (10) business days.

4.3 Assignment of Inventions to the Company. Executive shall promptly disclose to the Company all improvements, inventions, formulas, processes, computer programs, know-how and trade secrets developed, whether or not patentable, made or conceived or reduced to practice or developed by Executive, either alone or jointly with others, during and related to Executive’s employment and the Company’s business or while using the Company’s equipment, supplies, facilities or trade secret information (collectively, “**Inventions**”). All Inventions and other intellectual property rights shall be the sole property of the Company and shall be “works made for hire.” Executive hereby assigns to the Company any rights Executive may have or acquire in all Inventions and agrees to perform, during and after employment with the Company, at the Company’s expense including reasonable compensation to Executive, all acts reasonably necessary by the Company in obtaining and enforcing intellectual property rights with respect to such Inventions. Executive hereby irrevocably appoints the Company and its officers and agents as Executive’s attorney-in-fact to act for and in Executive’s name and stead with respect to such Inventions.

SECTION 5

COVENANT NOT TO ENGAGE IN CERTAIN ACTS

5.1 General. Executive understands and agrees that Executive shall hold a position of significant trust and, in such position of significant trust, shall provide services and have responsibility with respect to the Company and all of its subsidiaries and affiliates (collectively, the “**Company Group**”), including, without limitation, contributing to the acquisition and retention of customers and the generation of goodwill. Executive further understands and agrees that Executive will develop, access and use Proprietary Information for the benefit of the Company Group. The parties understand and agree that the purpose of the restrictions contained in SECTION 4 and this SECTION 5 is to protect the goodwill and other legitimate business interests of the Company (including its Proprietary Information), and that the Company would not have entered into this Agreement in the absence of such restrictions. Executive acknowledges and agrees that the restrictions are reasonable and do not, and will not, unduly impair his ability to make a living after the termination of his employment with the Company. The provisions of SECTION 4 and SECTION 5 shall survive the expiration or sooner termination of this Agreement.

5.2 Non-Compete; Non-Interference; Non-Solicit. During the term of employment and for a period of twelve (12) months after the Termination Date Executive shall not, whether for Executive’s own account or for any other Person, directly or indirectly, with or without compensation:

(a) own, manage, operate, control or participate in the ownership, management, operation or control of, or be employed or engaged in a senior management role by, any corporation, limited liability company, partnership, joint venture, proprietorship or other business entity or organization that engages in or plans to engage in the business of (i) supplying, distributing, manufacturing, designing, constructing and/or installing structural and

related building products, including, without limitation, prefabricated components, roof and floor trusses, wall panels, stairs, windows, doors, millwork, lumber products, roofing, insulation, hardware and other building products and/or (ii) providing services to customers in connection with any of the foregoing or otherwise related to residential homebuilding, in each case, (i) and (ii) anywhere in the United States (a “**Competing Business**”).

(b) solicit, or call upon or otherwise attempt to solicit, on behalf of any Competing Business, any of the customers, prospective customers, vendors or suppliers of Company Group;

(c) divert or take away, or attempt to divert or take away, any existing business of the Company Group;

(d) induce or entice, or seek to induce or entice, or otherwise interfere with, the Company Group’s business relationship with, any customer of the Company Group;

(e) advance credit or lend money to any third party for the purpose of establishing or operating any Competing Business; or

(f) with respect to any substantially full time independent contractor of the Company Group, employee of the Company Group or individual who was, at any time during the three months prior to the Termination Date, an employee of the Company Group: (A) hire or retain, or attempt to hire or retain, such individual to provide services for any third party; or (B) entice away or in any manner persuade or attempt to persuade, such individual to (1) terminate and/or leave his employment or engagement, (2) accept employment with any person or entity other than a member of the Company Group, or (3) terminate his relationship with the Company Group or devote less of his business time to the Company Group.

Notwithstanding the foregoing, nothing in this SECTION 5.2 will prohibit Executive from acquiring or holding not more than two percent (2%) of any class of publicly traded securities.

5.3 Cessation/Reimbursement of Payments. Notwithstanding anything to the contrary in this Agreement, if Executive violates any provision of SECTION 4 or SECTION 5, the Company may, upon giving written notice to Executive, immediately terminate Executive’s employment with the Company for Cause or, in the event the violation occurs following the Termination Date, cease all payments and benefits that it may be providing to Executive pursuant to SECTION 3, and Executive shall be required to reimburse the Company for any payments received from the Company pursuant to SECTION 3; provided, however, that the foregoing shall be in addition to such other remedies as may be available to the Company and shall not be deemed to permit Executive to forego or waive such payments in order to avoid his obligations under SECTION 4 or SECTION 5; and provided, further, that any release of claims by Executive pursuant to SECTION 6.10 shall continue in effect.

5.4 Survival; Injunctive Relief. Executive agrees that the provisions of SECTION 4 and SECTION 5 shall survive the termination of this Agreement and the termination of Executive’s employment. Executive acknowledges that a breach by him of the covenants contained in SECTION 4 or SECTION 5 cannot be reasonably or adequately compensated in damages in an action at law and that such breach will cause the Company immeasurable and irreparable injury and damage. Executive further acknowledges that he possesses unique skills, knowledge and ability and that competition in violation of SECTION 4 or SECTION 5 would be extremely detrimental to the Company. By reason thereof, each of the Company and Executive agrees that the other shall be entitled, in addition to any other remedies it may have under this Agreement, at law or in equity, or otherwise, to temporary, preliminary and/or permanent injunctive and other equitable relief to prevent or curtail any actual or threatened violation of SECTION 4 or SECTION 5, without proof of actual damages that have been or may be caused to the Company by such breach or threatened breach, and waives to the fullest extent permitted by law the posting or securing of any bond by the other party in connection with such remedies.

SECTION 6

MISCELLANEOUS

6.1 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by certified or registered mail, postage prepaid, with return receipt requested, telecopy (with hard copy delivered by overnight courier service), or delivered by hand, messenger or overnight courier service, and shall be deemed given when received at the addresses of the parties set forth below, or at such other address furnished in writing to the other parties hereto:

To the Company:

Builders FirstSource, Inc.
Attn: General Counsel
2001 Bryan Street, Suite 1600
Dallas, Texas 75201

To Executive: at the home address of Executive maintained in the human resource records of the Company.

6.2 Severability. The parties agree that it is not their intention to violate any public policy or statutory or common law. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law. Without limiting the foregoing, if any portion of SECTION 5 is held to be unenforceable, the maximum enforceable restriction of time, scope of activities and geographic area will be substituted for any such restrictions held unenforceable.

6.3 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to its principles of conflicts of laws. Executive: agrees to submit to the jurisdiction of the State of Delaware; agrees that any dispute concerning this Agreement shall be brought exclusively in a state or federal court of competent jurisdiction in Delaware; and agrees that other than disputes involving SECTION 4 or SECTION 5, all disputes shall be settled through arbitration pursuant to SECTION 6.15. Executive waives any and all objections to jurisdiction or venue.

6.4 Survival. The covenants and agreements of the parties set forth in SECTIONS 4, 5 and 6 are of a continuing nature and shall survive the expiration, termination or cancellation of this Agreement, irrespective of the reason therefor.

6.5 Entire Agreement. This Agreement contains the entire understanding between the parties hereto with respect to the terms of employment, compensation, benefits, and covenants of Executive, and supersedes all other prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, between Executive and the Company relating to the subject matter of the Agreement, which such other prior and contemporaneous agreements and understandings, inducements or conditions shall be deemed terminated effective on the Effective Date, including without limitation, the Prior Employment Agreement. For the avoidance of doubt, the parties agree that any and all indemnification agreements between Executive and the Company shall continue in full force unimpaired by this Agreement

6.6 Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and the Company's successors and assigns, including any direct or indirect successor by purchase, merger, consolidation, reorganization, liquidation, dissolution, winding up or otherwise with respect to all or substantially all of the business or assets of the Company, and Executive's spouse, heirs, and personal and legal representatives.

6.7 Counterparts; Amendment. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be amended or modified only by written instrument duly executed by the Company and Executive.

6.8 Voluntary Agreement. Executive has read this Agreement carefully, has had the opportunity to seek advice of counsel and understands and accepts the obligations that it imposes upon Executive without reservation. No other

promises or representations have been made to Executive to induce Executive to sign this Agreement. Executive is signing this Agreement voluntarily and freely.

6.9 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns (including any direct or indirect successor, spouses, heirs and personal and legal representatives). Any such successor or assign of the Company shall be included in the term “Company” as used in this Agreement.

6.10 Release of Claims. In consideration for the compensation and other benefits provided pursuant to this Agreement, Executive agrees to execute a “Separation Agreement and General Release” to be presented by the Company substantially in the form of Exhibit A attached hereto. The Company’s obligation to pay severance benefits pursuant to SECTION 3.4 is expressly conditioned on Executive’s execution and delivery of such Separation Agreement and General Release no later than forty-five (45) days after the date Executive incurs a Separation from Service without revoking it for a period of seven (7) days following delivery. Executive’s failure to execute and deliver such Separation Agreement and General Release within such forty-five (45) day time period (or Executive’s subsequent revocation of such Separation Agreement and General Release) will void the Company’s obligation to pay severance benefits under this Agreement

6.11 Withholding. All compensation payable to Executive pursuant to this Agreement will be subject to any applicable statutory withholding taxes and such other taxes as are required or permitted under applicable law and such other deductions or withholdings as authorized by Executive to be collected with respect to compensation paid to Executive.

6.12 In-kind Benefits and Reimbursements. Notwithstanding anything to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any tax year of Executive shall not affect in-kind benefits or reimbursements to be provided in any other tax year of Executive, except for the reimbursement of medical expenses referred to in Section 105(b) of the Internal Revenue Code, as amended (“**Code**”), and are not subject to liquidation or exchange for another benefit. Notwithstanding anything to the contrary in this Agreement, reimbursement requests must be timely submitted by Executive and, if timely submitted, reimbursement payments shall be made to Executive as soon as administratively practicable following such submission, but in no event later than December 31st of the calendar year following the calendar year in which the expense was incurred. In no event shall Executive be entitled to any reimbursement payments after December 31st of the calendar year following the calendar year in which the expense was incurred. This SECTION 6.12 shall apply only to in-kind benefits and reimbursements that would result in taxable compensation income to Executive.

6.13 Section 409A The intent of the parties is that payments and benefits under this Agreement be exempt from, or comply with, Section 409A of the Code (and the rules and regulations promulgated thereunder) (“**Section 409A**”), and accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in accordance therewith. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of any payments under this Agreement which are subject to Section 409A until Executive would be considered to have incurred a “separation from service” from the Company within the meaning of Section 409A. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separate identified payment for purposes of Section 409A, and any payments described in this Agreement that are due within the “short term deferral period” as defined in Section 409A, or otherwise satisfying an exception under Section 409A, shall not be treated as deferred compensation unless applicable law requires otherwise. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six (6)-month period immediately following Executive’s separation from service shall instead be paid on the first business day after the date that is six (6) months following Executive’s separation from service (or, if earlier, death). To the extent required to avoid accelerated taxation and/or tax penalties under Section 409A, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided) during any one year may not effect amounts reimbursable or provided in any subsequent year. In no event shall the timing of Executive’s execution of a Separation Agreement and General Release pursuant to SECTION 6.10 result, directly or indirectly, in Executive

designating the calendar year of any payment hereunder, and, to the extent required by Section 409A, if a payment hereunder that is subject to execution of a Separation Agreement and General Release could be made in more than one taxable year, payment shall be made in the later taxable year. Notwithstanding anything to the contrary in this Agreement or any other agreement by and between Executive and any member of the Company Group, to the extent that (i) this Agreement provides for the vesting and settlement of any equity award held by Executive and (ii) such equity award constitutes nonqualified deferred compensation subject to Section 409A, such equity award shall be settled at the earliest time that will not trigger a Tax or penalty under Section 409A. The Company makes no representation that any or all of the payments described in this Agreement shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment.

6.14 Indemnification, etc. The Company shall provide an indemnification agreement by which it shall indemnify and hold harmless Executive to the fullest extent permitted by law for any action or inaction Executive takes in good faith with regard to the Company or parent or any benefit plan of either, in accordance with the Company's Certificate of Incorporation and By-laws. Further, the Company shall cover Executive on its directors' and officers' liability insurance policies to no less extent than that which covers any other officer or director of the Company.

6.15 Arbitration. Except with respect to the Company's enforcement of the covenants in SECTION 4 and SECTION 5, in the event that either Executive or the Company (or their successor and assigns, or any other person claiming benefits on behalf of or through them) has a dispute, claim, question, or disagreement arising from or relating to this Agreement or the breach thereof, the parties hereto shall use their best efforts to settle the dispute, claim, question, or disagreement. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If the parties do not reach such solution within a period of 60 days, then, upon written notice by either party to the other, all such disputes, claims, questions, or differences shall be finally settled by confidential binding arbitration administered by the American Arbitration Association in accordance with the provisions of its Employment Arbitration Rules, unless such claim is precluded by law from being settled through arbitration. Such arbitration shall take place in Dallas, Texas. Any arbitrator selected by the parties to arbitrate any such dispute shall have practiced predominately in the field of employment law for no less than ten years. The arbitrator will have the power to interpret this Agreement. Any determination or decision by the arbitrator shall be binding upon the parties and may be enforced in any court of law. The parties agree that this arbitration provision does not apply to the right of Executive to file a charge, testify, assist or participate in any manner in an investigation, hearing or proceeding before the Equal Employment Opportunity Commission or any other agency pertaining to any matters covered by this Agreement and within the jurisdiction of the agency. Both parties agree that this arbitration clause has been bargained for by the parties upon advice of their respective counsel.

6.16 Code Section 280G. Notwithstanding any other provision of this Agreement, if it is determined that the benefits or payments payable under this Agreement, taking into account other benefits or payments provided under other plans, agreements or arrangements, constitute Parachute Payments that would subject Executive to tax under Section 4999 of the Code, it must be determined whether Executive will receive the total payments due or the Reduced Amount. Executive will receive the Reduced Amount if the Reduced Amount results in equal or greater Net After Tax Receipts than the Net After Tax Receipts that would result from Executive receiving the total payments due.

If it is determined that the total payments should be reduced to the Reduced Amount, the Company must promptly notify Executive of that determination, including a copy of the detailed calculations by an accounting firm or other professional organization qualified to make the calculation that was selected by the Company and acceptable to Executive (the "**Accounting Firm**"). The Company shall pay the fees and expenses of the Accounting Firm. All determinations made by the Accounting Firm under this SECTION 6.16 are binding upon the Company and Executive, subject to any differing determination by the Internal Revenue Service.

It is the intention of the Company and Executive to reduce the payments under this Agreement and any other plan, agreement or arrangement only if the aggregate Net After Tax Receipts to Executive would thereby be increased.

If it is determined that the total payments should be reduced to the Reduced Amount, any reduction shall be in the order that would provide Executive with the largest amount of Net After Tax Receipts (subject to the remainder of

this sentence, pro rata if two alternatives provide the same result) and shall, to the extent permitted by Code Section 280G and 409A be designated by Executive. Executive shall at any time have the unilateral right to forfeit any equity grant in whole or in part.

For purposes of this Agreement, the term “**Net After Tax Receipt**” means the Present Value of the total payments or the Reduced Amount, as applicable, net of all federal, state and local income and payroll taxes imposed on Executive, including Section 4999 of the Code, determined by applying the highest marginal rate of income taxes which applied to Executive’s taxable income for the immediately preceding taxable year. For purposes of this Agreement, the term “**Parachute Payment**” means a payment (under this Agreement or any other plan, agreement or arrangement) that is described in Section 280G(b)(2) of the Code, determined in accordance with Section 280G of the Code and the regulations thereunder. For purposes of this Agreement, the term “**Present Value**” means the value determined in accordance with Section 280G(d)(4) of the Code and the regulations thereunder. For purposes of this Agreement, the term “**Reduced Amount**” means the largest amount of Parachute Payments that is less than the total Parachute Payments and that may be paid to Executive without subjecting Executive to tax under Section 4999 of the Code.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

COMPANY:

EXECUTIVE:

BUILDERS FIRTSOURCE, INC.

By: /s/ Timothy D. Johnson
Name: Timothy D. Johnson
Its: Executive Vice President & General Counsel

/s/ Peter Jackson
Peter Jackson

EXHIBIT A

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (this “**Agreement**”) is made as of by and between [] (“**Executive**”) and Builders FirstSource, Inc. (the “**Company**”). For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Termination of Employment.** The parties agree that Executive’s employment with the Company and all of its affiliates is terminated effective as of [] (the “**Termination Date**”).

2. **Payments Due to Executive.** Executive acknowledges receipt of [] (\$[]) from the Company, representing Executive’s accrued but unpaid Base Salary and accrued unused vacation through the Termination Date. In addition, Executive shall receive (a) his annual bonus (if any) for the fiscal year completed prior to the Termination Date, to be paid at the same time annual bonuses would have been paid if Executive had continued in employment, (b) shall receive any vested benefits due under any tax-qualified retirement or group insurance plan or program in accordance with the term thereof, and (c) any unreimbursed business expenses incurred through the Termination Date. Other than as expressly set forth in this SECTION 2, Executive is not entitled to any consulting fees, wages, accrued vacation pay, benefits or any other amounts with respect to his employment through the Termination Date.

3. **Severance Benefits and Continuing Health Insurance Coverage.** In consideration of Executive’s execution and non-revocation of this Agreement in accordance with its terms, the Company agrees to pay to Executive the amounts provided in SECTION 3.4 of that certain Amended and Restated Employment Agreement, dated as of _____, 20__ by and between Executive and the Company, which amounts are, to the extent known, stated on Attachment A hereto.

4. **General Release.**

(a) Executive, on behalf of Executive, his heirs, executors, personal representatives, administrators and assigns, voluntarily, irrevocably, knowingly and unconditionally releases, remises and discharges the Company and all of its current and former parents, subsidiaries and affiliates, each of their respective members, officers, directors, stockholders, partners, employees, agents, representatives, advisors and attorneys, and each of their respective subsidiaries, affiliates, estates, predecessors, successors and assigns (collectively, the “**Company Parties**”) from any and all actions, causes of action, charges, complaints, claims, damages, demands, debts, lawsuits, rights, understandings, obligations, expenses (including attorneys’ fees and costs), covenants, contracts, promises or liabilities of any kind, nature or description whatsoever, known or unknown, in law or in equity (collectively, the “**Claims**”) which Executive or Executive’s heirs, executors, personal representatives, administrators and assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever (i) arising from the beginning of time through the date upon which Executive executes this Agreement, including, without limitation, any such Claims arising out of, relating to or in connection with Executive’s employment or service as a director with the Company, including tort, fraud, or defamation and arising under federal, local or state statute or regulation, including, without limitation, Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act, the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974, the Civil Rights Act of 1991, the Equal Pay Act, the Fair Labor Standards Act, 42 U.S.C. § 1981, the Texas Labor Code (including, without limitation, the Texas Payday Law, the Texas Anti-Retaliation Act, Chapter 21 of the Texas Labor Code, and the Texas Whistleblower Act), each as amended and including each of their respective implementing regulations and/or any other federal, state, local or foreign law (statutory, regulatory or otherwise), that may be legally waived and released; (ii) arising out of or relating to the termination of Executive’s employment; or (iii) arising under or relating to any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company or any of the other Company Parties and Executive.

(b) Executive agrees that there is a risk that each and every injury which he may have suffered by reason of his employment relationship might not now be known, and there is a further risk that such injuries, whether known or

unknown at the date of this Agreement, might become progressively worse, and that as a result thereof further damages may be sustained by Executive; nevertheless, Executive desires to forever and fully release and discharge the Company Parties, and he fully understands that by the execution of this Agreement no further claims for any such injuries may ever be asserted.

(c) This general release does not in any way diminish or impair: (i) any Claims Executive may have that cannot be waived under applicable law, (ii) Executive's right to enforce this Agreement; (iii) any rights Executive may have to indemnification from personal liability or to protection under any insurance policy maintained by the Company, including without limitation any general liability, employment practices liability, or directors and officers insurance policy or any contractual indemnification agreement; (iv) Executive's right, if any, to government provided unemployment and worker's compensation benefits; or (v) Executive's rights under any Company Executive benefit plans (i.e. health, disability or tax-qualified retirement plans), which by their explicit terms survive the termination of Executive's employment

(d) Executive agrees that the consideration set forth in SECTION 3 above shall constitute the entire consideration provided under this Agreement, and that Executive will not seek from the Company Parties any further compensation or other consideration for any claimed obligation, entitlement, damage, cost or attorneys' fees in connection with the matters encompassed by this Agreement.

(e) Executive understands and agrees that if any facts with respect to this Agreement or Executive's prior treatment by or employment with the Company are found to be different from the facts now believed to be true, Executive expressly accepts, assumes the risk of, and agrees that this Agreement shall remain effective notwithstanding such differences. Executive agrees that the various items of consideration set forth in this Agreement fully compensate for said risks, and that Executive will have no legal recourse against the Company in the event of discovery of a difference in facts.

(f) Executive agrees to the release of all known and unknown claims, including expressly the waiver of any rights or claims arising out of the Federal Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq. ("**ADEA**"), and in connection with such waiver of ADEA claims, and as provided by the Older Worker Benefit Protection Act, Executive understands and agrees as follows:

(i) Executive has the right to consult with an attorney before signing this Agreement, and is hereby advised to do so;

(ii) Executive shall have a period of forty-five (45) days from the Termination Date (or from the date of receipt of this Agreement if received after the Termination Date) in which to consider the terms of the Agreement (the "**Review Period**"). Executive may at his option execute this Agreement at any time during the Review Period. If Executive does not return the signed Agreement to the Company prior to the expiration of the 45 day period, then the offer of severance benefits set forth in this Agreement shall lapse and shall be withdrawn by the Company; and

(iii) Executive may revoke this Agreement at any time during the first seven (7) days following Executive's execution of this Agreement, and this Agreement and release shall not be effective or enforceable until the seven-day period has expired ("**Revocation Period Expiration Date**"). Notice of a revocation by Executive must be made to the designated representative of the Company (as described below) within the seven (7) day period after Executive signs this Agreement. If Executive revokes this Agreement, it shall not be effective or enforceable against the Company Parties. Accordingly, the "**Effective Date**" of this Agreement shall be on the eighth (8th) day after Executive signs the Agreement and returns it to the Company, and provided that Executive does not revoke the Agreement during the seven (7) day revocation period.

In the event Executive elects to revoke this release pursuant to SECTION 4(f)(iii) above, Executive shall notify Company by hand-delivery, express courier or certified mail, return receipt requested, within seven (7) days after signing this Agreement to: ATTN: General Counsel, Builders FirstSource, Inc., [ADDRESS]. In the event that Executive exercises his right to revoke this release pursuant to SECTION 4(f)(iii) above, any and all obligations of Company under this Agreement shall be null and void. Executive agrees that by signing this Agreement prior to the expiration of the forty-five (45) day period he has voluntarily waived his right to consider this Agreement for the full

forty-five (45) day period. Executive further agrees that any changes to this Agreement made during the Review Period, whether material or immaterial, shall not restart the 45-day consideration period.

5. Review of Agreement; No Assignment of Claims. Executive represents and warrants that he (a) has carefully read and understands all of the provisions of this Agreement and has had the opportunity for it to be reviewed and explained by counsel to the extent Executive deems it necessary, (b) is voluntarily entering into this Agreement, (c) has not relied upon any representation or statement made by the Company or any other person with regard to the subject matter or effect of this Agreement, (d) has not transferred or assigned any Claims and (e) has not filed any complaint or charge against any of the Company Parties with any local, state, or federal agency or court.

6. No Claims. Each party represents that it has not filed any Claim against the other Party with any state, federal or local agency or court; provided, however, that nothing in this Agreement shall be construed to prohibit Executive from filing a Claim, including a challenge to the validity of this Agreement, with the Equal Employment Opportunity Commission (“EEOC”) or participating in any investigation or proceeding conducted by the EEOC.

7. Interpretation. This Agreement shall take effect as an instrument under seal and shall be governed and construed in accordance with the laws of the State of Texas without regard to provisions or principles thereof relating to conflict of laws.

8. Agreement as Defense. This Agreement may be pleaded as a full and complete defense to any subsequent action or other proceeding arising out of, relating to, or having anything to do with any and all Claims, counterclaims, defenses or other matters capable of being alleged, which are specifically released and discharged by this Agreement. This Agreement may also be used to abate any such action or proceeding and/or as a basis of a cross complaint for damages.

9. Nondisclosure of Agreement. The terms and conditions of this Agreement are confidential. Executive agrees not to disclose the terms of this Agreement to anyone except immediate family members and Executive’s attorneys and financial advisers. Executive further agrees to inform these people that the Agreement is confidential and must not be disclosed to anyone else. Executive may disclose the terms of this Agreement if compelled to do so by a court, but Executive agrees to notify the Company immediately if anyone seeks to compel Executive’s testimony in this regard, and to cooperate with the Company if the Company decides to oppose such effort. Executive agrees that disclosure by Executive in violation of this Agreement would cause so much injury to the Company that money alone could not fully compensate the Company and that the Company is entitled to injunctive and equitable relief. Executive also agrees that the Company would be entitled to recover money from Executive if this Agreement were violated.

10. Ongoing Covenants. Executive acknowledges that nothing in this Agreement shall limit or otherwise impact Executive’s continuing obligations of confidentiality to the Company in accordance with Company policy and applicable law, or any applicable Company policies or agreements between the Company and Executive with respect to non-competition or non-solicitation, and Executive covenants and agrees to abide by all such continuing obligations.

11. No Adverse Comments. Executive agrees not to make, issue, release or authorize any written or oral statements, derogatory or defamatory in nature, about the Company, its affiliates or any of their respective products, services, directors, officers or executives, provided that the foregoing shall not be violated by truthful testimony in response to legal process, normal competitive statements, rebuttal of statements by the other or actions to enforce his rights. Nothing herein prohibits Executive from communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of a federal law or regulation.

12. Integration; Severability. Except with respect to any continuing obligations to the Company, the terms and conditions of this Agreement constitute the entire agreement between Company and Executive and supersede all previous communications, either oral or written, between the parties with respect to the subject matter of this Agreement. No agreement or understanding varying or extending the terms of this Agreement shall be binding upon either party unless in writing signed by or on behalf of such party. In the event that a court finds any portion of this Agreement unenforceable for any reason whatsoever, Company and Executive agree that the other provisions of the

Agreement shall be deemed to be severable and will continue in full force and effect to the fullest extent permitted by law.

13. EXECUTIVE ACKNOWLEDGES THE FOLLOWING: HE HAS ENTERED INTO THIS AGREEMENT KNOWINGLY, VOLUNTARILY AND OF HIS OWN FREE WILL WITH A FULL UNDERSTANDING OF ITS TERMS; HE HAS READ THIS AGREEMENT; THAT HE FULLY UNDERSTANDS ITS TERMS; THAT EXECUTIVE IS ADVISED TO CONSULT AN ATTORNEY FOR ADVICE; THAT HE HAS THE RIGHT TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS AGREEMENT; THAT HE HAS HAD AMPLE TIME TO CONSIDER HIS DECISION BEFORE ENTERING INTO THE AGREEMENT; THAT HE IS SATISFIED WITH THE TERMS OF THIS AGREEMENT AND AGREES THAT THE TERMS ARE BINDING UPON HIM; AND THAT HE HAS BEEN ADVISED BY THE COMPANY OF HIS ABILITY TO TAKE ADVANTAGE OF THE CONSIDERATION PERIOD AFFORDED BY SECTION 4 ABOVE.

IN WITNESS WHEREOF, the parties have executed this Agreement with effect as of the date first above written.

**SEVERANCE AGREEMENT
ATTACHMENT A**

The following severance benefits are payable pursuant to SECTION 3.4 of Executive's Employment Agreement:

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this “**Agreement**”) between Timothy Johnson (“**Executive**”), Builders FirstSource, Inc., a Delaware corporation (the “**Company**”), and, solely in respect of the agreement to terminate the Prior Employment Agreement (as defined herein) effective as of the Effective Time (as defined herein), BMC Stock Holdings, Inc., a Delaware corporation (“**BMC**”), is entered into as of January 31, 2022 and is effective as of 12:01 am Eastern Time on January 1, 2021 (the “**Effective Time**”).

RECITALS

WHEREAS, BMC and Executive are parties to that certain Employment Agreement dated as of January 7, 2019 (the “**Prior Employment Agreement**”);

WHEREAS, the Company and Executive desire to terminate the Prior Employment Agreement, effective as of the Effective Time; and

WHEREAS, as of the Effective Time, this Agreement shall supersede and replace in its entirety the Prior Employment Agreement, and this Agreement shall set forth the terms and conditions of Executive’s employment with the Company from and after the Effective Time.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the Company and Executive hereby agree as follows:

SECTION 1

EMPLOYMENT TERMS

1.1 Employment. The Company hereby agrees to employ Executive pursuant to the terms of this Agreement, and Executive hereby accepts such employment by the Company, effective as of the Effective Time, for the period and upon the terms and conditions contained in this Agreement.

1.2 Position and Duties. Executive is hereby employed as of the Effective Time to serve as the Executive Vice President, General Counsel, and Secretary of the Company. In his capacity as Executive Vice President, General Counsel, and Secretary of the Company, Executive shall have all of the powers, duties and responsibilities commensurate with such position as shall be assigned to him by the Chief Executive Officer of the Company. In his capacity as Executive Vice President, General Counsel, and Secretary of the Company, Executive will report directly to the Chief Executive Officer of the Company.

Executive shall devote Executive’s full business time and attention and full diligence and vigor and good faith efforts to the affairs of the Company. Executive shall not engage in any other material business duties or pursuits or render any services of a professional nature to any other entity or person, or serve on any other board of directors (other than a not-for-profit board of directors, and then only to the extent it does not interfere with his duties to the Company), without the prior written consent of the Company’s Board of Directors (the “**Board**”) or a committee designated by the Board to approve such matters.

1.3 Term. Executive’s employment under this Agreement shall commence on the Effective Time and shall continue for an indefinite term, until terminated in accordance with SECTION 3 below. Certain provisions, however, as more fully set forth in SECTION 4, SECTION 5 and SECTION 6 below, continue in effect beyond the date of the termination of Executive’s employment (the “**Termination Date**”). Executive agrees that, effective as of the applicable Termination Date, Executive shall resign from all positions held by Executive as an officer, director or otherwise with respect to the Company or any member of the Company Group (as defined below).

1.4 Waiver of Right to Resign for Good Reason. Executive hereby agrees that Executive’s employment by the Company from and after the Effective Time on the terms set forth in this Agreement shall be deemed to satisfy in full any requirement pursuant to the Prior Employment Agreement or otherwise that a successor to BMC upon a

Change in Control must assume and continue the Prior Employment Agreement. In addition, Executive hereby waives, effective immediately prior to the Effective Time, any and all rights that Executive may have, under the Prior Employment Agreement or otherwise, to resign for Good Reason as a result of or in connection with (a) the termination of the Prior Employment Agreement and replacement thereof with this Agreement or (b) any change in Executive's title, authority, duties and responsibilities as compared to Executive's title, authority, duties and responsibilities measured immediately after the Effective Time to take the position described herein.

SECTION 2

COMPENSATION AND BENEFITS

2.1 Compensation.

(a) Base Salary. The Company shall pay to Executive an annual base salary at the rate not less than \$450,000 each calendar year ("**Base Salary**"), payable in accordance with the Company's ordinary payroll and withholding practices from time to time in effect for its employees. During the term of employment hereunder, Executive's salary shall be reviewed from time to time (but no less than annually) to determine whether an increase (not decrease) in Executive's salary is appropriate. Any such increase shall be at the sole discretion of the Board, or where required, the Compensation Committee of the Board, and thereafter any such increased amount shall be Executive's "Base Salary" for all purposes.

(b) Annual Cash Bonus. During the term of employment, Executive shall be eligible to participate under the Company's annual incentive program for executive officers, as in effect and from time to time adopted by the Board (the "**Incentive Plan**") for the award of an annual cash bonus ("**Annual Cash Bonus**"). The Annual Cash Bonus shall be determined based on a target bonus equal to 100% of Base Salary (the "**Target Bonus**"). Payment of the Annual Cash Bonus, if any, shall be made pursuant to the terms and conditions of the Incentive Plan.

(c) Annual Equity Grant. During the term of employment, Executive shall be eligible to participate under the applicable equity plan of the Company then in effect, as amended from time to time, or any successor plans (collectively, the "**Company Equity Plan**"), for the award of an annual grant of equity thereunder (the "**Annual Equity Grant**"). The actual award and amount of any Annual Equity Grant will be determined by the Board or the Compensation Committee of the Board in accordance with the terms of the applicable Company Equity Plan and subject to the provisions thereof.

(d) Sign-On Equity Grant. Executive acknowledges he received a one-time equity award grant of time-vesting restricted stock units with a grant date fair market value equal to \$1,500,000. Such restricted stock units shall vest in three equal installments on March 15, 2022, 2023, and 2024, and shall be subject to the same general terms and conditions as are applicable to equity awards granted to other senior executives of the Company.

2.2 Benefits.

(a) Generally. Executive shall be eligible to participate, to the extent it is legal and permitted by the applicable benefits plans, policies or contracts, in all employee benefits programs that the Company may adopt for its employees generally providing for sick or other leave, vacation, group health, disability and life insurance benefits. Executive shall be eligible to participate in the Company's 401(k) plan on the terms and conditions and qualifications of such plan from time to time in effect, with a Company match (if any) no less favorable than that provided to any other Company executives. Executive shall be entitled to at least four (4) weeks of paid vacation for each full calendar year of employment, to be accrued in accordance with the Company's regular vacation pay policy.

(b) Executive. Executive shall be eligible to participate, to the extent it is legal and permitted by the applicable plans, policies or contracts, in all benefits or fringe benefits which are in effect generally for the Company's executive personnel from time to time.

2.3 Expense Reimbursement. The Company shall pay or reimburse Executive for all reasonable expenses incurred in connection with performing his duties upon presentation of documents in accordance with the reasonable procedures established by the Company.

SECTION 3

TERMINATION

3.1 By the Company:

(a) For Cause. The Company shall have the right at any time, exercisable upon written notice, to terminate Executive's employment for Cause. As used in this Agreement, "Cause" shall mean that Executive:

(i) has committed any act or omission that results in, or that may reasonably be expected to result in, a conviction, plea of no contest or imposition of unadjudicated probation for any felony or crime involving moral turpitude;

(ii) has committed any act of fraud, embezzlement or misappropriation, or engaged in material misconduct or breach of fiduciary duty against the Company (or any predecessor thereto or successor thereof);

(iii) has willfully failed to substantially perform such duties as are reasonably assigned to him under this Agreement;

(iv) has unlawfully used (including being under the influence) or possessed illegal drugs on the Company's premises or while performing his duties and responsibilities for the Company;

(v) materially fails to perform Executive's duties required under Executive's employment by or other relationship with the Company (it being agreed that failure of the Company to achieve operating results or similar poor performance of the Company shall not, in and of itself, be deemed a failure to perform Executive's duties);

(vi) fails to comply with a lawful directive of the Board or Chief Executive Officer that is consistent with the Company's business practices and Code of Ethics;

(vii) engages in (A) willful misconduct for which Executive receives a material and improper personal benefit at the expense of the Company, or (B) accidental misconduct resulting in such a benefit which Executive does not promptly report to the Company and redress promptly upon becoming aware of such benefit;

(viii) in carrying out his duties under this Agreement, has engaged in acts or omissions constituting gross negligence or willful misconduct resulting in, or which, in the good faith opinion of the Board, could be expected to result in, substantial economic harm to the Company;

(ix) has failed for any reason to correct, cease or alter any action or omission that (A) materially violates or does not conform with the Company's policies, standards or regulations (including, without limitation, any Company policy or rule related to discrimination or sexual and other types of harassment or abusive conduct), (B) constitutes a material breach of this Agreement, including SECTION 4, or (C) constitutes a material breach of his duty of loyalty to the Company; or

(x) has disclosed any Proprietary Information (as defined below) without authorization from the Board, except as otherwise permitted by this Agreement, another agreement between the parties or any Company policy in effect at the time of disclosure.

For purposes of the definition of "Cause", "Company" shall include any subsidiary, business unit or affiliate of the Company. The Company shall provide written notice to Executive of any act or omission that the Company believes

constitutes grounds for “Cause” pursuant to clause (v), (vi), (vii)(B) or (ix) above, and no such act or omission shall constitute “Cause” unless Executive fails to remedy such act or omission within ten (10) days of the receipt of such notice; provided that such ten (10) day cure period shall not apply with respect to any matter that is incapable of cure within such period.

(b) Without Cause. The Company may terminate Executive’s employment under this Agreement at any time without Cause. As used in this Agreement, a termination without Cause shall mean the termination of Executive’s employment by the Company other than for Cause pursuant to SECTION 3.1(a) above.

3.2 By Executive:

(a) Without Good Reason. Executive may terminate his employment under this Agreement at any time without Good Reason. As used in this Agreement, a termination without Good Reason shall mean termination of Executive’s employment by Executive other than for Good Reason pursuant to SECTION 3.2(b) below.

(b) For Good Reason. Executive shall have the right at any time to resign his employment under this Agreement for Good Reason. As used in this Agreement, “**Good Reason**” shall mean the occurrence of any of the following events, without Executive’s consent: (i) a material diminution in Executive’s Base Salary or Target Bonus, in each case, other than as part of any across-the-board proportionate reduction applying to all senior executives of the Company, (ii) a material diminution in Executive’s title, authority, duties and responsibilities as compared to Executive’s title, authority, duties and responsibilities set forth herein (a “Material Diminution”) (for the sake of clarity, (A) a change in reporting structure by itself does not constitute a Material Diminution, (B) a change to a different position that is of comparable status within the Company does not constitute a Material Diminution, (C) any changes generally implemented with regard to a broad group of senior executives does not constitute a Material Diminution, and (D) any change consented to by Executive is not a Material Diminution), (iii) any material breach by the Company or any member of the Company Group (as defined below) of this Agreement, (iv) there is a Change in Control and the successor to the Company, if applicable, does not assume and continue this Agreement, and (v) any requirement by the Company that Executive relocate his personal residence to any city more than one hundred (100) miles from Dallas, Texas or Raleigh, North Carolina, as applicable.

Notwithstanding the foregoing, no event shall be a Good Reason event unless (i) Executive gives the Company written notice that he is resigning for Good Reason within ninety (90) days of the first occurrence of the Good Reason event, and (ii) the Company (A) accepts such resignation, (B) does not cure such Good Reason event, or (C) disputes the existence of Good Reason, in each case within thirty (30) days of receiving such notice, and in the case of clauses (A) and (B) Executive’s resignation for Good Reason shall become effective as of the earlier of (x) the date the Company accepts such resignation, or (y) the expiration of the thirty day cure period (provided the Company has not cured the Good Reason event) and in the case of clause (C) shall become effective only if Good Reason is ultimately determined to exist upon final resolution of the Company’s dispute of his resignation by a court of competent jurisdiction or otherwise.

(c) The term “**Change in Control**” shall have the meaning set forth in the Company’s 2014 Incentive Plan, as may be amended from time to time.

3.3 Compensation Upon Termination. Upon termination of Executive’s employment with the Company, the Company’s obligation to pay compensation and benefits under SECTION 2 shall terminate, except that the Company shall pay to Executive or, if applicable, Executive’s heirs, all earned but unpaid Base Salary under SECTION 2.1(a) and accrued but unused vacation under SECTION 2.2, in each case, through the Termination Date and Executive’s unreimbursed expenses incurred through the Termination Date in accordance with SECTION 2.3. In addition, Executive shall be entitled to receive (i) any vested amounts or benefits due under any tax-qualified retirement or group insurance plan or program in accordance with the terms thereof, and (ii) other than on an involuntary termination by the Company for Cause or a voluntary termination by Executive without Good Reason (for the avoidance of doubt, for purposes of this subsection, a termination due to Executive’s death shall not constitute a termination for Good Reason”), his Annual Cash Bonus for any completed fiscal year to the extent earned for such fiscal year and if such bonus has not previously been paid for such completed fiscal year, at the same time such Annual Cash Bonus would have been paid if Executive had continued in employment (it being understood that in the event of any such termination Executive is not entitled to an Annual Bonus for the then-

current Fiscal Year). If the Company terminates Executive's employment without Cause or if Executive terminates his employment for Good Reason, then, in addition, to the foregoing compensation, upon execution and delivery (and non-revocation) by Executive of the Separation Agreement and General Release as set forth in SECTION 6.10, the Company shall pay severance benefits pursuant to SECTION 3.4 below. No other payments or compensation of any kind shall be paid in respect of Executive's employment with or termination from the Company. Notwithstanding any contrary provision contained herein, in the event of any termination of Executive's employment, the exclusive remedies available to Executive shall be the amounts due under this SECTION 3, which are in the nature of liquidated damages, and are not in the nature of a penalty.

3.4 Severance Benefits.

(a) Termination without Cause or for Good Reason. Subject to the terms and conditions of eligibility for Executive's receipt of severance benefits under this Agreement, including the timely execution and delivery (and non-revocation) by Executive of the Separation Agreement and General Release as set forth in SECTION 6.10, if the Company terminates Executive's employment without Cause or Executive terminates his employment for Good Reason, the Company shall pay to Executive, as severance benefits, which amounts are in addition to the Compensation upon Termination set forth in SECTION 3.3 herein:

(i) An amount equal to 100% of his Base Salary which shall be paid to Executive on a salary continuation basis according to the Company's normal payroll practices over the twelve (12) month period following the date Executive incurs a Separation from Service, but in no event less frequently than monthly.

(ii) An amount equal to 100% of Executive's Target Bonus, which shall be paid to Executive in equal installments according to the Company's normal payroll practices over the twelve (12) month period following the date Executive incurs a Separation from Service, but in no event less frequently than monthly.

(iii) Subject to (1) Executive's timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), and (2) Executive's continued copayment of premiums at the same level and cost to Executive as if Executive were an employee of the Company (excluding, for purposes of calculating cost, an employee's ability to pay premiums with pre-tax dollars), continued participation in the Company's group health plan (to the extent permitted under applicable law and the terms of such plan) which covers Executive (and Executive's eligible dependents) for a period of twelve (12) months at the Company's expense, provided that Executive is eligible and remains eligible for COBRA coverage. The Company may modify its obligation under this SECTION 3.4(a)(iii) to the extent reasonably necessary to avoid any penalty or excise taxes imposed on it in connection with the continued payment of premiums by the Company under the Patient Protection and Affordable Care Act of 2010, as amended, or other applicable law.

(b) Notwithstanding any other provision of this Agreement, any severance benefits that would otherwise have been paid before the Company's first normal payroll payment date falling on or after the sixtieth (60th) day after the date on which Executive incurs a Separation from Service (the "**First Payment Date**") shall be made on the First Payment Date. Each separate severance installment payment and each other payment that Executive may be eligible to receive under this Agreement shall be a separate payment under this Agreement for all purposes.

(c) Executive shall have no duty or obligation to mitigate the amounts due under SECTION 3.4(a) above and any amounts earned by Executive from other employment shall not be offset or reduce the amounts due hereunder.

SECTION 4

CERTAIN AGREEMENTS

4.1 Confidentiality. Executive acknowledges that the Company owns and shall own and has developed and shall develop proprietary information concerning its business and the business of its subsidiaries and affiliates and

each of their employees, customers and clients (“**Proprietary Information**”). Such Proprietary Information includes, among other things, trade secrets, financial information, product plans, customer lists, marketing plans, systems, manuals, training materials, forecasts, inventions, improvements, know-how and other intellectual property, in each case, relating to the Company’s business. Executive shall, at all times, both during employment by the Company and thereafter, keep all Proprietary Information in confidence and trust and shall not use or disclose any Proprietary Information without the written consent of the Company, except as necessary in the ordinary course of Executive’s duties. Executive shall keep the terms of this Agreement in confidence and trust and shall not disclose such terms, except to Executive’s family, accountants, financial advisors, or attorneys, or as otherwise authorized or required by law. The parties acknowledge that pursuant to the Defend Trade Secrets Act of 2016 (the “**DTSA**”), an individual may not be held criminally or civilly liable under any Federal or state trade secret law for disclosure of a trade secret that (i) is made (A) in confidence to a Federal, state or local governmental authority, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of applicable law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Agreement or any other agreement Executive has with the Company or any of its affiliates is intended to conflict with the DTSA or create liability for disclosures of trade secrets that are expressly allowed by such section. Under the DTSA, any employee, contractor, or consultant who is found to have wrongfully misappropriated trade secrets (as the terms “misappropriate” and “trade secret” are defined in the DTSA) may be liable for, among other things, exemplary damages and attorneys’ fees. Further, nothing in this Agreement or any other agreement Executive has with the Company or any of its affiliates will prohibit or restrict Executive from making any voluntary disclosure of information or documents related to any violation of law to any governmental agency or legislative body, or any self-regulatory organization, in each case, without advance notice to the Company.

4.2 Company Property. Executive recognizes that all Proprietary Information, however stored or memorialized, and all identification cards, keys, flash drives, computers, mobile phones, Personal Data Assistants, telephone numbers, access codes, marketing materials, documents, records and other equipment or property which the Company provides are the sole property of the Company. Upon termination of employment, Executive shall (1) refrain from taking any such property from the Company’s premises, and (2) return any such property in Executive’s possession within ten (10) business days.

4.3 Assignment of Inventions to the Company. Executive shall promptly disclose to the Company all improvements, inventions, formulas, processes, computer programs, know-how and trade secrets developed, whether or not patentable, made or conceived or reduced to practice or developed by Executive, either alone or jointly with others, during and related to Executive’s employment and the Company’s business or while using the Company’s equipment, supplies, facilities or trade secret information (collectively, “**Inventions**”). All Inventions and other intellectual property rights shall be the sole property of the Company and shall be “works made for hire.” Executive hereby assigns to the Company any rights Executive may have or acquire in all Inventions and agrees to perform, during and after employment with the Company, at the Company’s expense including reasonable compensation to Executive, all acts reasonably necessary by the Company in obtaining and enforcing intellectual property rights with respect to such Inventions. Executive hereby irrevocably appoints the Company and its officers and agents as Executive’s attorney-in-fact to act for and in Executive’s name and stead with respect to such Inventions.

SECTION 5

COVENANT NOT TO ENGAGE IN CERTAIN ACTS

5.1 General. Executive understands and agrees that Executive shall hold a position of significant trust and, in such position of significant trust, shall provide services and have responsibility with respect to the Company and all of its subsidiaries and affiliates (collectively, the “**Company Group**”), including, without limitation, contributing to the acquisition and retention of customers and the generation of goodwill. Executive further understands and agrees that Executive will develop, access and use Proprietary Information for the benefit of the Company Group. The parties understand and agree that the purpose of the restrictions contained in SECTION 4 and this SECTION 5 is to protect the goodwill and other legitimate business interests of the Company (including its Proprietary Information), and that the Company would not have entered into this Agreement in the absence of such restrictions. Executive

acknowledges and agrees that the restrictions are reasonable and do not, and will not, unduly impair his ability to make a living after the termination of his employment with the Company. The provisions of SECTION 4 and SECTION 5 shall survive the expiration or sooner termination of this Agreement.

5.2 Non-Compete; Non-Interference; Non-Solicit. During the term of employment and for a period of twelve (12) months after the Termination Date Executive shall not, whether for Executive's own account or for any other Person, directly or indirectly, with or without compensation:

(a) own, manage, operate, control or participate in the ownership, management, operation or control of, or be employed or engaged in a senior management role by, any corporation, limited liability company, partnership, joint venture, proprietorship or other business entity or organization that engages in or plans to engage in the business of (i) supplying, distributing, manufacturing, designing, constructing and/or installing structural and related building products, including, without limitation, prefabricated components, roof and floor trusses, wall panels, stairs, windows, doors, millwork, lumber products, roofing, insulation, hardware and other building products and/or (ii) providing services to customers in connection with any of the foregoing or otherwise related to residential homebuilding, in each case, (i) and (ii) anywhere in the United States (a "**Competing Business**").

(b) solicit, or call upon or otherwise attempt to solicit, on behalf of any Competing Business, any of the customers, prospective customers, vendors or suppliers of Company Group;

(c) divert or take away, or attempt to divert or take away, any existing business of the Company Group;

(d) induce or entice, or seek to induce or entice, or otherwise interfere with, the Company Group's business relationship with, any customer of the Company Group;

(e) advance credit or lend money to any third party for the purpose of establishing or operating any Competing Business; or

(f) with respect to any substantially full time independent contractor of the Company Group, employee of the Company Group or individual who was, at any time during the three months prior to the Termination Date, an employee of the Company Group: (A) hire or retain, or attempt to hire or retain, such individual to provide services for any third party; or (B) entice away or in any manner persuade or attempt to persuade, such individual to (1) terminate and/or leave his employment or engagement, (2) accept employment with any person or entity other than a member of the Company Group, or (3) terminate his relationship with the Company Group or devote less of his business time to the Company Group.

Notwithstanding the foregoing, nothing in this SECTION 5.2 will prohibit Executive from acquiring or holding not more than two percent (2%) of any class of publicly traded securities.

5.3 Cessation/Reimbursement of Payments. Notwithstanding anything to the contrary in this Agreement, if Executive violates any provision of SECTION 4 or SECTION 5, the Company may, upon giving written notice to Executive, immediately terminate Executive's employment with the Company for Cause or, in the event the violation occurs following the Termination Date, cease all payments and benefits that it may be providing to Executive pursuant to SECTION 3, and Executive shall be required to reimburse the Company for any payments received from the Company pursuant to SECTION 3; provided, however, that the foregoing shall be in addition to such other remedies as may be available to the Company and shall not be deemed to permit Executive to forego or waive such payments in order to avoid his obligations under SECTION 4 or SECTION 5; and provided, further, that any release of claims by Executive pursuant to SECTION 6.10 shall continue in effect.

5.4 Survival; Injunctive Relief. Executive agrees that the provisions of SECTION 4 and SECTION 5 shall survive the termination of this Agreement and the termination of Executive's employment. Executive acknowledges that a breach by him of the covenants contained in SECTION 4 or SECTION 5 cannot be reasonably or adequately compensated in damages in an action at law and that such breach will cause the Company immeasurable and irreparable injury and damage. Executive further acknowledges that he possesses unique skills, knowledge and ability and that competition in violation of SECTION 4 or SECTION 5 would be extremely detrimental to the

Company. By reason thereof, each of the Company and Executive agrees that the other shall be entitled, in addition to any other remedies it may have under this Agreement, at law or in equity, or otherwise, to temporary, preliminary and/or permanent injunctive and other equitable relief to prevent or curtail any actual or threatened violation of SECTION 4 or SECTION 5, without proof of actual damages that have been or may be caused to the Company by such breach or threatened breach, and waives to the fullest extent permitted by law the posting or securing of any bond by the other party in connection with such remedies.

SECTION 6

MISCELLANEOUS

6.1 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by certified or registered mail, postage prepaid, with return receipt requested, telecopy (with hard copy delivered by overnight courier service), or delivered by hand, messenger or overnight courier service, and shall be deemed given when received at the addresses of the parties set forth below, or at such other address furnished in writing to the other parties hereto:

To the Company:

Builders FirstSource, Inc.
Attn: General Counsel
2001 Bryan Street, Suite 1600
Dallas, Texas 75201

To Executive: at the home address of Executive maintained in the human resource records of the Company.

6.2 Severability. The parties agree that it is not their intention to violate any public policy or statutory or common law. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law. Without limiting the foregoing, if any portion of SECTION 5 is held to be unenforceable, the maximum enforceable restriction of time, scope of activities and geographic area will be substituted for any such restrictions held unenforceable.

6.3 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to its principles of conflicts of laws. Executive: agrees to submit to the jurisdiction of the State of Delaware; agrees that any dispute concerning this Agreement shall be brought exclusively in a state or federal court of competent jurisdiction in Delaware; and agrees that other than disputes involving SECTION 4 or SECTION 5, all disputes shall be settled through arbitration pursuant to SECTION 6.15. Executive waives any and all objections to jurisdiction or venue.

6.4 Survival. The covenants and agreements of the parties set forth in SECTIONS 4, 5 and 6 are of a continuing nature and shall survive the expiration, termination or cancellation of this Agreement, irrespective of the reason therefor.

6.5 Entire Agreement. This Agreement contains the entire understanding between the parties hereto with respect to the terms of employment, compensation, benefits, and covenants of Executive, and supersede all other prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, between Executive and the Company relating to the subject matter of the Agreement, which such other prior and contemporaneous agreements and understandings, inducements or conditions shall be deemed terminated effective on the Effective Time, including without limitation, the Prior Employment Agreement. For the avoidance of doubt, the parties agree that any and all indemnification agreements between Executive and the Company shall continue in full force unimpaired by this Agreement

6.6 Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and the Company's successors and assigns, including any direct or indirect successor by purchase, merger, consolidation, reorganization, liquidation, dissolution, winding up or otherwise with respect to all or substantially all of the business or assets of the Company, and Executive's spouse, heirs, and personal and legal representatives.

6.7 Counterparts; Amendment. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be amended or modified only by written instrument duly executed by the Company and Executive.

6.8 Voluntary Agreement. Executive has read this Agreement carefully, has had the opportunity to seek advice of counsel and understands and accepts the obligations that it imposes upon Executive without reservation. No other promises or representations have been made to Executive to induce Executive to sign this Agreement. Executive is signing this Agreement voluntarily and finely.

6.9 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns (including any direct or indirect successor, spouses, heirs and personal and legal representatives). Any such successor or assign of the Company shall be included in the term "Company" as used in this Agreement.

6.10 Release of Claims. In consideration for the compensation and other benefits provided pursuant to this Agreement, Executive agrees to execute a "Separation Agreement and General Release" to be presented by the Company substantially in the form of Exhibit A attached hereto. The Company's obligation to pay severance benefits pursuant to SECTION 3.4 is expressly conditioned on Executive's execution and delivery of such Separation Agreement and General Release no later than forty-five (45) days after the date Executive incurs a Separation from Service without revoking it for a period of seven (7) days following delivery. Executive's failure to execute and deliver such Separation Agreement and General Release within such forty-five (45) day time period (or Executive's subsequent revocation of such Separation Agreement and General Release) will void the Company's obligation to pay severance benefits under this Agreement

6.11 Withholding. All compensation payable to Executive pursuant to this Agreement will be subject to any applicable statutory withholding taxes and such other taxes as are required or permitted under applicable law and such other deductions or withholdings as authorized by Executive to be collected with respect to compensation paid to Executive.

6.12 In-kind Benefits and Reimbursements. Notwithstanding anything to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any tax year of Executive shall not affect in-kind benefits or reimbursements to be provided in any other tax year of Executive, except for the reimbursement of medical expenses referred to in Section 105(b) of the Internal Revenue Code, as amended ("**Code**"), and are not subject to liquidation or exchange for another benefit. Notwithstanding anything to the contrary in this Agreement, reimbursement requests must be timely submitted by Executive and, if timely submitted, reimbursement payments shall be made to Executive as soon as administratively practicable following such submission, but in no event later than December 31st of the calendar year following the calendar year in which the expense was incurred. In no event shall Executive be entitled to any reimbursement payments after December 31st of the calendar year following the calendar year in which the expense was incurred. This SECTION 6.12 shall apply only to in-kind benefits and reimbursements that would result in taxable compensation income to Executive.

6.13 Section 409A The intent of the parties is that payments and benefits under this Agreement be exempt from, or comply with, Section 409A of the Code (and the rules and regulations promulgated thereunder) ("**Section 409A**"), and accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in accordance therewith. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of any payments under this Agreement which are subject to Section 409A until Executive would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separate identified payment for purposes of Section 409A, and any payments described in this Agreement that are due within the "short term deferral period" as defined in

Section 409A, or otherwise satisfying an exception under Section 409A, shall not be treated as deferred compensation unless applicable law requires otherwise. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six (6)-month period immediately following Executive's separation from service shall instead be paid on the first business day after the date that is six (6) months following Executive's separation from service (or, if earlier, death). To the extent required to avoid accelerated taxation and/or tax penalties under Section 409A, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided) during any one year may not effect amounts reimbursable or provided in any subsequent year. In no event shall the timing of Executive's execution of a Separation Agreement and General Release pursuant to SECTION 6.10 result, directly or indirectly, in Executive designating the calendar year of any payment hereunder, and, to the extent required by Section 409A, if a payment hereunder that is subject to execution of a Separation Agreement and General Release could be made in more than one taxable year, payment shall be made in the later taxable year. Notwithstanding anything to the contrary in this Agreement or any other agreement by and between Executive and any member of the Company Group, to the extent that (i) this Agreement provides for the vesting and settlement of any equity award held by Executive and (ii) such equity award constitutes nonqualified deferred compensation subject to Section 409A, such equity award shall be settled at the earliest time that will not trigger a Tax or penalty under Section 409A. The Company makes no representation that any or all of the payments described in this Agreement shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment.

6.14 Indemnification, etc. The Company shall provide an indemnification agreement by which it shall indemnify and hold harmless Executive to the fullest extent permitted by law for any action or inaction Executive takes in good faith with regard to the Company or parent or any benefit plan of either, in accordance with the Company's Certificate of Incorporation and By-laws. Further, the Company shall cover Executive on its directors' and officers' liability insurance policies to no less extent than that which covers any other officer or director of the Company.

6.15 Arbitration. Except with respect to the Company's enforcement of the covenants in SECTION 4 and SECTION 5, in the event that either Executive or the Company (or their successor and assigns, or any other person claiming benefits on behalf of or through them) has a dispute, claim, question, or disagreement arising from or relating to this Agreement or the breach thereof, the parties hereto shall use their best efforts to settle the dispute, claim, question, or disagreement. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If the parties do not reach such solution within a period of 60 days, then, upon written notice by either party to the other, all such disputes, claims, questions, or differences shall be finally settled by confidential binding arbitration administered by the American Arbitration Association in accordance with the provisions of its Employment Arbitration Rules, unless such claim is precluded by law from being settled through arbitration. Such arbitration shall take place in Dallas, Texas. Any arbitrator selected by the parties to arbitrate any such dispute shall have practiced predominately in the field of employment law for no less than ten years. The arbitrator will have the power to interpret this Agreement. Any determination or decision by the arbitrator shall be binding upon the parties and may be enforced in any court of law. The parties agree that this arbitration provision does not apply to the right of Executive to file a charge, testify, assist or participate in any manner in an investigation, hearing or proceeding before the Equal Employment Opportunity Commission or any other agency pertaining to any matters covered by this Agreement and within the jurisdiction of the agency. Both parties agree that this arbitration clause has been bargained for by the parties upon advice of their respective counsel.

6.16 Code Section 280G. Notwithstanding any other provision of this Agreement, if it is determined that the benefits or payments payable under this Agreement, taking into account other benefits or payments provided under other plans, agreements or arrangements, constitute Parachute Payments that would subject Executive to tax under Section 4999 of the Code, it must be determined whether Executive will receive the total payments due or the Reduced Amount. Executive will receive the Reduced Amount if the Reduced Amount results in equal or greater Net After Tax Receipts than the Net After Tax Receipts that would result from Executive receiving the total payments due.

If it is determined that the total payments should be reduced to the Reduced Amount, the Company must promptly notify Executive of that determination, including a copy of the detailed calculations by an accounting firm or other professional organization qualified to make the calculation that was selected by the Company and acceptable to Executive (the “**Accounting Firm**”). The Company shall pay the fees and expenses of the Accounting Firm. All determinations made by the Accounting Firm under this SECTION 6.16 are binding upon the Company and Executive, subject to any differing determination by the Internal Revenue Service.

It is the intention of the Company and Executive to reduce the payments under this Agreement and any other plan, agreement or arrangement only if the aggregate Net After Tax Receipts to Executive would thereby be increased.

If it is determined that the total payments should be reduced to the Reduced Amount, any reduction shall be in the order that would provide Executive with the largest amount of Net After Tax Receipts (subject to the remainder of this sentence, pro rata if two alternatives provide the same result) and shall, to the extent permitted by Code Section 280G and 409A be designated by Executive. Executive shall at any time have the unilateral right to forfeit any equity grant in whole or in part.

For purposes of this Agreement, the term “**Net After Tax Receipt**” means the Present Value of the total payments or the Reduced Amount, as applicable, net of all federal, state and local income and payroll taxes imposed on Executive, including Section 4999 of the Code, determined by applying the highest marginal rate of income taxes which applied to Executive’s taxable income for the immediately preceding taxable year. For purposes of this Agreement, the term “**Parachute Payment**” means a payment (under this Agreement or any other plan, agreement or arrangement) that is described in Section 280G(b)(2) of the Code, determined in accordance with Section 280G of the Code and the regulations thereunder. For purposes of this Agreement, the term “**Present Value**” means the value determined in accordance with Section 280G(d)(4) of the Code and the regulations thereunder. For purposes of this Agreement, the term “**Reduced Amount**” means the largest amount of Parachute Payments that is less than the total Parachute Payments and that may be paid to Executive without subjecting Executive to tax under Section 4999 of the Code.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

COMPANY

EXECUTIVE:

BUILDERS FIRTSOURCE, INC.

By: /s/ David E. Flitman
Name: David E. Flitman
Its: President and Chief Executive Officer

/s/ Timothy Johnson
Timothy Johnson

Solely in respect of the agreement to terminate the Prior
Employment Agreement effective as of the Effective Time:

BOSTON:

BMC STOCK HOLDINGS, INC.

By: /s/ David E. Flitman
Name: David E. Flitman
Its: President and Chief Executive Officer

EXHIBIT A

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (this “**Agreement**”) is made as of by and between [] (“**Executive**”) and Builders FirstSource, Inc. (the “**Company**”). For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Termination of Employment.** The parties agree that Executive’s employment with the Company and all of its affiliates is terminated effective as of [] (the “**Termination Date**”).

2. **Payments Due to Executive.** Executive acknowledges receipt of [] (\$[]) from the Company, representing Executive’s accrued but unpaid Base Salary and accrued unused vacation through the Termination Date. In addition, Executive shall receive (a) his annual bonus (if any) for the fiscal year completed prior to the Termination Date, to be paid at the same time annual bonuses would have been paid if Executive had continued in employment, (b) shall receive any vested benefits due under any tax-qualified retirement or group insurance plan or program in accordance with the term thereof, and (c) any unreimbursed business expenses incurred through the Termination Date. Other than as expressly set forth in this SECTION 2, Executive is not entitled to any consulting fees, wages, accrued vacation pay, benefits or any other amounts with respect to his employment through the Termination Date.

3. **Severance Benefits and Continuing Health Insurance Coverage.** In consideration of Executive’s execution and non-revocation of this Agreement in accordance with its terms, the Company agrees to pay to Executive the amounts provided in SECTION 3.4 of that certain Amended and Restated Employment Agreement, dated as of _____, 20__ by and between Executive and the Company, which amounts are, to the extent known, stated on Attachment A hereto.

4. **General Release.**

(a) Executive, on behalf of Executive, his heirs, executors, personal representatives, administrators and assigns, voluntarily, irrevocably, knowingly and unconditionally releases, remises and discharges the Company and all of its current and former parents, subsidiaries and affiliates, each of their respective members, officers, directors, stockholders, partners, employees, agents, representatives, advisors and attorneys, and each of their respective subsidiaries, affiliates, estates, predecessors, successors and assigns (collectively, the “**Company Parties**”) from any and all actions, causes of action, charges, complaints, claims, damages, demands, debts, lawsuits, rights, understandings, obligations, expenses (including attorneys’ fees and costs), covenants, contracts, promises or liabilities of any kind, nature or description whatsoever, known or unknown, in law or in equity (collectively, the “**Claims**”) which Executive or Executive’s heirs, executors, personal representatives, administrators and assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever (i) arising from the beginning of time through the date upon which Executive executes this Agreement, including, without limitation, any such Claims arising out of, relating to or in connection with Executive’s employment or service as a director with the Company, including tort, fraud, or defamation and arising under federal, local or state statute or regulation, including, without limitation, Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act, the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974, the Civil Rights Act of 1991, the Equal Pay Act, the Fair Labor Standards Act, 42 U.S.C. § 1981, the Texas Labor Code (including, without limitation, the Texas Payday Law, the Texas Anti-Retaliation Act, Chapter 21 of the Texas Labor Code, and the Texas Whistleblower Act), each as amended and including each of their respective implementing regulations and/or any other federal, state, local or foreign law (statutory, regulatory or otherwise), that may be legally waived and released; (ii) arising out of or relating to the termination of Executive’s employment; or (iii) arising under or relating to any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company or any of the other Company Parties and Executive.

(b) Executive agrees that there is a risk that each and every injury which he may have suffered by reason of his employment relationship might not now be known, and there is a further risk that such injuries, whether known or unknown at the date of this Agreement, might become progressively worse, and that as a result thereof further damages may be sustained by Executive; nevertheless, Executive desires to forever and fully release and discharge the Company Parties, and he fully understands that by the execution of this Agreement no further claims for any such injuries may ever be asserted.

(c) This general release does not in any way diminish or impair: (i) any Claims Executive may have that cannot be waived under applicable law, (ii) Executive's right to enforce this Agreement; (iii) any rights Executive may have to indemnification from personal liability or to protection under any insurance policy maintained by the Company, including without limitation any general liability, employment practices liability, or directors and officers insurance policy or any contractual indemnification agreement; (iv) Executive's right, if any, to government provided unemployment and worker's compensation benefits; or (v) Executive's rights under any Company Executive benefit plans (i.e. health, disability or tax-qualified retirement plans), which by their explicit terms survive the termination of Executive's employment

(d) Executive agrees that the consideration set forth in SECTION 3 above shall constitute the entire consideration provided under this Agreement, and that Executive will not seek from the Company Parties any further compensation or other consideration for any claimed obligation, entitlement, damage, cost or attorneys' fees in connection with the matters encompassed by this Agreement.

(e) Executive understands and agrees that if any facts with respect to this Agreement or Executive's prior treatment by or employment with the Company are found to be different from the facts now believed to be true, Executive expressly accepts, assumes the risk of, and agrees that this Agreement shall remain effective notwithstanding such differences. Executive agrees that the various items of consideration set forth in this Agreement fully compensate for said risks, and that Executive will have no legal recourse against the Company in the event of discovery of a difference in facts.

(f) Executive agrees to the release of all known and unknown claims, including expressly the waiver of any rights or claims arising out of the Federal Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq. ("**ADEA**"), and in connection with such waiver of ADEA claims, and as provided by the Older Worker Benefit Protection Act, Executive understands and agrees as follows:

(i) Executive has the right to consult with an attorney before signing this Agreement, and is hereby advised to do so;

(ii) Executive shall have a period of forty-five (45) days from the Termination Date (or from the date of receipt of this Agreement if received after the Termination Date) in which to consider the terms of the Agreement (the "**Review Period**"). Executive may at his option execute this Agreement at any time during the Review Period. If Executive does not return the signed Agreement to the Company prior to the expiration of the 45 day period, then the offer of severance benefits set forth in this Agreement shall lapse and shall be withdrawn by the Company; and

(iii) Executive may revoke this Agreement at any time during the first seven (7) days following Executive's execution of this Agreement, and this Agreement and release shall not be effective or enforceable until the seven-day period has expired ("**Revocation Period Expiration Date**"). Notice of a revocation by Executive must be made to the designated representative of the Company (as described below) within the seven (7) day period after Executive signs this Agreement. If Executive revokes this Agreement, it shall not be effective or enforceable against the Company Parties. Accordingly, the "**Effective Time**" of this Agreement shall be on the eighth (8th) day after Executive signs the Agreement and returns it to the Company, and provided that Executive does not revoke the Agreement during the seven (7) day revocation period.

In the event Executive elects to revoke this release pursuant to SECTION 4(f)(iii) above, Executive shall notify Company by hand-delivery, express courier or certified mail, return receipt requested, within seven (7) days after signing this Agreement to: ATTN: General Counsel, Builders FirstSource, Inc., [ADDRESS]. In the event that Executive exercises his right to revoke this release pursuant to SECTION 4(f)(iii) above, any and all obligations of Company under this Agreement shall be null and void. Executive agrees that by signing this Agreement prior to the

expiration of the forty-five (45) day period he has voluntarily waived his right to consider this Agreement for the full forty-five (45) day period. Executive further agrees that any changes to this Agreement made during the Review Period, whether material or immaterial, shall not restart the 45-day consideration period.

5. Review of Agreement; No Assignment of Claims. Executive represents and warrants that he (a) has carefully read and understands all of the provisions of this Agreement and has had the opportunity for it to be reviewed and explained by counsel to the extent Executive deems it necessary, (b) is voluntarily entering into this Agreement, (c) has not relied upon any representation or statement made by the Company or any other person with regard to the subject matter or effect of this Agreement, (d) has not transferred or assigned any Claims and (e) has not filed any complaint or charge against any of the Company Parties with any local, state, or federal agency or court.

6. No Claims. Each party represents that it has not filed any Claim against the other Party with any state, federal or local agency or court; provided, however, that nothing in this Agreement shall be construed to prohibit Executive from filing a Claim, including a challenge to the validity of this Agreement, with the Equal Employment Opportunity Commission (“**EEOC**”) or participating in any investigation or proceeding conducted by the EEOC.

7. Interpretation. This Agreement shall take effect as an instrument under seal and shall be governed and construed in accordance with the laws of the State of Texas without regard to provisions or principles thereof relating to conflict of laws.

8. Agreement as Defense. This Agreement may be pleaded as a full and complete defense to any subsequent action or other proceeding arising out of, relating to, or having anything to do with any and all Claims, counterclaims, defenses or other matters capable of being alleged, which are specifically released and discharged by this Agreement. This Agreement may also be used to abate any such action or proceeding and/or as a basis of a cross complaint for damages.

9. Nondisclosure of Agreement. The terms and conditions of this Agreement are confidential. Executive agrees not to disclose the terms of this Agreement to anyone except immediate family members and Executive’s attorneys and financial advisers. Executive further agrees to inform these people that the Agreement is confidential and must not be disclosed to anyone else. Executive may disclose the terms of this Agreement if compelled to do so by a court, but Executive agrees to notify the Company immediately if anyone seeks to compel Executive’s testimony in this regard, and to cooperate with the Company if the Company decides to oppose such effort. Executive agrees that disclosure by Executive in violation of this Agreement would cause so much injury to the Company that money alone could not fully compensate the Company and that the Company is entitled to injunctive and equitable relief. Executive also agrees that the Company would be entitled to recover money from Executive if this Agreement were violated.

10. Ongoing Covenants. Executive acknowledges that nothing in this Agreement shall limit or otherwise impact Executive’s continuing obligations of confidentiality to the Company in accordance with Company policy and applicable law, or any applicable Company policies or agreements between the Company and Executive with respect to non-competition or non-solicitation, and Executive covenants and agrees to abide by all such continuing obligations.

11. No Adverse Comments. Executive agrees not to make, issue, release or authorize any written or oral statements, derogatory or defamatory in nature, about the Company, its affiliates or any of their respective products, services, directors, officers or executives, provided that the foregoing shall not be violated by truthful testimony in response to legal process, normal competitive statements, rebuttal of statements by the other or actions to enforce his rights. Nothing herein prohibits Executive from communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of a federal law or regulation.

12. Integration; Severability. Except with respect to any continuing obligations to the Company, the terms and conditions of this Agreement constitute the entire agreement between Company and Executive and supersede all previous communications, either oral or written, between the parties with respect to the subject matter of this Agreement. No agreement or understanding varying or extending the terms of this Agreement shall be binding upon either party unless in writing signed by or on behalf of such party. In the event that a court finds any portion of this

Agreement unenforceable for any reason whatsoever, Company and Executive agree that the other provisions of the Agreement shall be deemed to be severable and will continue in full force and effect to the fullest extent permitted by law.

13. EXECUTIVE ACKNOWLEDGES THE FOLLOWING: HE HAS ENTERED INTO THIS AGREEMENT KNOWINGLY, VOLUNTARILY AND OF HIS OWN FREE WILL WITH A FULL UNDERSTANDING OF ITS TERMS; HE HAS READ THIS AGREEMENT; THAT HE FULLY UNDERSTANDS ITS TERMS; THAT EXECUTIVE IS ADVISED TO CONSULT AN ATTORNEY FOR ADVICE; THAT HE HAS THE RIGHT TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS AGREEMENT; THAT HE HAS HAD AMPLE TIME TO CONSIDER HIS DECISION BEFORE ENTERING INTO THE AGREEMENT; THAT HE IS SATISFIED WITH THE TERMS OF THIS AGREEMENT AND AGREES THAT THE TERMS ARE BINDING UPON HIM; AND THAT HE HAS BEEN ADVISED BY THE COMPANY OF HIS ABILITY TO TAKE ADVANTAGE OF THE CONSIDERATION PERIOD AFFORDED BY SECTION 4 ABOVE.

IN WITNESS WHEREOF, the parties have executed this Agreement with effect as of the date first above written.

**SEVERANCE AGREEMENT
ATTACHMENT A**

The following severance benefits are payable pursuant to SECTION 3.4 of Executive's Employment Agreement:

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this “**Agreement**”) between Michael Farmer (“**Executive**”), Builders FirstSource, Inc., a Delaware corporation (the “**Company**”), and, solely in respect of the agreement to terminate the Prior Employment Agreement (as defined herein) effective as of the Effective Time (as defined herein), BMC Stock Holdings, Inc., a Delaware corporation (“**BMC**”), is entered into as of January 31, 2022 and is effective as of 12:01 am Eastern Time on January 1, 2021 (the “**Effective Time**”).

RECITALS

WHEREAS, BMC and Executive are parties to that certain Employment Agreement dated as of May 15, 2018 (the “**Prior Employment Agreement**”);

WHEREAS, the Company and Executive desire to terminate the Prior Employment Agreement, effective as of the Effective Time; and

WHEREAS, as of the Effective Time, this Agreement shall supersede and replace in its entirety the Prior Employment Agreement, and this Agreement shall set forth the terms and conditions of Executive’s employment with the Company from and after the Effective Time.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the Company and Executive hereby agree as follows:

SECTION 1**EMPLOYMENT TERMS**

1.1 Employment. The Company hereby agrees to employ Executive pursuant to the terms of this Agreement, and Executive hereby accepts such employment by the Company, effective as of the Effective Time, for the period and upon the terms and conditions contained in this Agreement.

1.2 Position and Duties. Executive is hereby employed as of the Effective Time to serve as the President - Commercial Operations of the Company. In his capacity as President - Commercial Operations of the Company, Executive shall have all of the powers, duties and responsibilities commensurate with such position as shall be assigned to him by the Chief Executive Officer of the Company. In his capacity as President - Commercial Operations of the Company, Executive will report directly to the Chief Executive Officer of the Company.

Executive shall devote Executive’s full business time and attention and full diligence and vigor and good faith efforts to the affairs of the Company. Executive shall not engage in any other material business duties or pursuits or render any services of a professional nature to any other entity or person, or serve on any other board of directors (other than a not-for-profit board of directors, and then only to the extent it does not interfere with his duties to the Company), without the prior written consent of the Company’s Board of Directors (the “**Board**”) or a committee designated by the Board to approve such matters.

1.3 Term. Executive’s employment under this Agreement shall commence on the Effective Time and shall continue for an indefinite term, until terminated in accordance with SECTION 3 below. Certain provisions, however, as more fully set forth in SECTION 4, SECTION 5 and SECTION 6 below, continue in effect beyond the date of the termination of Executive’s employment (the “**Termination Date**”). Executive agrees that, effective as of the applicable Termination Date, Executive shall resign from all positions held by Executive as an officer, director or otherwise with respect to the Company or any member of the Company Group (as defined below).

1.4 Waiver of Right to Resign for Good Reason. Executive hereby agrees that Executive’s employment by the Company from and after the Effective Time on the terms set forth in this Agreement shall be deemed to satisfy in full any requirement pursuant to the Prior Employment Agreement or otherwise that a successor to BMC upon a

Change in Control must assume and continue the Prior Employment Agreement. In addition, Executive hereby waives, effective immediately prior to the Effective Time, any and all rights that Executive may have, under the Prior Employment Agreement or otherwise, to resign for Good Reason as a result of or in connection with (a) the termination of the Prior Employment Agreement and replacement thereof with this Agreement or (b) any change in Executive's title, authority, duties and responsibilities as compared to Executive's title, authority, duties and responsibilities measured immediately after the Effective Time to take the position described herein.

SECTION 2

COMPENSATION AND BENEFITS

2.1 Compensation.

(a) **Base Salary.** The Company shall pay to Executive an annual base salary at the rate not less than \$425,000 each calendar year ("**Base Salary**"), payable in accordance with the Company's ordinary payroll and withholding practices from time to time in effect for its employees. During the term of employment hereunder, Executive's salary shall be reviewed from time to time (but no less than annually) to determine whether an increase (not decrease) in Executive's salary is appropriate. Any such increase shall be at the sole discretion of the Board, or where required, the Compensation Committee of the Board, and thereafter any such increased amount shall be Executive's "Base Salary" for all purposes.

(b) **Annual Cash Bonus.** During the term of employment, Executive shall be eligible to participate under the Company's annual incentive program for executive officers, as in effect and from time to time adopted by the Board (the "**Incentive Plan**") for the award of an annual cash bonus ("**Annual Cash Bonus**"). The Annual Cash Bonus shall be determined based on a target bonus equal to 100% of Base Salary (the "**Target Bonus**"). Payment of the Annual Cash Bonus, if any, shall be made pursuant to the terms and conditions of the Incentive Plan.

(c) **Annual Equity Grant.** During the term of employment, Executive shall be eligible to participate under the applicable equity plan of the Company then in effect, as amended from time to time, or any successor plans (collectively, the "**Company Equity Plan**"), for the award of an annual grant of equity thereunder (the "**Annual Equity Grant**"). The actual award and amount of any Annual Equity Grant will be determined by the Board or the Compensation Committee of the Board in accordance with the terms of the applicable Company Equity Plan and subject to the provisions thereof.

(d) **Sign-On Equity Grant.** Executive acknowledges he received a one-time equity award grant of time-vesting restricted stock units with a grant date fair market value equal to \$1,500,000. Such restricted stock units shall vest in three equal installments on March 15, 2022, 2023, and 2024, and shall be subject to the same general terms and conditions as are applicable to equity awards granted to other senior executives of the Company.

2.2 Benefits.

(a) **Generally.** Executive shall be eligible to participate, to the extent it is legal and permitted by the applicable benefits plans, policies or contracts, in all employee benefits programs that the Company may adopt for its employees generally providing for sick or other leave, vacation, group health, disability and life insurance benefits. Executive shall be eligible to participate in the Company's 401(k) plan on the terms and conditions and qualifications of such plan from time to time in effect, with a Company match (if any) no less favorable than that provided to any other Company executives. Executive shall be entitled to four (4) weeks of paid vacation for each full calendar year of employment, to be accrued in accordance with the Company's regular vacation pay policy.

(b) **Executive.** Executive shall be eligible to participate, to the extent it is legal and permitted by the applicable plans, policies or contracts, in all benefits or fringe benefits which are in effect generally for the Company's executive personnel from time to time.

2.3 Expense Reimbursement. The Company shall pay or reimburse Executive for all reasonable expenses incurred in connection with performing his duties upon presentation of documents in accordance with the reasonable procedures established by the Company.

SECTION 3

TERMINATION

3.1 By the Company:

(a) For Cause. The Company shall have the right at any time, exercisable upon written notice, to terminate Executive's employment for Cause. As used in this Agreement, "Cause" shall mean that Executive:

(i) has committed any act or omission that results in, or that may reasonably be expected to result in, a conviction, plea of no contest or imposition of unadjudicated probation for any felony or crime involving moral turpitude;

(ii) has committed any act of fraud, embezzlement or misappropriation, or engaged in material misconduct or breach of fiduciary duty against the Company (or any predecessor thereto or successor thereof);

(iii) has willfully failed to substantially perform such duties as are reasonably assigned to him under this Agreement;

(iv) has unlawfully used (including being under the influence) or possessed illegal drugs on the Company's premises or while performing his duties and responsibilities for the Company;

(v) materially fails to perform Executive's duties required under Executive's employment by or other relationship with the Company (it being agreed that failure of the Company to achieve operating results or similar poor performance of the Company shall not, in and of itself, be deemed a failure to perform Executive's duties);

(vi) fails to comply with a lawful directive of the Board or Chief Executive Officer that is consistent with the Company's business practices and Code of Ethics;

(vii) engages in (A) willful misconduct for which Executive receives a material and improper personal benefit at the expense of the Company, or (B) accidental misconduct resulting in such a benefit which Executive does not promptly report to the Company and redress promptly upon becoming aware of such benefit;

(viii) in carrying out his duties under this Agreement, has engaged in acts or omissions constituting gross negligence or willful misconduct resulting in, or which, in the good faith opinion of the Board, could be expected to result in, substantial economic harm to the Company;

(ix) has failed for any reason to correct, cease or alter any action or omission that (A) materially violates or does not conform with the Company's policies, standards or regulations (including, without limitation, any Company policy or rule related to discrimination or sexual and other types of harassment or abusive conduct), (B) constitutes a material breach of this Agreement, including SECTION 4, or (C) constitutes a material breach of his duty of loyalty to the Company; or

(x) has disclosed any Proprietary Information (as defined below) without authorization from the Board, except as otherwise permitted by this Agreement, another agreement between the parties or any Company policy in effect at the time of disclosure.

For purposes of the definition of "Cause", "Company" shall include any subsidiary, business unit or affiliate of the Company. The Company shall provide written notice to Executive of any act or omission that the Company believes

constitutes grounds for “Cause” pursuant to clause (v), (vi), (vii)(B) or (ix) above, and no such act or omission shall constitute “Cause” unless Executive fails to remedy such act or omission within ten (10) days of the receipt of such notice; provided that such ten (10) day cure period shall not apply with respect to any matter that is incapable of cure within such period.

(b) Without Cause. The Company may terminate Executive’s employment under this Agreement at any time without Cause. As used in this Agreement, a termination without Cause shall mean the termination of Executive’s employment by the Company other than for Cause pursuant to SECTION 3.1(a) above.

3.2 By Executive:

(a) Without Good Reason. Executive may terminate his employment under this Agreement at any time without Good Reason. As used in this Agreement, a termination without Good Reason shall mean termination of Executive’s employment by Executive other than for Good Reason pursuant to SECTION 3.2(b) below.

(b) For Good Reason. Executive shall have the right at any time to resign his employment under this Agreement for Good Reason. As used in this Agreement, “**Good Reason**” shall mean the occurrence of any of the following events, without Executive’s consent: (i) a material diminution in Executive’s Base Salary or Target Bonus, in each case, other than as part of any across-the-board proportionate reduction applying to all senior executives of the Company, (ii) a material diminution in Executive’s title, authority, duties and responsibilities as compared to Executive’s title, authority, duties and responsibilities set forth herein (a “Material Diminution”) (for the sake of clarity, (A) a change in reporting structure by itself does not constitute a Material Diminution, (B) a change to a different position that is of comparable status within the Company does not constitute a Material Diminution, (C) any changes generally implemented with regard to a broad group of senior executives does not constitute a Material Diminution, and (D) any change consented to by Executive is not a Material Diminution), (iii) any material breach by the Company or any member of the Company Group (as defined below) of this Agreement, (iv) there is a Change in Control and the successor to the Company, if applicable, does not assume and continue this Agreement, and (v) any requirement by the Company that Executive relocate his personal residence to any city more than one hundred (100) miles from Dallas, Texas or Raleigh, North Carolina, as applicable.

Notwithstanding the foregoing, no event shall be a Good Reason event unless (i) Executive gives the Company written notice that he is resigning for Good Reason within ninety (90) days of the first occurrence of the Good Reason event, and (ii) the Company (A) accepts such resignation, (B) does not cure such Good Reason event, or (C) disputes the existence of Good Reason, in each case within thirty (30) days of receiving such notice, and in the case of clauses (A) and (B) Executive’s resignation for Good Reason shall become effective as of the earlier of (x) the date the Company accepts such resignation, or (y) the expiration of the thirty day cure period (provided the Company has not cured the Good Reason event) and in the case of clause (C) shall become effective only if Good Reason is ultimately determined to exist upon final resolution of the Company’s dispute of his resignation by a court of competent jurisdiction or otherwise.

(c) The term “**Change in Control**” shall have the meaning set forth in the Company’s 2014 Incentive Plan, as may be amended from time to time.

3.3 Compensation Upon Termination. Upon termination of Executive’s employment with the Company, the Company’s obligation to pay compensation and benefits under SECTION 2 shall terminate, except that the Company shall pay to Executive or, if applicable, Executive’s heirs, all earned but unpaid Base Salary under SECTION 2.1(a) and accrued but unused vacation under SECTION 2.2, in each case, through the Termination Date and Executive’s unreimbursed expenses incurred through the Termination Date in accordance with SECTION 2.3. In addition, Executive shall be entitled to receive (i) any vested amounts or benefits due under any tax-qualified retirement or group insurance plan or program in accordance with the terms thereof, and (ii) other than on an involuntary termination by the Company for Cause or a voluntary termination by Executive without Good Reason (for the avoidance of doubt, for purposes of this subsection, a termination due to Executive’s death shall not constitute a termination for Good Reason”), his Annual Cash Bonus for any completed fiscal year to the extent earned for such fiscal year and if such bonus has not previously been paid for such completed fiscal year, at the same time such Annual Cash Bonus would have been paid if Executive had continued in employment (it being understood that in the event of any such termination Executive is not entitled to an Annual Bonus for the then-

current Fiscal Year). If the Company terminates Executive's employment without Cause or if Executive terminates his employment for Good Reason, then, in addition, to the foregoing compensation, upon execution and delivery (and non-revocation) by Executive of the Separation Agreement and General Release as set forth in SECTION 6.10, the Company shall pay severance benefits pursuant to SECTION 3.4 below. No other payments or compensation of any kind shall be paid in respect of Executive's employment with or termination from the Company. Notwithstanding any contrary provision contained herein, in the event of any termination of Executive's employment, the exclusive remedies available to Executive shall be the amounts due under this SECTION 3, which are in the nature of liquidated damages, and are not in the nature of a penalty.

3.4 Severance Benefits.

(a) Termination without Cause or for Good Reason. Subject to the terms and conditions of eligibility for Executive's receipt of severance benefits under this Agreement, including the timely execution and delivery (and non-revocation) by Executive of the Separation Agreement and General Release as set forth in SECTION 6.10, if the Company terminates Executive's employment without Cause or Executive terminates his employment for Good Reason, the Company shall pay to Executive, as severance benefits, which amounts are in addition to the Compensation upon Termination set forth in SECTION 3.3 herein:

(i) An amount equal to 100% of his Base Salary which shall be paid to Executive on a salary continuation basis according to the Company's normal payroll practices over the twelve (12) month period following the date Executive incurs a Separation from Service, but in no event less frequently than monthly.

(ii) An amount equal to 100% of Executive's Target Bonus, which shall be paid to Executive in equal installments according to the Company's normal payroll practices over the twelve (12) month period following the date Executive incurs a Separation from Service, but in no event less frequently than monthly.

(iii) Subject to (1) Executive's timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), and (2) Executive's continued copayment of premiums at the same level and cost to Executive as if Executive were an employee of the Company (excluding, for purposes of calculating cost, an employee's ability to pay premiums with pre-tax dollars), continued participation in the Company's group health plan (to the extent permitted under applicable law and the terms of such plan) which covers Executive (and Executive's eligible dependents) for a period of twelve (12) months at the Company's expense, provided that Executive is eligible and remains eligible for COBRA coverage. The Company may modify its obligation under this SECTION 3.4(a)(iii) to the extent reasonably necessary to avoid any penalty or excise taxes imposed on it in connection with the continued payment of premiums by the Company under the Patient Protection and Affordable Care Act of 2010, as amended, or other applicable law.

(b) Notwithstanding any other provision of this Agreement, any severance benefits that would otherwise have been paid before the Company's first normal payroll payment date falling on or after the sixtieth (60th) day after the date on which Executive incurs a Separation from Service (the "**First Payment Date**") shall be made on the First Payment Date. Each separate severance installment payment and each other payment that Executive may be eligible to receive under this Agreement shall be a separate payment under this Agreement for all purposes.

(c) Executive shall have no duty or obligation to mitigate the amounts due under SECTION 3.4(a) above and any amounts earned by Executive from other employment shall not be offset or reduce the amounts due hereunder.

SECTION 4

CERTAIN AGREEMENTS

4.1 Confidentiality. Executive acknowledges that the Company owns and shall own and has developed and shall develop proprietary information concerning its business and the business of its subsidiaries and affiliates and

each of their employees, customers and clients (“**Proprietary Information**”). Such Proprietary Information includes, among other things, trade secrets, financial information, product plans, customer lists, marketing plans, systems, manuals, training materials, forecasts, inventions, improvements, know-how and other intellectual property, in each case, relating to the Company’s business. Executive shall, at all times, both during employment by the Company and thereafter, keep all Proprietary Information in confidence and trust and shall not use or disclose any Proprietary Information without the written consent of the Company, except as necessary in the ordinary course of Executive’s duties. Executive shall keep the terms of this Agreement in confidence and trust and shall not disclose such terms, except to Executive’s family, accountants, financial advisors, or attorneys, or as otherwise authorized or required by law. The parties acknowledge that pursuant to the Defend Trade Secrets Act of 2016 (the “**DTSA**”), an individual may not be held criminally or civilly liable under any Federal or state trade secret law for disclosure of a trade secret that (i) is made (A) in confidence to a Federal, state or local governmental authority, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of applicable law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Agreement or any other agreement Executive has with the Company or any of its affiliates is intended to conflict with the DTSA or create liability for disclosures of trade secrets that are expressly allowed by such section. Under the DTSA, any employee, contractor, or consultant who is found to have wrongfully misappropriated trade secrets (as the terms “misappropriate” and “trade secret” are defined in the DTSA) may be liable for, among other things, exemplary damages and attorneys’ fees. Further, nothing in this Agreement or any other agreement Executive has with the Company or any of its affiliates will prohibit or restrict Executive from making any voluntary disclosure of information or documents related to any violation of law to any governmental agency or legislative body, or any self-regulatory organization, in each case, without advance notice to the Company.

4.2 **Company Property.** Executive recognizes that all Proprietary Information, however stored or memorialized, and all identification cards, keys, flash drives, computers, mobile phones, Personal Data Assistants, telephone numbers, access codes, marketing materials, documents, records and other equipment or property which the Company provides are the sole property of the Company. Upon termination of employment, Executive shall (1) refrain from taking any such property from the Company’s premises, and (2) return any such property in Executive’s possession within ten (10) business days.

4.3 **Assignment of Inventions to the Company.** Executive shall promptly disclose to the Company all improvements, inventions, formulas, processes, computer programs, know-how and trade secrets developed, whether or not patentable, made or conceived or reduced to practice or developed by Executive, either alone or jointly with others, during and related to Executive’s employment and the Company’s business or while using the Company’s equipment, supplies, facilities or trade secret information (collectively, “**Inventions**”). All Inventions and other intellectual property rights shall be the sole property of the Company and shall be “works made for hire.” Executive hereby assigns to the Company any rights Executive may have or acquire in all Inventions and agrees to perform, during and after employment with the Company, at the Company’s expense including reasonable compensation to Executive, all acts reasonably necessary by the Company in obtaining and enforcing intellectual property rights with respect to such Inventions. Executive hereby irrevocably appoints the Company and its officers and agents as Executive’s attorney-in-fact to act for and in Executive’s name and stead with respect to such Inventions.

SECTION 5

COVENANT NOT TO ENGAGE IN CERTAIN ACTS

5.1 **General.** Executive understands and agrees that Executive shall hold a position of significant trust and, in such position of significant trust, shall provide services and have responsibility with respect to the Company and all of its subsidiaries and affiliates (collectively, the “**Company Group**”), including, without limitation, contributing to the acquisition and retention of customers and the generation of goodwill. Executive further understands and agrees that Executive will develop, access and use Proprietary Information for the benefit of the Company Group. The parties understand and agree that the purpose of the restrictions contained in SECTION 4 and this SECTION 5 is to protect the goodwill and other legitimate business interests of the Company (including its Proprietary Information), and that the Company would not have entered into this Agreement in the absence of such restrictions. Executive

acknowledges and agrees that the restrictions are reasonable and do not, and will not, unduly impair his ability to make a living after the termination of his employment with the Company. The provisions of SECTION 4 and SECTION 5 shall survive the expiration or sooner termination of this Agreement.

5.2 Non-Compete; Non-Interference; Non-Solicit. During the term of employment and for a period of twelve (12) months after the Termination Date Executive shall not, whether for Executive's own account or for any other Person, directly or indirectly, with or without compensation:

(a) own, manage, operate, control or participate in the ownership, management, operation or control of, or be employed or engaged in a senior management role by, any corporation, limited liability company, partnership, joint venture, proprietorship or other business entity or organization that engages in or plans to engage in the business of (i) supplying, distributing, manufacturing, designing, constructing and/or installing structural and related building products, including, without limitation, prefabricated components, roof and floor trusses, wall panels, stairs, windows, doors, millwork, lumber products, roofing, insulation, hardware and other building products and/or (ii) providing services to customers in connection with any of the foregoing or otherwise related to residential homebuilding, in each case, (i) and (ii) anywhere in the United States (a "**Competing Business**").

(b) solicit, or call upon or otherwise attempt to solicit, on behalf of any Competing Business, any of the customers, prospective customers, vendors or suppliers of Company Group;

(c) divert or take away, or attempt to divert or take away, any existing business of the Company Group;

(d) induce or entice, or seek to induce or entice, or otherwise interfere with, the Company Group's business relationship with, any customer of the Company Group;

(e) advance credit or lend money to any third party for the purpose of establishing or operating any Competing Business; or

(f) with respect to any substantially full time independent contractor of the Company Group, employee of the Company Group or individual who was, at any time during the three months prior to the Termination Date, an employee of the Company Group: (A) hire or retain, or attempt to hire or retain, such individual to provide services for any third party; or (B) entice away or in any manner persuade or attempt to persuade, such individual to (1) terminate and/or leave his employment or engagement, (2) accept employment with any person or entity other than a member of the Company Group, or (3) terminate his relationship with the Company Group or devote less of his business time to the Company Group.

Notwithstanding the foregoing, nothing in this SECTION 5.2 will prohibit Executive from acquiring or holding not more than two percent (2%) of any class of publicly traded securities.

5.3 Cessation/Reimbursement of Payments. Notwithstanding anything to the contrary in this Agreement, if Executive violates any provision of SECTION 4 or SECTION 5, the Company may, upon giving written notice to Executive, immediately terminate Executive's employment with the Company for Cause or, in the event the violation occurs following the Termination Date, cease all payments and benefits that it may be providing to Executive pursuant to SECTION 3, and Executive shall be required to reimburse the Company for any payments received from the Company pursuant to SECTION 3; provided, however, that the foregoing shall be in addition to such other remedies as may be available to the Company and shall not be deemed to permit Executive to forego or waive such payments in order to avoid his obligations under SECTION 4 or SECTION 5; and provided, further, that any release of claims by Executive pursuant to SECTION 6.10 shall continue in effect.

5.4 Survival; Injunctive Relief. Executive agrees that the provisions of SECTION 4 and SECTION 5 shall survive the termination of this Agreement and the termination of Executive's employment. Executive acknowledges that a breach by him of the covenants contained in SECTION 4 or SECTION 5 cannot be reasonably or adequately compensated in damages in an action at law and that such breach will cause the Company immeasurable and irreparable injury and damage. Executive further acknowledges that he possesses unique skills, knowledge and

ability and that competition in violation of SECTION 4 or SECTION 5 would be extremely detrimental to the Company. By reason thereof, each of the Company and Executive agrees that the other shall be entitled, in addition to any other remedies it may have under this Agreement, at law or in equity, or otherwise, to temporary, preliminary and/or permanent injunctive and other equitable relief to prevent or curtail any actual or threatened violation of SECTION 4 or SECTION 5, without proof of actual damages that have been or may be caused to the Company by such breach or threatened breach, and waives to the fullest extent permitted by law the posting or securing of any bond by the other party in connection with such remedies.

SECTION 6

MISCELLANEOUS

6.1 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by certified or registered mail, postage prepaid, with return receipt requested, telecopy (with hard copy delivered by overnight courier service), or delivered by hand, messenger or overnight courier service, and shall be deemed given when received at the addresses of the parties set forth below, or at such other address furnished in writing to the other parties hereto:

To the Company:

Builders FirstSource, Inc.
Attn: General Counsel
2001 Bryan Street, Suite 1600
Dallas, Texas 75201

To Executive: at the home address of Executive maintained in the human resource records of the Company.

6.2 Severability. The parties agree that it is not their intention to violate any public policy or statutory or common law. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law. Without limiting the foregoing, if any portion of SECTION 5 is held to be unenforceable, the maximum enforceable restriction of time, scope of activities and geographic area will be substituted for any such restrictions held unenforceable.

6.3 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to its principles of conflicts of laws. Executive: agrees to submit to the jurisdiction of the State of Delaware; agrees that any dispute concerning this Agreement shall be brought exclusively in a state or federal court of competent jurisdiction in Delaware; and agrees that other than disputes involving SECTION 4 or SECTION 5, all disputes shall be settled through arbitration pursuant to SECTION 6.15. Executive waives any and all objections to jurisdiction or venue.

6.4 Survival. The covenants and agreements of the parties set forth in SECTIONS 4, 5 and 6 are of a continuing nature and shall survive the expiration, termination or cancellation of this Agreement, irrespective of the reason therefor.

6.5 Entire Agreement. This Agreement contains the entire understanding between the parties hereto with respect to the terms of employment, compensation, benefits, and covenants of Executive, and supersede all other prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, between Executive and the Company relating to the subject matter of the Agreement, which such other prior and contemporaneous agreements and understandings, inducements or conditions shall be deemed terminated effective on the Effective Time, including without limitation, the Prior Employment Agreement. For the avoidance of doubt, the parties agree that any and all indemnification agreements between Executive and the Company shall continue in full force unimpaired by this Agreement

6.6 Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and the Company's successors and assigns, including any direct or indirect successor by purchase, merger, consolidation, reorganization, liquidation, dissolution, winding up or otherwise with respect to all or substantially all of the business or assets of the Company, and Executive's spouse, heirs, and personal and legal representatives.

6.7 Counterparts; Amendment. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be amended or modified only by written instrument duly executed by the Company and Executive.

6.8 Voluntary Agreement. Executive has read this Agreement carefully, has had the opportunity to seek advice of counsel and understands and accepts the obligations that it imposes upon Executive without reservation. No other promises or representations have been made to Executive to induce Executive to sign this Agreement. Executive is signing this Agreement voluntarily and finely.

6.9 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns (including any direct or indirect successor, spouses, heirs and personal and legal representatives). Any such successor or assign of the Company shall be included in the term "Company" as used in this Agreement.

6.10 Release of Claims. In consideration for the compensation and other benefits provided pursuant to this Agreement, Executive agrees to execute a "Separation Agreement and General Release" to be presented by the Company substantially in the form of Exhibit A attached hereto. The Company's obligation to pay severance benefits pursuant to SECTION 3.4 is expressly conditioned on Executive's execution and delivery of such Separation Agreement and General Release no later than forty-five (45) days after the date Executive incurs a Separation from Service without revoking it for a period of seven (7) days following delivery. Executive's failure to execute and deliver such Separation Agreement and General Release within such forty-five (45) day time period (or Executive's subsequent revocation of such Separation Agreement and General Release) will void the Company's obligation to pay severance benefits under this Agreement

6.11 Withholding. All compensation payable to Executive pursuant to this Agreement will be subject to any applicable statutory withholding taxes and such other taxes as are required or permitted under applicable law and such other deductions or withholdings as authorized by Executive to be collected with respect to compensation paid to Executive.

6.12 In-kind Benefits and Reimbursements. Notwithstanding anything to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any tax year of Executive shall not affect in-kind benefits or reimbursements to be provided in any other tax year of Executive, except for the reimbursement of medical expenses referred to in Section 105(b) of the Internal Revenue Code, as amended ("**Code**"), and are not subject to liquidation or exchange for another benefit. Notwithstanding anything to the contrary in this Agreement, reimbursement requests must be timely submitted by Executive and, if timely submitted, reimbursement payments shall be made to Executive as soon as administratively practicable following such submission, but in no event later than December 31st of the calendar year following the calendar year in which the expense was incurred. In no event shall Executive be entitled to any reimbursement payments after December 31st of the calendar year following the calendar year in which the expense was incurred. This SECTION 6.12 shall apply only to in-kind benefits and reimbursements that would result in taxable compensation income to Executive.

6.13 Section 409A The intent of the parties is that payments and benefits under this Agreement be exempt from, or comply with, Section 409A of the Code (and the rules and regulations promulgated thereunder) ("**Section 409A**"), and accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in accordance therewith. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of any payments under this Agreement which are subject to Section 409A until Executive would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separate identified payment for purposes of Section 409A, and any payments described in this Agreement that are due within the "short term deferral period" as defined in

Section 409A, or otherwise satisfying an exception under Section 409A, shall not be treated as deferred compensation unless applicable law requires otherwise. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six (6)-month period immediately following Executive's separation from service shall instead be paid on the first business day after the date that is six (6) months following Executive's separation from service (or, if earlier, death). To the extent required to avoid accelerated taxation and/or tax penalties under Section 409A, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided) during any one year may not effect amounts reimbursable or provided in any subsequent year. In no event shall the timing of Executive's execution of a Separation Agreement and General Release pursuant to SECTION 6.10 result, directly or indirectly, in Executive designating the calendar year of any payment hereunder, and, to the extent required by Section 409A, if a payment hereunder that is subject to execution of a Separation Agreement and General Release could be made in more than one taxable year, payment shall be made in the later taxable year. Notwithstanding anything to the contrary in this Agreement or any other agreement by and between Executive and any member of the Company Group, to the extent that (i) this Agreement provides for the vesting and settlement of any equity award held by Executive and (ii) such equity award constitutes nonqualified deferred compensation subject to Section 409A, such equity award shall be settled at the earliest time that will not trigger a Tax or penalty under Section 409A. The Company makes no representation that any or all of the payments described in this Agreement shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment.

6.14 Indemnification, etc. The Company shall provide an indemnification agreement by which it shall indemnify and hold harmless Executive to the fullest extent permitted by law for any action or inaction Executive takes in good faith with regard to the Company or parent or any benefit plan of either, in accordance with the Company's Certificate of Incorporation and By-laws. Further, the Company shall cover Executive on its directors' and officers' liability insurance policies to no less extent than that which covers any other officer or director of the Company.

6.15 Arbitration. Except with respect to the Company's enforcement of the covenants in SECTION 4 and SECTION 5, in the event that either Executive or the Company (or their successor and assigns, or any other person claiming benefits on behalf of or through them) has a dispute, claim, question, or disagreement arising from or relating to this Agreement or the breach thereof, the parties hereto shall use their best efforts to settle the dispute, claim, question, or disagreement. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If the parties do not reach such solution within a period of 60 days, then, upon written notice by either party to the other, all such disputes, claims, questions, or differences shall be finally settled by confidential binding arbitration administered by the American Arbitration Association in accordance with the provisions of its Employment Arbitration Rules, unless such claim is precluded by law from being settled through arbitration. Such arbitration shall take place in Dallas, Texas. Any arbitrator selected by the parties to arbitrate any such dispute shall have practiced predominately in the field of employment law for no less than ten years. The arbitrator will have the power to interpret this Agreement. Any determination or decision by the arbitrator shall be binding upon the parties and may be enforced in any court of law. The parties agree that this arbitration provision does not apply to the right of Executive to file a charge, testify, assist or participate in any manner in an investigation, hearing or proceeding before the Equal Employment Opportunity Commission or any other agency pertaining to any matters covered by this Agreement and within the jurisdiction of the agency. Both parties agree that this arbitration clause has been bargained for by the parties upon advice of their respective counsel.

6.16 Code Section 280G. Notwithstanding any other provision of this Agreement, if it is determined that the benefits or payments payable under this Agreement, taking into account other benefits or payments provided under other plans, agreements or arrangements, constitute Parachute Payments that would subject Executive to tax under Section 4999 of the Code, it must be determined whether Executive will receive the total payments due or the Reduced Amount. Executive will receive the Reduced Amount if the Reduced Amount results in equal or greater Net After Tax Receipts than the Net After Tax Receipts that would result from Executive receiving the total payments due.

If it is determined that the total payments should be reduced to the Reduced Amount, the Company must promptly notify Executive of that determination, including a copy of the detailed calculations by an accounting firm or other professional organization qualified to make the calculation that was selected by the Company and acceptable to Executive (the “**Accounting Firm**”). The Company shall pay the fees and expenses of the Accounting Firm. All determinations made by the Accounting Firm under this SECTION 6.16 are binding upon the Company and Executive, subject to any differing determination by the Internal Revenue Service.

It is the intention of the Company and Executive to reduce the payments under this Agreement and any other plan, agreement or arrangement only if the aggregate Net After Tax Receipts to Executive would thereby be increased.

If it is determined that the total payments should be reduced to the Reduced Amount, any reduction shall be in the order that would provide Executive with the largest amount of Net After Tax Receipts (subject to the remainder of this sentence, pro rata if two alternatives provide the same result) and shall, to the extent permitted by Code Section 280G and 409A be designated by Executive. Executive shall at any time have the unilateral right to forfeit any equity grant in whole or in part.

For purposes of this Agreement, the term “**Net After Tax Receipt**” means the Present Value of the total payments or the Reduced Amount, as applicable, net of all federal, state and local income and payroll taxes imposed on Executive, including Section 4999 of the Code, determined by applying the highest marginal rate of income taxes which applied to Executive’s taxable income for the immediately preceding taxable year. For purposes of this Agreement, the term “**Parachute Payment**” means a payment (under this Agreement or any other plan, agreement or arrangement) that is described in Section 280G(b)(2) of the Code, determined in accordance with Section 280G of the Code and the regulations thereunder. For purposes of this Agreement, the term “**Present Value**” means the value determined in accordance with Section 280G(d)(4) of the Code and the regulations thereunder. For purposes of this Agreement, the term “**Reduced Amount**” means the largest amount of Parachute Payments that is less than the total Parachute Payments and that may be paid to Executive without subjecting Executive to tax under Section 4999 of the Code.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

COMPANY:

EXECUTIVE:

BUILDERS FIRSTSOURCE, INC.

By: /s/ Timothy D. Johnson
Name: Timothy D. Johnson
Its: Executive Vice President & General Counsel

/s/ Michael Farmer
Michael Farmer

Solely in respect of the agreement to terminate the Prior Employment Agreement effective as of the Effective Time:

BOSTON:

BMC STOCK HOLDINGS, INC.

By: /s/ Timothy D. Johnson
Name: Timothy D. Johnson
Its: Executive Vice President & General Counsel

EXHIBIT A

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (this “**Agreement**”) is made as of by and between [] (“**Executive**”) and Builders FirstSource, Inc. (the “**Company**”). For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Termination of Employment.** The parties agree that Executive’s employment with the Company and all of its affiliates is terminated effective as of [] (the “**Termination Date**”).

2. **Payments Due to Executive.** Executive acknowledges receipt of [] (\$[]), from the Company, representing Executive’s accrued but unpaid Base Salary and accrued unused vacation through the Termination Date. In addition, Executive shall receive (a) his annual bonus (if any) for the fiscal year completed prior to the Termination Date, to be paid at the same time annual bonuses would have been paid if Executive had continued in employment, (b) shall receive any vested benefits due under any tax-qualified retirement or group insurance plan or program in accordance with the term thereof, and (c) any unreimbursed business expenses incurred through the Termination Date. Other than as expressly set forth in this SECTION 2, Executive is not entitled to any consulting fees, wages, accrued vacation pay, benefits or any other amounts with respect to his employment through the Termination Date.

3. **Severance Benefits and Continuing Health Insurance Coverage.** In consideration of Executive’s execution and non-revocation of this Agreement in accordance with its terms, the Company agrees to pay to Executive the amounts provided in SECTION 3.4 of that certain Amended and Restated Employment Agreement, dated as of _____, 20__ by and between Executive and the Company, which amounts are, to the extent known, stated on Attachment A hereto.

4. **General Release.**

(a) Executive, on behalf of Executive, his heirs, executors, personal representatives, administrators and assigns, voluntarily, irrevocably, knowingly and unconditionally releases, remises and discharges the Company and all of its current and former parents, subsidiaries and affiliates, each of their respective members, officers, directors, stockholders, partners, employees, agents, representatives, advisors and attorneys, and each of their respective subsidiaries, affiliates, estates, predecessors, successors and assigns (collectively, the “**Company Parties**”) from any and all actions, causes of action, charges, complaints, claims, damages, demands, debts, lawsuits, rights, understandings, obligations, expenses (including attorneys’ fees and costs), covenants, contracts, promises or liabilities of any kind, nature or description whatsoever, known or unknown, in law or in equity (collectively, the “**Claims**”) which Executive or Executive’s heirs, executors, personal representatives, administrators and assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever (i) arising from the beginning of time through the date upon which Executive executes this Agreement, including, without limitation, any such Claims arising out of, relating to or in connection with Executive’s employment or service as a director with the Company, including tort, fraud, or defamation and arising under federal, local or state statute or regulation, including, without limitation, Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act, the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974, the Civil Rights Act of 1991, the Equal Pay Act, the Fair Labor Standards Act, 42 U.S.C. § 1981, the Texas Labor Code (including, without limitation, the Texas Payday Law, the Texas Anti-Retaliation Act, Chapter 21 of the Texas Labor Code, and the Texas Whistleblower Act), each as amended and including each of their respective implementing regulations and/or any other federal, state, local or foreign law (statutory, regulatory or otherwise), that may be legally waived and released; (ii) arising out of or relating to the termination of Executive’s employment; or (iii) arising under or relating to any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company or any of the other Company Parties and Executive.

(b) Executive agrees that there is a risk that each and every injury which he may have suffered by reason of his employment relationship might not now be known, and there is a further risk that such injuries, whether known or

unknown at the date of this Agreement, might become progressively worse, and that as a result thereof further damages may be sustained by Executive; nevertheless, Executive desires to forever and fully release and discharge the Company Parties, and he fully understands that by the execution of this Agreement no further claims for any such injuries may ever be asserted.

(c) This general release does not in any way diminish or impair: (i) any Claims Executive may have that cannot be waived under applicable law, (ii) Executive's right to enforce this Agreement; (iii) any rights Executive may have to indemnification from personal liability or to protection under any insurance policy maintained by the Company, including without limitation any general liability, employment practices liability, or directors and officers insurance policy or any contractual indemnification agreement; (iv) Executive's right, if any, to government provided unemployment and worker's compensation benefits; or (v) Executive's rights under any Company Executive benefit plans (i.e. health, disability or tax-qualified retirement plans), which by their explicit terms survive the termination of Executive's employment

(d) Executive agrees that the consideration set forth in SECTION 3 above shall constitute the entire consideration provided under this Agreement, and that Executive will not seek from the Company Parties any further compensation or other consideration for any claimed obligation, entitlement, damage, cost or attorneys' fees in connection with the matters encompassed by this Agreement.

(e) Executive understands and agrees that if any facts with respect to this Agreement or Executive's prior treatment by or employment with the Company are found to be different from the facts now believed to be true, Executive expressly accepts, assumes the risk of, and agrees that this Agreement shall remain effective notwithstanding such differences. Executive agrees that the various items of consideration set forth in this Agreement fully compensate for said risks, and that Executive will have no legal recourse against the Company in the event of discovery of a difference in facts.

(f) Executive agrees to the release of all known and unknown claims, including expressly the waiver of any rights or claims arising out of the Federal Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq. ("**ADEA**"), and in connection with such waiver of ADEA claims, and as provided by the Older Worker Benefit Protection Act, Executive understands and agrees as follows:

(i) Executive has the right to consult with an attorney before signing this Agreement, and is hereby advised to do so;

(ii) Executive shall have a period of forty-five (45) days from the Termination Date (or from the date of receipt of this Agreement if received after the Termination Date) in which to consider the terms of the Agreement (the "**Review Period**"). Executive may at his option execute this Agreement at any time during the Review Period. If Executive does not return the signed Agreement to the Company prior to the expiration of the 45 day period, then the offer of severance benefits set forth in this Agreement shall lapse and shall be withdrawn by the Company; and

(iii) Executive may revoke this Agreement at any time during the first seven (7) days following Executive's execution of this Agreement, and this Agreement and release shall not be effective or enforceable until the seven-day period has expired ("**Revocation Period Expiration Date**"). Notice of a revocation by Executive must be made to the designated representative of the Company (as described below) within the seven (7) day period after Executive signs this Agreement. If Executive revokes this Agreement, it shall not be effective or enforceable against the Company Parties. Accordingly, the "**Effective Time**" of this Agreement shall be on the eighth (8th) day after Executive signs the Agreement and returns it to the Company, and provided that Executive does not revoke the Agreement during the seven (7) day revocation period.

In the event Executive elects to revoke this release pursuant to SECTION 4(f)(iii) above, Executive shall notify Company by hand-delivery, express courier or certified mail, return receipt requested, within seven (7) days after signing this Agreement to: ATTN: General Counsel, Builders FirstSource, Inc., [ADDRESS]. In the event that Executive exercises his right to revoke this release pursuant to SECTION 4(f)(iii) above, any and all obligations of Company under this Agreement shall be null and void. Executive agrees that by signing this Agreement prior to the expiration of the forty-five (45) day period he has voluntarily waived his right to consider this Agreement for the full

forty-five (45) day period. Executive further agrees that any changes to this Agreement made during the Review Period, whether material or immaterial, shall not restart the 45-day consideration period.

5. Review of Agreement; No Assignment of Claims. Executive represents and warrants that he (a) has carefully read and understands all of the provisions of this Agreement and has had the opportunity for it to be reviewed and explained by counsel to the extent Executive deems it necessary, (b) is voluntarily entering into this Agreement, (c) has not relied upon any representation or statement made by the Company or any other person with regard to the subject matter or effect of this Agreement, (d) has not transferred or assigned any Claims and (e) has not filed any complaint or charge against any of the Company Parties with any local, state, or federal agency or court.

6. No Claims. Each party represents that it has not filed any Claim against the other Party with any state, federal or local agency or court; provided, however, that nothing in this Agreement shall be construed to prohibit Executive from filing a Claim, including a challenge to the validity of this Agreement, with the Equal Employment Opportunity Commission (“EEOC”) or participating in any investigation or proceeding conducted by the EEOC.

7. Interpretation. This Agreement shall take effect as an instrument under seal and shall be governed and construed in accordance with the laws of the State of Texas without regard to provisions or principles thereof relating to conflict of laws.

8. Agreement as Defense. This Agreement may be pleaded as a full and complete defense to any subsequent action or other proceeding arising out of, relating to, or having anything to do with any and all Claims, counterclaims, defenses or other matters capable of being alleged, which are specifically released and discharged by this Agreement. This Agreement may also be used to abate any such action or proceeding and/or as a basis of a cross complaint for damages.

9. Nondisclosure of Agreement. The terms and conditions of this Agreement are confidential. Executive agrees not to disclose the terms of this Agreement to anyone except immediate family members and Executive’s attorneys and financial advisers. Executive further agrees to inform these people that the Agreement is confidential and must not be disclosed to anyone else. Executive may disclose the terms of this Agreement if compelled to do so by a court, but Executive agrees to notify the Company immediately if anyone seeks to compel Executive’s testimony in this regard, and to cooperate with the Company if the Company decides to oppose such effort. Executive agrees that disclosure by Executive in violation of this Agreement would cause so much injury to the Company that money alone could not fully compensate the Company and that the Company is entitled to injunctive and equitable relief. Executive also agrees that the Company would be entitled to recover money from Executive if this Agreement were violated.

10. Ongoing Covenants. Executive acknowledges that nothing in this Agreement shall limit or otherwise impact Executive’s continuing obligations of confidentiality to the Company in accordance with Company policy and applicable law, or any applicable Company policies or agreements between the Company and Executive with respect to non-competition or non-solicitation, and Executive covenants and agrees to abide by all such continuing obligations.

11. No Adverse Comments. Executive agrees not to make, issue, release or authorize any written or oral statements, derogatory or defamatory in nature, about the Company, its affiliates or any of their respective products, services, directors, officers or executives, provided that the foregoing shall not be violated by truthful testimony in response to legal process, normal competitive statements, rebuttal of statements by the other or actions to enforce his rights. Nothing herein prohibits Executive from communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of a federal law or regulation.

12. Integration; Severability. Except with respect to any continuing obligations to the Company, the terms and conditions of this Agreement constitute the entire agreement between Company and Executive and supersede all previous communications, either oral or written, between the parties with respect to the subject matter of this Agreement. No agreement or understanding varying or extending the terms of this Agreement shall be binding upon either party unless in writing signed by or on behalf of such party. In the event that a court finds any portion of this Agreement unenforceable for any reason whatsoever, Company and Executive agree that the other provisions of the

Agreement shall be deemed to be severable and will continue in full force and effect to the fullest extent permitted by law.

13. EXECUTIVE ACKNOWLEDGES THE FOLLOWING: HE HAS ENTERED INTO THIS AGREEMENT KNOWINGLY, VOLUNTARILY AND OF HIS OWN FREE WILL WITH A FULL UNDERSTANDING OF ITS TERMS; HE HAS READ THIS AGREEMENT; THAT HE FULLY UNDERSTANDS ITS TERMS; THAT EXECUTIVE IS ADVISED TO CONSULT AN ATTORNEY FOR ADVICE; THAT HE HAS THE RIGHT TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS AGREEMENT; THAT HE HAS HAD AMPLE TIME TO CONSIDER HIS DECISION BEFORE ENTERING INTO THE AGREEMENT; THAT HE IS SATISFIED WITH THE TERMS OF THIS AGREEMENT AND AGREES THAT THE TERMS ARE BINDING UPON HIM; AND THAT HE HAS BEEN ADVISED BY THE COMPANY OF HIS ABILITY TO TAKE ADVANTAGE OF THE CONSIDERATION PERIOD AFFORDED BY SECTION 4 ABOVE.

IN WITNESS WHEREOF, the parties have executed this Agreement with effect as of the date first above written.

**SEVERANCE AGREEMENT
ATTACHMENT A**

The following severance benefits are payable pursuant to SECTION 3.4 of Executive's Employment Agreement:

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this “**Agreement**”) between Steve Herron (“**Executive**”), Builders FirstSource, Inc., a Delaware corporation (the “**Company**”), is entered into as of January 31, 2022 and is effective as of January 1, 2021 (the “**Effective Date**”).

RECITALS

WHEREAS, the Company and Executive desire to enter into this Employment Agreement to set forth certain terms of Employee’s employment with the Company.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the Company and Executive hereby agree as follows:

SECTION 1**EMPLOYMENT TERMS**

1.1 Employment. The Company hereby agrees to employ Executive pursuant to the terms of this Agreement, and Executive hereby accepts such employment by the Company, effective as of the Effective Date, for the period and upon the terms and conditions contained in this Agreement.

1.2 Position and Duties. Executive is hereby employed as of the Effective Date to serve as the President – East Division of the Company. In his capacity as President – East Division of the Company, Executive shall have all of the powers, duties and responsibilities commensurate with such position as shall be assigned to him by the Chief Executive Officer of the Company. In his capacity as President – East Division of the Company, Executive will report directly to the Chief Executive Officer of the Company.

Executive shall devote Executive’s full business time and attention and full diligence and vigor and good faith efforts to the affairs of the Company. Executive shall not engage in any other material business duties or pursuits or render any services of a professional nature to any other entity or person, or serve on any other board of directors (other than a not-for-profit board of directors, and then only to the extent it does not interfere with his duties to the Company), without the prior written consent of the Company’s Board of Directors (the “**Board**”) or a committee designated by the Board to approve such matters.

1.3 Term. Executive’s employment under this Agreement shall commence on the Effective Date and shall continue for an indefinite term, until terminated in accordance with SECTION 3 below. Certain provisions, however, as more fully set forth in SECTION 4, SECTION 5 and SECTION 6 below, continue in effect beyond the date of the termination of Executive’s employment (the “**Termination Date**”). Executive agrees that, effective as of the applicable Termination Date, Executive shall resign from all positions held by Executive as an officer, director or otherwise with respect to the Company or any member of the Company Group (as defined below).

SECTION 2**COMPENSATION AND BENEFITS****2.1 Compensation.**

(a) Base Salary. The Company shall pay to Executive an annual base salary at the rate not less than \$450,000 each calendar year (“**Base Salary**”), payable in accordance with the Company’s ordinary payroll and withholding practices from time to time in effect for its employees. During the term of employment hereunder, Executive’s salary shall be reviewed from time to time (but no less than annually) to determine whether an increase (not decrease) in Executive’s salary is appropriate. Any such increase shall be at the sole discretion of the Board, or

where required, the Compensation Committee of the Board, and thereafter any such increased amount shall be Executive's "Base Salary" for all purposes.

(b) **Annual Cash Bonus.** During the term of employment, Executive shall be eligible to participate under the Company's annual incentive program for executive officers, as in effect and from time to time adopted by the Board (the "**Incentive Plan**") for the award of an annual cash bonus ("**Annual Cash Bonus**"). The Annual Cash Bonus shall be determined based on a target bonus equal to 100% of Base Salary (the "**Target Bonus**"). Payment of the Annual Cash Bonus, if any, shall be made pursuant to the terms and conditions of the Incentive Plan.

(c) **Annual Equity Grant.** During the term of employment, Executive shall be eligible to participate under the applicable equity plan of the Company then in effect, as amended from time to time, or any successor plans (collectively, the "**Company Equity Plan**"), for the award of an annual grant of equity thereunder (the "**Annual Equity Grant**"). The actual award and amount of any Annual Equity Grant will be determined by the Board or the Compensation Committee of the Board in accordance with the terms of the applicable Company Equity Plan and subject to the provisions thereof.

2.2 Benefits.

(a) **Generally.** Executive shall be eligible to participate, to the extent it is legal and permitted by the applicable benefits plans, policies or contracts, in all employee benefits programs that the Company may adopt for its employees generally providing for sick or other leave, vacation, group health, disability and life insurance benefits. Executive shall be eligible to participate in the Company's 401(k) plan on the terms and conditions and qualifications of such plan from time to time in effect, with a Company match (if any) no less favorable than that provided to any other Company executives. Executive shall be entitled to four (4) weeks of paid vacation for each full calendar year of employment, to be accrued in accordance with the Company's regular vacation pay policy.

(b) **Executive.** Executive shall be eligible to participate, to the extent it is legal and permitted by the applicable plans, policies or contracts, in all benefits or fringe benefits which are in effect generally for the Company's executive personnel from time to time.

2.3 **Expense Reimbursement.** The Company shall pay or reimburse Executive for all reasonable expenses incurred in connection with performing his duties upon presentation of documents in accordance with the reasonable procedures established by the Company.

SECTION 3

TERMINATION

3.1 By the Company:

(a) **For Cause.** The Company shall have the right at any time, exercisable upon written notice, to terminate Executive's employment for Cause. As used in this Agreement, "**Cause**" shall mean that Executive:

(i) has committed any act or omission that results in, or that may reasonably be expected to result in, a conviction, plea of no contest or imposition of unadjudicated probation for any felony or crime involving moral turpitude;

(ii) has committed any act of fraud, embezzlement or misappropriation, or engaged in material misconduct or breach of fiduciary duty against the Company (or any predecessor thereto or successor thereof);

(iii) has willfully failed to substantially perform such duties as are reasonably assigned to him under this Agreement;

(iv) has unlawfully used (including being under the influence) or possessed illegal drugs on the Company's premises or while performing his duties and responsibilities for the Company;

(v) materially fails to perform Executive's duties required under Executive's employment by or other relationship with the Company (it being agreed that failure of the Company to achieve operating results or similar poor performance of the Company shall not, in and of itself, be deemed a failure to perform Executive's duties);

(vi) fails to comply with a lawful directive of the Board or Chief Executive Officer that is consistent with the Company's business practices and Code of Ethics;

(vii) engages in (A) willful misconduct for which Executive receives a material and improper personal benefit at the expense of the Company, or (B) accidental misconduct resulting in such a benefit which Executive does not promptly report to the Company and redress promptly upon becoming aware of such benefit;

(viii) in carrying out his duties under this Agreement, has engaged in acts or omissions constituting gross negligence or willful misconduct resulting in, or which, in the good faith opinion of the Board, could be expected to result in, substantial economic harm to the Company;

(ix) has failed for any reason to correct, cease or alter any action or omission that (A) materially violates or does not conform with the Company's policies, standards or regulations (including, without limitation, any Company policy or rule related to discrimination or sexual and other types of harassment or abusive conduct), (B) constitutes a material breach of this Agreement, including SECTION 4, or (C) constitutes a material breach of his duty of loyalty to the Company; or

(x) has disclosed any Proprietary Information (as defined below) without authorization from the Board, except as otherwise permitted by this Agreement, another agreement between the parties or any Company policy in effect at the time of disclosure.

For purposes of the definition of "Cause", "Company" shall include any subsidiary, business unit or affiliate of the Company. The Company shall provide written notice to Executive of any act or omission that the Company believes constitutes grounds for "Cause" pursuant to clause (v), (vi), (vii)(B) or (ix) above, and no such act or omission shall constitute "Cause" unless Executive fails to remedy such act or omission within ten (10) days of the receipt of such notice; provided that such ten (10) day cure period shall not apply with respect to any matter that is incapable of cure within such period.

(b) Without Cause. The Company may terminate Executive's employment under this Agreement at any time without Cause. As used in this Agreement, a termination without Cause shall mean the termination of Executive's employment by the Company other than for Cause pursuant to SECTION 3.1(a) above.

3.2 By Executive:

(a) Without Good Reason. Executive may terminate his employment under this Agreement at any time without Good Reason. As used in this Agreement, a termination without Good Reason shall mean termination of Executive's employment by Executive other than for Good Reason pursuant to SECTION 3.2(b) below.

(b) For Good Reason. Executive shall have the right at any time to resign his employment under this Agreement for Good Reason. As used in this Agreement, "**Good Reason**" shall mean the occurrence of any of the following events, without Executive's consent: (i) a material diminution in Executive's Base Salary or Target Bonus, in each case, other than as part of any across-the-board proportionate reduction applying to all senior executives of the Company, (ii) a material diminution in Executive's title, authority, duties and responsibilities as compared to Executive's title, authority, duties and responsibilities set forth herein (a "Material Diminution") (for the sake of clarity, (A) a change in reporting structure by itself does not constitute a Material Diminution, (B) a change to a different position that is of comparable status within the Company does not constitute a Material Diminution, (C) any changes generally implemented with regard to a broad group of senior executives does not constitute a Material Diminution, and (D) any change consented to by Executive is not a Material Diminution),

(iii) any material breach by the Company or any member of the Company Group (as defined below) of this Agreement, (iv) there is a Change in Control and the successor to the Company, if applicable, does not assume and continue this Agreement, and (v) except as required by Section 1.4, any requirement by the Company that Executive relocate his personal residence to any city more than one hundred (100) miles from (a) Atlanta, Georgia or (b) Dallas, Texas if Executive has relocated his personal residence to the greater Dallas, Texas metropolitan area.

Notwithstanding the foregoing, no event shall be a Good Reason event unless (i) Executive gives the Company written notice that he is resigning for Good Reason within ninety (90) days of the first occurrence of the Good Reason event, and (ii) the Company (A) accepts such resignation, (B) does not cure such Good Reason event, or (C) disputes the existence of Good Reason, in each case within thirty (30) days of receiving such notice, and in the case of clauses (A) and (B) Executive's resignation for Good Reason shall become effective as of the earlier of (x) the date the Company accepts such resignation, or (y) the expiration of the thirty day cure period (provided the Company has not cured the Good Reason event) and in the case of clause (C) shall become effective only if Good Reason is ultimately determined to exist upon final resolution of the Company's dispute of his resignation by a court of competent jurisdiction or otherwise.

(c) The term "**Change in Control**" shall have the meaning set forth in the Company's 2014 Incentive Plan, as may be amended from time to time.

3.3 Compensation Upon Termination. Upon termination of Executive's employment with the Company, the Company's obligation to pay compensation and benefits under SECTION 2 shall terminate, except that the Company shall pay to Executive or, if applicable, Executive's heirs, all earned but unpaid Base Salary under SECTION 2.1(a) and accrued but unused vacation under SECTION 2.2, in each case, through the Termination Date and Executive's unreimbursed expenses incurred through the Termination Date in accordance with SECTION 2.3. In addition, Executive shall be entitled to receive (i) any vested amounts or benefits due under any tax-qualified retirement or group insurance plan or program in accordance with the terms thereof, and (ii) other than on an involuntary termination by the Company for Cause or a voluntary termination by Executive without Good Reason (for the avoidance of doubt, for purposes of this subsection, a termination due to Executive's death shall not constitute a termination for Good Reason"), his Annual Cash Bonus for any completed fiscal year to the extent earned for such fiscal year and if such bonus has not previously been paid for such completed fiscal year, at the same time such Annual Cash Bonus would have been paid if Executive had continued in employment (it being understood that in the event of any such termination Executive is not entitled to an Annual Bonus for the then-current Fiscal Year). If the Company terminates Executive's employment without Cause or if Executive terminates his employment for Good Reason, then, in addition, to the foregoing compensation, upon execution and delivery (and non-revocation) by Executive of the Separation Agreement and General Release as set forth in SECTION 6.10, the Company shall pay severance benefits pursuant to SECTION 3.4 below. No other payments or compensation of any kind shall be paid in respect of Executive's employment with or termination from the Company, except as contemplated in Section 3.4(d) set forth below. Notwithstanding any contrary provision contained herein, in the event of any termination of Executive's employment, the exclusive remedies available to Executive shall be the amounts due under this SECTION 3, which are in the nature of liquidated damages, and are not in the nature of a penalty.

3.4 Severance Benefits.

(a) **Termination without Cause or for Good Reason.** Subject to the terms and conditions of eligibility for Executive's receipt of severance benefits under this Agreement, including the timely execution and delivery (and non-revocation) by Executive of the Separation Agreement and General Release as set forth in SECTION 6.10, if the Company terminates Executive's employment without Cause or Executive terminates his employment for Good Reason, the Company shall pay to Executive, as severance benefits, which amounts are in addition to the Compensation upon Termination set forth in SECTION 3.3 herein:

(i) An amount equal to 100% of his Base Salary which shall be paid to Executive on a salary continuation basis according to the Company's normal payroll practices over the twelve (12) month period following the date Executive incurs a Separation from Service, but in no event less frequently than monthly.

(ii) An amount equal to 100% of Executive's Target Bonus, which shall be paid to Executive in equal installments according to the Company's normal payroll practices over the twelve (12) month period following the date Executive incurs a Separation from Service, but in no event less frequently than monthly.

(iii) Subject to (1) Executive's timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), and (2) Executive's continued copayment of premiums at the same level and cost to Executive as if Executive were an employee of the Company (excluding, for purposes of calculating cost, an employee's ability to pay premiums with pre-tax dollars), continued participation in the Company's group health plan (to the extent permitted under applicable law and the terms of such plan) which covers Executive (and Executive's eligible dependents) for a period of twelve (12) months at the Company's expense, provided that Executive is eligible and remains eligible for COBRA coverage. The Company may modify its obligation under this SECTION 3.4(a)(iii) to the extent reasonably necessary to avoid any penalty or excise taxes imposed on it in connection with the continued payment of premiums by the Company under the Patient Protection and Affordable Care Act of 2010, as amended, or other applicable law.

(b) Notwithstanding any other provision of this Agreement, any severance benefits that would otherwise have been paid before the Company's first normal payroll payment date falling on or after the sixtieth (60th) day after the date on which Executive incurs a Separation from Service (the "**First Payment Date**") shall be made on the First Payment Date. Each separate severance installment payment and each other payment that Executive may be eligible to receive under this Agreement shall be a separate payment under this Agreement for all purposes.

(c) Executive shall have no duty or obligation to mitigate the amounts due under SECTION 3.4(a) above and any amounts earned by Executive from other employment shall not be offset or reduce the amounts due hereunder.

(d) If Executive's employment is terminated on or prior to June 30, 2022 and Executive's restricted stock units issued prior to December 15, 2020 are accelerated as a result of such termination, then Executive will not be entitled to receive an amount equal to 100% of Executive's Target Bonus as set forth in Section 3.4(a)(ii) above.

SECTION 4

CERTAIN AGREEMENTS

4.1 Confidentiality. Executive acknowledges that the Company owns and shall own and has developed and shall develop proprietary information concerning its business and the business of its subsidiaries and affiliates and each of their employees, customers and clients ("**Proprietary Information**"). Such Proprietary Information includes, among other things, trade secrets, financial information, product plans, customer lists, marketing plans, systems, manuals, training materials, forecasts, inventions, improvements, know-how and other intellectual property, in each case, relating to the Company's business. Executive shall, at all times, both during employment by the Company and thereafter, keep all Proprietary Information in confidence and trust and shall not use or disclose any Proprietary Information without the written consent of the Company, except as necessary in the ordinary course of Executive's duties. Executive shall keep the terms of this Agreement in confidence and trust and shall not disclose such terms, except to Executive's family, accountants, financial advisors, or attorneys, or as otherwise authorized or required by law. The parties acknowledge that pursuant to the Defend Trade Secrets Act of 2016 (the "**DTSA**"), an individual may not be held criminally or civilly liable under any Federal or state trade secret law for disclosure of a trade secret that (i) is made (A) in confidence to a Federal, state or local governmental authority, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of applicable law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Agreement or any other agreement Executive has with the Company or any of its affiliates is intended to conflict with the DTSA or create liability for disclosures of trade secrets that are expressly allowed by such section. Under the DTSA, any employee, contractor, or consultant who is found to have wrongfully misappropriated trade secrets (as the terms "misappropriate" and "trade secret" are defined in the DTSA) may be liable for, among other things, exemplary damages and attorneys' fees. Further, nothing in this Agreement or any other agreement Executive has with the Company or any of its affiliates will prohibit or restrict Executive from

making any voluntary disclosure of information or documents related to any violation of law to any governmental agency or legislative body, or any self-regulatory organization, in each case, without advance notice to the Company.

4.2 Company Property. Executive recognizes that all Proprietary Information, however stored or memorialized, and all identification cards, keys, flash drives, computers, mobile phones, Personal Data Assistants, telephone numbers, access codes, marketing materials, documents, records and other equipment or property which the Company provides are the sole property of the Company. Upon termination of employment, Executive shall (1) refrain from taking any such property from the Company's premises, and (2) return any such property in Executive's possession within ten (10) business days.

4.3 Assignment of Inventions to the Company. Executive shall promptly disclose to the Company all improvements, inventions, formulas, processes, computer programs, know-how and trade secrets developed, whether or not patentable, made or conceived or reduced to practice or developed by Executive, either alone or jointly with others, during and related to Executive's employment and the Company's business or while using the Company's equipment, supplies, facilities or trade secret information (collectively, "**Inventions**"). All Inventions and other intellectual property rights shall be the sole property of the Company and shall be "works made for hire." Executive hereby assigns to the Company any rights Executive may have or acquire in all Inventions and agrees to perform, during and after employment with the Company, at the Company's expense including reasonable compensation to Executive, all acts reasonably necessary by the Company in obtaining and enforcing intellectual property rights with respect to such Inventions. Executive hereby irrevocably appoints the Company and its officers and agents as Executive's attorney-in-fact to act for and in Executive's name and stead with respect to such Inventions.

SECTION 5

COVENANT NOT TO ENGAGE IN CERTAIN ACTS

5.1 General. Executive understands and agrees that Executive shall hold a position of significant trust and, in such position of significant trust, shall provide services and have responsibility with respect to the Company and all of its subsidiaries and affiliates (collectively, the "**Company Group**"), including, without limitation, contributing to the acquisition and retention of customers and the generation of goodwill. Executive further understands and agrees that Executive will develop, access and use Proprietary Information for the benefit of the Company Group. The parties understand and agree that the purpose of the restrictions contained in SECTION 4 and this SECTION 5 is to protect the goodwill and other legitimate business interests of the Company (including its Proprietary Information), and that the Company would not have entered into this Agreement in the absence of such restrictions. Executive acknowledges and agrees that the restrictions are reasonable and do not, and will not, unduly impair his ability to make a living after the termination of his employment with the Company. The provisions of SECTION 4 and SECTION 5 shall survive the expiration or sooner termination of this Agreement.

5.2 Non-Compete; Non-Interference; Non-Solicit. During the term of employment and for a period of twelve (12) months after the Termination Date Executive shall not, whether for Executive's own account or for any other Person, directly or indirectly, with or without compensation:

(a) own, manage, operate, control or participate in the ownership, management, operation or control of, or be employed or engaged in a senior management role by, any corporation, limited liability company, partnership, joint venture, proprietorship or other business entity or organization that engages in or plans to engage in the business of (i) supplying, distributing, manufacturing, designing, constructing and/or installing structural and related building products, including, without limitation, prefabricated components, roof and floor trusses, wall panels, stairs, windows, doors, millwork, lumber products, roofing, insulation, hardware and other building products and/or (ii) providing services to customers in connection with any of the foregoing or otherwise related to residential homebuilding, in each case, (i) and (ii) anywhere in the United States (a "**Competing Business**").

(b) solicit, or call upon or otherwise attempt to solicit, on behalf of any Competing Business, any of the customers, prospective customers, vendors or suppliers of Company Group;

(c) divert or take away, or attempt to divert or take away, any existing business of the Company Group;

(d) induce or entice, or seek to induce or entice, or otherwise interfere with, the Company Group's business relationship with, any customer of the Company Group;

(e) advance credit or lend money to any third party for the purpose of establishing or operating any Competing Business; or

(f) with respect to any substantially full time independent contractor of the Company Group, employee of the Company Group or individual who was, at any time during the three months prior to the Termination Date, an employee of the Company Group: (A) hire or retain, or attempt to hire or retain, such individual to provide services for any third party; or (B) entice away or in any manner persuade or attempt to persuade, such individual to (1) terminate and/or leave his employment or engagement, (2) accept employment with any person or entity other than a member of the Company Group, or (3) terminate his relationship with the Company Group or devote less of his business time to the Company Group.

Notwithstanding the foregoing, nothing in this SECTION 5.2 will prohibit Executive from acquiring or holding not more than two percent (2%) of any class of publicly traded securities.

5.3 Cessation/Reimbursement of Payments. Notwithstanding anything to the contrary in this Agreement, if Executive violates any provision of SECTION 4 or SECTION 5, the Company may, upon giving written notice to Executive, immediately terminate Executive's employment with the Company for Cause or, in the event the violation occurs following the Termination Date, cease all payments and benefits that it may be providing to Executive pursuant to SECTION 3, and Executive shall be required to reimburse the Company for any payments received from the Company pursuant to SECTION 3; provided, however, that the foregoing shall be in addition to such other remedies as may be available to the Company and shall not be deemed to permit Executive to forego or waive such payments in order to avoid his obligations under SECTION 4 or SECTION 5; and provided, further, that any release of claims by Executive pursuant to SECTION 6.10 shall continue in effect.

5.4 Survival; Injunctive Relief. Executive agrees that the provisions of SECTION 4 and SECTION 5 shall survive the termination of this Agreement and the termination of Executive's employment. Executive acknowledges that a breach by him of the covenants contained in SECTION 4 or SECTION 5 cannot be reasonably or adequately compensated in damages in an action at law and that such breach will cause the Company immeasurable and irreparable injury and damage. Executive further acknowledges that he possesses unique skills, knowledge and ability and that competition in violation of SECTION 4 or SECTION 5 would be extremely detrimental to the Company. By reason thereof, each of the Company and Executive agrees that the other shall be entitled, in addition to any other remedies it may have under this Agreement, at law or in equity, or otherwise, to temporary, preliminary and/or permanent injunctive and other equitable relief to prevent or curtail any actual or threatened violation of SECTION 4 or SECTION 5, without proof of actual damages that have been or may be caused to the Company by such breach or threatened breach, and waives to the fullest extent permitted by law the posting or securing of any bond by the other party in connection with such remedies.

SECTION 6

MISCELLANEOUS

6.1 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by certified or registered mail, postage prepaid, with return receipt requested, telecopy (with hard copy delivered by overnight courier service), or delivered by hand, messenger or overnight courier service, and shall be deemed given when received at the addresses of the parties set forth below, or at such other address furnished in writing to the other parties hereto:

To the Company:

Builders FirstSource, Inc.
Attn: General Counsel
2001 Bryan Street, Suite 1600
Dallas, Texas 75201

To Executive: at the home address of Executive maintained in the human resource records of the Company.

6.2 Severability. The parties agree that it is not their intention to violate any public policy or statutory or common law. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law. Without limiting the foregoing, if any portion of SECTION 5 is held to be unenforceable, the maximum enforceable restriction of time, scope of activities and geographic area will be substituted for any such restrictions held unenforceable.

6.3 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to its principles of conflicts of laws. Executive: agrees to submit to the jurisdiction of the State of Delaware; agrees that any dispute concerning this Agreement shall be brought exclusively in a state or federal court of competent jurisdiction in Delaware; and agrees that other than disputes involving SECTION 4 or SECTION 5, all disputes shall be settled through arbitration pursuant to SECTION 6.15. Executive waives any and all objections to jurisdiction or venue.

6.4 Survival. The covenants and agreements of the parties set forth in SECTIONS 4, 5 and 6 are of a continuing nature and shall survive the expiration, termination or cancellation of this Agreement, irrespective of the reason therefor.

6.5 Entire Agreement. This Agreement contains the entire understanding between the parties hereto with respect to the terms of employment, compensation, benefits, and covenants of Executive, and supersede all other prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, between Executive and the Company relating to the subject matter of the Agreement, which such other prior and contemporaneous agreements and understandings, inducements or conditions shall be deemed terminated effective on the Effective Date, including without limitation, the Prior Employment Agreement. For the avoidance of doubt, the parties agree that any and all indemnification agreements between Executive and the Company shall continue in full force unimpaired by this Agreement

6.6 Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and the Company's successors and assigns, including any direct or indirect successor by purchase, merger, consolidation, reorganization, liquidation, dissolution, winding up or otherwise with respect to all or substantially all of the business or assets of the Company, and Executive's spouse, heirs, and personal and legal representatives.

6.7 Counterparts; Amendment. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be amended or modified only by written instrument duly executed by the Company and Executive.

6.8 Voluntary Agreement. Executive has read this Agreement carefully, has had the opportunity to seek advice of counsel and understands and accepts the obligations that it imposes upon Executive without reservation. No other promises or representations have been made to Executive to induce Executive to sign this Agreement. Executive is signing this Agreement voluntarily and finely.

6.9 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns (including any direct or indirect successor, spouses, heirs and personal and legal representatives). Any such successor or assign of the Company shall be included in the term "Company" as used in this Agreement.

6.10 Release of Claims. In consideration for the compensation and other benefits provided pursuant to this Agreement, Executive agrees to execute a “Separation Agreement and General Release” to be presented by the Company substantially in the form of Exhibit A attached hereto. The Company’s obligation to pay severance benefits pursuant to SECTION 3.4 is expressly conditioned on Executive’s execution and delivery of such Separation Agreement and General Release no later than forty-five (45) days after the date Executive incurs a Separation from Service without revoking it for a period of seven (7) days following delivery. Executive’s failure to execute and deliver such Separation Agreement and General Release within such forty-five (45) day time period (or Executive’s subsequent revocation of such Separation Agreement and General Release) will void the Company’s obligation to pay severance benefits under this Agreement

6.11 Withholding. All compensation payable to Executive pursuant to this Agreement will be subject to any applicable statutory withholding taxes and such other taxes as are required or permitted under applicable law and such other deductions or withholdings as authorized by Executive to be collected with respect to compensation paid to Executive.

6.12 In-kind Benefits and Reimbursements. Notwithstanding anything to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any tax year of Executive shall not affect in-kind benefits or reimbursements to be provided in any other tax year of Executive, except for the reimbursement of medical expenses referred to in Section 105(b) of the Internal Revenue Code, as amended (“**Code**”), and are not subject to liquidation or exchange for another benefit. Notwithstanding anything to the contrary in this Agreement, reimbursement requests must be timely submitted by Executive and, if timely submitted, reimbursement payments shall be made to Executive as soon as administratively practicable following such submission, but in no event later than December 31st of the calendar year following the calendar year in which the expense was incurred. In no event shall Executive be entitled to any reimbursement payments after December 31st of the calendar year following the calendar year in which the expense was incurred. This SECTION 6.12 shall apply only to in-kind benefits and reimbursements that would result in taxable compensation income to Executive.

6.13 Section 409A The intent of the parties is that payments and benefits under this Agreement be exempt from, or comply with, Section 409A of the Code (and the rules and regulations promulgated thereunder) (“**Section 409A**”), and accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in accordance therewith. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of any payments under this Agreement which are subject to Section 409A until Executive would be considered to have incurred a “separation from service” from the Company within the meaning of Section 409A. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separate identified payment for purposes of Section 409A, and any payments described in this Agreement that are due within the “short term deferral period” as defined in Section 409A, or otherwise satisfying an exception under Section 409A, shall not be treated as deferred compensation unless applicable law requires otherwise. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six (6)-month period immediately following Executive’s separation from service shall instead be paid on the first business day after the date that is six (6) months following Executive’s separation from service (or, if earlier, death). To the extent required to avoid accelerated taxation and/or tax penalties under Section 409A, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided) during any one year may not effect amounts reimbursable or provided in any subsequent year. In no event shall the timing of Executive’s execution of a Separation Agreement and General Release pursuant to SECTION 6.10 result, directly or indirectly, in Executive designating the calendar year of any payment hereunder, and, to the extent required by Section 409A, if a payment hereunder that is subject to execution of a Separation Agreement and General Release could be made in more than one taxable year, payment shall be made in the later taxable year. Notwithstanding anything to the contrary in this Agreement or any other agreement by and between Executive and any member of the Company Group, to the extent that (i) this Agreement provides for the vesting and settlement of any equity award held by Executive and (ii) such equity award constitutes nonqualified deferred compensation subject to Section 409A, such equity award shall be settled at the earliest time that will not trigger a Tax or penalty under Section 409A. The Company makes no

representation that any or all of the payments described in this Agreement shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment.

6.14 Indemnification, etc. The Company shall provide an indemnification agreement by which it shall indemnify and hold harmless Executive to the fullest extent permitted by law for any action or inaction Executive takes in good faith with regard to the Company or parent or any benefit plan of either, in accordance with the Company's Certificate of Incorporation and By-laws. Further, the Company shall cover Executive on its directors' and officers' liability insurance policies to no less extent than that which covers any other officer or director of the Company.

6.15 Arbitration. Except with respect to the Company's enforcement of the covenants in SECTION 4 and SECTION 5, in the event that either Executive or the Company (or their successor and assigns, or any other person claiming benefits on behalf of or through them) has a dispute, claim, question, or disagreement arising from or relating to this Agreement or the breach thereof, the parties hereto shall use their best efforts to settle the dispute, claim, question, or disagreement. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If the parties do not reach such solution within a period of 60 days, then, upon written notice by either party to the other, all such disputes, claims, questions, or differences shall be finally settled by confidential binding arbitration administered by the American Arbitration Association in accordance with the provisions of its Employment Arbitration Rules, unless such claim is precluded by law from being settled through arbitration. Such arbitration shall take place in Dallas, Texas. Any arbitrator selected by the parties to arbitrate any such dispute shall have practiced predominately in the field of employment law for no less than ten years. The arbitrator will have the power to interpret this Agreement. Any determination or decision by the arbitrator shall be binding upon the parties and may be enforced in any court of law. The parties agree that this arbitration provision does not apply to the right of Executive to file a charge, testify, assist or participate in any manner in an investigation, hearing or proceeding before the Equal Employment Opportunity Commission or any other agency pertaining to any matters covered by this Agreement and within the jurisdiction of the agency. Both parties agree that this arbitration clause has been bargained for by the parties upon advice of their respective counsel.

6.16 Code Section 280G. Notwithstanding any other provision of this Agreement, if it is determined that the benefits or payments payable under this Agreement, taking into account other benefits or payments provided under other plans, agreements or arrangements, constitute Parachute Payments that would subject Executive to tax under Section 4999 of the Code, it must be determined whether Executive will receive the total payments due or the Reduced Amount. Executive will receive the Reduced Amount if the Reduced Amount results in equal or greater Net After Tax Receipts than the Net After Tax Receipts that would result from Executive receiving the total payments due.

If it is determined that the total payments should be reduced to the Reduced Amount, the Company must promptly notify Executive of that determination, including a copy of the detailed calculations by an accounting firm or other professional organization qualified to make the calculation that was selected by the Company and acceptable to Executive (the "**Accounting Firm**"). The Company shall pay the fees and expenses of the Accounting Firm. All determinations made by the Accounting Firm under this SECTION 6.16 are binding upon the Company and Executive, subject to any differing determination by the Internal Revenue Service.

It is the intention of the Company and Executive to reduce the payments under this Agreement and any other plan, agreement or arrangement only if the aggregate Net After Tax Receipts to Executive would thereby be increased.

If it is determined that the total payments should be reduced to the Reduced Amount, any reduction shall be in the order that would provide Executive with the largest amount of Net After Tax Receipts (subject to the remainder of this sentence, pro rata if two alternatives provide the same result) and shall, to the extent permitted by Code Section 280G and 409A be designated by Executive. Executive shall at any time have the unilateral right to forfeit any equity grant in whole or in part.

For purposes of this Agreement, the term "**Net After Tax Receipt**" means the Present Value of the total payments or the Reduced Amount, as applicable, net of all federal, state and local income and payroll taxes imposed on Executive, including Section 4999 of the Code, determined by applying the highest marginal rate of income taxes

which applied to Executive's taxable income for the immediately preceding taxable year. For purposes of this Agreement, the term "**Parachute Payment**" means a payment (under this Agreement or any other plan, agreement or arrangement) that is described in Section 280G(b)(2) of the Code, determined in accordance with Section 280G of the Code and the regulations thereunder. For purposes of this Agreement, the term "**Present Value**" means the value determined in accordance with Section 280G(d)(4) of the Code and the regulations thereunder. For purposes of this Agreement, the term "**Reduced Amount**" means the largest amount of Parachute Payments that is less than the total Parachute Payments and that may be paid to Executive without subjecting Executive to tax under Section 4999 of the Code.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.
COMPANY: EXECUTIVE:

BUILDERS FIRSTSOURCE, INC.

By:	<u>/s/ Timothy D. Johnson</u>	<u>/s/ Steve Herron</u>
Name:	Timothy D. Johnson	Steve Herron
Its	: Executive Vice President & General Counsel	

EXHIBIT A

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (this “**Agreement**”) is made as of by and between [] (“**Executive**”) and Builders FirstSource, Inc. (the “**Company**”). For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Termination of Employment.** The parties agree that Executive’s employment with the Company and all of its affiliates is terminated effective as of [] (the “**Termination Date**”).

2. **Payments Due to Executive.** Executive acknowledges receipt of [] (\$[]) from the Company, representing Executive’s accrued but unpaid Base Salary and accrued unused vacation through the Termination Date. In addition, Executive shall receive (a) his annual bonus (if any) for the fiscal year completed prior to the Termination Date, to be paid at the same time annual bonuses would have been paid if Executive had continued in employment, (b) shall receive any vested benefits due under any tax-qualified retirement or group insurance plan or program in accordance with the term thereof, and (c) any unreimbursed business expenses incurred through the Termination Date. Other than as expressly set forth in this SECTION 2, Executive is not entitled to any consulting fees, wages, accrued vacation pay, benefits or any other amounts with respect to his employment through the Termination Date.

3. **Severance Benefits and Continuing Health Insurance Coverage.** In consideration of Executive’s execution and non-revocation of this Agreement in accordance with its terms, the Company agrees to pay to Executive the amounts provided in SECTION 3.4 of that certain Amended and Restated Employment Agreement, dated as of _____, 20__ by and between Executive and the Company, which amounts are, to the extent known, stated on Attachment A hereto.

4. **General Release.**

(a) Executive, on behalf of Executive, his heirs, executors, personal representatives, administrators and assigns, voluntarily, irrevocably, knowingly and unconditionally releases, remises and discharges the Company and all of its current and former parents, subsidiaries and affiliates, each of their respective members, officers, directors, stockholders, partners, employees, agents, representatives, advisors and attorneys, and each of their respective subsidiaries, affiliates, estates, predecessors, successors and assigns (collectively, the “**Company Parties**”) from any and all actions, causes of action, charges, complaints, claims, damages, demands, debts, lawsuits, rights, understandings, obligations, expenses (including attorneys’ fees and costs), covenants, contracts, promises or liabilities of any kind, nature or description whatsoever, known or unknown, in law or in equity (collectively, the “**Claims**”) which Executive or Executive’s heirs, executors, personal representatives, administrators and assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever (i) arising from the beginning of time through the date upon which Executive executes this Agreement, including, without limitation, any such Claims arising out of, relating to or in connection with Executive’s employment or service as a director with the Company, including tort, fraud, or defamation and arising under federal, local or state statute or regulation, including, without limitation, Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act, the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974, the Civil Rights Act of 1991, the Equal Pay Act, the Fair Labor Standards Act, 42 U.S.C. § 1981, the Texas Labor Code (including, without limitation, the Texas Payday Law, the Texas Anti-Retaliation Act, Chapter 21 of the Texas Labor Code, and the Texas Whistleblower Act), each as amended and including each of their respective implementing regulations and/or any other federal, state, local or foreign law (statutory, regulatory or otherwise), that may be legally waived and released; (ii) arising out of or relating to the termination of Executive’s employment; or (iii) arising under or relating to any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company or any of the other Company Parties and Executive.

(b) Executive agrees that there is a risk that each and every injury which he may have suffered by reason of his employment relationship might not now be known, and there is a further risk that such injuries, whether known or unknown at the date of this Agreement, might become progressively worse, and that as a result thereof further damages may be sustained by Executive; nevertheless, Executive desires to forever and fully release and discharge the Company Parties, and he fully understands that by the execution of this Agreement no further claims for any such injuries may ever be asserted.

(c) This general release does not in any way diminish or impair: (i) any Claims Executive may have that cannot be waived under applicable law, (ii) Executive's right to enforce this Agreement; (iii) any rights Executive may have to indemnification from personal liability or to protection under any insurance policy maintained by the Company, including without limitation any general liability, employment practices liability, or directors and officers insurance policy or any contractual indemnification agreement; (iv) Executive's right, if any, to government provided unemployment and worker's compensation benefits; or (v) Executive's rights under any Company Executive benefit plans (i.e. health, disability or tax-qualified retirement plans), which by their explicit terms survive the termination of Executive's employment

(d) Executive agrees that the consideration set forth in SECTION 3 above shall constitute the entire consideration provided under this Agreement, and that Executive will not seek from the Company Parties any further compensation or other consideration for any claimed obligation, entitlement, damage, cost or attorneys' fees in connection with the matters encompassed by this Agreement.

(e) Executive understands and agrees that if any facts with respect to this Agreement or Executive's prior treatment by or employment with the Company are found to be different from the facts now believed to be true, Executive expressly accepts, assumes the risk of, and agrees that this Agreement shall remain effective notwithstanding such differences. Executive agrees that the various items of consideration set forth in this Agreement fully compensate for said risks, and that Executive will have no legal recourse against the Company in the event of discovery of a difference in facts.

(f) Executive agrees to the release of all known and unknown claims, including expressly the waiver of any rights or claims arising out of the Federal Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq. ("**ADEA**"), and in connection with such waiver of ADEA claims, and as provided by the Older Worker Benefit Protection Act, Executive understands and agrees as follows:

(i) Executive has the right to consult with an attorney before signing this Agreement, and is hereby advised to do so;

(ii) Executive shall have a period of forty-five (45) days from the Termination Date (or from the date of receipt of this Agreement if received after the Termination Date) in which to consider the terms of the Agreement (the "**Review Period**"). Executive may at his option execute this Agreement at any time during the Review Period. If Executive does not return the signed Agreement to the Company prior to the expiration of the 45 day period, then the offer of severance benefits set forth in this Agreement shall lapse and shall be withdrawn by the Company; and

(iii) Executive may revoke this Agreement at any time during the first seven (7) days following Executive's execution of this Agreement, and this Agreement and release shall not be effective or enforceable until the seven-day period has expired ("**Revocation Period Expiration Date**"). Notice of a revocation by Executive must be made to the designated representative of the Company (as described below) within the seven (7) day period after Executive signs this Agreement. If Executive revokes this Agreement, it shall not be effective or enforceable against the Company Parties. Accordingly, the "**Effective Date**" of this Agreement shall be on the eighth (8th) day after Executive signs the Agreement and returns it to the Company, and provided that Executive does not revoke the Agreement during the seven (7) day revocation period.

In the event Executive elects to revoke this release pursuant to SECTION 4(f)(iii) above, Executive shall notify Company by hand-delivery, express courier or certified mail, return receipt requested, within seven (7) days after signing this Agreement to: ATTN: General Counsel, Builders FirstSource, Inc., [ADDRESS]. In the event that Executive exercises his right to revoke this release pursuant to SECTION 4(f)(iii) above, any and all obligations of Company under this Agreement shall be null and void. Executive agrees that by signing this Agreement prior to the

expiration of the forty-five (45) day period he has voluntarily waived his right to consider this Agreement for the full forty-five (45) day period. Executive further agrees that any changes to this Agreement made during the Review Period, whether material or immaterial, shall not restart the 45-day consideration period.

5. Review of Agreement; No Assignment of Claims. Executive represents and warrants that he (a) has carefully read and understands all of the provisions of this Agreement and has had the opportunity for it to be reviewed and explained by counsel to the extent Executive deems it necessary, (b) is voluntarily entering into this Agreement, (c) has not relied upon any representation or statement made by the Company or any other person with regard to the subject matter or effect of this Agreement, (d) has not transferred or assigned any Claims and (e) has not filed any complaint or charge against any of the Company Parties with any local, state, or federal agency or court.

6. No Claims. Each party represents that it has not filed any Claim against the other Party with any state, federal or local agency or court; provided, however, that nothing in this Agreement shall be construed to prohibit Executive from filing a Claim, including a challenge to the validity of this Agreement, with the Equal Employment Opportunity Commission (“**EEOC**”) or participating in any investigation or proceeding conducted by the EEOC.

7. Interpretation. This Agreement shall take effect as an instrument under seal and shall be governed and construed in accordance with the laws of the State of Texas without regard to provisions or principles thereof relating to conflict of laws.

8. Agreement as Defense. This Agreement may be pleaded as a full and complete defense to any subsequent action or other proceeding arising out of, relating to, or having anything to do with any and all Claims, counterclaims, defenses or other matters capable of being alleged, which are specifically released and discharged by this Agreement. This Agreement may also be used to abate any such action or proceeding and/or as a basis of a cross complaint for damages.

9. Nondisclosure of Agreement. The terms and conditions of this Agreement are confidential. Executive agrees not to disclose the terms of this Agreement to anyone except immediate family members and Executive’s attorneys and financial advisers. Executive further agrees to inform these people that the Agreement is confidential and must not be disclosed to anyone else. Executive may disclose the terms of this Agreement if compelled to do so by a court, but Executive agrees to notify the Company immediately if anyone seeks to compel Executive’s testimony in this regard, and to cooperate with the Company if the Company decides to oppose such effort. Executive agrees that disclosure by Executive in violation of this Agreement would cause so much injury to the Company that money alone could not fully compensate the Company and that the Company is entitled to injunctive and equitable relief. Executive also agrees that the Company would be entitled to recover money from Executive if this Agreement were violated.

10. Ongoing Covenants. Executive acknowledges that nothing in this Agreement shall limit or otherwise impact Executive’s continuing obligations of confidentiality to the Company in accordance with Company policy and applicable law, or any applicable Company policies or agreements between the Company and Executive with respect to non-competition or non-solicitation, and Executive covenants and agrees to abide by all such continuing obligations.

11. No Adverse Comments. Executive agrees not to make, issue, release or authorize any written or oral statements, derogatory or defamatory in nature, about the Company, its affiliates or any of their respective products, services, directors, officers or executives, provided that the foregoing shall not be violated by truthful testimony in response to legal process, normal competitive statements, rebuttal of statements by the other or actions to enforce his rights. Nothing herein prohibits Executive from communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of a federal law or regulation.

12. Integration; Severability. Except with respect to any continuing obligations to the Company, the terms and conditions of this Agreement constitute the entire agreement between Company and Executive and supersede all previous communications, either oral or written, between the parties with respect to the subject matter of this Agreement. No agreement or understanding varying or extending the terms of this Agreement shall be binding upon either party unless in writing signed by or on behalf of such party. In the event that a court finds any portion of this

Agreement unenforceable for any reason whatsoever, Company and Executive agree that the other provisions of the Agreement shall be deemed to be severable and will continue in full force and effect to the fullest extent permitted by law.

13. EXECUTIVE ACKNOWLEDGES THE FOLLOWING: HE HAS ENTERED INTO THIS AGREEMENT KNOWINGLY, VOLUNTARILY AND OF HIS OWN FREE WILL WITH A FULL UNDERSTANDING OF ITS TERMS; HE HAS READ THIS AGREEMENT; THAT HE FULLY UNDERSTANDS ITS TERMS; THAT EXECUTIVE IS ADVISED TO CONSULT AN ATTORNEY FOR ADVICE; THAT HE HAS THE RIGHT TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS AGREEMENT; THAT HE HAS HAD AMPLE TIME TO CONSIDER HIS DECISION BEFORE ENTERING INTO THE AGREEMENT; THAT HE IS SATISFIED WITH THE TERMS OF THIS AGREEMENT AND AGREES THAT THE TERMS ARE BINDING UPON HIM; AND THAT HE HAS BEEN ADVISED BY THE COMPANY OF HIS ABILITY TO TAKE ADVANTAGE OF THE CONSIDERATION PERIOD AFFORDED BY SECTION 4 ABOVE.

IN WITNESS WHEREOF, the parties have executed this Agreement with effect as of the date first above written.

**SEVERANCE AGREEMENT
ATTACHMENT A**

The following severance benefits are payable pursuant to SECTION 3.4 of Executive's Employment Agreement:

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this “**Agreement**”) between Michael Hiller (“**Executive**”), Builders FirstSource, Inc., a Delaware corporation (the “**Company**”), is entered into as of January 31, 2022 and is effective as of January 1, 2021 (the “**Effective Date**”).

RECITALS

WHEREAS, the Company and Executive desire to enter into this Employment Agreement to set forth certain terms of Employee’s employment with the Company.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the Company and Executive hereby agree as follows:

SECTION 1**EMPLOYMENT TERMS**

1.1 **Employment.** The Company hereby agrees to employ Executive pursuant to the terms of this Agreement, and Executive hereby accepts such employment by the Company, effective as of the Effective Date, for the period and upon the terms and conditions contained in this Agreement.

1.2 **Position and Duties.** Executive is hereby employed as of the Effective Date to serve as the President – Central Division of the Company. In his capacity as President – Central Division, Executive shall have all of the powers, duties and responsibilities commensurate with such position as shall be assigned to him by the Chief Executive Officer of the Company. In his capacity as President – Central Division of the Company, Executive will report directly to the Chief Executive Officer of the Company.

Executive shall devote Executive’s full business time and attention and full diligence and vigor and good faith efforts to the affairs of the Company. Executive shall not engage in any other material business duties or pursuits or render any services of a professional nature to any other entity or person, or serve on any other board of directors (other than a not-for-profit board of directors, and then only to the extent it does not interfere with his duties to the Company), without the prior written consent of the Company’s Board of Directors (the “**Board**”) or a committee designated by the Board to approve such matters.

1.3 **Term.** Executive’s employment under this Agreement shall commence on the Effective Date and shall continue for an indefinite term, until terminated in accordance with SECTION 3 below. Certain provisions, however, as more fully set forth in SECTION 4, SECTION 5 and SECTION 6 below, continue in effect beyond the date of the termination of Executive’s employment (the “**Termination Date**”). Executive agrees that, effective as of the applicable Termination Date, Executive shall resign from all positions held by Executive as an officer, director or otherwise with respect to the Company or any member of the Company Group (as defined below).

1.4 **Relocation to Dallas, Texas.** Executive shall relocate his permanent residence to Dallas, Texas within 12 months following receipt of written notice from the Chief Executive Officer and shall be entitled to receive relocation benefits in connection with the Company’s standard relocation policy for employees at Executive’s level.

SECTION 2**COMPENSATION AND BENEFITS**2.1 **Compensation.**

(a) **Base Salary.** The Company shall pay to Executive an annual base salary at the rate not less than \$450,000 each calendar year (“**Base Salary**”), payable in accordance with the Company’s ordinary payroll and

withholding practices from time to time in effect for its employees. During the term of employment hereunder, Executive's salary shall be reviewed from time to time (but no less than annually) to determine whether an increase (not decrease) in Executive's salary is appropriate. Any such increase shall be at the sole discretion of the Board, or where required, the Compensation Committee of the Board, and thereafter any such increased amount shall be Executive's "Base Salary" for all purposes.

(b) Annual Cash Bonus. During the term of employment, Executive shall be eligible to participate under the Company's annual incentive program for executive officers, as in effect and from time to time adopted by the Board (the "**Incentive Plan**") for the award of an annual cash bonus ("**Annual Cash Bonus**"). The Annual Cash Bonus shall be determined based on a target bonus equal to 100% of Base Salary (the "**Target Bonus**"). Payment of the Annual Cash Bonus, if any, shall be made pursuant to the terms and conditions of the Incentive Plan.

(c) Annual Equity Grant. During the term of employment, Executive shall be eligible to participate under the applicable equity plan of the Company then in effect, as amended from time to time, or any successor plans (collectively, the "**Company Equity Plan**"), for the award of an annual grant of equity thereunder (the "**Annual Equity Grant**"). The actual award and amount of any Annual Equity Grant will be determined by the Board or the Compensation Committee of the Board in accordance with the terms of the applicable Company Equity Plan and subject to the provisions thereof.

2.2 Benefits.

(a) Generally. Executive shall be eligible to participate, to the extent it is legal and permitted by the applicable benefits plans, policies or contracts, in all employee benefits programs that the Company may adopt for its employees generally providing for sick or other leave, vacation, group health, disability and life insurance benefits. Executive shall be eligible to participate in the Company's 401(k) plan on the terms and conditions and qualifications of such plan from time to time in effect, with a Company match (if any) no less favorable than that provided to any other Company executives. Executive shall be entitled to four (4) weeks of paid vacation for each full calendar year of employment, to be accrued in accordance with the Company's regular vacation pay policy.

(b) Executive. Executive shall be eligible to participate, to the extent it is legal and permitted by the applicable plans, policies or contracts, in all benefits or fringe benefits which are in effect generally for the Company's executive personnel from time to time.

2.3 Expense Reimbursement. The Company shall pay or reimburse Executive for all reasonable expenses incurred in connection with performing his duties upon presentation of documents in accordance with the reasonable procedures established by the Company.

SECTION 3

TERMINATION

3.1 By the Company:

(a) For Cause. The Company shall have the right at any time, exercisable upon written notice, to terminate Executive's employment for Cause. As used in this Agreement, "**Cause**" shall mean that Executive:

(i) has committed any act or omission that results in, or that may reasonably be expected to result in, a conviction, plea of no contest or imposition of unadjudicated probation for any felony or crime involving moral turpitude;

(ii) has committed any act of fraud, embezzlement or misappropriation, or engaged in material misconduct or breach of fiduciary duty against the Company (or any predecessor thereto or successor thereof);

(iii) has willfully failed to substantially perform such duties as are reasonably assigned to him under this Agreement;

(iv) has unlawfully used (including being under the influence) or possessed illegal drugs on the Company's premises or while performing his duties and responsibilities for the Company;

(v) materially fails to perform Executive's duties required under Executive's employment by or other relationship with the Company (it being agreed that failure of the Company to achieve operating results or similar poor performance of the Company shall not, in and of itself, be deemed a failure to perform Executive's duties);

(vi) fails to comply with a lawful directive of the Board or Chief Executive Officer that is consistent with the Company's business practices and Code of Ethics;

(vii) engages in (A) willful misconduct for which Executive receives a material and improper personal benefit at the expense of the Company, or (B) accidental misconduct resulting in such a benefit which Executive does not promptly report to the Company and redress promptly upon becoming aware of such benefit;

(viii) in carrying out his duties under this Agreement, has engaged in acts or omissions constituting gross negligence or willful misconduct resulting in, or which, in the good faith opinion of the Board, could be expected to result in, substantial economic harm to the Company;

(ix) has failed for any reason to correct, cease or alter any action or omission that (A) materially violates or does not conform with the Company's policies, standards or regulations (including, without limitation, any Company policy or rule related to discrimination or sexual and other types of harassment or abusive conduct), (B) constitutes a material breach of this Agreement, including SECTION 4, or (C) constitutes a material breach of his duty of loyalty to the Company; or

(x) has disclosed any Proprietary Information (as defined below) without authorization from the Board, except as otherwise permitted by this Agreement, another agreement between the parties or any Company policy in effect at the time of disclosure.

For purposes of the definition of "Cause", "Company" shall include any subsidiary, business unit or affiliate of the Company. The Company shall provide written notice to Executive of any act or omission that the Company believes constitutes grounds for "Cause" pursuant to clause (v), (vi), (vii)(B) or (ix) above, and no such act or omission shall constitute "Cause" unless Executive fails to remedy such act or omission within ten (10) days of the receipt of such notice; provided that such ten (10) day cure period shall not apply with respect to any matter that is incapable of cure within such period.

(b) Without Cause. The Company may terminate Executive's employment under this Agreement at any time without Cause. As used in this Agreement, a termination without Cause shall mean the termination of Executive's employment by the Company other than for Cause pursuant to SECTION 3.1(a) above.

3.2 By Executive:

(a) Without Good Reason. Executive may terminate his employment under this Agreement at any time without Good Reason. As used in this Agreement, a termination without Good Reason shall mean termination of Executive's employment by Executive other than for Good Reason pursuant to SECTION 3.2(b) below.

(b) For Good Reason. Executive shall have the right at any time to resign his employment under this Agreement for Good Reason. As used in this Agreement, "**Good Reason**" shall mean the occurrence of any of the following events, without Executive's consent: (i) a material diminution in Executive's Base Salary or Target Bonus, in each case, other than as part of any across-the-board proportionate reduction applying to all senior executives of the Company, (ii) a material diminution in Executive's title, authority, duties and responsibilities as compared to Executive's title, authority, duties and responsibilities set forth herein (a "Material Diminution") (for the sake of clarity, (A) a change in reporting structure by itself does not constitute a Material Diminution, (B) a

change to a different position that is of comparable status within the Company does not constitute a Material Diminution, (C) any changes generally implemented with regard to a broad group of senior executives does not constitute a Material Diminution, and (D) any change consented to by Executive is not a Material Diminution), (iii) any material breach by the Company or any member of the Company Group (as defined below) of this Agreement, (iv) there is a Change in Control and the successor to the Company, if applicable, does not assume and continue this Agreement, and (v) except as required by Section 1.4, any requirement by the Company that Executive relocate his personal residence to any city more than one hundred (100) miles from (a) Denver, Colorado or (b) Dallas, Texas if Executive has relocated his personal residence to the greater Dallas, Texas metropolitan area.

Notwithstanding the foregoing, no event shall be a Good Reason event unless (i) Executive gives the Company written notice that he is resigning for Good Reason within ninety (90) days of the first occurrence of the Good Reason event, and (ii) the Company (A) accepts such resignation, (B) does not cure such Good Reason event, or (C) disputes the existence of Good Reason, in each case within thirty (30) days of receiving such notice, and in the case of clauses (A) and (B) Executive's resignation for Good Reason shall become effective as of the earlier of (x) the date the Company accepts such resignation, or (y) the expiration of the thirty day cure period (provided the Company has not cured the Good Reason event) and in the case of clause (C) shall become effective only if Good Reason is ultimately determined to exist upon final resolution of the Company's dispute of his resignation by a court of competent jurisdiction or otherwise.

(c) The term "**Change in Control**" shall have the meaning set forth in the Company's 2014 Incentive Plan, as may be amended from time to time.

3.3 Compensation Upon Termination. Upon termination of Executive's employment with the Company, the Company's obligation to pay compensation and benefits under SECTION 2 shall terminate, except that the Company shall pay to Executive or, if applicable, Executive's heirs, all earned but unpaid Base Salary under SECTION 2.1(a) and accrued but unused vacation under SECTION 2.2, in each case, through the Termination Date and Executive's unreimbursed expenses incurred through the Termination Date in accordance with SECTION 2.3. In addition, Executive shall be entitled to receive (i) any vested amounts or benefits due under any tax-qualified retirement or group insurance plan or program in accordance with the terms thereof, and (ii) other than on an involuntary termination by the Company for Cause or a voluntary termination by Executive without Good Reason (for the avoidance of doubt, for purposes of this subsection, a termination due to Executive's death shall not constitute a termination for Good Reason"), his Annual Cash Bonus for any completed fiscal year to the extent earned for such fiscal year and if such bonus has not previously been paid for such completed fiscal year, at the same time such Annual Cash Bonus would have been paid if Executive had continued in employment (it being understood that in the event of any such termination Executive is not entitled to an Annual Bonus for the then-current Fiscal Year). If the Company terminates Executive's employment without Cause or if Executive terminates his employment for Good Reason, then, in addition, to the foregoing compensation, upon execution and delivery (and non-revocation) by Executive of the Separation Agreement and General Release as set forth in SECTION 6.10, the Company shall pay severance benefits pursuant to SECTION 3.4 below. No other payments or compensation of any kind shall be paid in respect of Executive's employment with or termination from the Company. Notwithstanding any contrary provision contained herein, in the event of any termination of Executive's employment, the exclusive remedies available to Executive shall be the amounts due under this SECTION 3, which are in the nature of liquidated damages, and are not in the nature of a penalty.

3.4 Severance Benefits.

(a) Termination without Cause or for Good Reason. Subject to the terms and conditions of eligibility for Executive's receipt of severance benefits under this Agreement, including the timely execution and delivery (and non-revocation) by Executive of the Separation Agreement and General Release as set forth in SECTION 6.10, if the Company terminates Executive's employment without Cause or Executive terminates his employment for Good Reason, the Company shall pay to Executive, as severance benefits, which amounts are in addition to the Compensation upon Termination set forth in SECTION 3.3 herein:

(i) An amount equal to 100% of his Base Salary which shall be paid to Executive on a salary continuation basis according to the Company's normal payroll practices over the twelve (12) month period following the date Executive incurs a Separation from Service, but in no event less frequently than monthly.

(ii) An amount equal to 100% of Executive's Target Bonus, which shall be paid to Executive in equal installments according to the Company's normal payroll practices over the twelve (12) month period following the date Executive incurs a Separation from Service, but in no event less frequently than monthly.

(iii) Subject to (1) Executive's timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), and (2) Executive's continued copayment of premiums at the same level and cost to Executive as if Executive were an employee of the Company (excluding, for purposes of calculating cost, an employee's ability to pay premiums with pre-tax dollars), continued participation in the Company's group health plan (to the extent permitted under applicable law and the terms of such plan) which covers Executive (and Executive's eligible dependents) for a period of twelve (12) months at the Company's expense, provided that Executive is eligible and remains eligible for COBRA coverage. The Company may modify its obligation under this SECTION 3.4(a)(iii) to the extent reasonably necessary to avoid any penalty or excise taxes imposed on it in connection with the continued payment of premiums by the Company under the Patient Protection and Affordable Care Act of 2010, as amended, or other applicable law.

(b) Notwithstanding any other provision of this Agreement, any severance benefits that would otherwise have been paid before the Company's first normal payroll payment date falling on or after the sixtieth (60th) day after the date on which Executive incurs a Separation from Service (the "**First Payment Date**") shall be made on the First Payment Date. Each separate severance installment payment and each other payment that Executive may be eligible to receive under this Agreement shall be a separate payment under this Agreement for all purposes.

(c) Executive shall have no duty or obligation to mitigate the amounts due under SECTION 3.4(a) above and any amounts earned by Executive from other employment shall not be offset or reduce the amounts due hereunder.

SECTION 4

CERTAIN AGREEMENTS

4.1 Confidentiality. Executive acknowledges that the Company owns and shall own and has developed and shall develop proprietary information concerning its business and the business of its subsidiaries and affiliates and each of their employees, customers and clients ("**Proprietary Information**"). Such Proprietary Information includes, among other things, trade secrets, financial information, product plans, customer lists, marketing plans, systems, manuals, training materials, forecasts, inventions, improvements, know-how and other intellectual property, in each case, relating to the Company's business. Executive shall, at all times, both during employment by the Company and thereafter, keep all Proprietary Information in confidence and trust and shall not use or disclose any Proprietary Information without the written consent of the Company, except as necessary in the ordinary course of Executive's duties. Executive shall keep the terms of this Agreement in confidence and trust and shall not disclose such terms, except to Executive's family, accountants, financial advisors, or attorneys, or as otherwise authorized or required by law. The parties acknowledge that pursuant to the Defend Trade Secrets Act of 2016 (the "**DTSA**"), an individual may not be held criminally or civilly liable under any Federal or state trade secret law for disclosure of a trade secret that (i) is made (A) in confidence to a Federal, state or local governmental authority, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of applicable law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Agreement or any other agreement Executive has with the Company or any of its affiliates is intended to conflict with the DTSA or create liability for disclosures of trade secrets that are expressly allowed by such section. Under the DTSA, any employee, contractor, or consultant who is found to have wrongfully misappropriated trade secrets (as the terms "misappropriate" and "trade secret" are defined in the DTSA) may be liable for, among other things, exemplary damages and attorneys' fees. Further, nothing in this Agreement or any other agreement Executive has with the Company or any of its affiliates will prohibit or restrict Executive from making any voluntary disclosure of information or documents related to any violation of law to any governmental agency or legislative body, or any self-regulatory organization, in each case, without advance notice to the Company.

4.2 Company Property. Executive recognizes that all Proprietary Information, however stored or memorialized, and all identification cards, keys, flash drives, computers, mobile phones, Personal Data Assistants, telephone numbers, access codes, marketing materials, documents, records and other equipment or property which the Company provides are the sole property of the Company. Upon termination of employment, Executive shall (1) refrain from taking any such property from the Company's premises, and (2) return any such property in Executive's possession within ten (10) business days.

4.3 Assignment of Inventions to the Company. Executive shall promptly disclose to the Company all improvements, inventions, formulas, processes, computer programs, know-how and trade secrets developed, whether or not patentable, made or conceived or reduced to practice or developed by Executive, either alone or jointly with others, during and related to Executive's employment and the Company's business or while using the Company's equipment, supplies, facilities or trade secret information (collectively, "**Inventions**"). All Inventions and other intellectual property rights shall be the sole property of the Company and shall be "works made for hire." Executive hereby assigns to the Company any rights Executive may have or acquire in all Inventions and agrees to perform, during and after employment with the Company, at the Company's expense including reasonable compensation to Executive, all acts reasonably necessary by the Company in obtaining and enforcing intellectual property rights with respect to such Inventions. Executive hereby irrevocably appoints the Company and its officers and agents as Executive's attorney-in-fact to act for and in Executive's name and stead with respect to such Inventions.

SECTION 5

COVENANT NOT TO ENGAGE IN CERTAIN ACTS

5.1 General. Executive understands and agrees that Executive shall hold a position of significant trust and, in such position of significant trust, shall provide services and have responsibility with respect to the Company and all of its subsidiaries and affiliates (collectively, the "**Company Group**"), including, without limitation, contributing to the acquisition and retention of customers and the generation of goodwill. Executive further understands and agrees that Executive will develop, access and use Proprietary Information for the benefit of the Company Group. The parties understand and agree that the purpose of the restrictions contained in SECTION 4 and this SECTION 5 is to protect the goodwill and other legitimate business interests of the Company (including its Proprietary Information), and that the Company would not have entered into this Agreement in the absence of such restrictions. Executive acknowledges and agrees that the restrictions are reasonable and do not, and will not, unduly impair his ability to make a living after the termination of his employment with the Company. The provisions of SECTION 4 and SECTION 5 shall survive the expiration or sooner termination of this Agreement.

5.2 Non-Compete; Non-Interference; Non-Solicit. During the term of employment and for a period of twelve (12) months after the Termination Date Executive shall not, whether for Executive's own account or for any other Person, directly or indirectly, with or without compensation:

(a) own, manage, operate, control or participate in the ownership, management, operation or control of, or be employed or engaged in a senior management role by, any corporation, limited liability company, partnership, joint venture, proprietorship or other business entity or organization that engages in or plans to engage in the business of (i) supplying, distributing, manufacturing, designing, constructing and/or installing structural and related building products, including, without limitation, prefabricated components, roof and floor trusses, wall panels, stairs, windows, doors, millwork, lumber products, roofing, insulation, hardware and other building products and/or (ii) providing services to customers in connection with any of the foregoing or otherwise related to residential homebuilding, in each case, (i) and (ii) anywhere in the United States (a "**Competing Business**").

(b) solicit, or call upon or otherwise attempt to solicit, on behalf of any Competing Business, any of the customers, prospective customers, vendors or suppliers of Company Group;

(c) divert or take away, or attempt to divert or take away, any existing business of the Company Group;

(d) induce or entice, or seek to induce or entice, or otherwise interfere with, the Company Group's business relationship with, any customer of the Company Group;

(e) advance credit or lend money to any third party for the purpose of establishing or operating any Competing Business; or

(f) with respect to any substantially full time independent contractor of the Company Group, employee of the Company Group or individual who was, at any time during the three months prior to the Termination Date, an employee of the Company Group: (A) hire or retain, or attempt to hire or retain, such individual to provide services for any third party; or (B) entice away or in any manner persuade or attempt to persuade, such individual to (1) terminate and/or leave his employment or engagement, (2) accept employment with any person or entity other than a member of the Company Group, or (3) terminate his relationship with the Company Group or devote less of his business time to the Company Group.

Notwithstanding the foregoing, nothing in this SECTION 5.2 will prohibit Executive from acquiring or holding not more than two percent (2%) of any class of publicly traded securities.

5.3 Cessation/Reimbursement of Payments. Notwithstanding anything to the contrary in this Agreement, if Executive violates any provision of SECTION 4 or SECTION 5, the Company may, upon giving written notice to Executive, immediately terminate Executive's employment with the Company for Cause or, in the event the violation occurs following the Termination Date, cease all payments and benefits that it may be providing to Executive pursuant to SECTION 3, and Executive shall be required to reimburse the Company for any payments received from the Company pursuant to SECTION 3; provided, however, that the foregoing shall be in addition to such other remedies as may be available to the Company and shall not be deemed to permit Executive to forego or waive such payments in order to avoid his obligations under SECTION 4 or SECTION 5; and provided, further, that any release of claims by Executive pursuant to SECTION 6.10 shall continue in effect.

5.4 Survival; Injunctive Relief. Executive agrees that the provisions of SECTION 4 and SECTION 5 shall survive the termination of this Agreement and the termination of Executive's employment. Executive acknowledges that a breach by him of the covenants contained in SECTION 4 or SECTION 5 cannot be reasonably or adequately compensated in damages in an action at law and that such breach will cause the Company immeasurable and irreparable injury and damage. Executive further acknowledges that he possesses unique skills, knowledge and ability and that competition in violation of SECTION 4 or SECTION 5 would be extremely detrimental to the Company. By reason thereof, each of the Company and Executive agrees that the other shall be entitled, in addition to any other remedies it may have under this Agreement, at law or in equity, or otherwise, to temporary, preliminary and/or permanent injunctive and other equitable relief to prevent or curtail any actual or threatened violation of SECTION 4 or SECTION 5, without proof of actual damages that have been or may be caused to the Company by such breach or threatened breach, and waives to the fullest extent permitted by law the posting or securing of any bond by the other party in connection with such remedies.

SECTION 6

MISCELLANEOUS

6.1 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by certified or registered mail, postage prepaid, with return receipt requested, telecopy (with hard copy delivered by overnight courier service), or delivered by hand, messenger or overnight courier service, and shall be deemed given when received at the addresses of the parties set forth below, or at such other address furnished in writing to the other parties hereto:

To the Company:

Builders FirstSource, Inc.
Attn: General Counsel

To Executive: at the home address of Executive maintained in the human resource records of the Company.

6.2 Severability. The parties agree that it is not their intention to violate any public policy or statutory or common law. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law. Without limiting the foregoing, if any portion of SECTION 5 is held to be unenforceable, the maximum enforceable restriction of time, scope of activities and geographic area will be substituted for any such restrictions held unenforceable.

6.3 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to its principles of conflicts of laws. Executive: agrees to submit to the jurisdiction of the State of Delaware; agrees that any dispute concerning this Agreement shall be brought exclusively in a state or federal court of competent jurisdiction in Delaware; and agrees that other than disputes involving SECTION 4 or SECTION 5, all disputes shall be settled through arbitration pursuant to SECTION 6.15. Executive waives any and all objections to jurisdiction or venue.

6.4 Survival. The covenants and agreements of the parties set forth in SECTIONS 4, 5 and 6 are of a continuing nature and shall survive the expiration, termination or cancellation of this Agreement, irrespective of the reason therefor.

6.5 Entire Agreement. This Agreement contains the entire understanding between the parties hereto with respect to the terms of employment, compensation, benefits, and covenants of Executive, and supersede all other prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, between Executive and the Company relating to the subject matter of the Agreement, which such other prior and contemporaneous agreements and understandings, inducements or conditions shall be deemed terminated effective on the Effective Date, including without limitation, the Prior Employment Agreement. For the avoidance of doubt, the parties agree that any and all indemnification agreements between Executive and the Company shall continue in full force unimpaired by this Agreement

6.6 Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and the Company's successors and assigns, including any direct or indirect successor by purchase, merger, consolidation, reorganization, liquidation, dissolution, winding up or otherwise with respect to all or substantially all of the business or assets of the Company, and Executive's spouse, heirs, and personal and legal representatives.

6.7 Counterparts; Amendment. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be amended or modified only by written instrument duly executed by the Company and Executive.

6.8 Voluntary Agreement. Executive has read this Agreement carefully, has had the opportunity to seek advice of counsel and understands and accepts the obligations that it imposes upon Executive without reservation. No other promises or representations have been made to Executive to induce Executive to sign this Agreement. Executive is signing this Agreement voluntarily and finely.

6.9 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns (including any direct or indirect successor, spouses, heirs and personal and legal representatives). Any such successor or assign of the Company shall be included in the term "Company" as used in this Agreement.

6.10 Release of Claims. In consideration for the compensation and other benefits provided pursuant to this Agreement, Executive agrees to execute a "Separation Agreement and General Release" to be presented by the Company substantially in the form of Exhibit A attached hereto. The Company's obligation to pay severance

benefits pursuant to SECTION 3.4 is expressly conditioned on Executive's execution and delivery of such Separation Agreement and General Release no later than forty-five (45) days after the date Executive incurs a Separation from Service without revoking it for a period of seven (7) days following delivery. Executive's failure to execute and deliver such Separation Agreement and General Release within such forty-five (45) day time period (or Executive's subsequent revocation of such Separation Agreement and General Release) will void the Company's obligation to pay severance benefits under this Agreement

6.11 Withholding. All compensation payable to Executive pursuant to this Agreement will be subject to any applicable statutory withholding taxes and such other taxes as are required or permitted under applicable law and such other deductions or withholdings as authorized by Executive to be collected with respect to compensation paid to Executive.

6.12 In-kind Benefits and Reimbursements. Notwithstanding anything to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any tax year of Executive shall not affect in-kind benefits or reimbursements to be provided in any other tax year of Executive, except for the reimbursement of medical expenses referred to in Section 105(b) of the Internal Revenue Code, as amended ("**Code**"), and are not subject to liquidation or exchange for another benefit. Notwithstanding anything to the contrary in this Agreement, reimbursement requests must be timely submitted by Executive and, if timely submitted, reimbursement payments shall be made to Executive as soon as administratively practicable following such submission, but in no event later than December 31st of the calendar year following the calendar year in which the expense was incurred. In no event shall Executive be entitled to any reimbursement payments after December 31st of the calendar year following the calendar year in which the expense was incurred. This SECTION 6.12 shall apply only to in-kind benefits and reimbursements that would result in taxable compensation income to Executive.

6.13 Section 409A The intent of the parties is that payments and benefits under this Agreement be exempt from, or comply with, Section 409A of the Code (and the rules and regulations promulgated thereunder) ("**Section 409A**"), and accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in accordance therewith. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of any payments under this Agreement which are subject to Section 409A until Executive would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separate identified payment for purposes of Section 409A, and any payments described in this Agreement that are due within the "short term deferral period" as defined in Section 409A, or otherwise satisfying an exception under Section 409A, shall not be treated as deferred compensation unless applicable law requires otherwise. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six (6)-month period immediately following Executive's separation from service shall instead be paid on the first business day after the date that is six (6) months following Executive's separation from service (or, if earlier, death). To the extent required to avoid accelerated taxation and/or tax penalties under Section 409A, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided) during any one year may not effect amounts reimbursable or provided in any subsequent year. In no event shall the timing of Executive's execution of a Separation Agreement and General Release pursuant to SECTION 6.10 result, directly or indirectly, in Executive designating the calendar year of any payment hereunder, and, to the extent required by Section 409A, if a payment hereunder that is subject to execution of a Separation Agreement and General Release could be made in more than one taxable year, payment shall be made in the later taxable year. Notwithstanding anything to the contrary in this Agreement or any other agreement by and between Executive and any member of the Company Group, to the extent that (i) this Agreement provides for the vesting and settlement of any equity award held by Executive and (ii) such equity award constitutes nonqualified deferred compensation subject to Section 409A, such equity award shall be settled at the earliest time that will not trigger a Tax or penalty under Section 409A. The Company makes no representation that any or all of the payments described in this Agreement shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment.

6.14 Indemnification, etc. The Company shall provide an indemnification agreement by which it shall indemnify and hold harmless Executive to the fullest extent permitted by law for any action or inaction Executive takes in good faith with regard to the Company or parent or any benefit plan of either, in accordance with the Company's Certificate of Incorporation and By-laws. Further, the Company shall cover Executive on its directors' and officers' liability insurance policies to no less extent than that which covers any other officer or director of the Company.

6.15 Arbitration. Except with respect to the Company's enforcement of the covenants in SECTION 4 and SECTION 5, in the event that either Executive or the Company (or their successor and assigns, or any other person claiming benefits on behalf of or through them) has a dispute, claim, question, or disagreement arising from or relating to this Agreement or the breach thereof, the parties hereto shall use their best efforts to settle the dispute, claim, question, or disagreement. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If the parties do not reach such solution within a period of 60 days, then, upon written notice by either party to the other, all such disputes, claims, questions, or differences shall be finally settled by confidential binding arbitration administered by the American Arbitration Association in accordance with the provisions of its Employment Arbitration Rules, unless such claim is precluded by law from being settled through arbitration. Such arbitration shall take place in Dallas, Texas. Any arbitrator selected by the parties to arbitrate any such dispute shall have practiced predominately in the field of employment law for no less than ten years. The arbitrator will have the power to interpret this Agreement. Any determination or decision by the arbitrator shall be binding upon the parties and may be enforced in any court of law. The parties agree that this arbitration provision does not apply to the right of Executive to file a charge, testify, assist or participate in any manner in an investigation, hearing or proceeding before the Equal Employment Opportunity Commission or any other agency pertaining to any matters covered by this Agreement and within the jurisdiction of the agency. Both parties agree that this arbitration clause has been bargained for by the parties upon advice of their respective counsel.

6.16 Code Section 280G. Notwithstanding any other provision of this Agreement, if it is determined that the benefits or payments payable under this Agreement, taking into account other benefits or payments provided under other plans, agreements or arrangements, constitute Parachute Payments that would subject Executive to tax under Section 4999 of the Code, it must be determined whether Executive will receive the total payments due or the Reduced Amount. Executive will receive the Reduced Amount if the Reduced Amount results in equal or greater Net After Tax Receipts than the Net After Tax Receipts that would result from Executive receiving the total payments due.

If it is determined that the total payments should be reduced to the Reduced Amount, the Company must promptly notify Executive of that determination, including a copy of the detailed calculations by an accounting firm or other professional organization qualified to make the calculation that was selected by the Company and acceptable to Executive (the "**Accounting Firm**"). The Company shall pay the fees and expenses of the Accounting Firm. All determinations made by the Accounting Firm under this SECTION 6.16 are binding upon the Company and Executive, subject to any differing determination by the Internal Revenue Service.

It is the intention of the Company and Executive to reduce the payments under this Agreement and any other plan, agreement or arrangement only if the aggregate Net After Tax Receipts to Executive would thereby be increased.

If it is determined that the total payments should be reduced to the Reduced Amount, any reduction shall be in the order that would provide Executive with the largest amount of Net After Tax Receipts (subject to the remainder of this sentence, pro rata if two alternatives provide the same result) and shall, to the extent permitted by Code Section 280G and 409A be designated by Executive. Executive shall at any time have the unilateral right to forfeit any equity grant in whole or in part.

For purposes of this Agreement, the term "**Net After Tax Receipt**" means the Present Value of the total payments or the Reduced Amount, as applicable, net of all federal, state and local income and payroll taxes imposed on Executive, including Section 4999 of the Code, determined by applying the highest marginal rate of income taxes which applied to Executive's taxable income for the immediately preceding taxable year. For purposes of this Agreement, the term "**Parachute Payment**" means a payment (under this Agreement or any other plan, agreement or arrangement) that is described in Section 280G(b)(2) of the Code, determined in accordance with Section 280G of

the Code and the regulations thereunder. For purposes of this Agreement, the term “**Present Value**” means the value determined in accordance with Section 280G(d)(4) of the Code and the regulations thereunder. For purposes of this Agreement, the term “**Reduced Amount**” means the largest amount of Parachute Payments that is less than the total Parachute Payments and that may be paid to Executive without subjecting Executive to tax under Section 4999 of the Code.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

COMPANY:

EXECUTIVE:

BUILDERS FIRSTSOURCE, INC.

By: /s/ Timothy D. Johnson

Name: Timothy D. Johnson

Its: Executive Vice President & General Counsel

/s/ Michael Hiller

Michael Hiller

EXHIBIT A

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (this “**Agreement**”) is made as of by and between [] (“**Executive**”) and Builders FirstSource, Inc. (the “**Company**”). For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Termination of Employment.** The parties agree that Executive’s employment with the Company and all of its affiliates is terminated effective as of [] (the “**Termination Date**”).

2. **Payments Due to Executive.** Executive acknowledges receipt of [] (\$[]) from the Company, representing Executive’s accrued but unpaid Base Salary and accrued unused vacation through the Termination Date. In addition, Executive shall receive (a) his annual bonus (if any) for the fiscal year completed prior to the Termination Date, to be paid at the same time annual bonuses would have been paid if Executive had continued in employment, (b) shall receive any vested benefits due under any tax-qualified retirement or group insurance plan or program in accordance with the term thereof, and (c) any unreimbursed business expenses incurred through the Termination Date. Other than as expressly set forth in this SECTION 2, Executive is not entitled to any consulting fees, wages, accrued vacation pay, benefits or any other amounts with respect to his employment through the Termination Date.

3. **Severance Benefits and Continuing Health Insurance Coverage.** In consideration of Executive’s execution and non-revocation of this Agreement in accordance with its terms, the Company agrees to pay to Executive the amounts provided in SECTION 3.4 of that certain Amended and Restated Employment Agreement, dated as of _____, 20__ by and between Executive and the Company, which amounts are, to the extent known, stated on Attachment A hereto.

4. **General Release.**

(a) Executive, on behalf of Executive, his heirs, executors, personal representatives, administrators and assigns, voluntarily, irrevocably, knowingly and unconditionally releases, remises and discharges the Company and all of its current and former parents, subsidiaries and affiliates, each of their respective members, officers, directors, stockholders, partners, employees, agents, representatives, advisors and attorneys, and each of their respective subsidiaries, affiliates, estates, predecessors, successors and assigns (collectively, the “**Company Parties**”) from any and all actions, causes of action, charges, complaints, claims, damages, demands, debts, lawsuits, rights, understandings, obligations, expenses (including attorneys’ fees and costs), covenants, contracts, promises or liabilities of any kind, nature or description whatsoever, known or unknown, in law or in equity (collectively, the “**Claims**”) which Executive or Executive’s heirs, executors, personal representatives, administrators and assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever (i) arising from the beginning of time through the date upon which Executive executes this Agreement, including, without limitation, any such Claims arising out of, relating to or in connection with Executive’s employment or service as a director with the Company, including tort, fraud, or defamation and arising under federal, local or state statute or regulation, including, without limitation, Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act, the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974, the Civil Rights Act of 1991, the Equal Pay Act, the Fair Labor Standards Act, 42 U.S.C. § 1981, the Texas Labor Code (including, without limitation, the Texas Payday Law, the Texas Anti-Retaliation Act, Chapter 21 of the Texas Labor Code, and the Texas Whistleblower Act), each as amended and including each of their respective implementing regulations and/or any other federal, state, local or foreign law (statutory, regulatory or otherwise), that may be legally waived and released; (ii) arising out of or relating to the termination of Executive’s employment; or (iii) arising under or relating to any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company or any of the other Company Parties and Executive.

(b) Executive agrees that there is a risk that each and every injury which he may have suffered by reason of his employment relationship might not now be known, and there is a further risk that such injuries, whether known or unknown at the date of this Agreement, might become progressively worse, and that as a result thereof further damages may be sustained by Executive; nevertheless, Executive desires to forever and fully release and discharge the Company Parties, and he fully understands that by the execution of this Agreement no further claims for any such injuries may ever be asserted.

(c) This general release does not in any way diminish or impair: (i) any Claims Executive may have that cannot be waived under applicable law, (ii) Executive's right to enforce this Agreement; (iii) any rights Executive may have to indemnification from personal liability or to protection under any insurance policy maintained by the Company, including without limitation any general liability, employment practices liability, or directors and officers insurance policy or any contractual indemnification agreement; (iv) Executive's right, if any, to government provided unemployment and worker's compensation benefits; or (v) Executive's rights under any Company Executive benefit plans (i.e. health, disability or tax-qualified retirement plans), which by their explicit terms survive the termination of Executive's employment

(d) Executive agrees that the consideration set forth in SECTION 3 above shall constitute the entire consideration provided under this Agreement, and that Executive will not seek from the Company Parties any further compensation or other consideration for any claimed obligation, entitlement, damage, cost or attorneys' fees in connection with the matters encompassed by this Agreement.

(e) Executive understands and agrees that if any facts with respect to this Agreement or Executive's prior treatment by or employment with the Company are found to be different from the facts now believed to be true, Executive expressly accepts, assumes the risk of, and agrees that this Agreement shall remain effective notwithstanding such differences. Executive agrees that the various items of consideration set forth in this Agreement fully compensate for said risks, and that Executive will have no legal recourse against the Company in the event of discovery of a difference in facts.

(f) Executive agrees to the release of all known and unknown claims, including expressly the waiver of any rights or claims arising out of the Federal Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq. ("**ADEA**"), and in connection with such waiver of ADEA claims, and as provided by the Older Worker Benefit Protection Act, Executive understands and agrees as follows:

(i) Executive has the right to consult with an attorney before signing this Agreement, and is hereby advised to do so;

(ii) Executive shall have a period of forty-five (45) days from the Termination Date (or from the date of receipt of this Agreement if received after the Termination Date) in which to consider the terms of the Agreement (the "**Review Period**"). Executive may at his option execute this Agreement at any time during the Review Period. If Executive does not return the signed Agreement to the Company prior to the expiration of the 45-day period, then the offer of severance benefits set forth in this Agreement shall lapse and shall be withdrawn by the Company; and

(iii) Executive may revoke this Agreement at any time during the first seven (7) days following Executive's execution of this Agreement, and this Agreement and release shall not be effective or enforceable until the seven-day period has expired ("**Revocation Period Expiration Date**"). Notice of a revocation by Executive must be made to the designated representative of the Company (as described below) within the seven (7) day period after Executive signs this Agreement. If Executive revokes this Agreement, it shall not be effective or enforceable against the Company Parties. Accordingly, the "**Effective Date**" of this Agreement shall be on the eighth (8th) day after Executive signs the Agreement and returns it to the Company, and provided that Executive does not revoke the Agreement during the seven (7) day revocation period.

In the event Executive elects to revoke this release pursuant to SECTION 4(f)(iii) above, Executive shall notify Company by hand-delivery, express courier or certified mail, return receipt requested, within seven (7) days after signing this Agreement to: ATTN: General Counsel, Builders FirstSource, Inc., [ADDRESS]. In the event that Executive exercises his right to revoke this release pursuant to SECTION 4(f)(iii) above, any and all obligations of Company under this Agreement shall be null and void. Executive agrees that by signing this Agreement prior to the

expiration of the forty-five (45) day period he has voluntarily waived his right to consider this Agreement for the full forty-five (45) day period. Executive further agrees that any changes to this Agreement made during the Review Period, whether material or immaterial, shall not restart the 45-day consideration period.

5. Review of Agreement; No Assignment of Claims. Executive represents and warrants that he (a) has carefully read and understands all of the provisions of this Agreement and has had the opportunity for it to be reviewed and explained by counsel to the extent Executive deems it necessary, (b) is voluntarily entering into this Agreement, (c) has not relied upon any representation or statement made by the Company or any other person with regard to the subject matter or effect of this Agreement, (d) has not transferred or assigned any Claims and (e) has not filed any complaint or charge against any of the Company Parties with any local, state, or federal agency or court.

6. No Claims. Each party represents that it has not filed any Claim against the other Party with any state, federal or local agency or court; provided, however, that nothing in this Agreement shall be construed to prohibit Executive from filing a Claim, including a challenge to the validity of this Agreement, with the Equal Employment Opportunity Commission (“**EEOC**”) or participating in any investigation or proceeding conducted by the EEOC.

7. Interpretation. This Agreement shall take effect as an instrument under seal and shall be governed and construed in accordance with the laws of the State of Texas without regard to provisions or principles thereof relating to conflict of laws.

8. Agreement as Defense. This Agreement may be pleaded as a full and complete defense to any subsequent action or other proceeding arising out of, relating to, or having anything to do with any and all Claims, counterclaims, defenses or other matters capable of being alleged, which are specifically released and discharged by this Agreement. This Agreement may also be used to abate any such action or proceeding and/or as a basis of a cross complaint for damages.

9. Nondisclosure of Agreement. The terms and conditions of this Agreement are confidential. Executive agrees not to disclose the terms of this Agreement to anyone except immediate family members and Executive’s attorneys and financial advisers. Executive further agrees to inform these people that the Agreement is confidential and must not be disclosed to anyone else. Executive may disclose the terms of this Agreement if compelled to do so by a court, but Executive agrees to notify the Company immediately if anyone seeks to compel Executive’s testimony in this regard, and to cooperate with the Company if the Company decides to oppose such effort. Executive agrees that disclosure by Executive in violation of this Agreement would cause so much injury to the Company that money alone could not fully compensate the Company and that the Company is entitled to injunctive and equitable relief. Executive also agrees that the Company would be entitled to recover money from Executive if this Agreement were violated.

10. Ongoing Covenants. Executive acknowledges that nothing in this Agreement shall limit or otherwise impact Executive’s continuing obligations of confidentiality to the Company in accordance with Company policy and applicable law, or any applicable Company policies or agreements between the Company and Executive with respect to non-competition or non-solicitation, and Executive covenants and agrees to abide by all such continuing obligations.

11. No Adverse Comments. Executive agrees not to make, issue, release or authorize any written or oral statements, derogatory or defamatory in nature, about the Company, its affiliates or any of their respective products, services, directors, officers or executives, provided that the foregoing shall not be violated by truthful testimony in response to legal process, normal competitive statements, rebuttal of statements by the other or actions to enforce his rights. Nothing herein prohibits Executive from communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of a federal law or regulation.

12. Integration; Severability. Except with respect to any continuing obligations to the Company, the terms and conditions of this Agreement constitute the entire agreement between Company and Executive and supersede all previous communications, either oral or written, between the parties with respect to the subject matter of this Agreement. No agreement or understanding varying or extending the terms of this Agreement shall be binding upon either party unless in writing signed by or on behalf of such party. In the event that a court finds any portion of this

Agreement unenforceable for any reason whatsoever, Company and Executive agree that the other provisions of the Agreement shall be deemed to be severable and will continue in full force and effect to the fullest extent permitted by law.

13. EXECUTIVE ACKNOWLEDGES THE FOLLOWING: HE HAS ENTERED INTO THIS AGREEMENT KNOWINGLY, VOLUNTARILY AND OF HIS OWN FREE WILL WITH A FULL UNDERSTANDING OF ITS TERMS; HE HAS READ THIS AGREEMENT; THAT HE FULLY UNDERSTANDS ITS TERMS; THAT EXECUTIVE IS ADVISED TO CONSULT AN ATTORNEY FOR ADVICE; THAT HE HAS THE RIGHT TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS AGREEMENT; THAT HE HAS HAD AMPLE TIME TO CONSIDER HIS DECISION BEFORE ENTERING INTO THE AGREEMENT; THAT HE IS SATISFIED WITH THE TERMS OF THIS AGREEMENT AND AGREES THAT THE TERMS ARE BINDING UPON HIM; AND THAT HE HAS BEEN ADVISED BY THE COMPANY OF HIS ABILITY TO TAKE ADVANTAGE OF THE CONSIDERATION PERIOD AFFORDED BY SECTION 4 ABOVE.

IN WITNESS WHEREOF, the parties have executed this Agreement with effect as of the date first above written.

**SEVERANCE AGREEMENT
ATTACHMENT A**

The following severance benefits are payable pursuant to SECTION 3.4 of Executive's Employment Agreement:

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this “**Agreement**”) between Scott Robins (“**Executive**”), Builders FirstSource, Inc., a Delaware corporation (the “**Company**”), is entered into as January 31, 2022 and is effective as of January 1, 2021 (the “**Effective Date**”).

RECITALS

WHEREAS, the Company and Executive are parties to that certain Employment Agreement dated as of February 20, 2018 (the “**Prior Employment Agreement**”);

WHEREAS, the Company and Executive desire to terminate the Prior Employment Agreement, effective as of the Effective Date; and

WHEREAS, as of the Effective Date, this Agreement shall supersede and replace in its entirety the Prior Employment Agreement, and this Agreement shall set forth the terms and conditions of Executive’s employment with the Company from and after the Effective Date.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the Company and Executive hereby agree as follows:

SECTION 1**EMPLOYMENT TERMS**

1.1 Employment. The Company hereby agrees to employ Executive pursuant to the terms of this Agreement, and Executive hereby accepts such employment by the Company, effective as of the Effective Date, for the period and upon the terms and conditions contained in this Agreement.

1.2 Position and Duties. Executive is hereby employed as of the Effective Date to serve as the President – West Division of the Company. In his capacity as President – West Division of the Company, Executive shall have all of the powers, duties and responsibilities commensurate with such position as shall be assigned to him by the Chief Executive Officer of the Company. In his capacity as President – West Division of the Company, Executive will report directly to the Chief Executive Officer of the Company.

Executive shall devote Executive’s full business time and attention and full diligence and vigor and good faith efforts to the affairs of the Company. Executive shall not engage in any other material business duties or pursuits or render any services of a professional nature to any other entity or person, or serve on any other board of directors (other than a not-for-profit board of directors, and then only to the extent it does not interfere with his duties to the Company), without the prior written consent of the Company’s Board of Directors (the “**Board**”) or a committee designated by the Board to approve such matters.

1.3 Term. Executive’s employment under this Agreement shall commence on the Effective Date and shall continue for an indefinite term, until terminated in accordance with SECTION 3 below. Certain provisions, however, as more fully set forth in SECTION 4, SECTION 5 and SECTION 6 below, continue in effect beyond the date of the termination of Executive’s employment (the “**Termination Date**”). Executive agrees that, effective as of the applicable Termination Date, Executive shall resign from all positions held by Executive as an officer, director or otherwise with respect to the Company or any member of the Company Group (as defined below).

SECTION 2**COMPENSATION AND BENEFITS**

2.1 Compensation.

(a) **Base Salary.** The Company shall pay to Executive an annual base salary at the rate not less than \$525,000 each calendar year (“**Base Salary**”), payable in accordance with the Company’s ordinary payroll and withholding practices from time to time in effect for its employees. During the term of employment hereunder, Executive’s salary shall be reviewed from time to time (but no less than annually) to determine whether an increase (not decrease) in Executive’s salary is appropriate. Any such increase shall be at the sole discretion of the Board, or where required, the Compensation Committee of the Board, and thereafter any such increased amount shall be Executive’s “Base Salary” for all purposes.

(b) **Annual Cash Bonus.** During the term of employment, Executive shall be eligible to participate under the Company’s annual incentive program for executive officers, as in effect and from time to time adopted by the Board (the “**Incentive Plan**”) for the award of an annual cash bonus (“**Annual Cash Bonus**”). The Annual Cash Bonus shall be determined based on a target bonus equal to 100% of Base Salary (the “**Target Bonus**”). Payment of the Annual Cash Bonus, if any, shall be made pursuant to the terms and conditions of the Incentive Plan.

(c) **Annual Equity Grant.** During the term of employment, Executive shall be eligible to participate under the applicable equity plan of the Company then in effect, as amended from time to time, or any successor plans (collectively, the “**Company Equity Plan**”), for the award of an annual grant of equity thereunder (the “**Annual Equity Grant**”). The actual award and amount of any Annual Equity Grant will be determined by the Board or the Compensation Committee of the Board in accordance with the terms of the applicable Company Equity Plan and subject to the provisions thereof.

2.2 **Benefits.**

(a) **Generally.** Executive shall be eligible to participate, to the extent it is legal and permitted by the applicable benefits plans, policies or contracts, in all employee benefits programs that the Company may adopt for its employees generally providing for sick or other leave, vacation, group health, disability and life insurance benefits. Executive shall be eligible to participate in the Company’s 401(k) plan on the terms and conditions and qualifications of such plan from time to time in effect, with a Company match (if any) no less favorable than that provided to any other Company executives. Executive shall be entitled to four (4) weeks of paid vacation for each full calendar year of employment, to be accrued in accordance with the Company’s regular vacation pay policy.

(b) **Executive.** Executive shall be eligible to participate, to the extent it is legal and permitted by the applicable plans, policies or contracts, in all benefits or fringe benefits which are in effect generally for the Company’s executive personnel from time to time.

2.3 **Expense Reimbursement.** The Company shall pay or reimburse Executive for all reasonable expenses incurred in connection with performing his duties upon presentation of documents in accordance with the reasonable procedures established by the Company.

SECTION 3

TERMINATION

3.1 **By the Company:**

(a) **For Cause.** The Company shall have the right at any time, exercisable upon written notice, to terminate Executive’s employment for Cause. As used in this Agreement, “**Cause**” shall mean that Executive:

(i) has committed any act or omission that results in, or that may reasonably be expected to result in, a conviction, plea of no contest or imposition of unadjudicated probation for any felony or crime involving moral turpitude;

(ii) has committed any act of fraud, embezzlement or misappropriation, or engaged in material misconduct or breach of fiduciary duty against the Company (or any predecessor thereto or successor thereof);

(iii) has willfully failed to substantially perform such duties as are reasonably assigned to him under this Agreement;

(iv) has unlawfully used (including being under the influence) or possessed illegal drugs on the Company's premises or while performing his duties and responsibilities for the Company;

(v) materially fails to perform Executive's duties required under Executive's employment by or other relationship with the Company (it being agreed that failure of the Company to achieve operating results or similar poor performance of the Company shall not, in and of itself, be deemed a failure to perform Executive's duties);

(vi) fails to comply with a lawful directive of the Board or Chief Executive Officer that is consistent with the Company's business practices and Code of Ethics;

(vii) engages in (A) willful misconduct for which Executive receives a material and improper personal benefit at the expense of the Company, or (B) accidental misconduct resulting in such a benefit which Executive does not promptly report to the Company and redress promptly upon becoming aware of such benefit;

(viii) in carrying out his duties under this Agreement, has engaged in acts or omissions constituting gross negligence or willful misconduct resulting in, or which, in the good faith opinion of the Board, could be expected to result in, substantial economic harm to the Company;

(ix) has failed for any reason to correct, cease or alter any action or omission that (A) materially violates or does not conform with the Company's policies, standards or regulations (including, without limitation, any Company policy or rule related to discrimination or sexual and other types of harassment or abusive conduct), (B) constitutes a material breach of this Agreement, including SECTION 4, or (C) constitutes a material breach of his duty of loyalty to the Company; or

(x) has disclosed any Proprietary Information (as defined below) without authorization from the Board, except as otherwise permitted by this Agreement, another agreement between the parties or any Company policy in effect at the time of disclosure.

For purposes of the definition of "Cause", "Company" shall include any subsidiary, business unit or affiliate of the Company. The Company shall provide written notice to Executive of any act or omission that the Company believes constitutes grounds for "Cause" pursuant to clause (v), (vi), (vii)(B) or (ix) above, and no such act or omission shall constitute "Cause" unless Executive fails to remedy such act or omission within ten (10) days of the receipt of such notice; provided that such ten (10) day cure period shall not apply with respect to any matter that is incapable of cure within such period.

(b) Without Cause. The Company may terminate Executive's employment under this Agreement at any time without Cause. As used in this Agreement, a termination without Cause shall mean the termination of Executive's employment by the Company other than for Cause pursuant to SECTION 3.1(a) above.

3.2 By Executive:

(a) Without Good Reason. Executive may terminate his employment under this Agreement at any time without Good Reason. As used in this Agreement, a termination without Good Reason shall mean termination of Executive's employment by Executive other than for Good Reason pursuant to SECTION 3.2(b) below.

(b) For Good Reason. Executive shall have the right at any time to resign his employment under this Agreement for Good Reason. As used in this Agreement, "**Good Reason**" shall mean the occurrence of any of the following events, without Executive's consent: (i) a material diminution in Executive's Base Salary or Target Bonus, in each case, other than as part of any across-the-board proportionate reduction applying to all senior executives of the Company, (ii) a material diminution in Executive's title, authority, duties and responsibilities as compared to Executive's title, authority, duties and responsibilities set forth herein (a "Material Diminution") (for the sake of clarity, (A) a change in reporting structure by itself does not constitute a Material Diminution, (B) a

change to a different position that is of comparable status within the Company does not constitute a Material Diminution, (C) any changes generally implemented with regard to a broad group of senior executives does not constitute a Material Diminution, and (D) any change consented to by Executive is not a Material Diminution), (iii) any material breach by the Company or any member of the Company Group (as defined below) of this Agreement, (iv) there is a Change in Control and the successor to the Company, if applicable, does not assume and continue this Agreement, and (v) except as required by Section 1.4, any requirement by the Company that Executive relocate his personal residence to any city more than one hundred (100) miles from (a) Denver, Colorado or (b) Dallas, Texas if Executive has relocated his personal residence to the greater Dallas, Texas metropolitan area.

Notwithstanding the foregoing, no event shall be a Good Reason event unless (i) Executive gives the Company written notice that he is resigning for Good Reason within ninety (90) days of the first occurrence of the Good Reason event, and (ii) the Company (A) accepts such resignation, (B) does not cure such Good Reason event, or (C) disputes the existence of Good Reason, in each case within thirty (30) days of receiving such notice, and in the case of clauses (A) and (B) Executive's resignation for Good Reason shall become effective as of the earlier of (x) the date the Company accepts such resignation, or (y) the expiration of the thirty day cure period (provided the Company has not cured the Good Reason event) and in the case of clause (C) shall become effective only if Good Reason is ultimately determined to exist upon final resolution of the Company's dispute of his resignation by a court of competent jurisdiction or otherwise.

(c) The term "**Change in Control**" shall have the meaning set forth in the Company's 2014 Incentive Plan, as may be amended from time to time.

3.3 Compensation Upon Termination. Upon termination of Executive's employment with the Company, the Company's obligation to pay compensation and benefits under SECTION 2 shall terminate, except that the Company shall pay to Executive or, if applicable, Executive's heirs, all earned but unpaid Base Salary under SECTION 2.1(a) and accrued but unused vacation under SECTION 2.2, in each case, through the Termination Date and Executive's unreimbursed expenses incurred through the Termination Date in accordance with SECTION 2.3. In addition, Executive shall be entitled to receive (i) any vested amounts or benefits due under any tax-qualified retirement or group insurance plan or program in accordance with the terms thereof, and (ii) other than on an involuntary termination by the Company for Cause or a voluntary termination by Executive without Good Reason (for the avoidance of doubt, for purposes of this subsection, a termination due to Executive's death shall not constitute a termination for Good Reason"), his Annual Cash Bonus for any completed fiscal year to the extent earned for such fiscal year and if such bonus has not previously been paid for such completed fiscal year, at the same time such Annual Cash Bonus would have been paid if Executive had continued in employment (it being understood that in the event of any such termination Executive is not entitled to an Annual Bonus for the then-current Fiscal Year). If the Company terminates Executive's employment without Cause or if Executive terminates his employment for Good Reason, then, in addition, to the foregoing compensation, upon execution and delivery (and non-revocation) by Executive of the Separation Agreement and General Release as set forth in SECTION 6.10, the Company shall pay severance benefits pursuant to SECTION 3.4 below. No other payments or compensation of any kind shall be paid in respect of Executive's employment with or termination from the Company, except as contemplated in Section 3.4(d) set forth below. Notwithstanding any contrary provision contained herein, in the event of any termination of Executive's employment, the exclusive remedies available to Executive shall be the amounts due under this SECTION 3, which are in the nature of liquidated damages, and are not in the nature of a penalty.

3.4 Severance Benefits.

(a) **Termination without Cause or for Good Reason.** Subject to the terms and conditions of eligibility for Executive's receipt of severance benefits under this Agreement, including the timely execution and delivery (and non-revocation) by Executive of the Separation Agreement and General Release as set forth in SECTION 6.10, if the Company terminates Executive's employment without Cause or Executive terminates his employment for Good Reason, the Company shall pay to Executive, as severance benefits, which amounts are in addition to the Compensation upon Termination set forth in SECTION 3.3 herein:

(i) An amount equal to 100% of his Base Salary which shall be paid to Executive on a salary continuation basis according to the Company's normal payroll practices over the twelve (12) month period following the date Executive incurs a Separation from Service, but in no event less frequently than monthly.

(ii) An amount equal to 100% of Executive's Target Bonus, which shall be paid to Executive in equal installments according to the Company's normal payroll practices over the twelve (12) month period following the date Executive incurs a Separation from Service, but in no event less frequently than monthly.

(iii) Subject to (1) Executive's timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), and (2) Executive's continued copayment of premiums at the same level and cost to Executive as if Executive were an employee of the Company (excluding, for purposes of calculating cost, an employee's ability to pay premiums with pre-tax dollars), continued participation in the Company's group health plan (to the extent permitted under applicable law and the terms of such plan) which covers Executive (and Executive's eligible dependents) for a period of twelve (12) months at the Company's expense, provided that Executive is eligible and remains eligible for COBRA coverage. The Company may modify its obligation under this SECTION 3.4(a)(iii) to the extent reasonably necessary to avoid any penalty or excise taxes imposed on it in connection with the continued payment of premiums by the Company under the Patient Protection and Affordable Care Act of 2010, as amended, or other applicable law.

(b) Notwithstanding any other provision of this Agreement, any severance benefits that would otherwise have been paid before the Company's first normal payroll payment date falling on or after the sixtieth (60th) day after the date on which Executive incurs a Separation from Service (the "**First Payment Date**") shall be made on the First Payment Date. Each separate severance installment payment and each other payment that Executive may be eligible to receive under this Agreement shall be a separate payment under this Agreement for all purposes.

(c) Executive shall have no duty or obligation to mitigate the amounts due under SECTION 3.4(a) above and any amounts earned by Executive from other employment shall not be offset or reduce the amounts due hereunder.

(d) If Executive's employment is terminated on or prior to June 30, 2022 and Executive's restricted stock units issued prior to December 15, 2020 are accelerated as a result of such termination, then Executive will not be entitled to receive an amount equal to 100% of Executive's Target Bonus as set forth in Section 3.4(a)(ii) above.

SECTION 4

CERTAIN AGREEMENTS

4.1 Confidentiality. Executive acknowledges that the Company owns and shall own and has developed and shall develop proprietary information concerning its business and the business of its subsidiaries and affiliates and each of their employees, customers and clients ("**Proprietary Information**"). Such Proprietary Information includes, among other things, trade secrets, financial information, product plans, customer lists, marketing plans, systems, manuals, training materials, forecasts, inventions, improvements, know-how and other intellectual property, in each case, relating to the Company's business. Executive shall, at all times, both during employment by the Company and thereafter, keep all Proprietary Information in confidence and trust and shall not use or disclose any Proprietary Information without the written consent of the Company, except as necessary in the ordinary course of Executive's duties. Executive shall keep the terms of this Agreement in confidence and trust and shall not disclose such terms, except to Executive's family, accountants, financial advisors, or attorneys, or as otherwise authorized or required by law. The parties acknowledge that pursuant to the Defend Trade Secrets Act of 2016 (the "**DTSA**"), an individual may not be held criminally or civilly liable under any Federal or state trade secret law for disclosure of a trade secret that (i) is made (A) in confidence to a Federal, state or local governmental authority, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of applicable law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Agreement or any other agreement Executive has with the Company

or any of its affiliates is intended to conflict with the DTSA or create liability for disclosures of trade secrets that are expressly allowed by such section. Under the DTSA, any employee, contractor, or consultant who is found to have wrongfully misappropriated trade secrets (as the terms “misappropriate” and “trade secret” are defined in the DTSA) may be liable for, among other things, exemplary damages and attorneys’ fees. Further, nothing in this Agreement or any other agreement Executive has with the Company or any of its affiliates will prohibit or restrict Executive from making any voluntary disclosure of information or documents related to any violation of law to any governmental agency or legislative body, or any self-regulatory organization, in each case, without advance notice to the Company.

4.2 Company Property. Executive recognizes that all Proprietary Information, however stored or memorialized, and all identification cards, keys, flash drives, computers, mobile phones, Personal Data Assistants, telephone numbers, access codes, marketing materials, documents, records and other equipment or property which the Company provides are the sole property of the Company. Upon termination of employment, Executive shall (1) refrain from taking any such property from the Company’s premises, and (2) return any such property in Executive’s possession within ten (10) business days.

4.3 Assignment of Inventions to the Company. Executive shall promptly disclose to the Company all improvements, inventions, formulas, processes, computer programs, know-how and trade secrets developed, whether or not patentable, made or conceived or reduced to practice or developed by Executive, either alone or jointly with others, during and related to Executive’s employment and the Company’s business or while using the Company’s equipment, supplies, facilities or trade secret information (collectively, “**Inventions**”). All Inventions and other intellectual property rights shall be the sole property of the Company and shall be “works made for hire.” Executive hereby assigns to the Company any rights Executive may have or acquire in all Inventions and agrees to perform, during and after employment with the Company, at the Company’s expense including reasonable compensation to Executive, all acts reasonably necessary by the Company in obtaining and enforcing intellectual property rights with respect to such Inventions. Executive hereby irrevocably appoints the Company and its officers and agents as Executive’s attorney-in-fact to act for and in Executive’s name and stead with respect to such Inventions.

SECTION 5

COVENANT NOT TO ENGAGE IN CERTAIN ACTS

5.1 General. Executive understands and agrees that Executive shall hold a position of significant trust and, in such position of significant trust, shall provide services and have responsibility with respect to the Company and all of its subsidiaries and affiliates (collectively, the “**Company Group**”), including, without limitation, contributing to the acquisition and retention of customers and the generation of goodwill. Executive further understands and agrees that Executive will develop, access and use Proprietary Information for the benefit of the Company Group. The parties understand and agree that the purpose of the restrictions contained in SECTION 4 and this SECTION 5 is to protect the goodwill and other legitimate business interests of the Company (including its Proprietary Information), and that the Company would not have entered into this Agreement in the absence of such restrictions. Executive acknowledges and agrees that the restrictions are reasonable and do not, and will not, unduly impair his ability to make a living after the termination of his employment with the Company. The provisions of SECTION 4 and SECTION 5 shall survive the expiration or sooner termination of this Agreement.

5.2 Non-Compete; Non-Interference; Non-Solicit. During the term of employment and for a period of twelve (12) months after the Termination Date Executive shall not, whether for Executive’s own account or for any other Person, directly or indirectly, with or without compensation:

(a) own, manage, operate, control or participate in the ownership, management, operation or control of, or be employed or engaged in a senior management role by, any corporation, limited liability company, partnership, joint venture, proprietorship or other business entity or organization that engages in or plans to engage in the business of (i) supplying, distributing, manufacturing, designing, constructing and/or installing structural and related building products, including, without limitation, prefabricated components, roof and floor trusses, wall panels, stairs, windows, doors, millwork, lumber products, roofing, insulation, hardware and other building products

and/or (ii) providing services to customers in connection with any of the foregoing or otherwise related to residential homebuilding, in each case, (i) and (ii) anywhere in the United States (a “**Competing Business**”).

(b) solicit, or call upon or otherwise attempt to solicit, on behalf of any Competing Business, any of the customers, prospective customers, vendors or suppliers of Company Group;

(c) divert or take away, or attempt to divert or take away, any existing business of the Company Group;

(d) induce or entice, or seek to induce or entice, or otherwise interfere with, the Company Group’s business relationship with, any customer of the Company Group;

(e) advance credit or lend money to any third party for the purpose of establishing or operating any Competing Business; or

(f) with respect to any substantially full time independent contractor of the Company Group, employee of the Company Group or individual who was, at any time during the three months prior to the Termination Date, an employee of the Company Group: (A) hire or retain, or attempt to hire or retain, such individual to provide services for any third party; or (B) entice away or in any manner persuade or attempt to persuade, such individual to (1) terminate and/or leave his employment or engagement, (2) accept employment with any person or entity other than a member of the Company Group, or (3) terminate his relationship with the Company Group or devote less of his business time to the Company Group.

Notwithstanding the foregoing, nothing in this SECTION 5.2 will prohibit Executive from acquiring or holding not more than two percent (2%) of any class of publicly traded securities.

5.3 Cessation/Reimbursement of Payments. Notwithstanding anything to the contrary in this Agreement, if Executive violates any provision of SECTION 4 or SECTION 5, the Company may, upon giving written notice to Executive, immediately terminate Executive’s employment with the Company for Cause or, in the event the violation occurs following the Termination Date, cease all payments and benefits that it may be providing to Executive pursuant to SECTION 3, and Executive shall be required to reimburse the Company for any payments received from the Company pursuant to SECTION 3; provided, however, that the foregoing shall be in addition to such other remedies as may be available to the Company and shall not be deemed to permit Executive to forego or waive such payments in order to avoid his obligations under SECTION 4 or SECTION 5; and provided, further, that any release of claims by Executive pursuant to SECTION 6.10 shall continue in effect.

5.4 Survival; Injunctive Relief. Executive agrees that the provisions of SECTION 4 and SECTION 5 shall survive the termination of this Agreement and the termination of Executive’s employment. Executive acknowledges that a breach by him of the covenants contained in SECTION 4 or SECTION 5 cannot be reasonably or adequately compensated in damages in an action at law and that such breach will cause the Company immeasurable and irreparable injury and damage. Executive further acknowledges that he possesses unique skills, knowledge and ability and that competition in violation of SECTION 4 or SECTION 5 would be extremely detrimental to the Company. By reason thereof, each of the Company and Executive agrees that the other shall be entitled, in addition to any other remedies it may have under this Agreement, at law or in equity, or otherwise, to temporary, preliminary and/or permanent injunctive and other equitable relief to prevent or curtail any actual or threatened violation of SECTION 4 or SECTION 5, without proof of actual damages that have been or may be caused to the Company by such breach or threatened breach, and waives to the fullest extent permitted by law the posting or securing of any bond by the other party in connection with such remedies.

SECTION 6

MISCELLANEOUS

6.1 **Notices.** All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by certified or registered mail, postage prepaid, with return receipt requested, telecopy (with hard copy delivered by overnight courier service), or delivered by hand, messenger or overnight courier service, and shall be deemed given when received at the addresses of the parties set forth below, or at such other address furnished in writing to the other parties hereto:

To the Company:

Builders FirstSource, Inc.
Attn: General Counsel
2001 Bryan Street, Suite 1600
Dallas, Texas 75201

To Executive: at the home address of Executive maintained in the human resource records of the Company.

6.2 **Severability.** The parties agree that it is not their intention to violate any public policy or statutory or common law. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law. Without limiting the foregoing, if any portion of SECTION 5 is held to be unenforceable, the maximum enforceable restriction of time, scope of activities and geographic area will be substituted for any such restrictions held unenforceable.

6.3 **Governing Law.** This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to its principles of conflicts of laws. Executive: agrees to submit to the jurisdiction of the State of Delaware; agrees that any dispute concerning this Agreement shall be brought exclusively in a state or federal court of competent jurisdiction in Delaware; and agrees that other than disputes involving SECTION 4 or SECTION 5, all disputes shall be settled through arbitration pursuant to SECTION 6.15. Executive waives any and all objections to jurisdiction or venue.

6.4 **Survival.** The covenants and agreements of the parties set forth in SECTIONS 4, 5 and 6 are of a continuing nature and shall survive the expiration, termination or cancellation of this Agreement, irrespective of the reason therefor.

6.5 **Entire Agreement.** This Agreement contains the entire understanding between the parties hereto with respect to the terms of employment, compensation, benefits, and covenants of Executive, and supersede all other prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, between Executive and the Company relating to the subject matter of the Agreement, which such other prior and contemporaneous agreements and understandings, inducements or conditions shall be deemed terminated effective on the Effective Date, including without limitation, the Prior Employment Agreement. For the avoidance of doubt, the parties agree that any and all indemnification agreements between Executive and the Company shall continue in full force unimpaired by this Agreement

6.6 **Binding Effect, Etc.** This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and the Company's successors and assigns, including any direct or indirect successor by purchase, merger, consolidation, reorganization, liquidation, dissolution, winding up or otherwise with respect to all or substantially all of the business or assets of the Company, and Executive's spouse, heirs, and personal and legal representatives.

6.7 **Counterparts; Amendment.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be amended or modified only by written instrument duly executed by the Company and Executive.

6.8 **Voluntary Agreement.** Executive has read this Agreement carefully, has had the opportunity to seek advice of counsel and understands and accepts the obligations that it imposes upon Executive without reservation. No other

promises or representations have been made to Executive to induce Executive to sign this Agreement. Executive is signing this Agreement voluntarily and freely.

6.9 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns (including any direct or indirect successor, spouses, heirs and personal and legal representatives). Any such successor or assign of the Company shall be included in the term “Company” as used in this Agreement.

6.10 Release of Claims. In consideration for the compensation and other benefits provided pursuant to this Agreement, Executive agrees to execute a “Separation Agreement and General Release” to be presented by the Company substantially in the form of Exhibit A attached hereto. The Company’s obligation to pay severance benefits pursuant to SECTION 3.4 is expressly conditioned on Executive’s execution and delivery of such Separation Agreement and General Release no later than forty-five (45) days after the date Executive incurs a Separation from Service without revoking it for a period of seven (7) days following delivery. Executive’s failure to execute and deliver such Separation Agreement and General Release within such forty-five (45) day time period (or Executive’s subsequent revocation of such Separation Agreement and General Release) will void the Company’s obligation to pay severance benefits under this Agreement

6.11 Withholding. All compensation payable to Executive pursuant to this Agreement will be subject to any applicable statutory withholding taxes and such other taxes as are required or permitted under applicable law and such other deductions or withholdings as authorized by Executive to be collected with respect to compensation paid to Executive.

6.12 In-kind Benefits and Reimbursements. Notwithstanding anything to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any tax year of Executive shall not affect in-kind benefits or reimbursements to be provided in any other tax year of Executive, except for the reimbursement of medical expenses referred to in Section 105(b) of the Internal Revenue Code, as amended (“**Code**”), and are not subject to liquidation or exchange for another benefit. Notwithstanding anything to the contrary in this Agreement, reimbursement requests must be timely submitted by Executive and, if timely submitted, reimbursement payments shall be made to Executive as soon as administratively practicable following such submission, but in no event later than December 31st of the calendar year following the calendar year in which the expense was incurred. In no event shall Executive be entitled to any reimbursement payments after December 31st of the calendar year following the calendar year in which the expense was incurred. This SECTION 6.12 shall apply only to in-kind benefits and reimbursements that would result in taxable compensation income to Executive.

6.13 Section 409A The intent of the parties is that payments and benefits under this Agreement be exempt from, or comply with, Section 409A of the Code (and the rules and regulations promulgated thereunder) (“**Section 409A**”), and accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in accordance therewith. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of any payments under this Agreement which are subject to Section 409A until Executive would be considered to have incurred a “separation from service” from the Company within the meaning of Section 409A. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separate identified payment for purposes of Section 409A, and any payments described in this Agreement that are due within the “short term deferral period” as defined in Section 409A, or otherwise satisfying an exception under Section 409A, shall not be treated as deferred compensation unless applicable law requires otherwise. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six (6)-month period immediately following Executive’s separation from service shall instead be paid on the first business day after the date that is six (6) months following Executive’s separation from service (or, if earlier, death). To the extent required to avoid accelerated taxation and/or tax penalties under Section 409A, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided) during any one year may not effect amounts reimbursable or provided in any subsequent year. In no event shall the timing of Executive’s execution of a Separation Agreement and General Release pursuant to SECTION 6.10 result, directly or indirectly, in Executive

designating the calendar year of any payment hereunder, and, to the extent required by Section 409A, if a payment hereunder that is subject to execution of a Separation Agreement and General Release could be made in more than one taxable year, payment shall be made in the later taxable year. Notwithstanding anything to the contrary in this Agreement or any other agreement by and between Executive and any member of the Company Group, to the extent that (i) this Agreement provides for the vesting and settlement of any equity award held by Executive and (ii) such equity award constitutes nonqualified deferred compensation subject to Section 409A, such equity award shall be settled at the earliest time that will not trigger a Tax or penalty under Section 409A. The Company makes no representation that any or all of the payments described in this Agreement shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment.

6.14 Indemnification, etc. The Company shall provide an indemnification agreement by which it shall indemnify and hold harmless Executive to the fullest extent permitted by law for any action or inaction Executive takes in good faith with regard to the Company or parent or any benefit plan of either, in accordance with the Company's Certificate of Incorporation and By-laws. Further, the Company shall cover Executive on its directors' and officers' liability insurance policies to no less extent than that which covers any other officer or director of the Company.

6.15 Arbitration. Except with respect to the Company's enforcement of the covenants in SECTION 4 and SECTION 5, in the event that either Executive or the Company (or their successor and assigns, or any other person claiming benefits on behalf of or through them) has a dispute, claim, question, or disagreement arising from or relating to this Agreement or the breach thereof, the parties hereto shall use their best efforts to settle the dispute, claim, question, or disagreement. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If the parties do not reach such solution within a period of 60 days, then, upon written notice by either party to the other, all such disputes, claims, questions, or differences shall be finally settled by confidential binding arbitration administered by the American Arbitration Association in accordance with the provisions of its Employment Arbitration Rules, unless such claim is precluded by law from being settled through arbitration. Such arbitration shall take place in Dallas, Texas. Any arbitrator selected by the parties to arbitrate any such dispute shall have practiced predominately in the field of employment law for no less than ten years. The arbitrator will have the power to interpret this Agreement. Any determination or decision by the arbitrator shall be binding upon the parties and may be enforced in any court of law. The parties agree that this arbitration provision does not apply to the right of Executive to file a charge, testify, assist or participate in any manner in an investigation, hearing or proceeding before the Equal Employment Opportunity Commission or any other agency pertaining to any matters covered by this Agreement and within the jurisdiction of the agency. Both parties agree that this arbitration clause has been bargained for by the parties upon advice of their respective counsel.

6.16 Code Section 280G. Notwithstanding any other provision of this Agreement, if it is determined that the benefits or payments payable under this Agreement, taking into account other benefits or payments provided under other plans, agreements or arrangements, constitute Parachute Payments that would subject Executive to tax under Section 4999 of the Code, it must be determined whether Executive will receive the total payments due or the Reduced Amount. Executive will receive the Reduced Amount if the Reduced Amount results in equal or greater Net After Tax Receipts than the Net After Tax Receipts that would result from Executive receiving the total payments due.

If it is determined that the total payments should be reduced to the Reduced Amount, the Company must promptly notify Executive of that determination, including a copy of the detailed calculations by an accounting firm or other professional organization qualified to make the calculation that was selected by the Company and acceptable to Executive (the "**Accounting Firm**"). The Company shall pay the fees and expenses of the Accounting Firm. All determinations made by the Accounting Firm under this SECTION 6.16 are binding upon the Company and Executive, subject to any differing determination by the Internal Revenue Service.

It is the intention of the Company and Executive to reduce the payments under this Agreement and any other plan, agreement or arrangement only if the aggregate Net After Tax Receipts to Executive would thereby be increased.

If it is determined that the total payments should be reduced to the Reduced Amount, any reduction shall be in the order that would provide Executive with the largest amount of Net After Tax Receipts (subject to the remainder of

this sentence, pro rata if two alternatives provide the same result) and shall, to the extent permitted by Code Section 280G and 409A be designated by Executive. Executive shall at any time have the unilateral right to forfeit any equity grant in whole or in part.

For purposes of this Agreement, the term “**Net After Tax Receipt**” means the Present Value of the total payments or the Reduced Amount, as applicable, net of all federal, state and local income and payroll taxes imposed on Executive, including Section 4999 of the Code, determined by applying the highest marginal rate of income taxes which applied to Executive’s taxable income for the immediately preceding taxable year. For purposes of this Agreement, the term “**Parachute Payment**” means a payment (under this Agreement or any other plan, agreement or arrangement) that is described in Section 280G(b)(2) of the Code, determined in accordance with Section 280G of the Code and the regulations thereunder. For purposes of this Agreement, the term “**Present Value**” means the value determined in accordance with Section 280G(d)(4) of the Code and the regulations thereunder. For purposes of this Agreement, the term “**Reduced Amount**” means the largest amount of Parachute Payments that is less than the total Parachute Payments and that may be paid to Executive without subjecting Executive to tax under Section 4999 of the Code.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

COMPANY

EXECUTIVE:

BUILDERS FIRSTSOURCE, INC.

By: /s/ Timothy D. Johnson
Name: Timothy D. Johnson
Its: Executive Vice President & General Counsel

/s/ Scott Robins
Scott Robins

EXHIBIT A

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (this “**Agreement**”) is made as of by and between [] (“**Executive**”) and Builders FirstSource, Inc. (the “**Company**”). For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Termination of Employment.** The parties agree that Executive’s employment with the Company and all of its affiliates is terminated effective as of [] (the “**Termination Date**”).

2. **Payments Due to Executive.** Executive acknowledges receipt of [] (\$[]) from the Company, representing Executive’s accrued but unpaid Base Salary and accrued unused vacation through the Termination Date. In addition, Executive shall receive (a) his annual bonus (if any) for the fiscal year completed prior to the Termination Date, to be paid at the same time annual bonuses would have been paid if Executive had continued in employment, (b) shall receive any vested benefits due under any tax-qualified retirement or group insurance plan or program in accordance with the term thereof, and (c) any unreimbursed business expenses incurred through the Termination Date. Other than as expressly set forth in this SECTION 2, Executive is not entitled to any consulting fees, wages, accrued vacation pay, benefits or any other amounts with respect to his employment through the Termination Date.

3. **Severance Benefits and Continuing Health Insurance Coverage.** In consideration of Executive’s execution and non-revocation of this Agreement in accordance with its terms, the Company agrees to pay to Executive the amounts provided in SECTION 3.4 of that certain Amended and Restated Employment Agreement, dated as of _____, 20__ by and between Executive and the Company, which amounts are, to the extent known, stated on Attachment A hereto.

4. **General Release.**

(a) Executive, on behalf of Executive, his heirs, executors, personal representatives, administrators and assigns, voluntarily, irrevocably, knowingly and unconditionally releases, remises and discharges the Company and all of its current and former parents, subsidiaries and affiliates, each of their respective members, officers, directors, stockholders, partners, employees, agents, representatives, advisors and attorneys, and each of their respective subsidiaries, affiliates, estates, predecessors, successors and assigns (collectively, the “**Company Parties**”) from any and all actions, causes of action, charges, complaints, claims, damages, demands, debts, lawsuits, rights, understandings, obligations, expenses (including attorneys’ fees and costs), covenants, contracts, promises or liabilities of any kind, nature or description whatsoever, known or unknown, in law or in equity (collectively, the “**Claims**”) which Executive or Executive’s heirs, executors, personal representatives, administrators and assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever (i) arising from the beginning of time through the date upon which Executive executes this Agreement, including, without limitation, any such Claims arising out of, relating to or in connection with Executive’s employment or service as a director with the Company, including tort, fraud, or defamation and arising under federal, local or state statute or regulation, including, without limitation, Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act, the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974, the Civil Rights Act of 1991, the Equal Pay Act, the Fair Labor Standards Act, 42 U.S.C. § 1981, the Texas Labor Code (including, without limitation, the Texas Payday Law, the Texas Anti-Retaliation Act, Chapter 21 of the Texas Labor Code, and the Texas Whistleblower Act), each as amended and including each of their respective implementing regulations and/or any other federal, state, local or foreign law (statutory, regulatory or otherwise), that may be legally waived and released; (ii) arising out of or relating to the termination of Executive’s employment; or (iii) arising under or relating to any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company or any of the other Company Parties and Executive.

(b) Executive agrees that there is a risk that each and every injury which he may have suffered by reason of his employment relationship might not now be known, and there is a further risk that such injuries, whether known or unknown at the date of this Agreement, might become progressively worse, and that as a result thereof further damages may be sustained by Executive; nevertheless, Executive desires to forever and fully release and discharge the Company Parties, and he fully understands that by the execution of this Agreement no further claims for any such injuries may ever be asserted.

(c) This general release does not in any way diminish or impair: (i) any Claims Executive may have that cannot be waived under applicable law, (ii) Executive's right to enforce this Agreement; (iii) any rights Executive may have to indemnification from personal liability or to protection under any insurance policy maintained by the Company, including without limitation any general liability, employment practices liability, or directors and officers insurance policy or any contractual indemnification agreement; (iv) Executive's right, if any, to government provided unemployment and worker's compensation benefits; or (v) Executive's rights under any Company Executive benefit plans (i.e. health, disability or tax-qualified retirement plans), which by their explicit terms survive the termination of Executive's employment

(d) Executive agrees that the consideration set forth in SECTION 3 above shall constitute the entire consideration provided under this Agreement, and that Executive will not seek from the Company Parties any further compensation or other consideration for any claimed obligation, entitlement, damage, cost or attorneys' fees in connection with the matters encompassed by this Agreement.

(e) Executive understands and agrees that if any facts with respect to this Agreement or Executive's prior treatment by or employment with the Company are found to be different from the facts now believed to be true, Executive expressly accepts, assumes the risk of, and agrees that this Agreement shall remain effective notwithstanding such differences. Executive agrees that the various items of consideration set forth in this Agreement fully compensate for said risks, and that Executive will have no legal recourse against the Company in the event of discovery of a difference in facts.

(f) Executive agrees to the release of all known and unknown claims, including expressly the waiver of any rights or claims arising out of the Federal Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq. ("**ADEA**"), and in connection with such waiver of ADEA claims, and as provided by the Older Worker Benefit Protection Act, Executive understands and agrees as follows:

(i) Executive has the right to consult with an attorney before signing this Agreement, and is hereby advised to do so;

(ii) Executive shall have a period of forty-five (45) days from the Termination Date (or from the date of receipt of this Agreement if received after the Termination Date) in which to consider the terms of the Agreement (the "**Review Period**"). Executive may at his option execute this Agreement at any time during the Review Period. If Executive does not return the signed Agreement to the Company prior to the expiration of the 45 day period, then the offer of severance benefits set forth in this Agreement shall lapse and shall be withdrawn by the Company; and

(iii) Executive may revoke this Agreement at any time during the first seven (7) days following Executive's execution of this Agreement, and this Agreement and release shall not be effective or enforceable until the seven-day period has expired ("**Revocation Period Expiration Date**"). Notice of a revocation by Executive must be made to the designated representative of the Company (as described below) within the seven (7) day period after Executive signs this Agreement. If Executive revokes this Agreement, it shall not be effective or enforceable against the Company Parties. Accordingly, the "**Effective Date**" of this Agreement shall be on the eighth (8th) day after Executive signs the Agreement and returns it to the Company, and provided that Executive does not revoke the Agreement during the seven (7) day revocation period.

In the event Executive elects to revoke this release pursuant to SECTION 4(f)(iii) above, Executive shall notify Company by hand-delivery, express courier or certified mail, return receipt requested, within seven (7) days after signing this Agreement to: ATTN: General Counsel, Builders FirstSource, Inc., [ADDRESS]. In the event that Executive exercises his right to revoke this release pursuant to SECTION 4(f)(iii) above, any and all obligations of Company under this Agreement shall be null and void. Executive agrees that by signing this Agreement prior to the

expiration of the forty-five (45) day period he has voluntarily waived his right to consider this Agreement for the full forty-five (45) day period. Executive further agrees that any changes to this Agreement made during the Review Period, whether material or immaterial, shall not restart the 45-day consideration period.

5. Review of Agreement; No Assignment of Claims. Executive represents and warrants that he (a) has carefully read and understands all of the provisions of this Agreement and has had the opportunity for it to be reviewed and explained by counsel to the extent Executive deems it necessary, (b) is voluntarily entering into this Agreement, (c) has not relied upon any representation or statement made by the Company or any other person with regard to the subject matter or effect of this Agreement, (d) has not transferred or assigned any Claims and (e) has not filed any complaint or charge against any of the Company Parties with any local, state, or federal agency or court.

6. No Claims. Each party represents that it has not filed any Claim against the other Party with any state, federal or local agency or court; provided, however, that nothing in this Agreement shall be construed to prohibit Executive from filing a Claim, including a challenge to the validity of this Agreement, with the Equal Employment Opportunity Commission (“**EEOC**”) or participating in any investigation or proceeding conducted by the EEOC.

7. Interpretation. This Agreement shall take effect as an instrument under seal and shall be governed and construed in accordance with the laws of the State of Texas without regard to provisions or principles thereof relating to conflict of laws.

8. Agreement as Defense. This Agreement may be pleaded as a full and complete defense to any subsequent action or other proceeding arising out of, relating to, or having anything to do with any and all Claims, counterclaims, defenses or other matters capable of being alleged, which are specifically released and discharged by this Agreement. This Agreement may also be used to abate any such action or proceeding and/or as a basis of a cross complaint for damages.

9. Nondisclosure of Agreement. The terms and conditions of this Agreement are confidential. Executive agrees not to disclose the terms of this Agreement to anyone except immediate family members and Executive’s attorneys and financial advisers. Executive further agrees to inform these people that the Agreement is confidential and must not be disclosed to anyone else. Executive may disclose the terms of this Agreement if compelled to do so by a court, but Executive agrees to notify the Company immediately if anyone seeks to compel Executive’s testimony in this regard, and to cooperate with the Company if the Company decides to oppose such effort. Executive agrees that disclosure by Executive in violation of this Agreement would cause so much injury to the Company that money alone could not fully compensate the Company and that the Company is entitled to injunctive and equitable relief. Executive also agrees that the Company would be entitled to recover money from Executive if this Agreement were violated.

10. Ongoing Covenants. Executive acknowledges that nothing in this Agreement shall limit or otherwise impact Executive’s continuing obligations of confidentiality to the Company in accordance with Company policy and applicable law, or any applicable Company policies or agreements between the Company and Executive with respect to non-competition or non-solicitation, and Executive covenants and agrees to abide by all such continuing obligations.

11. No Adverse Comments. Executive agrees not to make, issue, release or authorize any written or oral statements, derogatory or defamatory in nature, about the Company, its affiliates or any of their respective products, services, directors, officers or executives, provided that the foregoing shall not be violated by truthful testimony in response to legal process, normal competitive statements, rebuttal of statements by the other or actions to enforce his rights. Nothing herein prohibits Executive from communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of a federal law or regulation.

12. Integration; Severability. Except with respect to any continuing obligations to the Company, the terms and conditions of this Agreement constitute the entire agreement between Company and Executive and supersede all previous communications, either oral or written, between the parties with respect to the subject matter of this Agreement. No agreement or understanding varying or extending the terms of this Agreement shall be binding upon either party unless in writing signed by or on behalf of such party. In the event that a court finds any portion of this

Agreement unenforceable for any reason whatsoever, Company and Executive agree that the other provisions of the Agreement shall be deemed to be severable and will continue in full force and effect to the fullest extent permitted by law.

13. EXECUTIVE ACKNOWLEDGES THE FOLLOWING: HE HAS ENTERED INTO THIS AGREEMENT KNOWINGLY, VOLUNTARILY AND OF HIS OWN FREE WILL WITH A FULL UNDERSTANDING OF ITS TERMS; HE HAS READ THIS AGREEMENT; THAT HE FULLY UNDERSTANDS ITS TERMS; THAT EXECUTIVE IS ADVISED TO CONSULT AN ATTORNEY FOR ADVICE; THAT HE HAS THE RIGHT TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS AGREEMENT; THAT HE HAS HAD AMPLE TIME TO CONSIDER HIS DECISION BEFORE ENTERING INTO THE AGREEMENT; THAT HE IS SATISFIED WITH THE TERMS OF THIS AGREEMENT AND AGREES THAT THE TERMS ARE BINDING UPON HIM; AND THAT HE HAS BEEN ADVISED BY THE COMPANY OF HIS ABILITY TO TAKE ADVANTAGE OF THE CONSIDERATION PERIOD AFFORDED BY SECTION 4 ABOVE.

IN WITNESS WHEREOF, the parties have executed this Agreement with effect as of the date first above written.

**SEVERANCE AGREEMENT
ATTACHMENT A**

The following severance benefits are payable pursuant to SECTION 3.4 of Executive's Employment Agreement:



Revised 7/19/21

CODE OF BUSINESS CONDUCT AND ETHICS

All of our employees, officers and directors must be ethical and honest in our relationships with each other and our customers, suppliers, stockholders and others we deal with in our business. This means we conduct our business by following both the letter and spirit of all applicable laws and regulations. This Code provides clear policies and procedures to follow as we run our business each day.

This Code does not constitute an employment contract. Nothing in this Code creates an agreement, promise or representation of continued employment.

We hire our employees at will, which means your employment and compensation are for no definite period of time and may be ended at any time by either you or the Company with or without notice and with or without cause. Only the Chief Executive Officer, President, Chief Financial Officer, General Counsel, or a Chief Operating Officer may make an agreement that varies from these policies. Such an agreement must be in writing and signed by the Chief Executive Officer, President, Chief Financial Officer, General Counsel, or a Chief Operating Officer.

This Code supersedes old versions. We may withdraw or change our policies and procedures at any time with or without notice. To the extent any prior employee or manager handbooks, policies, practices or procedures, whether written or oral, are inconsistent with this Code, the Code supersedes such handbooks, policies, practices and procedures.

The Company reserves the right to amend, alter or make exceptions to this Code. The Company may, at any time, modify, revoke or change the information, policies and procedures in this Code.

Compliance with Laws

We intend all of the policies in this Code to comply with all applicable Federal, state and local laws and regulations. If any policies do not comply with such laws and regulations, you must follow the law and may consider the policies in this Code to be revised to comply with the law.

Meeting Our Shared Obligations

Each of us needs to know and understand the policies and guidelines in this Code. If you have questions, ask them. If you have ethical concerns, raise them. The Compliance Committee, which is responsible for overseeing and monitoring compliance with this Code, and the other resources set forth in this Code are available to answer your questions, provide guidance and receive reports of any suspected violations of this Code. The contact information for the members of the Compliance Committee is listed below. The conduct of each employee, officer and director of Builders FirstSource must reflect the Company's values, demonstrate ethical leadership and promote a work environment that fosters integrity, ethical conduct and trust.

YOUR RESPONSIBILITY TO OUR ORGANIZATION

We expect Builders FirstSource employees, officers and directors to use their best efforts to advance the Company's interests and to base decisions affecting the Company solely on the Company's best interests, independent of any outside influences.

Conflicts of Interest/Related Party Transactions

A conflict of interest occurs when your private interests interfere, or even appear to interfere, with the interests of the Company. A conflict situation can arise when you take actions or have interests that make it difficult, or even appear to make it difficult, for you to perform your Company work objectively and effectively. Your obligation to conduct the Company's business in an honest and ethical manner includes the ethical handling of actual, apparent and potential conflicts of interest between personal and business relationships. This includes full disclosure of any actual, apparent or potential conflicts of interest, such as the examples mentioned below.

Special rules apply to the directors, executive officers, and senior financial officers of the Company who engage in conduct that creates an actual, apparent, or potential conflict of interest. The Supplemental Code of Ethics for Chief Executive Officer, President, and Senior Financial Officers (the "Senior Officer Code") applies to the Chief Executive Officer, President, and senior financial officers

of the Company. The Related Party Transaction Policy (the "Related Party Policy") applies to the directors and executive officers. Before engaging in conduct that may create an actual, apparent, or potential conflict of interest, any such officer or director must make full disclosure of all facts and circumstances to the Chairman of the Audit Committee of the Board (the "Audit Committee") in accordance with the applicable policy and obtain the required approval of the Audit Committee. The General Counsel of the Company will review any situation that involves a potential conflict between the Code and such other policy. If the General Counsel determines that policies are in conflict, the issue will be resolved in accordance with the guidelines set forth in the Senior Officer Code or the Related Party Policy, as applicable. Any situation that has either specific or standing approval under either the Related Party Policy or the Senior Officer Code will be deemed to be in compliance with the Code unless the Audit Committee of the Board determines otherwise.

Although we cannot list every possible conflict, what follows are some common examples of actual, apparent and potential conflicts of interest and to whom employees must report such incidents (other than directors, executive officers, and senior financial officers, who are discussed in the paragraph above). If you know of or are involved in a conflict situation that is not described below, you need to discuss your particular situation with the Compliance Committee.

Improper Personal Benefits from the Company

It is a conflict of interest for an employee, officer or director, or a member of their family, to receive an improper personal benefit as a result of his or her position in the Company. You may not accept any benefits from the Company that have not been duly authorized and approved according to Company practices, including any Company loans or guarantees of your personal obligations. The Company cannot make any personal loan to, nor guarantee any personal obligation of, any director or executive officer.

Financial Interests in Other Businesses

You may not own or possess an interest in any company that competes with Builders FirstSource. You may not own or possess an interest in any company that does business, whether as a supplier, customer or otherwise, with Builders FirstSource without the prior written approval of the Compliance Committee. However, you are permitted to own (a) up to 5% of any class of capital stock of a company registered under the Securities Exchange Act of 1934, as amended, if you do not actively participate in the business of such entity or (b) any mutual fund holding such registered capital stock.

Business Arrangements with the Company

Without prior written approval from the Compliance Committee, you may not participate in a joint venture, partnership or other business arrangement with the Company.

Outside Employment or Activities with a Competitor

You may not work for or serve as an employee, advisor, agent, consultant or director (or similar position) for a competitor while you work for Builders FirstSource. You may not engage in any activity you intend to or reasonably expect to advance a competitor's interests. You may not market products or services in competition with Builders FirstSource's current, planned or potential business activities. You must consult with the Compliance Committee to determine whether a planned activity will compete with any of the Company's current, planned or potential business activities before you pursue the activity.

Outside Employment with a Vendor or Supplier

Without prior written approval from the Compliance Committee, you may not sell goods or services to the Company or be a representative, employee, advisor, agent, consultant or director (or similar position) of any person or company that sells goods or services to Builders FirstSource. You may not accept money or benefits of any kind as compensation or payment for any advice or services that you may provide to a vendor, supplier or anyone else in connection with its business with Builders FirstSource.

Family Members Working with a Vendor, Supplier or Competitor

You cannot enter into a business transaction with any vendor, supplier or competitor of Builders FirstSource if a member of your family may directly or indirectly benefit from the transaction. If such a situation arises, you must immediately inform the Compliance Committee so that you will not be involved in decisions on behalf of Builders FirstSource that involve the other company.

While you may not enter into business transactions with the other company if a family member may benefit, there may be other situations that simply call for extra sensitivity to security, confidentiality and conflicts of interest. We will decide based on the relationship between Builders FirstSource and the other company, the nature of your responsibilities as a Builders FirstSource employee and those of the other person and the access each of you has to your respective employer's confidential information. Although a situation may appear harmless to you, it could raise suspicions among other employees that affect your working relationships. The mere appearance of a conflict of interest can create as many problems as an actual conflict.

In this case, you'll need to disclose your specific situation to the Compliance Committee, who will help you assess the nature and extent of any concern and how we can resolve it. Sometimes, the risk of a conflict of interest is so remote that we may simply remind you to guard against disclosing Builders FirstSource's confidential information and not to be involved in decisions on behalf of Builders FirstSource that involve the other company.

Corporate Opportunities

Employees, officers and directors owe a duty to the Company to advance its legitimate interests whenever possible. If you learn of a business or investment opportunity through the use of corporate property or information or your position at the Company, such as from a competitor, supplier or business associate of Builders FirstSource, you may not participate in the opportunity or make the investment without the prior written approval from the Compliance Committee. Directors must obtain prior written approval of the Board. You must consider such an opportunity as an investment opportunity for the Company. You may not use corporate property or information or your position at the Company for improper personal gain or compete with the Company.

ENTERTAINMENT, GIFTS AND GRATUITIES

Receipt of Gifts and Entertainment

When you make business decisions on behalf of Builders FirstSource, you must base your decisions on uncompromised, objective judgment. When you interact with any person who has business dealings with the Company (including vendors, suppliers, competitors, contractors and consultants) you must conduct such activities solely in the best interest of the Company. No employee may accept gifts or other benefits if the gift or benefit could affect their business judgment or decisions.

You may receive gifts and business courtesies, including meals and entertainment, if they are of the type and amount customarily and commonly accepted in accordance with standard industry practice and are given and accepted without an express or implied understanding that you are in any way obligated by your acceptance of the gift or that the gift is a reward or inducement for any particular business decision already made or about to be made. You may not accept gifts of cash, bonds, options, stocks, below-market loans or similar items in any amount. If you receive any such items, you must promptly return them to the donor and report the incident to the Compliance Committee.

Offering Gifts and Entertainment

When you are providing a gift, entertainment or other accommodation in connection with Company business, you must do so in a manner that is in good taste. You may not give or offer to give any gift that is not of the type or amount customarily and commonly accepted in accordance with standard industry practice or that is an inducement or reward for entering into a business transaction. Our suppliers and customers frequently have their own gift and entertainment policies. You must be careful never knowingly to provide a gift or entertainment that violates the other company's gift and entertainment policy.

What is acceptable in the commercial business environment may be entirely unacceptable in dealings with the government. There are strict laws that govern providing gifts, including meals, entertainment, transportation and lodging, to government officials and employees. For more information, see the section of this Code entitled "Interacting with Government."

We absolutely prohibit giving or receiving any payment or gift in the nature of a bribe or kickback.

PROTECTION AND PROPER USE OF COMPANY ASSETS

We each have a duty to protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. You must use your best efforts to prevent damage to and theft or misuse of Company property. When you leave the Company, you must return all Company property to the Company. Except as specifically authorized, you must use Builders FirstSource's assets, including Company time, equipment, materials, resources and proprietary information, for business purposes only.

COMPANY BOOKS AND RECORDS

You must make full, fair, accurate, timely and understandable disclosure in compliance with all applicable laws and regulations in all reports and documents that the Builders FirstSource files with, or submits to, the Securities and Exchange Commission and in all other public communications made by the Company.

You must complete all Company documents accurately, truthfully and in a timely manner, including all travel and expense reports. When applicable, documents must be properly authorized. You must record the Company's financial activities in compliance with all applicable laws, regulations and accounting practices. We strictly prohibit making false or misleading entries, records or documentation. You must never create a false or misleading report or make a payment or establish an account on behalf of Builders FirstSource with the understanding that anyone will use part or all of the payment or account for a purpose other than as described by the supporting documents.

Record Retention

Numerous laws and regulations require retention of certain Company records for various periods of time. The Company will comply with all applicable laws and regulations relating to the preservation of records. Under no circumstances may any employee selectively destroy Company records or maintain them outside Company premises or designated storage facilities.

If you learn of a subpoena or a pending or contemplated lawsuit or government investigation, you must contact the Compliance Committee immediately. You must retain and preserve ALL records that may be responsive to the subpoena or relevant to the litigation or the government investigation until the Compliance Committee advises you how to proceed. You must also affirmatively preserve from destruction all relevant records that, without intervention, would automatically be destroyed or erased (such as e-mails and voicemail messages). Destruction of such records, even if inadvertent, could seriously prejudice the Company. If you have any questions regarding whether a particular record pertains to a pending or contemplated government investigation or lawsuit or may be responsive to a subpoena or regarding how to preserve particular types of records, you must preserve the records in question and ask the Compliance Committee for advice.

CONFIDENTIAL INFORMATION

All employees may learn facts about the Company's business, plans, operations or "secrets of success" that are not known to the general public or to competitors. Customer data and marketing or strategic plans are examples of Builders FirstSource's confidential information or trade secrets. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or the customers we serve, if disclosed. During the course of performing your responsibilities, you may obtain confidential information concerning possible transactions with other companies or concerning other companies which Builders FirstSource may be under an obligation to maintain as confidential.

You must maintain the confidentiality of information entrusted to you by the Company or the customers we serve, except when disclosure is appropriately authorized or legally mandated. Employees who possess or have access to confidential information or trade secrets must:

- Not use confidential information for their own benefit or the benefit of persons inside or outside of the Company;
- Carefully guard against disclosure of confidential information to people outside the Company. For example, you should not discuss such matters with family members or business or social acquaintances or in places where the information may be overheard, such as taxis, public transportation, elevators or restaurants; and
- Not disclose confidential information to another Company employee unless the employee needs the information to carry out business responsibilities.

Your obligation to treat information as confidential does not end when you leave the Company. Upon the termination of your employment, you must return everything that belongs to Builders FirstSource, including all documents and other materials containing Company and customer confidential information. You must not disclose confidential information to a new employer

or to others after ceasing to be a Builders FirstSource employee. You may not disclose your previous employer's confidential information to the Company. Of course, you may use general skills and knowledge acquired during your previous employment. Nothing herein is intended to limit your right to make disclosures to, or participate in communications with, the Securities and Exchange Commission or any other government agency regarding possible violations of law, without prior notice to the Company.

INSIDER TRADING

Company policy and the law prohibit you from buying or selling securities of Builders FirstSource at a time when you possess "material non-public information." Passing "material non-public information" to someone who may buy or sell securities – known as "tipping" – is also illegal. The prohibition applies to Builders FirstSource securities and to securities of other companies if you learn material non-public information about other companies in the course of your duties for Builders FirstSource. All trading in Builders FirstSource stock by Company employees is subject to the requirements set forth in the Company's Policy on Insider Trading.

Information is "material" if

- there is a substantial likelihood that a reasonable investor would find the information "important" in determining whether to trade in a security; or
- if the information is made public, it would likely affect the market price of a company's securities.

Material information includes, but is not limited to, unannounced dividends, earnings, financial results, new or lost contracts or products, sales results, important personnel changes, business plans, possible mergers, acquisitions, divestitures or joint ventures, important litigation developments and important regulatory, judicial or legislative actions.

Information may be material even if it relates to future, speculative or contingent events and even if it is significant only when you consider it in combination with publicly available information. Information is non-public unless it has been adequately disclosed to the public, which means that the information must be publicly disclosed and adequate time must have passed for the securities markets to digest the information.

Examples of adequate disclosure include public filings with securities regulatory authorities and the issuance of press releases and may also include meetings with members of the press and the public. Although there is no fixed period for how long it takes the market to absorb information, an employee who is aware of material, non-public information needs to refrain from any trading activity for approximately two full trading days following its official release. Shorter or longer waiting periods may be warranted based on the liquidity of the security and the nature of the information.

Do not disclose material non-public information to anyone, including co-workers, unless the person receiving the information has a legitimate need to know the information for purposes of carrying out Builders FirstSource's business or is a representative of a government agency with a right to receive the information. If you leave the Company, you must maintain the confidentiality of such information until Builders FirstSource adequately discloses it to the public. If you have any question about the adequacy of disclosure of information, contact the Compliance Committee.

For more detailed information regarding the Company's policies and procedures with respect to insider trading, see the Company's Policy on Insider Trading, which is available from the Compliance Committee and on the Company's intranet.

TRADEMARKS, COPYRIGHTS AND OTHER INTELLECTUAL PROPERTY

Trademarks

Our logo and the name Builders FirstSource are examples of Company trademarks. Always use our trademarks properly and advise the Compliance Committee of infringements by others. Always use the trademarks of third parties according to applicable laws and regulations.

Copyright Compliance

Copyright laws may cover works of authorship such as books, articles, drawings, computer software and other such materials. It is a violation of those laws and of the Company's policies to make unauthorized copies of, or derivative works based upon, copyrighted materials. The absence of a copyright notice does not necessarily mean that the materials are not copyrighted.

The Company licenses the use of much of its computer software from outside companies. In most instances, this computer software is protected by copyright. You may not make, acquire or use unauthorized copies of computer software. Direct any questions concerning copyright laws to the Compliance Committee.

Intellectual Property Rights of Others

It is Company policy not to infringe upon the intellectual property rights of others. When using the name, trademarks, logos or printed materials of another company, including any such uses on the Company's website, you must do so properly and in accordance with applicable law.

SECURITY OF COMPUTER, E-MAIL AND COMMUNICATION RESOURCES

Substantial benefits are delivered by Builders FirstSource's computer and communication resources, including computers, phones, cell phones, PDAs, voicemail and e-mail. They also present significant security and liability risks to you and the Company.

It is extremely important that you take all necessary measures to secure your computer and all computer and voicemail passwords. Protect all sensitive, confidential or restricted electronic information with confidential passwords. If you send sensitive, confidential or restricted information across the internet, it must be protected by Company-approved encryption software. If you believe your password has been taken, you must change your password immediately. If someone has compromised the security of a Company computer or communication resource, you must report the incident to the Help Desk in Dallas, Texas. The Help Desk can be contacted by email at helpdesk@bldr.com or call 214-231-8200.

When you use Company resources to send e-mail, voicemail or access the internet, you are acting as a representative of the Company. Any improper usage of these resources may reflect poorly and damage the reputation of Builders FirstSource and expose you and/or the Company to legal liability.

All of the computing resources used to provide computing and network connections throughout the organization are the property of Builders FirstSource and are intended for use by its employees to conduct Company business. All email, voicemail and personal files stored on Company electronic devices are Company property and can be accessed by authorized Builders FirstSource employees. Employees should have no expectation of privacy in connection with these resources. From time to time, at its sole discretion, the Company may review any files stored or transmitted on its computer and other communication resources, including e-mail, phone and text messages, for compliance with Company policy.

You must not use Company resources in a way that may be disruptive or offensive to others or unlawful. When you send e-mail or transmit any other message or file, you should not transmit comments, language, images or other files that are illegal, clearly offensive or violates any policy of Builders FirstSource. Private e-mail messages are easily forwarded to a wide audience, both within and outside of the Company and may be viewed as using the resources in a wasteful manner. Use of computer and communication resources must be consistent with all other Company policies, including its harassment, privacy, copyright, trademark, trade secret and other intellectual property considerations.

Please review the complete Computer and Communication Resources Usage Policy (available on the Intranet or from your local Human Resources representative) for a more detailed listing of your rights and the Company's policies and expectations when using Builders FirstSource's computer and/or communication resources.

RESPONDING TO INQUIRIES FROM THE PRESS AND OTHERS

Company employees who are not official Company spokespersons may not speak with the press, securities analysts, other members of the financial community, stockholders or other investors, groups or organizations as a Company representative or about Company business unless specifically authorized to do so by the Compliance Committee. Refer requests for financial or other information about the Company from the press, securities analysts, other members of the financial community, stockholders or other investors, groups or organizations to the Compliance Committee. Refer requests for information directed to the Company from regulators or the government to the Compliance Committee.

FAIR DEALING

Builders FirstSource depends on its reputation for quality, service and integrity. The way we deal with customers, suppliers, employees and competitors molds our reputation, builds long-term trust and ultimately determines our success. Deal fairly with the Company's customers, suppliers, employees and competitors. We must never take unfair advantage of others through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

Antitrust Laws

While Builders FirstSource competes vigorously in all of its business activities, we must conduct our efforts in the marketplace in accordance with all applicable laws and regulations, including antitrust and competition laws. While it is impossible to describe antitrust and competition laws fully in any code of business conduct, this Code will give you an overview of some types of conduct that are particularly likely to raise antitrust concerns. If you are or become engaged in activities similar to those identified in this Code, you should immediately consult the Compliance Committee for further guidance.

Conspiracies and Collaborations Among Competitors

One of the primary goals of the antitrust laws is to promote and preserve each competitor's independence when making decisions on price, output and other competitively sensitive factors. Some of the most serious antitrust offenses are agreements between competitors that limit independent judgment and restrain trade, such as agreements to fix prices or to divide a market for customers. Don't agree with any competitor on any of these topics, as these agreements are almost always unlawful, regardless of your motive or intent. (In other words, no excuse will absolve you or Builders FirstSource of liability if you engage in these acts.)

Unlawful agreements need not take the form of a written contract or even express commitments or mutual assurances. Courts can -- and do -- infer agreements based on "loose talk," informal discussions or the mere exchange between competitors of information that could lead to pricing or other collusion. Any communication with a competitor's representative, no matter how innocent it may seem at the time, may later be subject to legal scrutiny and form the basis for accusations of improper or illegal conduct. You should take care to avoid involving yourself in situations from which anyone might infer an unlawful agreement. If you become involved in such a situation, you should remove yourself from the situation immediately and promptly report the incident to the Compliance Committee.

Penalties

Failure to comply with the antitrust laws can result in jail terms for individuals and large criminal fines and other monetary penalties for both the Company and individuals. In addition, private parties may bring civil suits to recover three times their actual damages, plus attorney's fees and court costs.

The antitrust laws are extremely complex. Because antitrust lawsuits can be very costly, even when a company did not violate the antitrust laws and is cleared in the end, it is important to consult with the Compliance Committee before engaging in any conduct that might even appear to create the basis for an allegation of wrongdoing. It is far easier to structure your conduct to avoid erroneous impressions than to have to explain your conduct in the future when an antitrust investigation or action is in progress. For that reason, when in doubt, always consult the Compliance Committee with your concerns.

Gathering Information About the Company's Competitors

It is entirely proper for us to gather information about our marketplace, including information about our competitors and their products and services. However, there are limits to the ways that you can acquire and use information, especially information about competitors. In gathering competitive information, you must comply with the following guidelines:

- We may gather information about our competitors from sources such as published articles, advertisements, brochures, other non-proprietary materials, surveys by consultants and conversations with customers, as long as those conversations in no way suggest that we are attempting to (a) conspire with our competitors using the customer as a messenger or (b) gather information through other wrongful means. You should be able to identify the source of any information about competitors; and
- If there is any indication that information that you obtain was not lawfully received by the party in possession, you should refuse to accept it. If you receive any competitive information anonymously or that is marked confidential, you should not review it and must contact the Compliance Committee immediately.

The improper gathering or use of competitive information can subject you and Builders FirstSource to both criminal and civil liability. If you are in doubt as to whether a source of information is proper, contact the Compliance Committee.

RESPONSIBILITY TO OUR PEOPLE

Respecting One Another

The way we treat each other and our work environment affects the way we do our jobs. All employees want and deserve a work place where people respect and appreciate them. Everyone who works for the Company must contribute to the creation and maintenance of such an environment. Supervisors and managers have a special responsibility to foster a workplace that supports honesty, integrity, respect and trust.

Employee Privacy

We respect the privacy and dignity of all individuals. The Company collects and maintains personal information that relates to your employment, including medical and benefit information. We take special care to limit access to personal information to Company personnel with a legitimate need to know such information. Employees who are responsible for maintaining personal information and those who have access to such information must not disclose private information in violation of applicable laws or regulations or in violation of Builders FirstSource's policies.

Employees may not search for or retrieve items from another employee's workspace without prior approval of that employee or management. Similarly, you may not use communication or information systems to obtain access to information directed to or created by others without the prior approval of management, unless such access is part of your job function and responsibilities at the Company.

Do not keep personal items, messages or information that you consider to be private in telephone systems, computer or electronic mail systems, office systems, offices, work spaces, desks, credenzas or file cabinets. The Company reserves all rights, to the fullest extent permitted by law, to inspect such systems and areas and to retrieve information or property from them when deemed appropriate in the judgment of management.

Equal Employment Opportunity and Nondiscrimination

We have a policy of Equal Employment Opportunity. We will seek qualified applicants for positions throughout the Company without regard to race, color, religion, national origin, gender, age, pregnancy, veteran/military status or disability (where the applicant or employee is qualified to perform the essential functions of a job with or without reasonable accommodation) or any other protected class in accordance with all applicable Federal and state laws. This policy fully embraces equality of opportunity with respect to all employment matters. We will administer all personnel actions such as compensation, benefits, transfers, layoffs and return from layoffs, Company-sponsored training, education, assistance and social recreational programs without regard to race, color, religion, gender, national origin, age, pregnancy, disability (where the applicant or employee is qualified to perform the essential functions of a job with or without reasonable accommodation) or veteran/military status.

You must treat all Company personnel, customers, suppliers and others with respect and dignity and in accordance with these policies.

Sexual and Other Forms of Harassment

Company policy strictly prohibits any form of harassment in the workplace, including sexual harassment. The Company will take prompt and appropriate action to prevent and, where necessary, discipline behavior that violates this policy. For more information, see the Harassment section of our Employee Handbook.

Sexual harassment consists of unwelcome sexual advances, requests for sexual favors and other verbal or physical conduct of a sexual nature when:

- submission to such conduct is an explicit or implicit term or condition of employment;
- submission to or rejection of such conduct is used as a basis for employment decisions; or
- such conduct unreasonably interferes with an individual's work performance or creates an intimidating, offensive or hostile work environment.

Forms of sexual harassment include, but are not limited to, the following:

- verbal harassment, such as unwelcome comments, jokes or slurs of a sexual nature;

- physical harassment, such as unnecessary or offensive touching, or impeding or blocking someone's path to force contact; and
- visual harassment, such as derogatory or offensive posters, cards, cartoons, graffiti, drawings or gestures.

Other Forms of Harassment

Company policy also prohibits harassment on the basis of other characteristics. Under this policy, harassment is verbal or physical conduct that degrades or shows hostility or hatred toward an individual because of his or her race, color, religion, national origin, citizenship, gender, pregnancy, age veteran/military status, disability (where applicant or employee is qualified to perform the essential functions of the job with or without reasonable accommodation), or any other protected classes in accordance with all applicable Federal and state laws and regulations, which:

- has the purpose or effect of creating an intimidating, hostile or offensive work environment;
- has the purpose or effect of unreasonably interfering with an individual's work performance; or,
- otherwise adversely affects an individual's employment.

Harassing conduct includes, but is not limited to, the following: epithets, slurs, negative stereotyping, threatening, intimidating or hostile acts and written or graphic material that ridicules or shows hostility or aversion to an individual or group and that is posted on Builders FirstSource premises or circulated in the workplace.

Reporting Responsibilities and Procedures

If you believe you have been subjected to harassment, abuse or discrimination of any kind, if you feel comfortable doing so, ask the offender in a firm, professional manner to stop such behavior. This will put a stop to it most of the time. If the behavior doesn't stop, or if, for any reason, you are not comfortable communicating directly with the individual engaging in the offending conduct, you must promptly report the incident to your immediate supervisor, any member of your facility or department management team, your Regional Human Resources representative, the corporate Vice President of Human Resources and/or the Employee Hotline at (888) 811-BLDR (2537) or online at <https://bfs.alertline.com>. The Employee Hotline is described in more detail below.

The Company considers harassment, abuse and discrimination to be very serious and will investigate any such complaints promptly and thoroughly. Any complaint will be kept confidential to the extent reasonably possible. The Company will not retaliate against any employee for making a good faith complaint or report of suspected harassment or participating in the investigation of such a complaint or report. Also use this complaint procedure if you believe that a non-employee with whom you are working has engaged in prohibited conduct. Supervisors and managers must promptly report all complaints of harassment, as well as conduct or incidents they see, hear or otherwise become aware of that are potentially harassing to their Regional Human Resources representative or the corporate Vice President of Human Resources.

Any employee who is found to be responsible for harassment, or for retaliating against any individual for reporting a good faith claim of suspected harassment or cooperating in an investigation, will be subject to disciplinary action, up to and including termination of their employment. For more information, see the Sexual Harassment Reporting Procedure section in the Employee Handbook.

Safety in the Workplace

The safety and security of employees is of primary importance. You are responsible for maintaining our facilities free from recognized hazards and obeying all Builders FirstSource safety rules. Maintain all work areas in a clean and orderly state to encourage efficient operations and promote good safety practices. For more information, see the Safety section of the Employee Handbook.

Weapons and Workplace Violence

No employee may bring firearms, explosives, incendiary devices or any other weapons into the workplace or any work-related setting, regardless of whether or not employees are licensed to carry such weapons. However, we will allow police officers, security guards and other individuals who have been given consent by Builders FirstSource to carry a weapon on Company property. The Company will not tolerate any level of violence in the workplace or in any work-related setting. You should report violations of this policy to your supervisor and your Regional Human Resources representative immediately. Call the police at 911 if there are threats or assaults that require immediate attention. For more information, see the Workplace Violence of the Employee Handbook.

INTERACTING WITH GOVERNMENT

Prohibition on Gifts to Government Officials and Employees

The various branches and levels of government have different laws and regulations restricting gifts, including meals, entertainment, transportation and lodging, that may be provided to government officials and government employees. You must be aware of and strictly follow these restrictions.

Political Contributions and Activities

Laws and regulations of certain jurisdictions prohibit the use of Company funds, assets, services or facilities on behalf of a political party or candidate. Do not make payments of corporate funds to any political party, candidate or campaign unless they are permitted under applicable law and approved by the Compliance Committee.

We consider your work time the equivalent of a contribution by the Company. Therefore, we will not pay for any time spent running for public office, serving as an elected official or campaigning for a political candidate. The Company will also not compensate or reimburse you, in any form, for a political contribution that you intend to make or have made.

Lobbying Activities

Laws and regulations of some jurisdictions require registration and reporting by anyone who engages in a lobbying activity. Generally, lobbying includes:

- communicating with any member or employee of a legislative branch of government for the purpose of influencing legislation;
- communicating with certain government officials for the purpose of influencing government action; or
- engaging in research or other activities to support or prepare for such communication.

So that the Company may comply with lobbying laws and regulations, you must notify the Compliance Committee before engaging in any activity on behalf of the Company that might be considered “lobbying” as described above.

ACCOUNTING MATTERS AND FRAUD

The Company will comply with applicable securities laws and regulations, accounting standards and internal accounting controls. You must report any complaints or concerns regarding securities laws and regulations, accounting practices, internal accounting controls and auditing matters (“Accounting Matters”) immediately to the Compliance Committee. You must also report any complaints or concerns regarding fraud immediately. Fraud means an intentional deception, misappropriation of resources, manipulation of data to the advantage or disadvantage of a person or the Company or other similar inappropriate conduct based on reasonable expectations of ethical conduct.

Categories of Financial Fraud

- Fraudulent financial reporting – inappropriate earnings management or “cooking the books” (e.g. intentional overstatement of assets or understatement of liabilities, etc.);
- Misappropriation of assets – embezzlement, payroll fraud and theft;
- Expenditures and liabilities for improper or illegal purposes – bribery or other improper payment schemes that can result in reputation loss; and
- Fraudulently obtaining revenue and assets and/or avoiding costs and expenses – schemes against employees or third parties, or schemes to avoid expenses, such as tax fraud.

Examples of Fraud

- Forgery or alteration of any account, record, check or other document;
- Failure to account for monies collected;
- Misappropriation of funds, securities, supplies or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiteering as a result of insider knowledge of Company activities; and,
- Knowingly providing false information.

You can make reports regarding Accounting Matters or fraud to the Audit Committee by submitting them to the Compliance Committee in person, by telephone, or in writing (either through interoffice or regular mail). You can also make reports to the Chairman of the Audit Committee via the Employee Hotline by requesting the report to be directly

sent to the Chairman of the Audit Committee. The Employee Hotline can be reached by phone at (888) 811-BLDR (2537) or online at <https://bfs.alertline.com>. You can report to the Employee Hotline anonymously. No one will be subject to retaliation because of a good faith report of a complaint or concern regarding Accounting Matters or fraud.

PAYMENT CARD INFORMATION

The Company will comply with the Payment Card Industry Data Security Standard (PCI-DSS) in its entirety. Under no circumstances should cardholder information be electronically stored. If credit card information is received from a customer through email, it should be deleted immediately. PIN information or security codes from the back or front of the debit/credit card must never be stored in any form. If a credit card number is maintained at the request of a customer, it must be in hard copy form. Credit card authorization forms must be kept in a secured place under lock and key when not in use.

You can make reports regarding improper handling of payment card information to the Compliance Committee in person, by telephone or in writing. You can also make a report to the Chairman of the Audit Committee via the Employee Hotline by requesting the report to be directly sent to the Chairman of the Audit Committee. The Employee Hotline can be reached by phone at (888) 811-BLDR (2537) or online at <https://bfs.alertline.com>.

IMPLEMENTATION OF THE CODE

Responsibilities

While each of us is individually responsible for putting this Code to work, the Company has a number of resources, people and processes in place to answer our questions and guide us through difficult decisions.

Copies of this Employee Handbook are available from your Regional Human Resources representative or the Compliance Committee. The Employee Handbook is also posted on the Company's intranet and website (www.bldr.com). All management level employees and directors must sign a statement of compliance with the Code each year.

Seeking Guidance

This Code cannot provide definitive answers to all questions. If you have questions regarding any of the policies discussed in this Code, or if you are in doubt about the best course of action in a particular situation, please seek guidance from the Compliance Committee or the other resources identified in this Code.

Reporting Violations

If you know of or suspect a violation of applicable laws or regulations, this Code or Builders FirstSource's other policies or if you have any concerns about accounting practices, internal accounting controls or audit matters, you must immediately report that information in person, by telephone or in writing to the appropriate source, as described below. This includes the obligation to report any known or suspected fraud.

For equal employment opportunity, discrimination, sexual and other forms of harassment and safety in the workplace issues, you may report to your supervisors or Human Resources (as set forth in this Code and in the Employee Handbook) or the Employee Hotline. For all other matters, you may report to the Employee Hotline or the Compliance Committee. For Accounting Matters (as defined below) and fraud, you may request the Employee Hotline to report the matter directly to the Chairman of the Audit Committee.

No one will be subject to retaliation because of a good faith report regarding any actual or suspected violation of applicable laws or regulations, this Code or Builders FirstSource's other policies or regarding Accounting Matters or fraud.

The Compliance Committee

The members of the Compliance Committee are:

- Tim Johnson, Executive Vice President, General Counsel and Corporate Secretary
- Peter Jackson, Executive Vice President and Chief Financial Officer
- Amy Plasha, Senior Vice President - Human Resources
- Tom Keils, Vice President - Internal Audit

To the extent possible, please address your issues to the Compliance Committee as follows.

- Human resources and employment issues – Amy Plasha
- Accounting and financial issues - Tom Keils or Peter Jackson
- Legal and other issues – Tim Johnson

However, you may contact any member of the Compliance Committee (by phone, e-mail or interoffice, regular or overnight mail) with regard to any matter.

Contact the Compliance Committee at Company Headquarters:

Builders FirstSource, Inc.
2001 Bryan Street, Suite 1600
Dallas, Texas 75201
Telephone: (214) 880-3500 Fax: (214) 231-7544

THE EMPLOYEE HOTLINE: (888) 811-2537

The Company has a confidential Hotline administered by Navex Global, an independent third party. The Hotline can be reached by calling (888) 811-2537 or by going to <https://bfs.alertline.com>. Both are available 24 hours a day, seven days a week.

You can use the Hotline to report violations of applicable laws or regulations, accounting standards, internal accounting controls, the Company Code of Business Conduct and Ethics, or the Company's other policies. You may report suspected violations to the Hotline anonymously, or you can use your name. However, providing your name may expedite the investigation process and allows the Company to contact you, if necessary, during any investigation. Either way, you must treat the information that you provide as confidential.

Use the following items as a guide to what should appropriately be addressed to the Hotline:

- Fraud, including, but not limited to, fraudulent financial reporting, misappropriation of assets, inappropriate expenditures, fraudulently obtaining revenues or avoiding costs, complaints or concerns about accounting practices, securities laws, and auditing matters
- Sexual or other types of harassment
- Discrimination
- Serious safety problems that could injure employees
- Retaliation for reporting issues or policy violations
- Other violations of state or federal laws or regulations
- Significant violations of Company policies or procedures
- Other violations of our Code of Business Conduct and Ethics

We will document all reports received by the Employee Hotline. The Vice President - Internal Audit will forward reports regarding Accounting Matters to the Audit Committee in an appropriate manner depending on the magnitude and severity of the situation.

Investigations of Suspected Violations

Builders FirstSource will investigate all reported violations. It is essential that reporting persons not conduct their own preliminary investigations since such investigations may involve complex legal issues. Acting on your own may compromise the integrity of an investigation and adversely affect both you and the Company.

Discipline for Violations

The Company intends to use every reasonable effort to prevent the occurrence of conduct not in compliance with its Code and to halt any such conduct that may occur as soon as reasonably possible after its discovery. Subject to applicable law, regulations, and agreements, Builders FirstSource employees who violate this Code and other Company policies and procedures may be subject to disciplinary action, up to and including termination of their employment.

Waivers of the Code

Builders FirstSource may waive application of the policies set forth in this Code only where circumstances warrant granting a waiver. Only the Audit Committee may waive any violation of this Code by directors or executive officers. Any such waivers must promptly be disclosed as required by applicable laws and regulations.

Annual Monitoring of the Code

The adequacy of this Code will be reviewed at least annually by the Company's management.

No Rights Created

This Code is a statement of the basic principles and key policies and procedures that govern the conduct of the Company's business. It is not intended to, and it does not, create any obligations to, or rights in, any employee, director, client, supplier, competitor, stockholder, or any other person or entity.

REMEMBER...

Ultimate responsibility to ensure that we as a Company comply with the many laws, regulations, and ethical standards affecting our business rests with each of us. You must become familiar with, and conduct yourself in compliance with, these laws, regulations, and standards, as well as Builders FirstSource's policies and procedures pertaining to them.

**Builders FirstSource, Inc.
Subsidiaries**

BFS Asset Holdings LLC (Delaware)
BFS Design Services LLC (Delaware)
BFS Group LLC (Delaware)
BFS Operations LLC (Delaware)
BFS Procurement LLC (Delaware)
BFS Pay, LLC (Maryland)
BFS Real Estate LLC (Delaware)
BFS Texas Sales LLC (Delaware)
Builders FirstSource – Dallas, LLC (Delaware)
Builders FirstSource – Texas Installed Sales, LLC (Texas)
CCWP, Inc. (South Carolina)
Dixieline Builders Fund Control, Inc. (California)
National Lumber Company LLC (Delaware)
NETAppsID, Inc. (Canada)
Oxford Lumber and Building Materials LLC (Delaware)
Reliable Truss LLC (Delaware)
Spensard Builders Supply LLC (Alaska)
Timber Roots, LLC (Washington)
WTS Paradigm, LLC (Wisconsin)
360 Innovations, s.a.r.l. (France)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No., 333-128430, 333-147107, 333-169001, 333-196363, 333-216400 and 333-251880) of Builders FirstSource, Inc. of our report dated March 1, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas
March 1, 2022

**Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, David E. Flitman, certify that:

1. I have reviewed this report on Form 10-K of Builders FirstSource, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID E. FLITMAN

David E. Flitman
President and Chief Executive Officer

Date: March 1, 2022

**Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Peter M. Jackson, certify that:

1. I have reviewed this report on Form 10-K of Builders FirstSource, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ PETER M. JACKSON

Peter M. Jackson

Executive Vice President and Chief Financial Officer

Date: March 1, 2022

**Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the annual report of Builders FirstSource, Inc. (the "Company") on Form 10-K for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, David E. Flitman, as President and Chief Executive Officer of the Company, and Peter M. Jackson, as Executive Vice President and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID E. FLITMAN

David E. Flitman
President and Chief Executive Officer

/s/ PETER M. JACKSON

Peter M. Jackson
Executive Vice President and Chief Financial Officer

Date: March 1, 2022

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.