

Builders FirstSource, Inc.
Form DEF 14A
April 07, 2006

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Builders FirstSource, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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**Builders FirstSource, Inc.
2001 Bryan Street, Suite 1600, Dallas, Texas 75201**

To our Stockholders,

You are cordially invited to attend the annual meeting of stockholders of Builders FirstSource, Inc., which will take place at the Four Seasons Resort and Club, 4150 North MacArthur Boulevard, Irving, Texas 75038 on Thursday, May 25, 2006, at 10:00 a.m., local time. Details of the business to be conducted at the annual meeting are given in the Official Notice of the Meeting, Proxy Statement, and form of proxy enclosed with this letter.

Even if you intend to join us in person, we encourage you to vote in advance so that we will know that we have a quorum of stockholders for the meeting. When you vote in advance, please indicate your intention to personally attend the annual meeting. Please see the Question and Answer section on Page 3 of the enclosed Proxy Statement for instructions on how to obtain an admission ticket if you plan to personally attend the annual meeting.

Whether or not you are able to personally attend the annual meeting, it is important that your shares be represented and voted. Your prompt vote over the Internet, by telephone via toll-free number, or by written proxy will save the Corporation the expense and extra work of additional proxy solicitation. Voting by any of these methods at your earliest convenience will ensure your representation at the annual meeting if you choose not to attend in person. If you decide to attend the annual meeting, you will be able to vote in person, even if you have personally submitted your proxy. Please review the instructions on the proxy card or the information forwarded by your bank, broker, or other holder of record concerning each of these voting options.

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

Paul S. Levy
Chairman of the Board

April 7, 2006

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**Builders FirstSource, Inc.
2001 Bryan Street, Suite 1600, Dallas, Texas 75201**

Official Notice of Annual Meeting of Stockholders

To our Stockholders:

The annual meeting of stockholders of Builders FirstSource, Inc. will take place at the Four Seasons Resort and Club, 4150 North MacArthur Boulevard, Irving, Texas 75038 on Thursday, May 25, 2006, at 10:00 a.m., local time, for the purpose of considering and acting upon the following:

(1) The election of directors; and

(2) The ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year 2006.

Only stockholders of record at the close of business on March 30, 2006 will be entitled to vote at the meeting.

By Order of the Board of Directors,

Donald F. McAleenan
Corporate Secretary

April 7, 2006

IMPORTANT:

If you plan to attend the annual meeting you must have an admission ticket or other proof of share ownership as of the record date. Please see the Question and Answer section on Page 3 of this Proxy Statement for instructions on how to obtain an admission ticket. Please note that the doors to the annual meeting will open at 9:00 a.m. and will close promptly at 10:00 a.m. Whether or not you expect to personally attend, we urge you to vote your shares at your earliest convenience to ensure the presence of a quorum at the meeting. Promptly voting your shares via the Internet, by telephone via toll-free number, or by signing, dating, and returning the enclosed proxy card will save us the expense and extra work of additional solicitation. Enclosed is an addressed, postage-paid envelope for those voting by mail in the United States. Because your proxy is revocable at your option, submitting your proxy now will not prevent you from voting your shares at the meeting if you desire to do so. Please refer to the voting instructions included on your proxy card or the voting instructions forwarded by your bank, broker, or other holder of record.

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**Builders FirstSource, Inc.
2001 Bryan Street, Suite 1600, Dallas, Texas 75201**

**PROXY STATEMENT
Annual Meeting of Stockholders
May 25, 2006**

This Proxy Statement is being furnished by Builders FirstSource, Inc. (the Corporation or Builders FirstSource) in connection with a solicitation of proxies by its Board of Directors (the Board of Directors or the Board) to be voted at the annual meeting of the Corporation's stockholders to be held on May 25, 2006 (the annual meeting or meeting). Whether or not you personally attend, it is important that your shares be represented and voted at the annual meeting. Most stockholders have a choice of voting over the Internet, by using a toll-free telephone number, or by completing a proxy card and mailing it in the postage-paid envelope provided. Check your proxy card or the information forwarded by your bank, broker, or other stockholder of record to determine which voting options are available to you. Please be aware that if you vote over the Internet, you may incur costs such as telecommunication and Internet access charges for which you will be responsible. The Internet voting and telephone voting facilities for stockholders of record will be available until the annual meeting begins at 10:00 a.m., local time, on May 25, 2006. This Proxy Statement and the accompanying proxy card were first mailed on or about April 7, 2006.

SOLICITATION AND RATIFICATION OF PROXIES

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

The proxy accompanying this Proxy Statement is being solicited by the Board of Directors. The Corporation will bear the entire cost of this solicitation, including the preparation, assembly, printing, and mailing of this Proxy Statement, the proxy, and any additional information furnished to stockholders. In addition to using the mail, proxies may be solicited by directors, executive officers, and other employees of Builders FirstSource or its subsidiaries, in person or by telephone. No additional compensation will be paid to directors, executive officers, or other employees for their services. Builders FirstSource will also request banks, brokers, and other stockholders of record to forward proxy materials, at the Corporation's expense, to the beneficial owners of the shares. The Corporation has retained Mellon Investor Services LLC, a firm of professional proxy solicitors, to aid in this solicitation at an estimated fee of approximately \$5,500, plus normal expenses of approximately \$2,500.

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OUTSTANDING STOCK AND VOTING PROCEDURES

Outstanding Stock

The stockholders of record of Builders FirstSource, Inc. Common Stock (Common Stock) at the close of business on March 30, 2006 will be entitled to vote in person or by proxy at the annual meeting. At that time, the Corporation had 33,861,921 outstanding shares of its Common Stock. Each stockholder will be entitled to one vote in person or by proxy for each share of Common Stock held. A quorum for the transaction of business shall be constituted by the presence at the annual meeting, in person or by proxy, of a majority of the outstanding shares of Common Stock entitled to vote. All shares for which proxies or voting instructions are returned are counted as present for purposes of determining the existence of a quorum at the annual meeting. Proxies or voting instructions returned by brokers who do not have discretionary authority to vote on a particular matter and who have not received voting instructions from their customers as to that matter (broker non-votes) will not be counted as votes on that matter.

Voting Procedures

Votes cast by proxy or in person at the meeting will be tabulated by the Inspector of Election from Automatic Data Processing, Inc. In addition, the following voting procedures will be in effect for each proposal described in this Proxy Statement:

Proposal 1. Nominees for available director positions of Builders FirstSource are elected by a plurality of the votes cast at the annual meeting. Abstentions from voting and broker non-votes will have no effect on the outcome of such vote because elections of directors are determined on the basis of votes cast, and abstentions and broker non-votes are not counted as votes cast.

Proposal 2. Ratification of the appointment of PricewaterhouseCoopers LLC as the Corporation's independent registered public accounting firm requires the affirmative vote of a majority of the votes cast affirmatively or negatively on the proposal. Abstentions and broker non-votes will have no effect in determining whether the proposal has been approved.

If any other matters properly come before the meeting that are not specifically set forth on the proxy card and in this Proxy Statement, such matters shall be decided by the affirmative vote of a majority of the votes cast affirmatively or negatively at the annual meeting on the matter so proposed, unless otherwise provided in the Corporation's Certificate of Incorporation or Bylaws or the Delaware General Corporation Law. None of the members of our Board have informed the Corporation in writing that they intend to oppose any action intended to be taken by the Corporation.

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

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QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING

1. What is a proxy?

A proxy is your legal designation of another person, called a proxy holder, to vote the shares that you own. If you designate someone as your proxy holder in a written document, that document is called a proxy. We have designated Kevin P. O Meara, our Senior Vice President and Chief Operating Officer, and Charles L. Horn, our Senior Vice President and Chief Financial Officer, to act as proxy holders at the annual meeting as to all shares for which proxies are returned or voting instructions are provided by Internet or telephonic voting.

2. What is a proxy statement?

A proxy statement is a document that the Securities and Exchange Commission (SEC) regulations require us to give you when we ask you to sign a proxy card designating the proxy holders described above to vote on your behalf.

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

If your shares are registered in your name at The LaSalle Bank, you are a stockholder of record.

If your shares are registered at The LaSalle Bank in the name of a broker, bank, trustee, nominee, or other similar stockholder of record, your shares are held in street name and you are the beneficial owner of the shares.

4. How do you obtain an admission ticket to personally attend the annual meeting?

Stockholders of Record. Your admission ticket is attached to your proxy card. You will need to bring it with you to the meeting.

Street Name Holders. You will need to ask your broker or bank for an admission ticket in the form of a legal proxy and you will need to bring the legal proxy with you to the meeting. If you do not receive the legal proxy in time, bring your most recent brokerage statement with you to the meeting. We can use that to verify your ownership of Common Stock and admit you to the meeting; however, you will not be able to vote your shares at the meeting without a legal proxy. Please note that if you own shares in street name, and you are issued a legal proxy, any previously executed proxy will be revoked, and your vote will not be counted unless you appear at the meeting and vote in person.

Please note that whether you are a stockholder of record or street name holder, you will also need to bring a government-issued photo identification card to gain admission to the annual meeting.

5. What different methods can you use to vote?

By Written Proxy. All stockholders may vote by mailing the written proxy card.

By Telephone and Internet Proxy. All stockholders of record may also vote by telephone from the U.S. using the toll-free telephone number on the proxy card, or by the Internet, using the procedures and instructions described on the proxy card and other enclosures. Street name holders may vote by telephone or the Internet if their bank, broker, or other stockholder of record makes those methods available, in which case the bank, broker, or other stockholder of record will enclose the instructions with the Proxy Statement. The telephone and Internet voting procedures, including the use of control numbers, are designed to authenticate stockholders' identities, to allow stockholders to vote their shares, and to confirm that their instructions have been properly recorded.

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

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

The record date for the annual meeting is March 30, 2006. The record date is established by the Board of Directors as required by Delaware law. Stockholders of record at the close of business on the record date are entitled to receive notice of the annual meeting and to vote their shares at the meeting.

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

For the vote on the election of the Class I director nominees to serve until the 2009 annual meeting, stockholders may:

vote in favor of all nominees,

vote to withhold votes from all nominees, or

vote to withhold votes as to specific nominees.

Directors will be elected by a plurality of the votes cast in person or by proxy at the annual meeting. The Board recommends a vote FOR each of the director nominees.

8. What is a plurality of the votes?

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

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

In the vote on the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm, stockholders may:

vote in favor of the ratification,

vote against the ratification, or

abstain from voting on the ratification.

The proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm will require the affirmative vote of a majority of the votes cast affirmatively or negatively on the proposal in person or by proxy at the meeting. The Board recommends a vote FOR proposal 2.

10. What if a stockholder does not specify a choice for a matter when returning a proxy?

Stockholders should specify their choice for each proposal described on the enclosed proxy. However, proxies that are signed and returned will be voted FOR proposals described in this proxy statement for which no specific instructions are given.

11. How are abstentions and broker non-votes counted?

Both abstentions and broker non-votes are counted as present for purposes of determining the existence of a quorum at the annual meeting. However, abstentions and broker non-votes will not be included in vote totals and will not affect the outcome of the vote on Proposals 1 or 2.

ELECTION OF DIRECTORS AND MANAGEMENT INFORMATION

There are currently nine members of the Board of Directors. Pursuant to the Corporation's By-Laws, the Board is classified, which means it is divided into three classes of directors based on the expiration of their

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terms. Under the classified Board arrangement, directors are elected to terms that expire on the annual meeting date three years following the annual meeting at which they were elected, and the terms are staggered so that the terms of approximately one-third of the directors expire each year. Accordingly, this Proposal 1 seeks the election of three directors whose terms expire in 2006.

The terms of three directors, Michael Graff, Robert C. Griffin and Brett N. Milgrim, will expire at the annual meeting in 2006. The Board of Directors has nominated Messrs. Graff, Griffin and Milgrim for election to a term that will expire at the annual meeting in 2009.

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

PROPOSAL 1 ELECTION OF DIRECTORS

The Board of Directors has nominated the following directors for election. Each of the following nominees, a current director with a term expiring at the 2006 annual meeting, has furnished to the Corporation the following information with respect to his principal occupation or employment and principal business directorships:

Class I Directors with Terms Expiring in 2006

Michael Graff, Director, age 54. Mr. Graff became a director in February of 2006. The Board of Directors has affirmatively determined that he qualifies as an independent director. Mr. Graff was President and Chief Operating Officer of Bombardier Aerospace before joining Warburg Pincus in 2003. He is currently involved with the firm's leveraged buy-out and special situation activities, focusing primarily on the industrial sector. Previously, he was a partner at McKinsey & Company in New York, London and Pittsburgh. Mr. Graff received an A.B. from Harvard College in economics and an M.S. from the Sloan School of Management at the Massachusetts Institute of Technology. He is a director of TransDigm Group Incorporated, CAMP Systems International and Polypore International, Inc.

Robert C. Griffin, Director, age 58. Mr. Griffin became a director in June of 2005 and is the Chairman of the Audit Committee. The Board of Directors has affirmatively determined that he qualifies as an independent director. In March 2002, Mr. Griffin retired from Barclays Capital, where from June 2000 to March 2002 he was Head of Investment Banking, Americas and a member of the Management Committee. Prior to joining Barclays Capital, Mr. Griffin was a member of the Executive Committee for the Montgomery Division of Banc of America Securities and held a number of positions with Bank of America, including Group Executive Vice President and Head of Global Debt Capital Raising and as a Senior Management Council Member. Mr. Griffin serves on the board of directors of Commercial Vehicle Group, Inc. and RG Boat Company.

Brett N. Milgrim, Director, age 37. Mr. Milgrim became a director in 1999 and is a member of the Audit Committee. Mr. Milgrim is a director of both PGT Industries, Inc. and C.H.I. Overhead Doors, Inc. and is a Managing Director of JLL Partners, Inc., which he joined in 1997.

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

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CONTINUING DIRECTORS

The background and business affiliations of the Corporation's other directors, whose terms of service continue beyond 2006, are set forth below:

Class II Directors with Terms Expiring in 2007

Ramsey A. Frank, Director, age 45. Mr. Frank became a director in 2001. Mr. Frank is a Senior Managing Director of JLL Partners, Inc., which he joined in 1999. From January 1993 to July 1999, Mr. Frank was a Managing Director at Donaldson, Lufkin & Jenrette, Inc., where he headed the restructuring group and was a senior member of the leveraged finance group. Mr. Frank serves as a director of several companies, including Motor Coach Industries International, Inc., C.H.I. Overhead Doors, Inc., Education Affiliates, Inc., PGT Industries, Inc. and Medical Card System, Inc.

Kevin J. Kruse, Director, age 35. Mr. Kruse became a director in February of 2006. The Board of Directors has affirmatively determined that he qualifies as an independent director. Mr. Kruse has been a managing director of Warburg Pincus, LLC since January 2006, and has been employed by Warburg Pincus, LLC since February 2002. Prior to joining Warburg Pincus, LLC, Mr. Kruse was employed by AEA Investors, Inc. Prior to that, he was employed by Bain & Co., Inc., a management consulting firm. Mr. Kruse is also a director of Knoll, Inc., Polypore International, Inc., TransDigm Group Incorporated and Wellman, Inc.

Floyd F. Sherman, President, Chief Executive Officer and Director, age 66. Mr. Sherman became a director in 2001, when he joined the Corporation. Prior to joining the Corporation, he spent 28 years at Triangle Pacific/Armstrong Flooring, the last nine of which he served as Chairman and Chief Executive Officer. Mr. Sherman has over 40 years of experience in the building products industry.

Class III Directors with Terms Expiring in 2008

Paul S. Levy, Director and Chairman of the Board, age 58. Mr. Levy became a director in 1998. Mr. Levy is a Senior Managing Director of JLL Partners, Inc., which he founded in 1988. Mr. Levy serves as a director of several companies, including Motor Coach Industries International, Inc., Mosaic Sales Solutions, Corp., PGT Industries, Inc., Education Affiliates, Inc., IASIS Healthcare, LLC and J. G. Wentworth, LLC.

David A. Barr, Director, age 42. Mr. Barr became a director in February of 2006. The Board of Directors has affirmatively determined that he qualifies as an independent director. Mr. Barr has served as a general partner of Warburg Pincus, LLC since January 2001 and is involved in leveraged buy-out and special situations activities in the United States. Mr. Barr was a managing director at Butler Capital and focused on leveraged buy-out transactions for more than 10 years prior to joining Warburg Pincus in 2000. He also previously worked at Goldman Sachs. He received a B.A. in economics from Wesleyan University and an M.B.A. from Harvard Business School. Mr. Barr is a director of TransDigm Group Incorporated, Neiman Marcus, Wellman, Inc., Polypore International, Inc. and Eagle Family Foods.

Cleveland A. Christophe, Director, age 60. Mr. Christophe became a director in September of 2005 and is a member of the Audit Committee. The Board of Directors has affirmatively determined that he qualifies as an independent director. Mr. Christophe is the Managing Partner of TSG Capital Group, a private equity investment firm, which he founded in 1992. Previously, Mr. Christophe was Senior Vice President of TLC Group, L.P. From 1971 to 1987, Mr. Christophe held numerous senior positions with Citibank, N.A. He has served as a director of various public and private companies and has been a Chartered Financial Analyst since 1975.

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INFORMATION REGARDING THE BOARD AND ITS COMMITTEES

Board Purpose and Structure

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

Director Independence

The Board of Directors comprises one management director, Mr. Sherman, who is the Corporation's President and CEO, and eight non-management directors. Three of our non-management directors (Chairman Levy and Messrs. Frank and Milgrim) are affiliated with JLL Partners, affiliates of which control JLL Partners Fund V, L.P., the beneficial owner of 25.9% of our Common Stock through Building Products, LLC, our majority stockholder. Three of our non-management directors, Messrs. Barr, Graff and Kruse are affiliated with Warburg Pincus LLC, affiliates of which control Warburg Pincus Private Equity IX, L.P., the beneficial owner of 25.9% of our Common Stock through Building Products, LLC. Our Board of Directors has affirmatively determined that Messrs. Barr, Christophe, Graff, Griffin, and Kruse are independent under the director independence criteria adopted under the NASDAQ National Market listing standards. In addition, our Board of Directors has affirmatively determined that Messrs. Christophe and Griffin are also independent under the SEC's standards for independent audit committee members. As part of its annual evaluation of director independence, the Board examined (among other things) whether any transactions or relationships exist currently (or existed during the past three years), between each independent director and the Corporation, its subsidiaries, affiliates, equity investors, or independent auditors and the nature of those relationships under the relevant NASDAQ and SEC standards. The Board also examined whether there are (or have been within the past year) any transactions or relationships between each independent director and members of the senior management of Builders FirstSource or its affiliates. As a result of this evaluation, the Board has affirmatively determined that each independent director is independent under those criteria. Each year, the independent directors meet in regularly scheduled executive sessions outside the presence of management representatives. Interested parties, including stockholders, may communicate with the Chairman or the independent directors as a group through the process described in this Proxy Statement under the heading "Corporate Governance" Policy on Stockholder-Director Communications.

Board Meetings and Attendance

We became a public company in June of 2005. Our Board of Directors met a total of five times, and the Audit Committee of the Board met a total of four times in 2005, including regularly scheduled and special meetings. During 2005, all of the Corporation's directors attended 100% percent of the meetings of the Board and at least 75% of the meetings of the Audit Committee held during the period in which they served on the Board or such committees. Pursuant to the Builders FirstSource, Inc. Policy on Director Attendance at Annual Meetings of Stockholders (available on the corporate governance section of our Web site), all directors are strongly encouraged to attend the annual meeting in person. Any director who is unable to attend an Annual Meeting of Stockholders is expected to notify the Chairman of the Board in advance of such meeting.

Controlled Company Exemption and Committees

As of the date hereof, we continue to be a Controlled Company for purposes of Rule 4350(c)(5) of the NASD Rules (the "NASDAQ Rules") by virtue of the fact that Building Products, LLC, our majority stockholder, continues to hold of record 51.8% of the voting power of our Common Stock. As a Controlled Company, we are exempt from the provisions of the NASDAQ Rules that require us to have a board of directors comprised of a majority of independent directors (although we currently have a majority of independent directors under these rules) and to maintain compensation and nominating committees comprised solely of independent directors. Accordingly, the Board has only one standing committee: the Audit

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Committee. The Board believes that in light of its current status as a Controlled Company and its adoption of the Policy on the Director Nomination Process, it has in place adequate processes to identify, evaluate, select and nominate qualified director candidates. If we cease to be a Controlled Company under the NASDAQ rules, we will come into full compliance with all of the requirements thereof within the applicable transition periods provided for by the NASDAQ Rules.

Audit Committee

The Audit Committee is composed of two independent directors (as that term is defined by the NASDAQ listing standards and SEC regulations), Messrs. Christophe and Griffin, as well as Mr. Milgrim. Mr. Griffin serves as the Chairman of the Audit Committee. The Audit Committee met four times during 2005 (including two in-person meetings). During each in-person meeting, the Audit Committee met privately with the Corporation's independent registered public accounting firm and the Corporation's director of internal audit. The Board of Directors has affirmatively determined that all Audit Committee members are financially literate and possess financial sophistication as defined by NASDAQ National Market listing standards. The Board of Directors has designated Mr. Christophe and Mr. Griffin, as audit committee financial experts under the SEC's guidelines. The Board has also determined that Messrs. Christophe and Griffin meet the independence standards of both the SEC rules and the NASDAQ Rules for Audit Committee members. The Board has also determined that the service of Mr. Milgrim, who as a Managing Director of JLL Partners, Inc. is affiliated with Building Products, LLC (our majority stockholder), on the Audit Committee is required by the best interests of the Corporation and its stockholders, given his financial experience and knowledge of the Corporation.

The primary function of the Audit Committee is to assist the Board of Directors of the Corporation in fulfilling its oversight responsibilities relating to (i) the quality and integrity of the Corporation's financial reports and other financial information provided by the Corporation to its stockholders, the public and others; (ii) the Corporation's compliance with legal and regulatory requirements; (iii) the independent auditors' qualifications, independence and performance and (iv) the performance of the Corporation's internal audit function, including its systems of internal controls. The Committee's functions also include preparation of the audit committee report included in this proxy statement. The Board adopted an amended charter for the Audit Committee on October 25, 2005, and a copy of this charter is available on the corporate governance section of our Web site(1) and as Appendix A to this Proxy Statement.

Information on the Compensation of Directors

Independent directors who are not nominated by our majority stockholder, Building Products, LLC (currently Messrs. Christophe and Griffin) receive the following compensation: (a) an annual cash retainer of \$20,000; (b) a grant under the Corporation's 2005 Equity Incentive Plan of restricted shares of common stock with a value at the time of issuance of approximately \$20,000 per year for each year of service as a director; (c) a fee of \$1,000 per day for each meeting of the Board of Directors (or committee thereof) attended; and (d) an annual cash retainer of \$5,000 for each committee on which they serve. We have not paid and do not intend to pay compensation to individuals serving on our Board who are employees or affiliates of the Corporation for their service as directors.

No Material Proceedings

As of March 15, 2006, there are no material proceedings to which any of our directors, executive officers or affiliates, or any owner of record or beneficially of more than five percent of our Common Stock (or their associates), is a party adverse to the Corporation or any of its subsidiaries or has a material interest adverse to the Corporation or any of its subsidiaries.

(1) We have not incorporated by reference into this Proxy Statement the information included on or linked from our Web site, and you should not consider it to be part of this Proxy Statement.

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CORPORATE GOVERNANCE

Builders FirstSource, Inc. is committed to conducting its business in a way that reflects best practices, as well as the highest standards of legal and ethical conduct. We want to be a company of integrity and to be perceived as such by everyone who comes in contact with us. To that end, the Board of Directors has approved a comprehensive system of corporate governance documents. These documents meet or exceed the requirements established by the NASDAQ listing standards and by the SEC and are reviewed periodically and updated as necessary to reflect changes in regulatory requirements and evolving oversight practices. These policies embody the principles, policies, processes, and practices followed by the Board, executive officers and employees in governing the Corporation, and serves as a flexible framework for sound corporate governance.

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 has approved a Code of Business Conduct and Ethics that applies to the Corporation's directors, officers (including our principal executive officer, principal financial officer and controller) and employees. Our Code of Business Conduct and Ethics is administered by a Compliance Committee made up of representatives from our Legal, Human Resources 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 attached as exhibits to our 2005 Annual Report on Form 10-K and can be found on the Governance section of our corporate Web site.

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 five business days of:

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

The grant of any waiver, including an implicit waiver, from a provision of one of these policies to one of these officers that relates to one or more of the items set forth in Item 406(b) of Regulation S-K, we will provide information regarding any such amendment or waiver (including the nature of any waiver, the name of the person to whom the waiver was granted and the date of the waiver) on our 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 any amendments and waivers to our Code of Business Conduct and Ethics and our Supplemental Code of Ethics as required by the listing standards of the NASDAQ National Market.

Director Nomination Process

By-law Provisions for Stockholder Recommendations for Director Candidates

Builders FirstSource, Inc.'s By-laws provide that no director may be nominated by a stockholder for election at a meeting unless the stockholder (a) has delivered to the Corporate Secretary within the time limits described in the By-laws a written notice containing the information specified in the By-laws and (b) was a stockholder of record at the time such notice was delivered to the Corporate Secretary. Accordingly, in order for a stockholder's nomination of a person for election to the Board of Directors to be considered by the stockholders at the 2007 annual meeting in accordance with the Corporation's By-laws, the required written notice must be received by our Corporate Secretary on or after January 25, 2007 but no later than

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February 26, 2007. Only individuals who are nominated in accordance with the procedures set forth in the By-laws are eligible to stand for election as directors at a meeting of stockholders and to serve as directors. A copy of the By-laws may be obtained on the governance section of our Web site, or by written request to the Corporate Secretary, Builders FirstSource, Inc., 2001 Bryan Street Suite 1600, Dallas, Texas 75201, or by email at inforequest@bldr.com.

Policy on Stockholder Recommendations for Director Candidates

The Board of Directors has adopted a Policy on Stockholder Recommendations for Director Candidates and Stockholder-Director Communications to describe the process by which the Board will consider candidates for director recommended by stockholders in accordance with the Corporation's By-laws. A current copy of the Policy on Stockholder Recommendations for Director Candidates and Stockholder-Director Communications is available on the governance section of our Web site. To have a candidate considered by the Board, a stockholder must submit the recommendation in writing and must include the following information:

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

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

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

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

Any other information relating to either the stockholder or the candidate that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the rules and regulations promulgated thereunder.

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

Policy on Stockholder-Director Communications

The Policy on Stockholder Recommendations for Director Candidates and Stockholder-Director Communications also describes the process by which the Board will consider candidates for director recommended by stockholders in accordance with the Corporation's By-laws and the process for stockholders to send communications to the Board. Stockholders and other interested parties may contact any member (or all members) of the Board (including without limitation the non-management directors as a group, any Board committee or any chair of any such committee) in writing by mail or overnight service or electronically. To communicate with the Board of Directors, any individual directors or any group or committee of directors,

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correspondence should be addressed to the Board of Directors or any such individual directors or group or committee of directors by either name or title. All such correspondence should be sent c/o Corporate Secretary at 2001 Bryan Street, Suite 1600, Dallas, Texas 75201.

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

Policy on the Director Nomination Process

The Board of Directors has also adopted a Policy on the Director Nomination Process that describes the process followed by the Board to identify, evaluate, select and nominate director candidates. A current copy of the Policy on the Director Nomination Process is available on the governance section of our Web site.

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

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

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

Once a person has been identified by the Board as a potential candidate, the Board may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the Board determines that the candidate warrants further consideration, the Chairman of the Board or another member of the Board will contact the person. Generally, if the person expresses a willingness to be considered and to serve on the Board, the Board will request information from the candidate, review the person's accomplishments and qualifications, including in light of any other candidates that the Board might be considering, and conduct one or more interviews with the candidate. In certain instances, Board members may contact one or more references provided by the candidate or may contact other members of the business community or other persons that may have greater first-hand knowledge of the candidate's accomplishments. The Board's evaluation process does not vary based on whether or not a candidate is recommended by a

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stockholder, although the Board may take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held.

Notwithstanding the foregoing, so long as the Corporation continues to be a Controlled Company (within the meaning of NASDAQ Rule 4350(c)(5)), the Board will be guided by the recommendations of the Corporation's majority stockholder, Building Products, LLC, in its nomination process.

Auditor Services Pre-Approval Policy

The Charter of the Audit Committee of Builders FirstSource, Inc., attached as Appendix A to this Proxy Statement, defines the principles and procedures followed by the Audit Committee in pre-approving audit and non-audit services performed by the Corporation's independent registered public accounting firm.

REPORT ON EXECUTIVE COMPENSATION

The Role of the Board of Directors

The Board of Directors determines and oversees compensation for the executive officers of the Corporation, reviews and approves corporate goals and objectives relevant to compensation of the CEO and other executive officers, and evaluates the performance of the CEO and other executive officers in light of those goals and objectives. The Board of Directors determines and approves the compensation of the CEO and other executive officers based on these evaluations, and makes decisions with respect to incentive-compensation plans and equity-based plans.

This report on executive compensation was prepared by the Board of Directors following the Board's February 2006 meeting, at which time the Board of Directors determined each executive officer's individual cash bonus award for the 2005 performance year, established annual incentive targets and performance measures for the 2006 performance year, and considered and approved salary adjustments and long-term equity incentive awards for executive officers of the Corporation.

Compensation Strategy

The Board of Directors views establishing compensation policies that facilitate the achievement of the Corporation's business strategy, in order to ultimately create value for stockholders, as one of its principal responsibilities. In this regard, policies and programs adopted by the Board of Directors are intended to enhance the ability of the Corporation to attract, retain, and motivate exceptionally knowledgeable and experienced executives committed to the successful operation and management of the Corporation.

The compensation policies and programs of the Corporation are considered by the Board of Directors within the context of an integrated total rewards framework. Within this framework, the Board of Directors considers and determines various components of Pay base salary, annual incentive compensation, long-term equity incentive compensation, benefits and perquisites. It is through the considered combination of these programs that the Board of Directors believes it can most effectively support and facilitate the ultimate creation of value for stockholders.

With respect to the compensation of executive officers, actual pay decisions take into consideration several additional factors, including individual performance, scope of responsibility, prior experience, breadth of knowledge, and comparison against the competitive practices of relevant comparator companies of similar size, as well as indicators derived from published compensation surveys of both building supply and general industry companies. The Board of Directors considers the advice of an independent compensation consultant regarding these matters.

Review of All Components of Compensation

The Board of Directors most recently determined executive compensation in February 2006, when it determined incentive payments for 2005 and set the Company's 2006 compensation framework for executive

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officers. In determining such compensation, the Board of Directors evaluated all components of the CEO's and other Named Executive Officers' compensation, including salary, bonus, accumulated realized and unrealized gains under outstanding equity awards, the dollar value to the executive and cost to the Corporation of perquisites and other personal benefits, and reviewed actual projected payout obligations under potential severance and change-in-control scenarios. A tally sheet setting forth all the above components was prepared and reviewed affixing dollar amounts for these items.

Based on this review, the Board of Directors finds the CEO's and other Named Executive Officers' total compensation (and, in the case of the severance and change-in-control scenarios, the potential payments) in the aggregate to be reasonable and not excessive, based on their roles in substantially improving the Corporation's financial performance, in further establishing our position as a leader in our industry, in continuing to develop and retain a dedicated and experienced management team, and in continuing to successfully integrate the Corporation's numerous acquisitions.

It should be noted that when the Board of Directors considers any component of the CEO's or any other Named Executive Officer's total compensation, the aggregate amounts and mix of all the components are taken into consideration in the Board of Directors' decisions. Proposed compensation is first presented to the Board of Directors electronically as soon as practicable prior to the meeting of the Board at which compensation decisions are made. This information is then reviewed and analyzed by the Board in the context of all the components of the executive officer's total compensation. Members then have additional time prior to the meeting to ask for additional information and to raise and discuss further questions. The discussion is continued at a Board of Directors meeting, after which a vote is taken.

Base Salaries

While the Board of Directors believes that a substantial portion of each executive officer's total compensation should be at-risk, the Board of Directors believes it important and seeks to assure that base salaries are competitive with market practices and adequately compensate executive officers for their roles and responsibilities. The minimum base salaries of the CEO and three of the Named Executive Officers of the Corporation are set by employment agreements. These base salaries are also annually reviewed, and any changes approved, by the Board of Directors after consideration of the factors as described in this report. In the absence of employment agreements, base salaries were determined based on each individual's pay position relative to the market range and value to the Corporation reflected in the executive officer's knowledge, experience and contribution to the success in achieving the Corporation's objectives.

Management Incentive Plan

The Board of Directors believes that cash incentive bonuses facilitate the communication of objectives that are of primary importance during the coming year and are intended to motivate executive officers to attain those objectives. To this end, the Corporation has in place a management incentive plan that provides for the potential payment of annual bonuses, pursuant to cash incentive bonus plans, to our executive officers. The Management Incentive Plan is administered by the Board of Directors.

In approving the budget for the Corporation each year, the Board of Directors determines the performance goals applicable to each cash incentive bonus under the plan, which may be based on one or more criteria. The plan provides for the development of performance goals based on, for example, pre- or after-tax income, cash flow, return on assets, equity or investment, stock price or total stockholder return, earnings before or after interest, taxes, depreciation, amortization or extraordinary or special items, net tangible assets or return on net tangible assets, or other criteria determined by the Board of Directors to be appropriate. For 2005 and 2006, the selected performance criteria for executive officer cash incentive bonus awards are return on tangible net assets, operating cash flow and percentage increase in operating income.

Performance goals may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criterion and may be applied to one or more of the Corporation or one of our affiliates, or a division or business group of th