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

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**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2016

**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: 1-36870

**TopBuild Corp.**

(Exact name of Registrant as Specified in its Charter)

**Delaware**  
(State or Other Jurisdiction of Incorporation or Organization)

**47-3096382**  
(I.R.S. Employer Identification No.)

**260 Jimmy Ann Drive**  
**Daytona Beach, Florida**  
(Address of Principal Executive Offices)

**32114**  
(Zip Code)

**(386) 304-2200**  
(Registrant's telephone number, including area code)

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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes       No

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

Large accelerated filer  Accelerated filer  Smaller reporting company   
Non-accelerated filer  (Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes       No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class  
Common stock, par value \$.01 per share

Shares Outstanding at May 2, 2016  
38,460,478

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**TOPBUILD CORP.**

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**PART I – FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS**

**TOPBUILD CORP.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**  
(In thousands except share data)

	As of	
	March 31, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 108,150	\$ 112,848
Receivables, net of an allowance for doubtful accounts of \$3,334 and \$3,399 at March 31, 2016 and December 31, 2015, respectively	243,000	235,549
Inventories, net	108,016	118,701
Prepaid expenses and other current assets	6,096	13,263
Total current assets	465,262	480,361
Property and equipment, net	92,098	93,066
Goodwill	1,044,041	1,044,041
Other intangible assets, net	1,778	1,987
Deferred tax assets, net	20,549	20,549
Other assets	2,127	2,245
Total assets	\$ 1,625,855	\$ 1,642,249
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 223,308	\$ 253,311
Current portion of long-term debt	17,500	15,000
Accrued liabilities	65,527	58,369
Total current liabilities	306,335	326,680
Long-term debt	173,543	178,457
Deferred tax liabilities, net	181,251	181,254
Long-term portion of insurance reserves	38,641	39,655
Other liabilities	435	474
Total liabilities	700,205	726,520
Commitments and contingencies		
Equity:		
Preferred stock, \$0.01 par value: 10,000,000 shares authorized; 0 shares issued and outstanding at March 31, 2016 and December 31, 2015	—	—
Common stock, \$0.01 par value: 250,000,000 shares authorized; 38,480,200 and 38,268,375 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	385	377
Treasury stock, 53,408 shares at March 31, 2016, at cost	(1,539)	—
Additional paid-in capital	839,312	838,976
Retained earnings	87,492	76,376
Total equity	925,650	915,729
Total liabilities and equity	\$ 1,625,855	\$ 1,642,249

See notes to our unaudited condensed consolidated financial statements.

**TOPBUILD CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**  
**(In thousands except per common share data)**

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Net sales	\$ 414,024	\$ 358,460
Cost of sales	324,569	284,644
Gross profit	89,455	73,816
Selling, general, and administrative expense	69,688	74,963
Operating profit (loss)	19,767	(1,147)
Other income (expense), net:		
Interest expense	(1,673)	(3,161)
Other, net	75	8
Other expense, net	(1,598)	(3,153)
Income (loss) from continuing operations before income taxes	18,169	(4,300)
Income tax (expense) benefit from continuing operations	(7,053)	500
Income (loss) from continuing operations	11,116	(3,800)
Income from discontinued operations, net	—	1
Net income (loss)	\$ 11,116	\$ (3,799)
<b>Income (loss) per common share:</b>		
Basic:		
Income (loss) from continuing operations	\$ 0.29	\$ (0.10)
Income from discontinued operations, net	—	—
Net income (loss)	\$ 0.29	\$ (0.10)
Diluted:		
Income (loss) from continuing operations	\$ 0.29	\$ (0.10)
Income from discontinued operations, net	—	—
Net income (loss)	\$ 0.29	\$ (0.10)

See notes to our unaudited condensed consolidated financial statements.

**TOPBUILD CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
(In thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Net Cash From (For) Operating Activities:</b>		
Net income (loss)	\$ 11,116	\$ (3,799)
Adjustments to reconcile net income (loss) to net cash from (for) operating activities:		
Depreciation and amortization	2,895	3,053
Share-based compensation	1,600	808
Loss on sale or abandonment of property and equipment	950	97
Provision for bad debt expense	1,054	944
Loss from inventory obsolescence	335	358
Deferred income taxes, net	(3)	(500)
Changes in certain assets and liabilities:		
Receivables, net	(8,505)	2,047
Inventories, net	10,350	2,223
Prepaid expenses and other current assets	7,167	450
Accounts payable	(29,846)	(31,265)
Long-term portion of insurance reserves	(1,014)	1,713
Accrued liabilities	7,158	5,232
Other, net	96	—
Net cash from (for) operating activities	<u>3,353</u>	<u>(18,639)</u>
<b>Cash Flows From (For) Investing Activities:</b>		
Purchases of property and equipment	(2,900)	(2,298)
Proceeds from sale of property and equipment	76	369
Other, net	68	140
Net cash for investing activities	<u>(2,756)</u>	<u>(1,789)</u>
<b>Cash Flows From (For) Financing Activities:</b>		
Net transfer from Former Parent	—	21,062
Repayment of long-term debt	(2,500)	—
Taxes withheld and paid on employees' equity awards	(1,256)	—
Repurchase of shares of common stock	(1,539)	—
Net cash (for) from financing activities	<u>(5,295)</u>	<u>21,062</u>
<b>Cash and Cash Equivalents</b>		
(Decrease) increase for the period	(4,698)	634
Beginning of year	112,848	2,965
End of period	<u>\$ 108,150</u>	<u>\$ 3,599</u>
Supplemental disclosure of noncash investing activities:		
Accruals for property and equipment	\$ 426	\$ —

See notes to our unaudited condensed consolidated financial statements.

**TOPBUILD CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)**  
(In thousands except share data)

	Common Stock <small>(\$0.01 par value)</small>	Treasury Stock at cost	Additional Paid-in Capital	Retained Earnings	Former Parent Investment	Equity
<b>Balance at December 31, 2014</b>	\$ —	\$ —	\$ —	\$ —	\$ 952,292	\$ 952,292
Net loss	—	—	—	—	(3,799)	(3,799)
Net transfers from Former Parent	—	—	—	—	24,770	24,770
<b>Balance at March 31, 2015</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 973,263</b>	<b>\$ 973,263</b>
<b>Balance at December 31, 2015</b>	<b>\$ 377</b>	<b>\$ —</b>	<b>\$ 838,976</b>	<b>\$ 76,376</b>	<b>\$ —</b>	<b>\$ 915,729</b>
Net income	—	—	—	11,116	—	11,116
Share-based compensation	—	—	1,600	—	—	1,600
Issuance of restricted share awards under long-term equity incentive plan	8	—	(8)	—	—	—
Repurchase of 53,408 shares of common stock pursuant to Share Repurchase Program	—	(1,539)	—	—	—	(1,539)
50,728 shares of common stock withheld to satisfy statutory withholding requirements	—	—	(1,256)	—	—	(1,256)
<b>Balance at March 31, 2016</b>	<b>\$ 385</b>	<b>\$ (1,539)</b>	<b>\$ 839,312</b>	<b>\$ 87,492</b>	<b>\$ —</b>	<b>\$ 925,650</b>

See notes to our unaudited condensed consolidated financial statements.

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**1. BASIS OF PRESENTATION**

On June 30, 2015 (the “Effective Date”), Masco Corporation (“Masco” or the “Former Parent”) completed the separation (the “Separation”) of its Installation and Other Services businesses (the “Services Business”) from its other businesses. On the Effective Date, TopBuild Corp. (“TopBuild” or the “Company”), a Delaware corporation formed in anticipation of the Separation, became an independent public company which holds, through its subsidiaries, the assets and liabilities associated with the Services Business. The Separation was achieved through the distribution of 100 percent of the outstanding capital stock of TopBuild to holders of Masco common stock. References to “TopBuild,” the “Company,” “we,” “our,” and “us” refer to TopBuild Corp. and its consolidated subsidiaries.

These condensed consolidated financial statements and related notes should be read in conjunction with the audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

Prior to the Separation, the consolidated financial statements of TopBuild were prepared on a stand-alone basis and reflect the historical results of operations, financial position, and cash flows of Masco’s Services Business, including an allocable portion of corporate costs.

We report our business in two segments: Installation and Distribution. Our Installation segment principally includes the sale and installation of insulation and other building products. Our Distribution segment principally includes the distribution of insulation and other building products. Our segments are based on our operating units, for which financial information is regularly evaluated by our corporate operating executives.

In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments, of a normal recurring nature, necessary to state fairly our financial position as of March 31, 2016, our results of operations for the three months ended March 31, 2016, and cash flows for the three months ended March 31, 2016. The Condensed Consolidated Balance Sheet at December 31, 2015, was derived from our audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America (“U.S. GAAP”).

**2. ACCOUNTING POLICIES**

**Financial Statement Presentation.** The condensed consolidated financial statements have been developed in conformity with U.S. GAAP, which requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates. Our financial statements for the periods prior to the Separation have been derived from the financial statements and accounting records of Masco using the historical results of operations and historical basis of assets and liabilities of the Services Business, and reflect Masco’s net investment in the Services Business.

All intercompany transactions between TopBuild entities have been eliminated. Transactions between TopBuild and Masco prior to the Separation, with the exception of purchase transactions, are reflected in the Condensed Consolidated Statements of Cash Flows as a financing activity in “Net transfer from Former Parent” and in the Condensed Consolidated Statements of Changes in Equity as “Former Parent Investment.”

The accompanying condensed consolidated financial statements for the periods prior to the Separation include allocations of general corporate expenses incurred by Masco for functions such as corporate human resources, finance, and legal, including salaries, benefits, and other related costs. These general corporate expenses were allocated to TopBuild on the basis of sales. Total allocated general corporate costs were \$7.9 million for the three months ended March 31, 2015. These costs were included in selling, general, and administrative expenses.

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

Prior to the Separation, Masco incurred certain operating expenses on behalf of the Services Business that were allocated to TopBuild based on direct benefit or usage. These allocated operating expenses were \$4.4 million for the three months ended March 31, 2015. These costs were included in selling, general, and administrative expenses. An estimate of these operating expenses was allocated to each of TopBuild's reporting segments based on a percentage of sales.

For the periods prior to the Separation, these condensed consolidated financial statements may not reflect the actual expenses that would have been incurred had we operated as a stand-alone company and may not reflect the consolidated results of operations, financial position, and cash flows had we operated as a stand-alone company. Actual costs that would have been incurred if we had operated as a stand-alone company prior to the Separation would have depended on multiple factors, including organizational structure and strategic decisions made in various areas, including, without limitation, information technology and infrastructure.

During the quarter ended March 31, 2015, we identified an error related primarily to the misallocation of a favorable legal settlement to general corporate expenses of TopBuild in the fourth quarter of 2014. The impact of the error was to understate the allocation of corporate expenses reported as selling, general, and administrative expense and overstate operating profit by \$1.9 million. The error was not considered material to the previously reported 2014 financial statements. The Company recorded the correction of the error by an out-of-period adjustment in the first quarter of 2015, which is therefore reflected in the three months ended March 31, 2015, Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Cash Flows.

**Share-based Compensation.** Our share-based compensation program currently consists of restricted share awards ("RSAs") and stock option awards ("Options"). Share-based compensation is reported in selling, general, and administrative expense.

The following table details our award types and accounting policies:

<b>Award Type:</b>	<b>Fair Value Determination</b>	<b>Vesting</b>	<b>Expense Recognition‡</b>	<b>Expense Measurement</b>
<b>Restricted Share Awards</b>				
Service Condition	Closing stock price on date of grant	Ratably; 3 or 5 years	Straight-line	Fair value at grant date
Performance Condition	Closing stock price on date of grant	Cliff; 3 years	Straight-line; Adjusted based on meeting or exceeding performance targets	Evaluated quarterly; 0 - 200% of fair value at grant date depending on performance
Market Condition	Monte-Carlo Simulation	Cliff; 3 years	Straight-line; Recognized even if condition is not met	Fair value at grant date
<b>Stock Options†</b>	Black-Scholes Options Pricing Model	Ratably; 3 or 5 years	Straight-line	Fair value at grant date

†Stock options expire no later than 10 years after the grant date.

‡Expense is reversed if award is forfeited prior to vesting.

**Recently Issued Accounting Pronouncements:** In May 2014 the Financial Accounting Standards Board ("FASB") issued a new standard for revenue recognition, Accounting Standards Codification 606 ("ASC 606"). The purpose of ASC 606 is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability across industries. ASC 606 is effective for us for annual periods beginning January 1, 2018. We are currently evaluating the impact the adoption of this new standard will have on our results of operations.



**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

In July 2015, the FASB issued Accounting Standards Update 2015-11 (“ASU 2015-11”) “Simplifying the Measurement of Inventory.” Under the amendment, ASU 2015-11, inventory should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This guidance is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted; however, we do not anticipate adopting this standard until the first quarter of 2017. We do not anticipate the adoption of this amendment will have a material impact on our financial position or results of operations

In February 2016, the FASB issued Accounting Standards Update 2016-02 (“ASU 2016-02”), “Leases.” This standard requires a lessee to recognize most leases on their balance sheet. Companies are required to use a modified retrospective transition method for all existing leases. This standard is effective for annual periods beginning after December 15, 2018, and interim periods therein. Early adoption is permitted. We have not yet selected an adoption date nor have we determined the effect on our financial position or results of operations.

In March 2016, the FASB issued Accounting Standards Update 2016-09 (“ASU 2016-09”), “Improvements to Employee Share-Based Payment Accounting.” This update is intended to simplify several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. Under this guidance, an entity recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement. This update is effective for annual and interim periods beginning after December 15, 2016, which will require us to adopt these provisions in the first quarter of 2017. Early adoption is permitted. We have not yet selected an adoption date nor have we determined the effect on our financial position or results of operations.

**3. GOODWILL AND OTHER INTANGIBLES**

The changes in the carrying amount of goodwill for the three months ended March 31, 2016, by segment, were as follows, in thousands:

	Gross Goodwill at December 31, 2015	Gross Goodwill at March 31, 2016	Accumulated Impairment Losses	Net Goodwill at March 31, 2016
Installation	\$ 1,389,775	\$ 1,389,775	\$ (762,021)	\$ 627,754
Distribution	416,287	416,287	—	416,287
Total	\$ 1,806,062	\$ 1,806,062	\$ (762,021)	\$ 1,044,041

Other intangible assets, net includes the carrying value of our definite-lived intangible assets of \$1.8 million (net of accumulated amortization of \$18.1 million) at March 31, 2016, and \$2.0 million (net of accumulated amortization of \$17.9 million) at December 31, 2015.

**4. DEPRECIATION AND AMORTIZATION**

The following table sets forth our depreciation and amortization expense for the three months ended March 31, 2016 and 2015, in thousands:

	Three Months Ended March 31,	
	2016	2015
Depreciation	\$ 2,686	\$ 2,782
Amortization	209	271
Total	\$ 2,895	\$ 3,053

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**5. LONG-TERM DEBT**

In connection with the Separation, the Company and its wholly-owned domestic subsidiaries (collectively, the “Guarantors”) entered into a credit agreement and related collateral and guarantee documentation (collectively, the “Credit Agreement”) with PNC Bank, National Association, as administrative agent, and the other lenders and agents party thereto. The Credit Agreement was executed by the parties thereto on June 9, 2015, with an effective date of June 30, 2015.

The Credit Agreement consists of a senior secured term loan facility (“term loan facility”) of \$200 million and a senior secured revolving credit facility (“revolving facility”) which provides borrowing availability of up to \$125 million. Together, the term loan facility and revolving facility are referred to as the credit facility. Additional borrowing capacity under the credit facility may be accessed by the Company in an aggregate amount not to exceed \$100 million without the consent of the lenders, subject to certain conditions (including existing or new lenders providing commitments in respect of such additional borrowing capacity). The credit facility is scheduled to mature on June 30, 2020.

The revolving facility includes a \$100 million sublimit for the issuance of letters of credit and a \$15 million sublimit for swingline loans. Swingline loans and letters of credit issued under the revolving facility reduce the availability under the revolving facility.

The proceeds of the \$200 million term loan facility were used to finance a cash distribution to Masco in connection with the Separation. We expect to use the borrowing capacity under the revolving facility from time to time for working capital and funds for general corporate purposes.

Interest payable on the credit facility is based on either:

- the London interbank offered rate (“LIBOR”), adjusted for statutory reserve requirements (the “Adjusted LIBOR Rate”); or
- the Base Rate, which is defined as the highest of (a) the prime rate, (b) the federal funds open rate plus 0.50 percent, and (c) the daily LIBOR rate for a one-month interest period plus 1.0 percent,

plus, (A) in the case of Adjusted LIBOR Rate borrowings, applicable margins ranging from 1.00 percent to 2.00 percent per annum, and (B) in the case of Base Rate borrowings, spreads ranging from 0.00 percent to 1.00 percent per annum, depending on, in each of (A) and (B), the Company’s Total Leverage Ratio, defined as the ratio of debt to EBITDA, ranging from less than or equal to 1.00:1.00 to greater than 2.50:1.00. The interest rate period with respect to the Adjusted LIBOR Rate interest rate option can be set at one-, two-, three-, or six-months, and in certain circumstances one-week or 12-months, as selected by the Company in accordance with the terms of the Credit Agreement. The interest rate as of March 31, 2016, was 2.44 percent.

The Company shall make payments on the outstanding principal amount of the term loan in quarterly principal installments based on annual amortization of (a) for the first year, 5 percent, (b) for the second, third, and fourth years, 10 percent per year, and (c) for the fifth year, 15 percent, with the remaining balance payable on the scheduled maturity date of the term loan.

The following table reconciles the principal balance of our long-term debt to our Condensed Consolidated Balance Sheets, in thousands:

	As of	
	March 31, 2016	December 31, 2015
Current portion of long-term debt	\$ 17,500	\$ 15,000
Long-term portion of long-term debt	175,000	180,000
Unamortized debt issuance costs	(1,457)	(1,543)
Long-term debt	<u>\$ 191,043</u>	<u>\$ 193,457</u>

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

Borrowings under the credit facility are prepayable at the Company's option without premium or penalty. The Company is required to prepay the term loan with the net cash proceeds of certain asset sales, debt issuances, or casualty events, subject to certain exceptions.

The Credit Agreement contains certain covenants that limit, among other things, the ability of the Company and its subsidiaries to incur additional indebtedness or liens; to make certain investments or loans; to make certain restricted payments; to enter into consolidations, mergers, sales of material assets, and other fundamental changes; to transact with affiliates; to enter into agreements restricting the ability of subsidiaries to incur liens or pay dividends; or to make certain accounting changes. In addition, the Credit Agreement requires us to maintain a net leverage ratio (defined as the ratio of debt (less certain cash) to EBITDA that is less than (i) from the date the Credit Agreement is entered into through December 31, 2015, 3.50:1.00, (ii) from March 31, 2016 through September 30, 2016, 3.25:1.00, and (iii) from and after December 31, 2016, 3.00:1.00). In addition, the Credit Agreement requires us to maintain a minimum fixed charge coverage ratio of 1.10:1.00. The Credit Agreement also contains customary events of default. We were compliant with all covenants as of March 31, 2016.

All obligations under the Credit Agreement are guaranteed by the Guarantors, and all obligations under the Credit Agreement, including the guarantees of those obligations, are secured by substantially all of the assets of the Company and the Guarantors.

We had standby letters of credit outstanding of approximately \$55.1 million as of March 31, 2016. The standby letters of credit were issued to secure financial obligations related to our workers compensation, general insurance, and auto liability programs.

**6. FAIR VALUE MEASUREMENTS**

The fair value measurement standard defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (referred to as an "exit price"). Authoritative guidance on fair value measurements and disclosures clarifies that a fair value measurement for a liability should reflect the entity's non-performance risk. In addition, a fair value hierarchy is established that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

**Fair Value on Recurring Basis**

The carrying values of cash and cash equivalents, receivables, net, and accounts payable are considered to be representative of their respective fair values due to the short-term nature of these instruments.

**Fair Value on Non-Recurring Basis**

Fair value measurements were applied to our long-term debt. The carrying value of our long-term debt approximates the fair market value primarily due to the fact that the non-performance risk of servicing our debt obligations, as reflected in our business and credit risk profile, has not materially changed since we assumed our debt obligations under the credit facility on June 30, 2015. In addition, due to the floating-rate nature of our long-term debt, the market value is not subject to variability solely due to changes in the general level of interest rates as is the case with a fixed-rate debt obligation.

During the periods presented, there were no transfers between fair value hierarchical levels.

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**7. SEGMENT INFORMATION**

Information about us by segment is as follows, in thousands:

	<b>Three Months Ended March 31,</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Net Sales</b>		<b>Operating Profit (Loss) (2)</b>	
Our operations by segment were (1):				
Installation	\$ 272,878	\$ 233,363	\$ 13,506	\$ (1,032)
Distribution	160,888	144,611	14,333	11,377
Intercompany eliminations and other adjustments (3)	(19,742)	(19,514)	(3,352)	(3,589)
Total	<u>\$ 414,024</u>	<u>\$ 358,460</u>	24,487	6,756
General corporate expense, net (4)			(4,720)	(7,903)
Operating profit (loss), as reported			19,767	(1,147)
Other expense, net			(1,598)	(3,153)
Income (loss) from continuing operations before income taxes			<u>\$ 18,169</u>	<u>\$ (4,300)</u>

- (1) All of our operations are located in the United States.
- (2) Segment operating profit for the three months ended March 31, 2016, includes an allocation of general corporate expenses attributable to the operating segments which is based on direct benefit or usage (such as salaries of corporate employees who directly support the segment). Segment operating profit for the three months ended March 31, 2015, includes an estimate of general corporate expenses calculated based on a percentage of sales. For the three months ended March 31, 2015, the \$0.4 million difference between estimated expenses and actual corporate expenses is recorded in intercompany eliminations and other adjustments.
- (3) Intercompany eliminations include the elimination of intercompany profit of \$3.4 million for each of the three months ended March 31, 2016 and 2015. Other adjustments primarily include differences between estimated and actual corporate costs allocated to the segments for the three months ended March 31, 2015, as noted in footnote (2) above.
- (4) General corporate expense, net included those expenses not specifically attributable to our segments.

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**8. OTHER COMMITMENTS AND CONTINGENCIES**

**Litigation.** We are subject to claims, charges, litigation, and other proceedings in the ordinary course of our business, including those arising from or related to contractual matters, intellectual property, personal injury, environmental matters, product liability, product recalls, construction defects, insurance coverage, personnel and employment disputes, antitrust, and other matters, including class actions. We believe we have adequate defenses in these matters and that the likelihood the outcome of these matters would have a material adverse effect on us is remote. However, there is no assurance that we will prevail in these matters, and we could in the future incur judgments, enter into settlements of claims, or revise our expectations regarding the outcome of these matters, which could materially impact our results of operations.

**Other Matters.** We enter into contracts, which include customary indemnifications that are standard for the industries in which we operate. Such indemnifications include customer claims against builders for issues relating to our products and workmanship. In conjunction with divestitures and other transactions, we occasionally provide customary indemnifications relating to various items including: the enforceability of trademarks; legal and environmental issues; and asset valuations. We evaluate the probability that amounts may be incurred and appropriately record an estimated liability when deemed probable.

We occasionally use performance bonds to ensure completion of our work on certain larger customer contracts that can span multiple accounting periods. Performance bonds generally do not have stated expiration dates; rather, we are released from the bonds as the contractual performance is completed. Other types of bonds outstanding are principally license and insurance related.

**9. INCOME TAXES**

Our effective tax rates were 38.8 percent and 11.6 percent for the three months ended March 31, 2016 and 2015, respectively. The lower rate in 2015 was primarily due to a decrease in our valuation allowance resulting from a partial use of our Federal net operating loss carryforward.

For 2015 activity through the Separation, we file our tax returns as a member of the Masco consolidated group for U.S. Federal and certain State jurisdictions. As a result, certain tax attributes, primarily the Federal and State net operating loss carryforwards, were treated as assets of the Masco consolidated group, which they were able to utilize through December 31, 2015. Masco fully utilized the Federal net operating loss and certain State net operating losses by the end of 2015.

In the fourth quarter of 2015, we released all but \$0.8 million of our valuation allowance against U.S. Federal and certain state deferred tax assets, due primarily to a return to sustainable operating profitability.

**10. INCOME (LOSS) PER SHARE**

Basic net income per share is calculated by dividing net income by the weighted average shares outstanding during the period, without consideration for common stock equivalents.

Diluted net income per share is calculated by adjusting weighted average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury stock method.

For comparative purposes, the computation of basic and diluted income per common share for prior year periods presented was calculated using the shares distributed at Separation. On June 30, 2015, we distributed 37.7 million shares of our common stock to Masco shareholders in conjunction with the Separation.

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

Basic and diluted income (loss) per share were computed as follows (in thousands except share and per share amounts):

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Income (loss) from continuing operations	\$ 11,116	\$ (3,800)
Income from discontinued operations, net	—	1
Net income (loss) - basic and diluted	<u>\$ 11,116</u>	<u>\$ (3,799)</u>
Weighted average number of common shares outstanding - basic	37,761,423	37,667,947
Dilutive effect of common stock equivalents:		
RSAs with service-based conditions	113,683	—
RSAs with market-based conditions	—	—
RSAs with performance-based conditions	—	—
Stock options	<u>24,004</u>	<u>—</u>
Weighted average number of common shares outstanding - diluted	37,899,110	37,667,947
<b>Basic income (loss) per common share:</b>		
Income (loss) from continuing operations	\$ 0.29	\$ (0.10)
Income from discontinued operations, net	—	—
Net income (loss)	<u>\$ 0.29</u>	<u>\$ (0.10)</u>
<b>Diluted income (loss) per common share:</b>		
Income (loss) from continuing operations	\$ 0.29	\$ (0.10)
Income from discontinued operations, net	—	—
Net income (loss)	<u>\$ 0.29</u>	<u>\$ (0.10)</u>

The following table summarizes the shares excluded from the calculation of diluted income (loss) per share because their effect would have been anti-dilutive:

	<b>Three Months Ended March 31,</b>
	<b>2016</b>
Anti-dilutive common stock equivalents:	
RSAs with service-based conditions	99,734
RSAs with market-based conditions	25,293
RSAs with performance-based conditions	—
Stock options	<u>484,284</u>
Total anti-dilutive common stock equivalents:	609,311

**11. SHARE-BASED COMPENSATION**

Prior to the Separation, our employees participated in the Masco share-based compensation program and received restricted share awards and stock options. Effective July 1, 2015, our employees participate in the 2015 TopBuild Long-Term Incentive Plan (the "2015 Plan"). The 2015 Plan authorizes the Board of Directors to grant stock options, stock appreciation rights, restricted shares, restricted share units, performance awards, and dividend equivalents. No more than 4.0 million shares of common stock may be issued under the 2015 Plan.

Prior to the Separation, share-based compensation expense was allocated to TopBuild based on the awards and options previously granted by Masco to TopBuild employees. Outstanding, unvested Masco stock options and restricted share awards held by employees of TopBuild as of June 30, 2015, were forfeited upon Separation and replaced with TopBuild long-term incentive awards, issued under the 2015 Plan, immediately subsequent to the Separation. The replacement awards are subject to the same terms and conditions in effect prior to the Separation and are of generally equivalent value.

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

Included in selling, general, and administrative expenses is share-based compensation expense of \$1.6 million and \$0.8 million for the three months ended March 31, 2016 and 2015, respectively.

The following table presents a summary of our share-based compensation activity for the three months ended March 31, 2016 (in thousands, except per share amounts):

	Restricted Share Awards		Stock Options			
	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Balance December 31, 2015	586.6	\$ 21.97	387.6	\$ 9.35	\$ 24.03	\$ 2,611.7
Granted	317.2	28.41	409.3	10.20	26.30	
Converted/Exercised	(152.1)	19.16	—	—	—	
Forfeited	(1.2)	23.20	—	—	—	
Balance March 31, 2016	750.5	\$ 25.25	796.9	\$ 9.79	\$ 25.20	\$ 3,620.4
Exercisable March 31, 2016			71.7	\$ 6.69	\$ 16.86	\$ 923.9

As of March 31, 2016, there was \$16.8 million of unrecognized compensation expense related to unvested restricted share awards; such awards had a weighted average remaining vesting period of 2.2 years.

As of March 31, 2016, there was \$6.8 million of unrecognized compensation expense related to unvested stock options; such options had a weighted average remaining vesting period of 2.3 years and weighted average remaining contractual life of 9.4 years.

Our RSAs with performance-based conditions are evaluated on a quarterly basis with adjustments to compensation expense based on the likelihood of the performance target being achieved or exceeded. The following table shows the range of payouts and the related expense for our RSAs with performance-based conditions, dollars in thousands:

RSAs with performance-based conditions	Grant Date Fair Value	Payout Ranges and related expense			
		0%	25%	100%	200%
February 22, 2016	\$ 2,351.7	\$ —	\$ 587.9	\$ 2,351.7	\$ 4,703.4

The fair value of our RSAs with a market-based condition granted under the 2015 Plan was determined using a Monte Carlo simulation. The following are key inputs in the Monte Carlo analysis:

	2016
Remaining measurement period (years)	2.86
Risk free interest rate	0.90 %
Dividend yield	0.00 %
Estimated fair value of market-based RSAs granted	\$ 33.77

The fair values of stock options granted under the 2015 Plan were calculated using the Black-Scholes Options Pricing Model. The following table presents the assumptions used to estimate the fair values of options granted in 2016 and 2015:

	2016	2015
Risk free interest rate	1.51 %	1.82 %
Expected volatility	38.00 %	37.00 %
Expected life (in years)	6.00	6.00
Dividend yield	0.00 %	0.00 %
Estimated fair value of options granted	\$ 10.20	\$ 10.44

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**NOTE 12. SHARE REPURCHASE PROGRAM**

On March 1, 2016, our Board of Directors authorized a share repurchase program (the “Share Repurchase Program”), pursuant to which we may purchase up to \$50 million of our common stock. Share repurchases may be executed through various means including, without limitation, open market purchases, privately negotiated transactions, or otherwise, including pursuant to a Rule 10b5-1 plan. The Share Repurchase Program does not obligate us to purchase any shares and expires in one year. In its discretion, the Board of Directors may terminate, modify, or amend the Share Repurchase Program at any time.

During the three months ended March 31, 2016, we repurchased 53,408 shares of our common stock at a cost of approximately \$1.5 million.

**NOTE 13. CLOSURE COSTS**

We continuously evaluate our national footprint to ensure we are strategically located throughout the U.S. to serve our customers and position ourselves for continued growth. As a result of this evaluation, management approved a plan to close 13 locations within our Installation and Distribution segments during the first and second quarters of 2016. In conjunction with this evaluation, we eliminated certain positions at our corporate headquarters located in Daytona Beach, Florida. We recognize expenses related to branch closures and position eliminations at the time of announcement or notification. Such costs may include termination and other severance benefits, lease abandonment costs, and other contract termination costs. Closure costs are accrued on our Condensed Consolidated Balance Sheets as part of accrued liabilities and reflected in our Condensed Consolidated Statements of Operations as selling, general, and administrative expense. Unpaid amounts noted as of March 31, 2016, are expected to be paid within the next 12 months.

The following table details our total estimated closure costs by cost type and segment related to the above closures and position eliminations, dollars in thousands:

<b>Segment / Cost Type</b>	<b>Closure Costs Liability at December 31, 2015</b>	<b>Closure Costs Incurred for the Three Months Ended March 31, 2016</b>	<b>Cash Payments for the Three Months Ended March 31, 2016</b>	<b>Closure Costs Liability at March 31, 2016</b>
<b>Installation:</b>				
Severance	\$ —	\$ 582.7	\$ (71.9)	\$ 510.8
Lease abandonment	—	212.6	(26.4)	186.2
Total Installation:	—	795.3	(98.3)	697.0
<b>Distribution:</b>				
Severance	—	12.6	(12.6)	—
Lease abandonment	—	70.0	—	70.0
Total Distribution:	—	82.6	(12.6)	70.0
<b>Corporate:</b>				
Severance	—	97.8	—	97.8
Total Corporate:	—	97.8	—	97.8
<b>Consolidated:</b>				
Severance	—	693.1	(84.5)	608.6
Lease abandonment	—	282.6	(26.4)	256.2
Total Consolidated:	<u>\$ —</u>	<u>\$ 975.7</u>	<u>\$ (110.9)</u>	<u>\$ 864.8</u>



**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**NOTE 14. SUBSEQUENT EVENTS**

On May 9, 2016, the Company and its lenders executed an amendment to the Credit Agreement (“the Amendment”). The Amendment provides for the exclusion of up to \$50 million of completed share repurchases (on a trailing twelve month basis) from the Credit Agreement’s definition of “Fixed Charges” for the purposes of determining the Company’s compliance with the quarterly Fixed Charge Coverage Ratio (“FCCR”) financial covenant. The Amendment provides for an initial exclusion of up to \$25 million and allows for the exclusion of an additional \$25 million of completed share repurchases from the FCCR calculation provided that the Company’s Total Leverage Ratio is below 2.0X at the time of such share repurchase and after giving pro forma effect to any such share repurchase.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****OVERVIEW**

TopBuild Corp., headquartered in Daytona Beach, Florida, is the leading installer and distributor of insulation products to the United States construction industry, based on revenue. Prior to June 30, 2015, we operated as a subsidiary of Masco Corporation. We were incorporated in Delaware in February 2015 as Masco SpinCo Corp. and we changed our name to TopBuild Corp. on March 20, 2015. On June 30, 2015, the separation from Masco (the "Separation") was completed and on July 1, 2015, we began trading on the NYSE under the symbol "BLD."

We operate in two segments: Installation (TruTeam) and Distribution (Service Partners). Through our Installation segment, we provide insulation installation services nationwide through our TruTeam contractor services business which has over 175 branches located in 40 states. We install various insulation applications, including fiberglass batts and rolls, blown-in loose fill fiberglass, blown-in loose fill cellulose, and polyurethane spray foam. Additionally, we install other building products, including rain gutters, garage doors, fireplaces, shower enclosures, and closet shelving. We handle every stage of the installation process, including material procurement supplied by leading manufacturers, project scheduling and logistics, multi-phase professional installation, and installation quality assurance.

Through our Distribution segment, we distribute insulation and other building products, including rain gutters, fireplaces, closet shelving, and roofing materials through our Service Partners business, which has over 70 branches in 33 states. Our Service Partners customer base consists of thousands of insulation contractors of all sizes, gutter contractors, weatherization contractors, other contractors, dealers, metal building erectors, and modular home builders.

For additional details pertaining to our operating results by segment see Note 7 – Segment Information – in the notes to the unaudited condensed consolidated financial statements, which is incorporated herein by reference.

**FIRST QUARTER 2016 VERSUS FIRST QUARTER 2015**

The following discussion and analysis contains forward-looking statements and should be read in conjunction with the unaudited condensed consolidated financial statements, the notes therein, and the section entitled "Forward-Looking Statements" included elsewhere in this Quarterly Report on Form 10-Q.

The following table sets forth our net sales, gross profit, operating profit, and margins, as reported in our Consolidated Statements of Operations, in thousands:

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Net sales</b>	<b>\$ 414,024</b>	<b>\$ 358,460</b>
Cost of sales	324,569	284,644
<i>Cost of sales ratio</i>	78.4 %	79.4 %
<b>Gross profit</b>	<b>89,455</b>	<b>73,816</b>
<i>Gross profit margin</i>	21.6 %	20.6 %
Selling, general, and administrative expense	69,688	74,963
<i>Selling, general, and administrative expense to sales ratio</i>	16.8 %	20.9 %
<b>Operating profit (loss)</b>	<b>19,767</b>	<b>(1,147)</b>
<i>Operating profit margin</i>	4.8 %	(0.3)%
Other expense, net	(1,598)	(3,153)
Income tax (expense) benefit from continuing operations	(7,053)	500
<b>Income (loss) from continuing operations</b>	<b>\$ 11,116</b>	<b>\$ (3,800)</b>
<i>Net margin on continuing operations</i>	2.7 %	(1.1)%

We report our financial results in accordance with generally accepted accounting principles (“GAAP”) in the United States. However, we believe that certain non-GAAP performance measures and ratios used in managing the business may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. Non-GAAP performance measures and ratios should be viewed in addition to, and not as an alternative for, our financial results reported in accordance with GAAP.

### **Sales and Operations**

Net sales increased 15.5 percent for the three months ended March 31, 2016, from the comparable period of 2015. The increase was principally driven by sales volume growth in both the Installation and Distribution segments. Our sales benefited from mild winter weather conditions which contributed to increased volume in residential new construction and commercial construction activity, one additional business day compared to the same period in the prior year, increased insulation sales volume driven by changing building code requirements, as well as increased selling prices.

Our gross profit margin was 21.6 percent for the three months ended March 31, 2016, compared with 20.6 percent for the comparable period of 2015. Gross profit margins were positively impacted by favorable leverage on higher sales volume, partially offset by higher insurance claims.

Selling, general, and administrative expense, as a percent of sales, was 16.8 percent for the three months ended March 31, 2016, compared with 20.9 percent for the comparable period of 2015. Reduced selling, general, and administrative expense as a percent of sales was a result of lower corporate expenses, increased sales volume, and benefits associated with cost savings initiatives, partially offset by higher share-based compensation expense, losses on fixed asset disposals, and higher rationalization charges related to closure costs and the costs associated with position eliminations, as noted below. Selling, general, and administrative expense for the three months ended March 31, 2015, included allocations of Masco general corporate expenses of \$7.9 million.

Operating margins for the three months ended March 31, 2016 and 2015, were 4.8 percent and (0.3) percent, respectively. Operating margins before general corporate expenses were 5.9 percent and 1.9 percent for the three months ended March 31, 2016 and 2015, respectively. Operating margins were positively impacted by increased sales volume, lower corporate expenses, and benefits associated with cost savings initiatives, partially offset by higher insurance claims, share-based compensation expense, and losses on fixed asset disposals.

#### *Closure and Related Costs*

We incurred expense of \$1.0 million during the three months ended March 31, 2016, related to management’s approval to close 13 locations within our Installation and Distribution segments and elimination of certain positions at our corporate headquarters. We anticipate recovering these costs within the next 12 months.

**Business Segment Results**

The following table sets forth our net sales and operating profit margins by business segment, in thousands:

	Three Months Ended March 31,		Percent
	2016	2015	Change
			2016 vs. 2015
<b>Sales by business segment:</b>			
Installation	\$ 272,878	\$ 233,363	16.9 %
Distribution	160,888	144,611	11.3 %
Intercompany eliminations and other adjustments	(19,742)	(19,514)	
<b>Net sales</b>	<b>\$ 414,024</b>	<b>\$ 358,460</b>	<b>15.5 %</b>
<b>Operating profit (loss) by business segment:</b>			
Installation	\$ 13,506	\$ (1,032)	1,408.7 %
Distribution	14,333	11,377	26.0 %
Intercompany eliminations and other adjustments	(3,352)	(3,589)	
Operating profit before general corporate expense	24,487	6,756	262.4 %
General corporate expense, net	(4,720)	(7,903)	40.3 %
<b>Operating profit (loss)</b>	<b>\$ 19,767</b>	<b>\$ (1,147)</b>	<b>1,823.5 %</b>
<b>Operating profit margins:</b>			
Installation	4.9 %	(0.4)%	
Distribution	8.9 %	7.9 %	
Operating profit margin before general corporate expense	5.9 %	1.9 %	
<b>Operating profit margin</b>	<b>4.8 %</b>	<b>(0.3)%</b>	

**Installation**

*Sales*

Sales in the Installation segment increased \$39.5 million, or 16.9 percent, for the three months ended March 31, 2016, compared to the same period in 2015. Mild winter weather conditions contributed to increased sales volume, which increased sales by 14.4 percent, related to a higher level of activity in new home construction and an increased sales volume of commercial installation, as well as one additional business day compared to the same period in the prior year. Sales also increased 3.0 percent due to increased selling prices.

*Operating results*

Operating margins in the Installation segment for the three months ended March 31, 2016 and 2015, were 4.9 percent and (0.4) percent, respectively. Operating margins were positively impacted by increased sales volume, higher selling prices, and related absorption of fixed costs, the benefits associated from cost savings initiatives, and lower corporate expenses which were allocated to the segments based on direct benefit or usage, partially offset by higher insurance claims, current rationalization charges related to the closure costs noted above, and losses on fixed asset disposals.

**Distribution**

*Sales*

Sales in the Distribution segment increased \$16.3 million, or 11.3 percent, for the three months ended March 31, 2016, compared to the same period in 2015. Mild winter weather conditions contributed to increased sales volume, which increased sales by 13.1 percent, as well as one additional business day compared to the same period in the prior year, partially offset by a 1.9 percent decrease in sales as a result of lower selling prices.

*Operating results*

Operating margins in the Distribution segment for the three months ended March 31, 2016 and 2015, were 8.9 percent and 7.9 percent, respectively. Operating margins were positively impacted by increased volume and related absorption of fixed costs, as well as benefits associated with cost savings initiatives, partially offset by a decrease in selling prices.

**OTHER ITEMS***Other expense, net*

Interest expense was \$1.7 million and \$3.2 million for the three months ended March 31, 2016 and 2015, respectively. Prior to the Separation, interest expense was allocated by Masco and as such, this expense is not indicative of our future interest expense. Utilizing our current interest rate of 2.44 percent as of March 31, 2016, our expected interest expense, including the amortization of debt issuance costs, is estimated to be \$3.7 million for the remaining nine months of 2016.

*Income tax (expense) benefit from continuing operations*

Income tax (expense) benefit from continuing operations was \$(7.1) million or 38.8 percent for the three months ended March 31, 2016 compared with \$0.5 million or 11.6 percent for the three months ended March 31, 2015. The lower 2015 rate was primarily due to the decrease in valuation allowance resulting from the partial use of the Federal net operating loss carryforward.

**Cash Flows and Liquidity**

Significant sources (uses) of cash and cash equivalents for the three months ended March 31, 2016 and 2015, are summarized as follows, in thousands:

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Net cash from (for) operating activities	\$ 3,353	\$ (18,639)
Purchases of property and equipment	(2,900)	(2,298)
Proceeds from sale of property and equipment	76	369
Other investing, net	68	140
Net transfer from Former Parent	—	21,062
Repayment of long-term debt	(2,500)	—
Acquisition of common stock for tax withholding obligations	(1,256)	—
Repurchase of shares of common stock	(1,539)	—
Cash and cash equivalents (decrease) increase	<u>\$ (4,698)</u>	<u>\$ 634</u>

Working capital (receivables, net plus inventories, less accounts payable) as a percentage of net sales for the trailing 12 months	7.6 %	8.1 %
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As of March 31, 2016 and 2015, our working capital was 7.6 percent and 8.1 percent of net sales, respectively. One of our objectives in managing working capital is to reduce working capital as a percentage of net sales. Working capital was relatively flat, only increasing \$3.6 million to \$127.7 million at March 31, 2016, compared to March 31, 2015. As such, the decrease in working capital as a percentage of net sales for the trailing 12 months ended March 31, 2016 and 2015 was primarily due to an increase of \$135.2 million in trailing twelve-months sales.

The change in net cash from operating activities when comparing the three months ended March 31, 2016, to the comparable period in 2015 was primarily due to improved net income and a decrease in inventory (both of which related to an increase in sales), and a decrease in prepaid expenses and other current assets, partially offset by an increase in customer receivables resulting from higher sales.

Net cash used for investing activities was \$2.8 million for the three months ended March 31, 2016, primarily comprised of \$2.9 million in purchases of property and equipment, partially offset by \$0.1 million of proceeds from sale of property and equipment. Net cash used for investing activities was \$1.8 million for the three months ended March 31, 2015, primarily comprised of \$2.3 million in purchases of property and equipment, partially offset by \$0.4 million of proceeds from sale of property and equipment.

Net cash used for financing activities was \$5.3 million for the three months ended March 31, 2016, primarily comprised of \$2.5 million of repayments of our long-term debt, \$1.5 million of repurchases of our common stock related to our \$50 million share repurchase program announced in March 2016, and \$1.3 million of purchases of common stock for tax withholding obligations related to the vesting of restricted share awards during the three months ended March 31, 2016. Net cash from financing activities for the three months ended March 31, 2015, was comprised of \$21.1 million in transfers from our Former Parent.

Prior to the Separation, we largely funded our growth through cash provided by our operations, combined with support from Masco, through its operating cash flows, its long-term debt, and its issuance of securities in the financial markets.

In June 2015, we entered into a Credit Agreement with a bank group. The Credit Agreement consists of a senior secured term loan facility of \$200 million, which was used to finance a \$200 million cash distribution to Masco in connection with the Separation, and a senior secured revolving facility which provides for borrowing and/or standby letter of credit issuances of up to \$125 million. Additional borrowing capacity under the credit facility may be accessed by the Company without the consent of the lenders in an aggregate amount not to exceed \$100 million, subject to certain conditions.

Following the Separation, we have access to liquidity through our cash from operations and available borrowing capacity under our credit facility. We believe that our cash flows from operations, combined with our current cash levels and available borrowing capacity, will be adequate to support our ongoing operations and to fund our debt service requirements, capital expenditures, and working capital for at least the next 12 months. Cash flows are seasonally stronger in the third and fourth quarters as a result of increased new construction activity.

The following table summarizes our liquidity, in thousands:

	As of	
	March 31, 2016	December 31, 2015
Cash and cash equivalents	\$ 108,150	\$ 112,848
Revolving credit facility	125,000	125,000
Less: standby letters of credit	(55,096)	(55,096)
Available borrowings	69,904	69,904
Total liquidity	<u>\$ 178,054</u>	<u>\$ 182,752</u>

We occasionally use performance bonds to ensure completion of our work on certain larger customer contracts that can span multiple accounting periods. Performance bonds generally do not have stated expiration dates; rather, we are released from the bonds as the contractual performance is completed. We also have bonds outstanding for licensing and insurance. The following table summarizes our outstanding bonds, dollars in thousands:

	As of	
	March 31, 2016	December 31, 2015
Performance bonds	\$ 20,789	\$ 19,475
Licensing, insurance, and other bonds	9,975	9,976
Total	<u>\$ 30,764</u>	<u>\$ 29,451</u>

## **CRITICAL ACCOUNTING POLICIES**

We prepare our condensed consolidated financial statements in conformity with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of sales, costs, and expenses during the reporting period. Actual results could differ from those estimates. Our critical accounting policies have not changed materially from those previously reported in our Annual Report on Form 10-K for year ended December 31, 2015, as filed with the SEC on March 3, 2016.

## **APPLICATION OF NEW ACCOUNTING STANDARDS**

Information regarding application of new accounting standards is incorporated by reference from Note 2 to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

## **FORWARD-LOOKING STATEMENTS**

Statements contained in this report that reflect our views about our future performance constitute “forward-looking statements” under the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “will,” “would,” “anticipate,” “expect,” “believe,” or “intend,” the negative of these terms, and similar references to future periods. These views involve risks and uncertainties that are difficult to predict and, accordingly, our actual results may differ materially from the results discussed in our forward-looking statements. We caution you against unduly relying on any of these forward-looking statements. Our future performance may be affected by our reliance on residential new construction, residential repair/remodel, and commercial construction; our reliance on third-party suppliers and manufacturers; our ability to attract, develop and retain talented personnel and our sales and labor force; our ability to maintain consistent practices across our locations; our ability to maintain our competitive position; and our ability to realize the expected benefits of the Separation. We discuss many of the risks we face under the caption entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC. Our forward-looking statements in this filing speak only as of the date of this filing. Factors or events that could cause our actual results to differ may emerge from time to time and it is not possible for us to predict all of them. Unless required by law, we undertake no obligation to update publicly any forward-looking statements as a result of new information, future events, or otherwise.

## **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### *Interest Rate Risk*

Prior to the Separation, we participated in Masco’s centralized cash management program and were funded through an intercompany loan arrangement whereby Masco provided daily liquidity, as needed, to fund our operations. As a result of this intercompany funding arrangement, prior to the Separation, we had no external indebtedness that exposed us to interest rate risk. Our historical financial statements include standby letter of credit costs, as Masco allocated these costs to TopBuild in related party interest expense allocations.

On June 9, 2015, we entered into the Credit Agreement. The Credit Agreement consists of a senior secured term loan facility in the amount of \$200 million and a senior secured revolving facility in the amount of \$125 million.

Interest payable on both the term loan facility and revolving facility is based on a variable interest rate. As a result, we are exposed to market risks related to fluctuations in interest rates on our outstanding indebtedness. Based on the current interest rate of 2.44 percent under the senior secured term loan facility, a 100 basis point increase in the interest rate would result in a \$1.9 million increase in our annualized interest expense. There was no outstanding balance under the revolving facility as of March 31, 2016.

**Item 4. CONTROLS AND PROCEDURES**

*Evaluation of Disclosure Controls and Procedures*

Our principal executive officer and principal financial officer have concluded, based on an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

*Changes in Internal Control Over Financial Reporting*

During the three months ended March 31, 2016, we did not make any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We continue to review and document our internal controls over financial reporting and may, from time to time, make changes aimed at enhancing their effectiveness.



**PART II – OTHER INFORMATION****Item 1 . LEGAL PROCEEDINGS**

None.

**Item 1A. RISK FACTORS**

There have been no material changes to our risk factors as previously disclosed in our Annual Report on Form 10-K as filed with the SEC on March 3, 2016.

**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table provides information regarding the repurchase of Company common stock for the three months ended March 31, 2016 (in thousands, except share data):

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Common Share</u>	<u>Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (a)</u>
January 1 - January 31, 2016	—	\$ —	—	\$ —
February 1 - February 29, 2016	—	\$ —	—	\$ —
March 1 - March 31, 2016	53,408	\$ 28.81	53,408	\$ 48,461
Total	53,408	\$ 28.81	53,408	\$ 48,461

- (a) On March 1, 2016, our Board of Directors authorized a share repurchase program, which we publicly announced on March 3, 2016 (the “Share Repurchase Program”), pursuant to which we may purchase up to \$50 million of our common stock. The Share Repurchase program does not obligate us to purchase any shares and expires in one year. The Share Repurchase Program may be terminated, increased, or decreased by our Board of Directors at its discretion at any time.

During the three months ended March 31, 2016, we repurchased 53,408 shares of our common stock for approximately \$1.5 million under the \$50 million Share Repurchase Program. All repurchases were made using cash resources. Our common stock repurchases occurred on the open market pursuant to a Rule 10b5-1 plan. Excluded from this disclosure are shares repurchased to settle statutory employee tax withholding related to the vesting of stock awards.

**Item 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

**Item 5 . OTHER INFORMATION**

As noted in *Part 1. Financial Information, Item 1: Note 14 – Subsequent Events*, on May 9, 2016, the Company and its lenders executed an amendment to the Credit Agreement (the “Amendment”). The Amendment provides for the exclusion of up to \$50 million of completed share repurchases (on a trailing twelve month basis) from the Credit Agreement’s definition of “Fixed Charges” for the purposes of determining the Company’s compliance with the quarterly Fixed Charge Coverage Ratio (“FCCR”) financial covenant. The Amendment provides for an initial exclusion of up to \$25 million and allows for the exclusion of an additional \$25 million of completed share repurchases from the FCCR calculation provided that the Company’s Total Leverage Ratio is below 2.0X at the time of such share repurchase and after giving pro forma effect to any such share repurchase. The foregoing description of the Amendment is only a summary and is qualified in its entirety by reference to the full text of the Amendment, which is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

**Item 6. EXHIBITS**

The Exhibits listed on the accompanying Index to Exhibits are filed or furnished (as noted on such Index) as part of this Form 10-Q and incorporated herein by reference.

**SIGNATURE**

Pursuant to the requirements 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.

**TOPBUILD CORP.**

By: /s/ John S. Peterson  
Name: John S. Peterson  
Title: Vice President and Chief Financial Officer

May 11, 2016

**INDEX TO EXHIBITS**

<b>Exhibit No.</b>	<b>Exhibit Title</b>	<b>Incorporated By Reference</b>			<b>Filed Herewith</b>
		<b>Form</b>	<b>Exhibit</b>	<b>Filing Date</b>	
10.1	1st Amendment to Credit Agreement, dated May 9, 2016, among TopBuild Corp. and PNC Bank, National Association, as administrative agent, and the other lenders and agents party thereto.				X
10.2	Amended and Restated TopBuild Corp. 2015 Long Term Stock Incentive Plan.				X
31.1	Principal Executive Officer Certification required by Rules 13a-14 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Principal Financial Officer Certification required by Rules 13a-14 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1†	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.				
32.2†	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.				
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				X

†Furnished herewith.

AMENDMENT NO. 1 TO CREDIT AGREEMENT

This AMENDMENT NO. 1 TO CREDIT AGREEMENT (this "Amendment") is entered into as of May 9, 2016 (the "Effective Date") among the following: (i) TopBuild Corp., a Delaware corporation (the "Borrower"); (ii) the Lenders party hereto; and (iii) PNC Bank, National Association, as the administrative agent (the "Administrative Agent").

RECITALS:

A. The Borrower, the Administrative Agent and the lenders from time to time party thereto (each a "Lender" and collectively, the "Lenders") are parties to the Credit Agreement, dated as of June 9, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement").

B. The Borrower, the Administrative Agent and the Lenders party hereto desire to amend the Credit Agreement to modify certain provisions thereof.

AGREEMENT:

In consideration of the premises and mutual covenants herein and for other valuable consideration, the Borrower, the Administrative Agent and the Lenders party hereto agree as follows:

Section 1. Definitions. Unless otherwise defined herein, each capitalized term used in this Amendment and not defined herein shall be defined in accordance with the Credit Agreement.

Section 2. Amendments

(a) Amendment to Section 1.01. Section 1.01 of the Credit Agreement is hereby amended by replacing the definition of "Designated Hedge Agreement" with the following definition in lieu thereof:

"Designated Hedge Agreement" means any Hedge Agreement to which the Borrower or any of its Subsidiaries is a party and as to which a Secured Hedge Provider is a counterparty that, pursuant to a written instrument signed by the Borrower, has been designated as a Designated Hedge Agreement so that the Borrower's or such Subsidiary's counterparty's credit exposure thereunder will be entitled to share in the benefits of a Guaranty and the Security Documents; provided that such Secured Hedge Provider or the Borrower shall have provided the Administrative Agent with written notice thereof on or prior to the date any of the foregoing is incurred, together with such supporting documentation as the Administrative Agent may have reasonably requested from the applicable Lender or its Affiliates with respect thereto or the Borrower.

(b) Amendment to Section 1.01. Section 1.01 of the Credit Agreement is hereby amended by replacing the definition of "Fixed Charges" with the following definition in lieu thereof:

"Fixed Charges" means for any period of determination the sum of, without duplication, (i) cash Consolidated Interest Expense, (ii) cash tax expense, (iii) scheduled principal installments on Indebtedness for borrowed money (excluding, for the avoidance of doubt, voluntary or mandatory prepayments and any refinancing of such Indebtedness for borrowed money), (iv) cash Capital Distributions (excluding (x) the Spin-Off Dividend and (y) Excluded Capital Distributions) and (v) Capital Expenditures to the extent not financed with Long Term Indebtedness, in each case of the Borrower and its Subsidiaries (other than with respect to item (iv) which shall be solely of the Borrower) for such period determined and consolidated in accordance with GAAP. For purposes of calculating

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Fixed Charges for any period, if during such period the Borrower or any Subsidiary shall have consummated a Material Acquisition or a Material Disposition, Fixed Charges for such period shall be calculated after giving pro forma effect thereto in accordance with Section 1.05(b).

(c) Amendment to Section 1.01. The following definition of Excluded Capital Distributions is hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order thereto:

“Excluded Capital Distributions” means (i) any repurchase of Equity Interests made pursuant to Section 7.06(c) in an aggregate amount not to exceed \$25,000,000 during any four Fiscal Quarter period plus (ii) any additional repurchase of Equity Interests made pursuant to Section 7.06(c), if at the time of such repurchase and after giving pro forma effect to any such repurchase, (x) the Total Leverage Ratio of the Borrower and its Subsidiaries on a Pro Forma Basis is less than 2.00 to 1.00 and (y) the aggregate amount of all repurchases made pursuant to this clause (ii) in any four Fiscal Quarter period does not exceed \$25,000,000.

Section 3. Conditions Precedent. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

(i) this Amendment shall have been executed by the Borrower, each Subsidiary Guarantor, the Administrative Agent and the Required Lenders, and counterparts hereof as so executed shall have been delivered to the Administrative Agent;

(ii) immediately before and after giving effect to this Amendment, there shall exist no Default, Event of Default or event, which with the giving of notice or passage of time or both, would be an Event of Default;

(iii) all representations and warranties of the Credit Parties contained herein or in the other Loan Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date hereof, except to the extent that such representations and warranties expressly relate to an earlier specified date, in which case such representations and warranties shall have been true and correct in all material respects as of the date when made; and

(iv) the Borrower shall have paid to the Administrative Agent (i) all legal fees and expenses of the Administrative Agent in connection with the preparation and negotiation of this Amendment and the other documents being executed or delivered in connection herewith and (ii) any other amounts due and payable by the Credit Parties under the Credit Agreement on or prior to the date hereof.

Section 4. Miscellaneous.

4.1 Representations and Warranties. The Borrower and each Subsidiary Guarantor, by signing below, hereby represents and warrants to the Administrative Agent and the Lenders that:

(i) the Borrower and each Subsidiary Guarantor has the legal power and authority to execute and deliver this Amendment;

(ii) the officers executing this Amendment on behalf of the Borrower and each Subsidiary Guarantor have been duly authorized to execute and deliver the same and bind the Borrower or such Subsidiary Guarantor with respect to the provisions hereof;

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(iii) the execution and delivery hereof by the Borrower or each Subsidiary Guarantor and the performance and observance by the Borrower and each Subsidiary Guarantor of the provisions hereof do not (x) violate or conflict with (A) the Organizational Documents of the Borrower or any Subsidiary Guarantor or (B) any law applicable to the Borrower or any Subsidiary Guarantor, except in the case of this clause (B), as would not reasonably be expected to have a Material Adverse Effect, or (y) result in a breach of any provision of or constitute a default under any other agreement, instrument or document binding upon or enforceable against the Borrower or such Subsidiary Guarantor;

(iv) no Default or Event of Default exists under the Credit Agreement, nor will any occur immediately after the execution and delivery of this Amendment or by the performance or observance of any provision hereof;

(v) neither the Borrower nor any Subsidiary Guarantor has any claim or offset against, or defense or counterclaim to, any obligations or liabilities of the Borrower or such Subsidiary Guarantor under the Credit Agreement or any other Loan Document;

(vi) this Amendment constitutes a valid and binding obligation of the Borrower and each Subsidiary Guarantor in every respect, enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies; and

(vii) each of the representations and warranties set forth in Article V of the Credit Agreement is true and correct in all material respects as of the date hereof, except to the extent that any thereof expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of the date when made.

4.2 Credit Agreement Unaffected. Each reference to the Credit Agreement or in any other Loan Document shall hereafter be construed as a reference to the Credit Agreement as amended hereby. This Amendment is a Loan Document.

4.3 Subsidiary Guarantor Acknowledgment. Each Subsidiary Guarantor, by signing this Amendment:

(i) consents and agrees to and acknowledges the terms of this Amendment;

(ii) acknowledges and agrees that all of the Loan Documents to which such Subsidiary Guarantor is a party or otherwise bound shall continue in full force and effect and that all of such Subsidiary Guarantor's obligations thereunder shall be valid and enforceable and shall not be impaired or limited by the execution or effectiveness of this Amendment;

(iii) represents and warrants to the Administrative Agent and the Lenders that all representations and warranties made by such Subsidiary Guarantor and contained in this Amendment or any other Loan Document to which it is a party are true and correct in all material respects on and as of the Effective Date to the same extent as though made on and as of the Effective Date, except to the extent that any thereof expressly relate to an earlier date; and

(iv) acknowledges and agrees that (A) notwithstanding the conditions to effectiveness set forth in this Amendment, such Subsidiary Guarantor is not required by the terms of the Credit Agreement or any other Loan Document to which such Subsidiary Guarantor is a party to consent

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to the amendments to the Credit Agreement effected pursuant to this Amendment and (B) nothing in the Credit Agreement, this Amendment or any other Loan Document shall be deemed to require the consent of such Subsidiary Guarantor to any future amendments or modifications to the Credit Agreement.

4.4 Waiver. The Borrower and each Subsidiary Guarantor, by signing below, hereby waives and releases the Administrative Agent and each of the Lenders and their respective Related Parties from any and all claims, offsets, defenses and counterclaims arising out of or related to the transactions contemplated by this Amendment or any of the other Loan Documents, or any act, omission or event occurring in connection herewith or therewith, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

4.5 Entire Agreement. This Agreement, together with the Credit Agreement and the other Loan Documents integrate all the terms and conditions mentioned herein or incidental hereto and supersede all oral representations and negotiations and prior writings with respect to the subject matter hereof.

4.6 Effect of Amendment. Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, amend, or otherwise affect the rights and remedies of the Lenders or the Administrative Agent under the Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle any Credit Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document in similar or different circumstances. This Amendment shall apply and be effective solely with respect to the matters expressly referred to herein.

4.7 Counterparts. This Amendment may be executed in any number of counterparts, by different parties hereto in separate counterparts and by facsimile signature, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

4.8 Governing Law. THIS AMENDMENT AND THE OTHER LOAN DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW). TO THE FULLEST EXTENT PERMITTED BY LAW, THE BORROWER HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK GOVERNS THIS AMENDMENT OR ANY OF THE OTHER LOAN DOCUMENTS.

4.9 JURY TRIAL WAIVER. EACH OF THE PARTIES TO THIS AMENDMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AMENDMENT OR ANY OF THE OTHER LOAN DOCUMENTS (INCLUDING, WITHOUT LIMITATION, ANY AMENDMENTS, WAIVERS OR OTHER MODIFICATIONS RELATING TO ANY OF THE FOREGOING), OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

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[Signature pages follow.]

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IN WITNESS WHEREOF, this Amendment has been duly executed and delivered as of the date first above written.

TOPBUILD CORP., as the Borrower

By: /s/ John S. Peterson  
Name: John S. Peterson  
Title: Vice President and Chief Financial Officer

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PNC BANK, NATIONAL ASSOCIATION,  
as the Administrative Agent and as a Lender

By: /s/Scott M. Kowalksi

Name: Scott M. Kowalski

Title: Senior Vice President

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BANK OF AMERICA, N.A.,  
as a Lender

By: /s/ Cameron Cardozo  
Name: Cameron Cardozo  
Title: Senior Vice President

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SUNTRUST BANK,  
as a Lender

By: /s/ Chris Hursey  
Name: Chris Hursey  
Title: Director

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THE BANK OF NOVA SCOTIA,  
as a Lender

By: /s/ Brad Jarman  
Name: Brad Jarman  
Title: Associate Director

By: /s/ Paula J. Czach  
Name: Paula J. Czach  
Title: Managing Director

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THE HUNTINGTON NATIONAL BANK,  
as a Lender

By: /s/ Dan Swanson

Name: Dan Swanson

Title: Assistant Vice President

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U.S. BANK NATIONAL ASSOCIATION,  
as a Lender

By: /s/ Marty McDonald  
Name: Marty McDonald  
Title: AVP

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Each of the undersigned acknowledge the terms of and consent to the foregoing:

AMERICAN NATIONAL SERVICES, INC.  
BUILDER SERVICES GROUP, INC.  
CELL-PAK, LLC  
COAST INSULATION CONTRACTORS,  
INC.  
DENVER SOUTHWEST, LLC  
INDUSTRIAL PRODUCTS CO., LLC  
INSULATION SALES OF MICHIGAN,  
LLC  
INSUL-MART, LLC  
INSULPRO PROJECTS, INC.  
JOHNSON PRODUCTS, LLC  
LILIENTHAL INSULATION COMPANY,  
LLC  
MOORE PRODUCTS, LLC  
RENFROW INSULATION, LLC  
RENFROW SUPPLY, LLC  
SACRAMENTO INSULATION  
CONTRACTORS  
SERVICE PARTNERS GUTTER SUPPLY,  
LLC  
SERVICE PARTNERS NORTHWEST,  
LLC  
SERVICE PARTNERS OF FLORIDA, LLC  
SERVICE PARTNERS OF THE  
CAROLINAS, LLC  
SERVICE PARTNERS SUPPLY, LLC  
SERVICE PARTNERS, LLC  
SUPERIOR CONTRACTING  
CORPORATION  
THERMOGUARD INSULATION  
COMPANY, LLC  
TOPBUILD HOME SERVICES, INC.  
TOPBUILD SUPPORT SERVICES, INC.  
TRUTEAM, LLC  
TRUTEAM OF CALIFORNIA, INC.  
TOPBUILD SERVICES GROUP CORP.  
VEST INSULATION, LLC,  
each as a Subsidiary Guarantor

By: /s/ George Sellew  
Name: George Sellew  
Title: Treasurer

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**TOPBUILD CORP.**  
**2015 LONG TERM STOCK INCENTIVE PLAN**  
**Amended and Restated Effective May 2, 2016**

**SECTION 1. Purposes.**

The purposes of the 2015 Long Term Stock Incentive Plan (the “Plan”) are to encourage selected employees and non-employee directors of and consultants to TopBuild Corp. (the “Company”) and its Affiliates to acquire a proprietary interest in the Company in order to create an increased incentive to contribute to the Company’s future success and prosperity, and enhance the ability of the Company and its Affiliates to attract and retain exceptionally qualified individuals upon whom the sustained progress, growth and profitability of the Company depend, thus enhancing the value of the Company for the benefit of its stockholders. The Plan is intended to provide Plan Participants with forms of long-term incentive compensation that are not subject to the deduction limitation rules prescribed under Section 162(m) of the Code, and should be construed to the extent possible as providing for remuneration which is “performance-based compensation” within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder.

**SECTION 2. Definitions.**

As used in the Plan, the following terms shall have the meanings set forth below:

(a) “*Affiliate*” shall mean any entity in which the Company’s direct or indirect equity interest is at least twenty percent, and any other entity in which the Company has a significant direct or indirect equity interest, whether more or less than twenty percent, as determined by the Committee.

(b) “*Award*” shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, or Dividend Equivalent granted under the Plan.

(c) “*Award Agreement*” shall mean any agreement, contract or other instrument or document (including in an electronic medium) evidencing any Award granted under the Plan which may, but need not, be executed by the Participant.

(d) “*Board*” shall mean the Board of Directors of the Company.

(e) “*Change in Control*” shall mean at any time during a period of twenty-four consecutive calendar months, the individuals who at the beginning of such period constitute the Company’s Board, and any new directors (other than Excluded Directors, as hereinafter defined), whose election by such Board or nomination for election by stockholders was approved by a vote of at least two-thirds of the members of such Board who were either directors on such Board at the beginning of the period or whose election or nomination for election as directors was previously so approved, for any reason cease to constitute at least a majority of the members thereof. For purposes hereof, “Excluded Directors” are directors whose (i) election by the Board or approval by the Board for stockholder election occurred within one year after any “person” or “group of persons,” as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, commencing a tender offer for, or becoming the beneficial owner of, voting securities representing 25 percent or more of the combined voting power of all outstanding voting securities of the Company, other than pursuant to a tender offer approved by the Board prior to its commencement or pursuant to stock acquisitions approved by the Board prior to their representing 25 percent or more of such combined voting power or (ii) initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 or Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of

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proxies or consents by or on behalf of an individual, corporation, partnership, group, associate or other entity or “person” other than the Board.

(f) “*Code*” shall mean the Internal Revenue Code of 1986, as amended from time to time.

(g) “*Committee*” shall mean a committee of the Company’s directors designated by the Board to administer the Plan and composed of not less than two directors, each of whom is a “non-employee director,” an “independent director” and an “outside director,” within the meaning of and to the extent required respectively by Rule 16b-3, the applicable rules of the NYSE and Section 162(m) of the Code, and any regulations issued thereunder.

(h) “*Dividend Equivalent*” shall mean any right granted under Section 6(f) of the Plan.

(i) “*Exchange Act*” shall mean the Securities Exchange Act of 1934, as amended.

(j) “*Executive Group*” shall mean every person who the Committee believes may be both (i) a “covered employee” as defined in Section 162(m) of the Code as of the end of the taxable year in which the Company expects to take a deduction of the Award, and (ii) the recipient of compensation of more than \$1,000,000 (as such amount appearing in Section 162(m) of the Code may be adjusted by any subsequent legislation) for that taxable year.

(k) “*Fair Market Value*” of a Share means the closing price of a Share as reported by the consolidated tape of the NYSE on the date in question.

(l) “*Incentive Stock Option*” shall mean an Option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code, or any successor provision thereto.

(m) “*Non-Qualified Stock Option*” shall mean an Option granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option.

(n) “*NYSE*” shall mean the New York Stock Exchange.

(o) “*Option*” shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

(p) “*Participant*” shall mean an employee of or consultant to the Company or any Affiliate or a director of the Company designated to be granted an Award under the Plan or, for the purpose of granting Substitute Awards, a holder of options or other equity based awards relating to the shares of a company acquired by the Company or with which the Company combines.

(q) “*Performance Award*” shall mean any right granted under Section 6(e) of the Plan.

(r) “*Restricted Period*” shall mean the period of time during which Awards of Restricted Stock or Restricted Stock Units are subject to restrictions.

(s) “*Restricted Stock*” shall mean any Share granted under Section 6(d) of the Plan.

(t) “*Restricted Stock Unit*” shall mean any right granted under Section 6(d) of the Plan that is denominated in Shares.

(u) “*Rule 16b-3*” shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act, or any successor rule or regulation.

(v) “*Section 16*” shall mean Section 16 of the Exchange Act, the rules and regulations promulgated by the Securities and Exchange Commission thereunder, or any successor provision, rule or regulation.

(w) “*Shares*” shall mean the Company’s common stock, par value \$0.01 per share, and such other securities or property as may become the subject of Awards, or become subject to Awards, pursuant to an adjustment made under Section 4(c) of the Plan.

(x) “*Stock Appreciation Right*” shall mean any right granted under Section 6(c) of the Plan.

(y) “*Substitute Awards*” shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines, or Awards granted in replacement or substitution of awards previously granted by Masco Corporation prior to their forfeiture upon the effective date of the spin-off of the Company from Masco.

### **SECTION 3. Administration.**

The Committee shall administer the Plan, and subject to the terms of the Plan and applicable law, the Committee’s authority shall include without limitation the power to:

- (a) designate Participants;
- (b) determine the types of Awards to be granted;
- (c) determine the number of Shares to be covered by Awards and any payments, rights or other matters to be calculated in connection therewith;
- (d) determine the terms and conditions of Awards and amend the terms and conditions of outstanding Awards;
- (e) determine how, whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended;
- (f) determine how, whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee;
- (g) determine the methods or procedures for establishing the fair market value of any property (including, without limitation, any Shares or other securities) transferred, exchanged, given or received with respect to the Plan or any Award;
- (h) prescribe and amend the forms of Award Agreements and other instruments required under or advisable with respect to the Plan;
- (i) designate Options granted to key employees of the Company or its subsidiaries as Incentive Stock Options;
- (j) interpret and administer the Plan, Award Agreements, Awards and any contract, document, instrument or agreement relating thereto;
- (k) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the administration of the Plan;
- (l) decide all questions and settle all controversies and disputes which may arise in connection with the Plan, Award Agreements and Awards;

(m) delegate to a committee of one or more directors of the Company, subject to such terms and limitations as the Committee shall determine, the authority to designate Participants and grant Awards, and to amend Awards granted to Participants, except with respect to Participants who are officers or directors of the Company for purposes of Section 16 of the Exchange Act;

(n) delegate to one or more officers or managers of the Company, or a committee of such officers and managers, the authority, subject to such terms and limitations as the Committee shall determine, to cancel, modify, waive rights with respect to, alter, discontinue, suspend or terminate Awards held by employees, except employees who are officers or directors of the Company for purposes of Section 16 of the Exchange Act; provided, however, that any delegation to management shall conform with the requirements of the NYSE applicable to the Company and Delaware corporate law; and

(o) make any other determination and take any other action that the Committee deems necessary or desirable for the interpretation, application and administration of the Plan, Award Agreements and Awards.

All designations, determinations, interpretations and other decisions under or with respect to the Plan, Award Agreements or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all persons, including the Company, Affiliates, Participants, beneficiaries of Awards and stockholders of the Company.

#### **SECTION 4. Shares Available for Awards.**

(a) *Shares Available.* Subject to adjustment as provided in Section 4(c), the maximum number of Shares available for issuance in respect of Awards made under the Plan shall be 4,000,000 Shares, *provided, however*, that if for any reason any Award under the Plan other than a Substitute Award is forfeited, canceled, expired, or settled in cash, the number of Shares available for issuance in respect of Awards under the Plan shall be increased by the number of Shares so forfeited, canceled, expired or settled in cash.

Notwithstanding anything to the contrary contained herein, the following shall not increase the number of Shares available for issuance in respect of Awards under the Plan: (i) Shares delivered in payment of an Option, (ii) Shares that are repurchased by the Company with Option proceeds and (iii) Shares withheld to satisfy withholding taxes on any Award. In addition, Shares covered by an SAR, to the extent that it is exercised and settled in Shares, and regardless of whether or not Shares are actually issued to the Participant upon exercise of the SAR, shall be considered issued or transferred pursuant to the Plan. Subject to the foregoing, Shares may be made available from the authorized but unissued Shares of the Company or from Shares reacquired by the Company.

Additionally, in the event that a corporation acquired by (or combined with) the Company or any subsidiary has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for awards under the Plan and shall not reduce the Shares authorized for grant under the Plan; provided that awards using such

available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company or any subsidiary prior to such acquisition or combination.

(b) *Individual Stock-Based Awards.* Subject to adjustment as provided in Section 4(c), no Participant may receive Options or Stock Appreciation Rights under the Plan in any calendar year that relate to more than 1,000,000 Shares in the aggregate; *provided, however,* that such number may be increased with respect to any Participant by any Shares available for grant to such Participant in accordance with this Section 4(b) in any prior years that were not granted in such prior year. No provision of this Section 4(b) shall be construed as limiting the amount of any other stock-based or cash-based award which may be granted to any Participant. In any fiscal year of the Company, no Participant who is a non-employee director of the Company may be granted Awards valued at more than \$450,000 at the time of grant.

(c) *Adjustments.* Upon the occurrence of any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), change in the capital or shares of capital stock, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or extraordinary transaction or event which affects the Shares, then the Committee shall make such adjustment, if any, in such manner as it deems appropriate to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, in (i) the number and type of Shares (or other securities or property) which thereafter may be made the subject of Awards both to any individual and to all Participants, (ii) outstanding Awards including without limitation the number and type of Shares (or other securities or property) subject thereto, and (iii) the grant, purchase or exercise price with respect to outstanding Awards and, if deemed appropriate, make provision for cash payments to the holders of outstanding Awards; *provided, however,* that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

(d) *Substitute Awards.* Shares underlying Substitute Awards shall not reduce the number of shares remaining available for issuance under the Plan for any purpose.

#### **SECTION 5. Eligibility.**

Any employee of or consultant to the Company or any Affiliate, or any director of the Company, is eligible to be designated a Participant.

## SECTION 6. Awards.

(a) *Options.*

( i ) *Grant.* The Committee is authorized to grant Options to Participants with such terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, as specified in the applicable Award Agreement. The Award Agreement shall specify:

(A) the purchase price per Share under each Option, *provided, however*, that such price shall be not less than 100% of the fair market value of the Shares underlying such Option on the date of grant (except in the case of Substitute Awards);

(B) the term of each Option (not to exceed ten years);

(C) the time or times at which an Option may be exercised, in whole or in part, the method or methods by which and the form or forms (including, without limitation, cash, Shares, other Awards or other property, or any combination thereof, having a fair market value on the exercise date equal to the relevant exercise price) in which payment of the exercise price with respect thereto may be made or deemed to have been made;

(i) vesting requirements including, for time-based Awards in excess of 5% of the number of Shares available for Awards pursuant to Section 4, a vesting period of no less than one year, except with respect to substitute awards for grants made under a plan of an acquired business entity or in limited cases of an intervening event related to death, disability, retirement, or a Change in Control, and

(E) all other terms and conditions applicable to the Option as shall be determined by the Committee in its discretion, including provisions applicable in the event the Participant terminates employment.

A Participant shall have the rights of a stockholder only as and when Shares have been actually issued to the Participant pursuant to the Plan.

(ii) *ISOs.* The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder. The maximum number of Shares that may be awarded as Incentive Stock Options is 4,000,000. Each Award Agreement shall specify whether (or the extent to which) the Option is an Incentive Stock Option or a Non-Qualified Stock Option. Notwithstanding any such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by an Participant during any calendar year (under all plans of the Company) exceeds \$100,000, such Options shall be treated as Non-Qualified Stock Options. Options failing to qualify as Incentive Stock Options for any reason will be treated as Non-Qualified Stock Options, rather than forfeited.

(b) *Restoration Options.* The Committee may not grant restoration options.

(c) *Stock Appreciation Rights.* The Committee is authorized to grant Stock Appreciation Rights to Participants. Subject to the terms of the Plan, a Stock Appreciation Right granted

under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, the excess of (i) the fair market value of one Share on the date of exercise or, if the Committee shall so determine in the case of any such right other than one related to any Incentive Stock Option, at any time during a specified period before or after the date of exercise over (ii) the fair market value on the date of grant.

Subject to the terms of the Plan, the Committee shall determine the grant price, which shall not be less than 100% of the fair market value of the Shares underlying the Stock Appreciation Right on the date of grant, term (not to exceed ten years). The Committee shall also determine, in its discretion, methods of exercise and settlement and any other terms and conditions of any Stock Appreciation Right and may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate, which terms and conditions shall be described in the applicable Award Agreement. The Award Agreement shall set forth applicable vesting requirements including, for time-based Awards in excess of 5% of the number of Shares available for Awards pursuant to Section 4, a vesting period of no less than one year, except with respect to substitute awards for grants made under a plan of an acquired business entity or in limited cases of an intervening event related to death, disability, retirement, or a Change in Control.

(d) *Restricted Stock and Restricted Stock Units.*

(i) *Issuance.* The Committee is authorized to grant to Participants Awards of Restricted Stock, which shall consist of Shares, and Restricted Stock Units which shall give the Participant the right to receive cash, Shares, other securities, other Awards or other property, in each case subject to the termination of the Restricted Period determined by the Committee. Notwithstanding the following terms, the Committee may impose other terms that may be more or less favorable to the Company as it deems fit. In the absence of any such differing provisions, Awards of Restricted Stock and Restricted Stock Units shall have the provisions described below.

(ii) *Restrictions.* The Restricted Period may differ among Participants and may have different expiration dates with respect to portions of Shares covered by the same Award. Subject to the terms of the Plan, Awards of Restricted Stock and Restricted Stock Units shall have such restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise (including the achievement of performance measures as set forth in Section 6(e) hereof), as the Committee may deem appropriate. The applicable Award Agreement shall set forth all such restrictions, as well as such other terms and conditions applicable to the Award as shall be determined by the Committee in its discretion, including provisions related to vesting and the provisions applicable in the event the Participant terminates employment. The Award Agreement shall set forth applicable vesting requirements including, for time-based Awards in excess of 5% of the number of Shares available for Awards pursuant to Section 4, a vesting period of no less than one year, except with respect to substitute awards for grants made under a plan of an acquired business entity or in limited cases of an intervening event related to death, disability, retirement, or a Change in Control. Subject to the aforementioned restrictions and the



provisions of the Plan, including the provisions of Section 4(c) hereof, a Participant shall have all of the rights of a stockholder with respect to Restricted Stock.

(iii) *Registration.* Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate, including, without limitation, book-entry registration or issuance of stock certificates.

(e) *Performance Awards.*

(i) The Committee is hereby authorized to grant Performance Awards to Participants.

(ii) Subject to the terms of the Plan, a Performance Award granted under the Plan (A) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock or Restricted Stock Units), other securities or other Awards, and (B) shall confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, the holder of the Performance Award, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted and the amount of any payment or transfer to be made pursuant to any Performance Award shall be determined by the Committee. Unless the Committee determines otherwise, the performance period relating to any Performance Award shall be at least one calendar year commencing January 1 and ending December 31 (except in circumstances in connection with a Change in Control, in which event the performance period may be shorter than one year).

(iii) If the Committee intends that a Performance Award to a member of the Executive Group should constitute “qualified performance-based compensation” for purposes of Section 162(m) of the Code, then such award shall include a pre-established formula, such that payment, retention or vesting of the Award is subject to the achievement during a performance period or periods, as determined by the Committee, of a level or levels, as determined by the Committee, of one or more performance measures with respect to the Company or any of its Affiliates. Available performance measures shall be based on the following performance measures (or an equivalent metric) each determined in accordance with generally accepted accounting principles, where applicable, as consistently applied by the Company:

Cash flow (before or after dividends)	Return on net assets
Earnings per share	Return on net tangible assets
EBIT	Return on sales
EBITDA	Revenue growth
Gross margin	Revenues
Gross profit	Safety measures
Net income	SG&A as a percent of sales
Operating margin	Total cost productivity

Operating profit	Total shareholder return
Quality measures	Working capital
Return on assets	Working capital as a percent of sales
Return on equity	Working capital efficiency
Return on invested capital	

The Applicable performance measures shall be described in the Award Agreement. If the Committee so provides in an Award Agreement, the following may be excluded in determining whether any performance criterion has been attained: impact of charges for restructurings, the effects of acquisitions and divestitures and related expenses, losses resulting from discontinued operations, extraordinary losses (in accordance with generally accepted accounting principles, as currently in effect), the cumulative effect of changes in accounting principles and other unusual, non-recurring items of loss that are separately identified and quantified in the Company's audited financial statements. Performance measures may vary from Performance Award to Performance Award and from Participant to Participant and may be established on a stand-alone basis, in tandem or in the alternative; in addition, performance measures may be applied on a corporate-wide or division/business segment basis, and may be applied to the performance of the Company and/or one or more Affiliates relative to a market index, a group of other companies or a combination thereof, all as determined by the Committee. To the extent a Performance Award is designed to constitute performance-based compensation under Section 162(m) of the Code, performance measures shall be established within 90 days of the beginning of the period of service to which the performance measures relate. For any Performance Award, the maximum amount that may be delivered or earned in settlement of all such Awards granted in any year shall be (x) if and to the extent that such Awards are denominated in Shares, 1,000,000 Shares (subject to adjustment as provided in Section 4(c)) and (y) if and to the extent that such Awards are denominated in cash, \$5,000,000. Notwithstanding any provision of the Plan to the contrary, the Committee shall not be authorized to increase the amount payable under any Award to which this Section 6(e)(iii) applies upon attainment of such pre-established formula.

(f) *Dividend Equivalents.* The Committee is authorized to grant to Participants Awards under which the holders thereof shall be entitled to receive payments equivalent to dividends or interest with respect to a number of Shares determined by the Committee, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested. Subject to the terms of the Plan, such Awards may have such terms and conditions as the Committee shall determine, as set forth in the Award Agreement, but shall not be awarded on Options or Stock Appreciation Rights, or on unearned Performance Awards.

(g) *Termination of Employment.* Except as otherwise provided in the Plan or the applicable Award Agreement, or as determined by the Committee:

(i) Awards granted to, or otherwise held by, employees will terminate, expire and be forfeited upon termination of employment, which shall include a change in status from employee to consultant and termination by reason of the fact that an entity is no longer an Affiliate, and

(ii) a Participant's employment shall not be considered to be terminated (A) in the case of approved sick leave or other approved leave of absence (not to exceed one year or such other period as the Committee may determine), or (B) in the case of a transfer among the Company and its Affiliates.

(h) *Section 409A Compliance.* To the extent an Award constitutes "deferred compensation" within the meaning of Section 409A of the Code, the Committee shall establish Award Agreement terms and provisions that comply with Section 409A of the Code and regulations thereunder.

## **SECTION 7. General.**

(a) *No Cash Consideration for Awards.* Awards may be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(b) *Awards May Be Granted Separately or Together.* Subject to the provisions of Section 7(h), awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award or any award granted under any other Plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under another Plan of the Company or an Affiliate, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(c) *Forms of Payment Under Awards.* Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise, or payment of an Award may be made in such form or forms as the Committee shall determine, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents in respect of installment or deferred payments.

(d) *Limits on Transfer of Awards.* Awards cannot be transferred, except the Committee is hereby authorized to permit the transfer of Awards under the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine:

(i) No Award or right under any Award may be sold, encumbered, pledged, alienated, attached, assigned or transferred in any manner and any attempt to do any of the foregoing shall be void and unenforceable against the Company.

(ii) Notwithstanding the provisions of Section 7(d)(i) above:

(A) An Option may be transferred:

(1) to a beneficiary designated by the Participant in writing on a form approved by the Committee;

(2) by will or the applicable laws of descent and distribution to the personal representative, executor or administrator of the Participant's estate; or

(3) to a revocable grantor trust established by the Participant for the sole benefit of the Participant during the Participant's life, and under the terms of which the Participant is and remains the sole trustee until death or physical or mental incapacity. Such assignment shall be effected by a written instrument in form and content satisfactory to the Committee, and the Participant shall deliver to the Committee a true copy of the agreement or other document evidencing such trust. If in the judgment of the Committee the trust to which a Participant may attempt to assign rights under such an Award does not meet the criteria of a trust to which an assignment is permitted by the terms hereof, or if after assignment, because of amendment, by force of law or any other reason such trust no longer meets such criteria, such attempted assignment shall be void and may be disregarded by the Committee and the Company and all rights to any such Options shall revert to and remain solely with the Participant. Notwithstanding a qualified assignment, for the purpose of determining compensation arising by reason of the Option, the Participant, and not the trust to which rights under such an Option may be assigned, shall continue to be considered an employee or consultant, as the case may be, of the Company or an Affiliate, but such trust and the Participant shall be bound by all of the terms and conditions of the Award Agreement and this Plan. Shares issued in the name of and delivered to such trust shall be conclusively considered issuance and delivery to the Participant.

(B) A Participant may assign or transfer rights under an Award of Restricted Stock or Restricted Stock Units:

(1) to a beneficiary designated by the Participant in writing on a form approved by the Committee;

(2) by will or the applicable laws of descent and distribution to the personal representative, executor or administrator of the Participant's estate; or

(3) to a revocable grantor trust established by the Participant for the sole benefit of the Participant during the Participant's life, and under the terms of which the Participant is and remains the sole trustee until death or physical or mental incapacity. Such assignment shall be effected by a written instrument in form and content satisfactory to the Committee, and the Participant shall deliver to the Committee a true copy of the agreement or other document evidencing such trust. If in the judgment of the Committee the trust to which a Participant may attempt to assign rights under such an Award does not meet the criteria of a trust to which an assignment is permitted by the terms hereof, or if after assignment, because of amendment, by force of law or any other reason such trust no longer meets such criteria, such attempted assignment shall be void and may be disregarded by the Committee and the Company and all rights to any such Awards shall revert to and remain solely with the Participant. Notwithstanding a qualified assignment, for the purpose of determining compensation arising by reason of the Award, the Participant, and not the trust to which rights under such an Award may be assigned,

shall continue to be considered an employee or consultant, as the case may be, of the Company or an Affiliate, but such trust and the Participant shall be bound by all of the terms and conditions of the Award Agreement and this Plan. Shares issued in the name of and delivered to such trust shall be conclusively considered issuance and delivery to the Participant.

(iii) The Committee, the Company and its officers, agents and employees may rely upon any beneficiary designation, assignment or other instrument of transfer, copies of trust agreements and any other documents delivered to them by or on behalf of the Participant which they believe genuine and any action taken by them in reliance thereon shall be conclusive and binding upon the Participant, any trustee, the personal representatives of the Participant's estate and all persons asserting a claim based on an Award. The delivery by a Participant of a beneficiary designation, or an assignment of rights under an Award as permitted hereunder, shall constitute the Participant's irrevocable undertaking to hold the Committee, the Company and its officers, agents and employees harmless against claims, including any cost or expense incurred in defending against claims, of any person (including the Participant) which may be asserted or alleged to be based on an Award subject to a beneficiary designation or an assignment. In addition, the Company may decline to deliver Shares to a beneficiary, heir or trustee until it receives indemnity against claims of third parties satisfactory to the Company.

(e) *Share Certificates.* All certificates for, or other indicia of, Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed and any applicable federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(f) *Change in Control.* The vesting and payment terms applicable to an Award following a Change in Control, if any, shall be determined by the Committee at the time the Award is granted and shall be specified in the applicable Award Agreement.

(g) *Cash Settlement.* Notwithstanding any provision of this Plan or of any Award Agreement to the contrary, but subject to provisions of Section 409A of the Code, any Award outstanding hereunder may at any time be cancelled in the Committee's sole discretion upon payment of the value of such Award to the holder thereof in cash or in another Award hereunder, such value to be determined by the Committee in its sole discretion.

(h) *Repricing.* Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding awards may not be amended to reduce the exercise price of outstanding Options or Stock Appreciation Rights or cancel outstanding Options or Stock Appreciation Rights in exchange for cash, other awards or Options or

Stock Appreciation Rights with an exercise price that is less than the exercise price of the original Options or Stock Appreciation Rights without stockholder approval.

(i) *Clawback Upon Restatement.* In the event the Company has a restatement of its financial statements, other than as a result of changes to accounting rules and regulations, the Committee shall have the discretion at any time (notwithstanding any expiration of this Plan or of the rights or obligations otherwise arising hereunder) to require any Participant to return all cash or Shares which he may have acquired (or which he is deemed to have acquired) as a result of any Performance Award payment or as a result of the sale of Shares which may have vested under any Award, and to waive, forfeit and surrender to the Company the right to any unrealized Performance Award payments and to all unsold vested Shares and all unvested Shares made under any Award (whether or not such Participant may then be an employee, consultant or director of the Company or any of its affiliates, and whether or not such Participant's or any other person's misconduct may have caused such restatement), provided that such payment or right to payment or Award was earned, paid or granted during the three-year period preceding the date of restatement of such restated financial results and provided, further, that any such recovery shall be offset by recovery otherwise obtained hereunder. The Committee retains discretion regarding the application of these provisions.

#### **SECTION 8. Amendment and Termination.**

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan:

(a) *Amendments to the Plan.* The Board may amend the Plan and the Board or the Committee may amend any outstanding Award; *provided, however,* that: (I) no Plan amendment shall be effective until approved by stockholders of the Company (i) if any stockholder approval thereof is required in order for the Plan to continue to satisfy the conditions of the applicable rules and regulations that the Committee has determined to be necessary to comply with, and (ii) if such Plan amendment would materially (A) increase the number of Shares available under the Plan or issuable to a Participant (other than a change in the number of Shares made in connection with an event described in Section 4(c) hereof), (B) change the types of Awards that may be granted under the Plan, (C) expand the class of persons eligible to receive Awards under the Plan, or (D) directly or indirectly (including through an exchange of underwater options or SARs for cash or other Awards) reduce the price at which an Option or Stock Appreciation Right is exercisable (other than in connection with an event described in Section 4(c) hereof or the granting of a Substitute Award), and (II) without the consent of affected Participants, no amendment of the Plan or (other than as required herein) of any Award may impair the rights of Participants under outstanding Awards.

(b) *Waivers.* The Committee may waive any conditions to the Company's obligations or rights of the Company under any Award theretofore granted, prospectively or retroactively, without the consent of any Participant.

(c) *Adjustments of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.* The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(c) hereof) affecting the

Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits to be made available under the Plan; *provided, however*, no such adjustment shall be made to an Award granted under Section 6(e)(iii) if the Committee intends such Award to constitute “qualified performance-based compensation” unless such adjustment is permitted under Section 162(m) of the Code.

#### **SECTION 9. Correction of Defects, Omissions, and Inconsistencies.**

The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to effectuate the Plan.

#### **SECTION 10. General Provisions.**

(a) *No Rights to Awards.* No Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards of the same type and the determination of the Committee to grant a waiver or modification of any Award and the terms and conditions thereof need not be the same with respect to each Participant.

(b) *Withholding.* The Company or any Affiliate shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan the amount (in cash, Shares, other securities, other Awards or other property) of withholding taxes due (limited to the minimum statutory amount) in respect of an Award, its exercise or any payment or transfer under such Award or under the Plan and to take such other action as may be necessary in the opinion of the Company or Affiliate to satisfy all obligations for the payment of such taxes.

(c) *No Limit on Other Compensation Arrangements.* Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, including the grant of options and other stock-based awards, and such arrangements may be either generally applicable or applicable only in specific cases.

(d) *No Right to Employment or Service.* The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ or service of the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss a Participant from employment or service, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or in any other agreement binding the parties.

(e) *Governing Law.* The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Florida (without regard to any state’s conflict of laws principles) and applicable Federal law. Any legal action related to this Plan shall be brought only in a federal or state court located in Florida.

(f) *Severability.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

(g) *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(h) *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be cancelled, terminated or otherwise eliminated.

(i) *Headings.* Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

#### **SECTION 11. Term.**

The Plan shall be restated effective as of the date of its approval by the Company's stockholders and no Awards shall be made under the Plan ten years after the restatement date.



**TOPBUILD CORP.**  
**NON-EMPLOYEE DIRECTORS EQUITY PROGRAM UNDER THE 2015 LONG**  
**TERM STOCK INCENTIVE PLAN**

Amended and Restated Effective May 2, 2016

For purposes of the TopBuild Corp. (the “Company”) Non-Employee Directors Equity Program (the “Program”), an “Eligible Director” is any director of the Company who is not an employee of the Company and who receives a fee for services as a director. Terms not defined herein have the meaning given to them in the Company’s 2015 Long Term Stock Incentive Plan, as amended from time to time (the “Plan”).

**Section 1. Restricted Stock Award**

(a) (i) Eligibility for Award. Effective on July 1, 2015 (the “Effective Date”) and thereafter on the date of each of the Company’s annual stockholders’ meetings (the “Annual Meeting”), each person who is or becomes an Eligible Director on the Effective Date or at such Annual Meetings shall be granted an Award of Restricted Stock.

(ii) Amount of Award. The amount of the Award of Restricted Stock shall be equal to one-half of the annual retainer then paid to non-employee directors as compensation for their service as a director, rounded to the nearest ten Shares and disregarding any retainer provided as compensation for service on a Board committee, or as Chair of a Board committee or the Board (if awarded at the Effective Date, the “Initial Award” and if awarded at an Annual Meeting, the “Annual Retainer”). If an Eligible Director begins serving as a director other than as of the Effective Date or as of the date of an Annual Meeting, Awards of Restricted Stock granted hereunder shall be granted on the date of the meeting of the Governance Committee that takes place on or after such Eligible Director is first elected or appointed to the Board, and such Awards shall be pro-rated to reflect the partial service to be provided by such Eligible Director in the period between Annual Meetings.

(iii) Adjustment to Amount or Terms of Award. The Board shall have sole discretion to adjust the amount of the Initial Award or the Annual Retainer to be paid in the form of Shares and the terms of any such Award of Shares. Except as the Board may otherwise determine, any increase or decrease in an Eligible Director’s Initial Award or the Annual Retainer during a period with respect to which such Eligible Director has already been granted an Award of Restricted Stock shall be implemented by increasing or decreasing the cash portion of such Eligible Director’s Annual Retainer; provided that any such increase or decrease shall comply with Section 409A of the Code and regulations thereunder to the extent an Award constitutes “deferred compensation” within the meaning of Section 409A of the Code.

(b) Each Award of Restricted Stock granted hereunder shall vest on such schedule as determined by the Board at the time the Award is granted. The applicable Award Agreement shall set forth vesting conditions as well as such other terms and conditions applicable to the Award as shall be determined by the Board in its discretion, including

provisions applicable upon the termination of the Eligible Director's term of service as a director.

(c) The price of the Shares used in determining the number of Shares subject to an Award of Restricted Stock granted hereunder shall be calculated in accordance with the Company's pricing policy or, if a pricing policy has not been adopted by the Company, shall be the fair market value of the Shares as determined by the Board on the effective grant date of such Award.

(d) Each Eligible Director shall be entitled to vote and receive dividends on the Shares subject to the Award of Restricted Stock, but will not be able to obtain a stock certificate or sell, encumber or otherwise transfer such Shares of Restricted Stock except in accordance with the terms of the Plan.

## **Section 2. Non-Compete Provision**

Each Award of Restricted Stock granted hereunder shall contain a provision whereby the Award holder shall agree, in consideration for the Award and regardless of whether restrictions on Shares of Restricted Stock have lapsed, as follows:

(a) While the holder is a director of the Company and for a period of one year following the later of the last date of vesting of any Shares or the termination of such holder's term as a director of the Company, other than a termination following a Change in Control, the Award holder shall agree not to engage in, and not to become associated in a "Prohibited Capacity" (as hereinafter defined) with any other entity engaged in, any "Business Activities" (as hereinafter defined) and not to encourage or assist others in encouraging any employee of the Company or any of its subsidiaries to terminate employment or to become engaged in any such Prohibited Capacity with an entity engaged in any Business Activities. "Business Activities" shall mean the design, development, manufacture, sale, marketing or servicing of any product, or providing of services competitive with the products or services, of the Company or any subsidiary at any time while the Award is outstanding, to the extent that such competitive products or services are distributed or provided either (1) in the same geographic area as are such products or services of the Company or any of its subsidiaries or (2) to any of the same customers as such products or services of the Company or any of its subsidiaries are distributed or provided. "Prohibited Capacity" shall mean being associated with an entity as a director, employee, consultant, investor or in another capacity where (1) confidential business information of the Company or any of its subsidiaries could be used in fulfilling any of the holder's duties or responsibilities with such other entity, or (2) an investment by the Award holder in such other entity represents more than 1% of such other entity's capital stock, partnership or other ownership interests.

(b) Should the Award holder breach any of the restrictions contained in the preceding paragraph, by accepting an Award, the Award holder shall agree, independent of any equitable or legal remedies that the Company may have and without limiting the Company's right to any other equitable or legal remedies, to pay to the Company in cash immediately upon the demand of the Company (1) the amount of income realized for income tax purposes from the Award, net of all federal, state and other taxes payable on the amount of such income, but only to the extent that such income is realized from restrictions lapsing on Shares

or exercises occurring, as the case may be, on or after the termination of the Award holder's term as a director of the Company or within the two-year period prior to the date of such termination, plus (2) all costs and expenses of the Company in any effort to enforce its rights under this or the preceding paragraph. The Company shall have the right to set off or withhold any amount owed to the Award holder by the Company or any of its subsidiaries or affiliates for any amount owed to the Company by the Award holder hereunder.

**Section 3. Termination, Modification or Suspension**

The Board may terminate, modify or suspend the Program at any time as it may deem advisable.

**Certifications**

I, Gerald Volas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TopBuild Corp.;
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 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)) 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) 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
  - (c) 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 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.

Date: May 11, 2016

/s/ Gerald Volas

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Gerald Volas  
Chief Executive Officer and Director  
(Principal Executive Officer)

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**Certifications**

I, John S. Peterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TopBuild Corp.;
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 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)) 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) 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
  - (c) 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 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.

Date: May 11, 2016

/s/ John S. Peterson

John S. Peterson  
Vice President and Chief Financial Officer  
(Principal Financial Officer)

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**CERTIFICATION OF PERIOD REPORT**

I, Gerald Volas, Chief Executive Officer and Director of TopBuild Corp. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2016

/s/ Gerald Volas

Gerald Volas  
Chief Executive Officer and Director  
(Principal Executive Officer)

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**CERTIFICATION OF PERIOD REPORT**

I, John S. Peterson, Vice President and Chief Financial Officer of TopBuild Corp. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2016

/s/ John S. Peterson

John S. Peterson

Vice President and Chief Financial Officer

(Principal Financial Officer)

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