Clerks Office 824 N. Market Street, 3rd Floor Wilmington, Delaware 19801

RE: Case No. 09-12074 (KJC)

RESPONSE to Notice of Debtors' Sixth Omnibus (Substantive) Objection of Claims (Court Docket# 929)

Claim No. 2217 (Case No. 09-12077)

To Whom It May Concern:

The following represents my response to the Notice of Debtors' Sixth Omnibus (Substantive) Objections to Claims pursuant to section 502(b) of the Bankruptcy Code, and Bankruptcy Rules 3003 and 3007 and Local Rule 3007-1 in a manner as described in the notice on page two:

- (a) Case No. 09-12074 (KJC) (Court Docket# 929) Notice of Debtors' Sixth Omnibus (Substantive) Objections to Claims pursuant to section 502(b) of the Bankruptcy Code, and Bankruptcy Rules 3003 and 3007 and Local Rule 3007-1
- (b) Claim No. 2217; filed: 8/28/2009; Case No. 09-12077; Total Claim: \$31,827.06; of which Priority Claim is \$10,950.00 and Unsecured Claim is \$20,877.06.

Claimant: Pete Yanez

Basis of Claim: This claim represents the differential amount between the salary amount defined by an employment contract and the salary amount after a 10% wage cut was implemented in SelectBuild Northern California in March, 2008 and covers the time period between March, 2008 and May, 2009 (i.e. termination date of May 20, 2009) and includes unpaid PTO.

(c) The claim should not be disallowed or modified because (a) the claimant did not agree to a 10% reduction in pay, (b) the claimant was not a participant or present in any meeting where the 10% wage cut was approved and/or where he was entitled to a vote on said reduction in pay, (c) claimant is aware that the decision for the 10% wage was made solely by the President of SelectBuild Northern California Inc in the presence of both the Division's General Manager and Director of Finance and executed, and that Region Management along with BMHC HR and Legal had advised against the decision, and (d) the VP-General Manager of the Windows Unit of SB Northern California, also a legacy Owner who likewise had an employment contract who also received a 10% wage cut, was terminated in August-September, 2008, asked for and received the differential amount shortly after his termination as approved by the now current VP of BMHC-California and the Legal Department of BMHC on the basis that the 10% reduction was invalid and the employment contract was not properly modified to accommodate for the wage cut. The reimbursement was processed by the SB Northern California Director of Finance at the direction of the VP of BMHC California.

[Editorial] The Claimant made numerous attempts to obtain a waiver of his non compete in residential homebuilding which expires in May, 2010 in exchange for this claim, and on occasion, the BMHC Legal Department indicated that the VP of BMHC California was not interested in consenting to such a waiver even though he, himself, approved the repayment of the differential amount in similar situation as cited above.

Case No. 09-12074 (KJC)

RESPONSE to Notice of Debtors' Sixth Omnibus (Substantive) Objection of Claims

(Court Docket# 929)

Claim No. 2271 (Case No. 09-12077)

- (d) Documentation attached to this "RESPONSE to Notice of Debtors' Sixth Omnibus (Substantive) Objection of Claims" is as follows:
 - i. Exhibit A: Printout copy of the Employment Contract for Pete Yanez
 - ii. Not attached California Civil Code section 1698 which states that there are only two situations in which a written contract may be modified by an oral agreement (as implied by the Debtors) and they are as follows: (1) An oral agreement that is "executed" by the parties where "executed" means performed by both the parties (i.e. done and paid for), and (2) An oral agreement supported by new consideration- unless the contract expressly prohibits this.
- (e) Replies to this response can be sent to: Pete Yanez, 1105 Park Lake Court, Newcastle CA. 95658. Telephone: (916) 624-3300 or (916) 825-2331.
- (f) The ultimate authority to reconcile and handle this matter on the above referenced claim is: Pete Yanez, 1105 Park Lake Court, Newcastle CA. 95658.

 Telephone: (916) 624-3300 or (916) 825-2331.

Sincerely,

Pete Yanez

1105 Park Lake Court Newcastle, CA. 95658 cc: Gibson, Dunn & Crutcher LLP

200 Park Ave

New York, New York 10166

Attn: Michael A. Rosenthal and Matthew K. Kelsey

ArentFox LLP 1050 Connecticut Ave Washington, DC 20036-5339 Attn: Christopher J. Giaimo and Katie A. Lane

Paul, Hastings, Janofsky & Walker LLP 55 Second Street 24th Floor San Francisco, CA. 94105 Attn: Kevin Fisher and Seth Mennillo

Richards, Layton & Finger One Rodney Square 920 North King Street Wilmington, Delaware 19801 Attn: Paul N. Heath

United States Trustee for the District of Delaware 844 King Street, Suite 2207 Lockbox #35 Wilmington, Delaware 19801 Attn: Joseph J. McMahon

EMPLOYMENT, CONFIDENTIALITY, NON-COMPETITION AND NON-SOLICITATION AGREEMENT

This Employment, Confidentiality, Non-competition and Non-solicitation Agreement ("Agreement") is made and entered into this 9th day of January, 2006, and effective as of January 1, 2006 (the "Effective Date") by and between KBI Norcal General Partnership ("Employer"), and Pete Yanez ("Employee").

RECITALS

WHEREAS, Employer has acquired substantially all of the assets of MWB Building Contractors, Inc. ("<u>MWB</u>"), pursuant to that certain Asset Purchase Agreement, dated of even date herewith (the "<u>Purchase Agreement</u>");

WHEREAS, MWB was in the business of providing turnkey framing services to high production home builders (the "Business") in the California and Nevada counties listed on Exhibit A attached hereto (the "Territory");

WHEREAS, Employee was a significant stockholder of MWB and derived substantial benefit from the Purchase Agreement;

WHEREAS, SelectBuild Construction, Inc., a Delaware corporation ("SelectBuild Construction") is the parent corporation of Employer;

WHEREAS, Employer desires to employ Employee in its Business; and

WHEREAS, Employee agrees to be employed by Employer under the terms set forth herein.

AGREEMENT

NOW, THEREFORE, Employee and Employer hereby agree as follows:

1. Employer hereby agrees to employ Employee subject to the conditions and terms of this Agreement, commencing on the date hereof, as Vice President of Employer. Employee shall perform all assigned duties and comply with all employment policies applicable to other similarly situated employees that now exist or that may hereafter be established by Employer from time to time.

2. Compensation.

2.1 Base Salary and Bonus. Employee shall be paid annual compensation of \$250,000 ("Base Salary"), payable in accordance with Employer's normal payroll practices, which shall be subject to periodic review, which shall be no less than annually, and adjusted upwards only by Employer at Employer's discretion. Employee shall also be paid an annual performance bonus (the "Performance Bonus") from the bonus pool available for the employees of Employer. Employee's share of the bonus pool will be determined by senior manager(s) of

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EXHIBIT A

Employer (other than Employee). Employee's participation in the bonus pool and the calculation of the contribution to the pool will be subject to change and shall be determined annually. The Performance Bonus shall be payable in accordance with Employer's normal payroll practices within thirty (30) days following the end of Employer's fiscal year.

- 2.2 Vacation. Employee shall be eligible to participate in Employer's vacation policy, with not less than three weeks of paid vacation per year.
- 2.3 Benefit Programs. Employee shall be eligible to participate in Employer's medical, retirement, and other benefit plans to the same extent as other similarly situated employees of Employer and its affiliates, which may be amended and modified from time to time, and shall be given due credit for time spent and work performed for MWB prior to the execution of this Agreement.
- 2.4 Expenses. Employee shall be reimbursed for documented business expenses in connection with the performance of his duties hereunder, subject to and in accordance with the policies and procedures adopted by Employer and applicable to other similarly situated employees.
- 2.5 Automobile. So long as Employee remains employed by Employer, Employer shall provide Employee with a leased automobile. Employer shall bear the cost of insurance, fuel and maintenance for such automobile. The use of such automobile by Employee shall be subject to any and all policies of Employer governing such use applicable to other similarly situated employees, including without limitation, a satisfactory motor vehicle report. Upon termination of employment for any reason, the automobile shall be returned immediately to Employer.
- 3. Standard of Performance. Except as set forth on Schedule 3 attached hereto, Employee agrees to serve Employer diligently and faithfully, to perform all duties to the best of Employee's ability, and to devote substantially all of Employee's working time to the conduct of Employer's business.
- 4. Initial Term. The initial term of this Agreement shall be for a period of four (4) years from the date of this Agreement (the "Initial Term").
- 4.1 Voluntary Termination. During the Initial Term and any applicable extended term, Employee may terminate employment upon 90 days' written notice to Employer. In such event, Employer may accelerate the termination of Employee's employment and the right to any further compensation to a date prior to the 90th day upon written notice thereof being delivered to Employee by Employer. Except in the case of Employee's voluntary resignation for Good Reason described below, if Employee voluntarily terminates his employment, Employer shall pay to Employee his Base Salary and other benefits through the date of termination, but shall not be liable for any other payments to Employee under this Agreement.
- 4.2 Termination of Employment on Death or Disability. If Employee's employment terminates as a result of his becoming Disabled (as defined below), Employee's Base Salary will continue for six (6) months after termination. If Employee's employment terminates as a result of Employee's death, Employee's Base Salary shall continue for one month

after termination and shall be payable to Employee's estate. Employee shall be considered to be "Disabled" if Employee is suffering from a medically determinable condition that prevents him, with reasonable accommodation, from performing the essential duties of his employment for a continuous period of 120 days or for more than 180 non-consecutive days in any twelve-month period. Any Performance Bonus shall be paid on a pro-rata basis for the period of time from the beginning of the then current fiscal year until the date of death or disability.

- 4.3 Termination for Cause. Employer, by action of the Board of Directors of Employer (the "Board"), may terminate the employment of Employee at any time, and without notice, for Cause, and upon such termination, Employee will have no further right to compensation under Section 2 other than any such amounts of Employee's Base Salary that have accrued but have not been paid at the date of termination, but shall not include any Performance Bonus. The term "Cause" means (i) conviction of or a plea of nolo contendere to a felony involving moral turpitude; (ii) misappropriating any significant amount of funds or property of Employer; (iii) attempting to obtain any significant personal profit from any transaction in which Employee has an interest which is adverse to the interest of Employer, unless the Employee has first obtained consent in writing from the board of directors of SelectBuild Construction; (iv) a pattern of gross dereliction of duty that has not been cured within 15 days after Employee's receipt of written notice from the Board; or (v) a material breach of this Agreement by Employee that has not been cured within 15 days after Employee's receipt of notice thereof from the Board.
- extended term, Employer may terminate the employment of Employee upon 90 days' written notice to Employee. If Employer terminates the employment of Employee without Cause, Employer shall pay to Employee his Base Salary and other benefits through the date of termination, but shall not be liable for any other payments to Employee under this Agreement; provided, however, that the Performance Bonus shall be paid on a pro-rata basis for the period of time from the beginning of the then current fiscal year until the date of notice of termination (including the notice period, if any) but for no time thereafter. Additionally, Employer shall reimburse Employee for his portion of any payments to continue health insurance coverage-following such termination that Employee may make under COBRA, for the shorter of the remaining term of this Agreement or 18 months.
- resign for Good Reason. A resignation for Good Reason shall be treated for purposes of this Agreement as a termination without Cause by Employer under Section 4.4. A resignation for "Good Reason" shall mean a resignation by Employee within 60 days following either (i) a reduction in Employee's Base Salary that is not part of an Employer-wide reduction of salaries or a reduction in salaries of all of the officers of Employer or is not made in the same proportion as the reduction suffered by all similarly situated employees; (ii) Employer requiring Employee to relocate his primary office to a place more than 50 miles from the office regularly occupied by Employee, except for required travel on Employer business, (iii) the assignment of duties or responsibilities to the Employee which are inconsistent in a material respect with the Employee's position with Employer as set forth above and reflect a material diminution in the status of the Employee within Employer or (iv) a material breach of this Agreement by Employer that has not been cured within 15 days after the Employer's receipt of written notice from Employee.

- 4.6 Survival of Agreement. Except as specifically provided herein, Sections 6 through 9 of this Agreement shall survive termination of Employee's employment, to the extent specifically provided in those sections.
- 5. Extended Term. This Agreement shall continue for successive periods of one year after the Initial Term, upon terms agreed to by Employer and Employee, unless either Employee or Employer provides written notice that the Initial Term or any extended term will not be further renewed at least 60 days prior to the end of the applicable term (or delivers 90 days' written notice of termination as contemplated in Section 4.1).

6. Confidential Information.

- Definition of Confidential Information. Employer is in the Business and has built up an established and extensive trade and reputation in the industry. Employer has developed and continues to develop commercially valuable technical and non-technical information ("Confidential Information") that is proprietary and confidential and/or constitutes Employer's "trade secrets." Such Confidential Information, which is vital to the success of Employer's business, includes, but is not necessarily limited to: system documentation, data compilations, manuals, methods, techniques, processes, customers, prospective customers, suppliers, prospective suppliers, contracts with suppliers and customers, sales proposals, methods of sales, marketing research and data, pricing policies, cost information, financial information, business plans, specialized requests of Employer's customers, and other materials and documents developed by Employer. Confidential Information does not include, however; information which (i) is or becomes generally available to the public other than as a result of a disclosure by Employee, (ii) was available to Employee on a non-confidential basis prior to its disclosure by Employer, or (iii) becomes available to Employee on a non-confidential basis from a personother than Employer who is not otherwise bound by a confidentiality agreement with Employer, or is not otherwise prohibited from transmitting the information to Employee.
- 6.2 Nondisclosure of Confidential Information. Employee shall not, at any time, either during employment or during a period of three (3) years subsequent to the termination of employment (i) directly or indirectly, disclose or divulge any Confidential Information to any person not then employed by Employer, unless authorized or directed by Employer or ordered by a governmental agency or court order or in order to comply with applicable federal, state or local laws, or (ii) appropriate any Confidential Information for use other than performance of Employee's duties hereunder. If Employer authorizes or directs Employee to disclose Confidential Information to any such third party, Employer must ensure that a signed confidentiality agreement is or has been obtained from the third party to whom Confidential Information is being disclosed and that all Confidential Information so disclosed is clearly marked "Confidential."
- 6.3 Return of Confidential and Other Information. All Confidential Information provided to Employee, and all documents and things prepared by Employee in the course of Employee's employment, including but not necessarily limited to correspondence, manuals, letters, notes, lists, notebooks, reports, flow-charts, proposals, daytimers, planners, calendars, schedules, discs, financial plans and information, business plans, and other documents and records, whether in hard copy or otherwise, and any and all copies thereof, are the exclusive

property of Employer and shall be returned immediately to Employer upon termination of employment or upon Employer's request at any time. Notwithstanding the foregoing, Employee shall be entitled to keep a copy of any day-timers, planners, calendars, and schedules used, prepared, and/or kept by Employee during Employee's employment.

- 7. Non-Competition Obligations. To the fullest extent permitted by law, and in partial consideration of the benefits derived by Employee under the Purchase Agreement in his capacity as an equityholder of MWB, Employee expressly covenants and agrees that, while employed by Employer and for a period of one (1) year following Employee's termination of employment Employee will not, directly or indirectly, on behalf of any other person, firm, limited liability company, partnership or corporation, as owner, employee, creditor, consultant or otherwise, engage in any aspect of the Business or any business or venture which conflicts with Employee's duties under this Agreement, including without limitation, any services that are directly or indirectly in competition with the Business of Employer or any of its affiliates in the Territory. The beneficial ownership of less than two percent (2%) of the shares of stock of any publicly traded entity shall not be deemed to constitute a violation of this provision.
- 8. Interference with Customer Relationships. Employee expressly covenants and agrees that, during the term of Employee's employment with Employer and for a period of one (1) year following Employee's termination of employment, Employee will not do anything which would interfere with contractual arrangements or relationships in the Territory between Employer and any of its customers or between SelectBuild Construction and any of its customers.
- 9. Employee Non-Solicitation. Employee expressly covenants and agrees that, during the term of Employee's employment with Employer and for a period of one (1) year following the date of Employee's termination of employment with Employer for any reason, Employee will not, directly or indirectly, either for Employee or on behalf of any other person, firm, partnership, limited liability company, corporation or other entity, (i) form a business relationship with, offer to employ, or arrange employment of, anyone who is at that time employed by Employer or SelectBuild Construction or has been employed by Employer or SelectBuild Construction for any period of time during the previous six months, or (ii) solicit, induce or recruit any employee of Employer or SelectBuild Construction to leave the employ of Employer.

10. Enforcement.

- 10.1 Reasonableness of Restrictions. Employee acknowledges that compliance with this Agreement, including but not limited to Sections 6 through 9, is reasonable and necessary to protect Employer's and SelectBuild Construction's legitimate business interests, including but not limited to the Employer's goodwill and maintaining the confidentiality of Employer's Confidential Information.
- 10.2 Irreparable Harm. Employee acknowledges that a breach of Employee's obligations under this Agreement will result in great, irreparable and continuing harm and damage to Employer for which there is no adequate remedy at law.

- 10.3 Injunctive Relief. Employee agrees that in the event Employee breaches this Agreement, Employer shall be entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief to enforce the terms of this Agreement, in addition to any and all monetary damages allowed by law, against Employee.
- 10.4 Extension of Covenants. In the event Employee violates any one or more of the covenants contained in Sections 6 through 9 of this Agreement, Employee agrees that the term of each such covenant so violated shall be automatically extended for a period equal to the period during which Employee is in violation of such covenants.
- Agreement shall be deemed to consist of a series of separate covenants, one for each line of business carried on by Employer and SelectBuild Construction. The parties expressly agree that the character, duration and scope of such provisions in this Agreement are reasonable in light of the circumstances as they exist on the date upon which this Agreement has been executed. The parties have attempted to limit the Employee's rights only to the extent necessary to protect Employer's and SelectBuild Construction's goodwill, proprietary and/or Confidential Information, and other business interests. The parties recognize, however, that reasonable people may differ in making such a determination. Consequently, the parties hereby agree that a court having jurisdiction over the enforcement of this Agreement shall exercise its power and authority to reform Employee's covenants under Sections 6 through 9 above to the extent necessary to cause the limitations contained therein as to time and scope of activity to be restrained to be reasonable and to impose a restraint that is not greater than necessary to protect Employer's and SelectBuild Construction's goodwill, Confidential Information, and other business interests.
- 10.6 Attorney Fees. In the event of any action in law or in equity for the purposes of enforcing any of the provisions of this Agreement, including arbitration, the prevailing party as determined by the trier of fact shall be entitled to recover its reasonable attorney fees, plus court costs and expenses, from the other party, to the extent permitted by applicable law.

11. Miscellaneous.

- 11.1 Waiver. Failure of the Employer to exercise or otherwise act with respect to any of its rights under this Agreement (or any similar agreement with any other person employed by Employer) shall not be construed as a waiver of such breach, nor prevent Employer from thereafter enforcing strict compliance with any and all terms of this Agreement.
- 11.2 Agreement Binding. This Agreement shall be binding upon and inure to the benefit of Employer; Employer's successors, legal representatives and assigns; Employee; and Employee's heirs, executors, administrators and legal representatives.
- 11.3 Governing Law. This Agreement is made and entered into in the State of California and concerns employment situated in said state. This Agreement shall be interpreted and construed in accordance with the laws of the State of California.
- 11.4 Dispute Resolution and Binding Arbitration. Employee and Employer agree that in the event a dispute arises concerning or relating to Employee's employment with

Employer, except disputes relating to Sections 6 through 10 of this Agreement as to which the provisions of this Section 11.4 shall not apply, such dispute shall be submitted to binding arbitration in accordance with the employment arbitration rules of the American Arbitration Association ("AAA") by a single impartial arbitrator selected as follows: if Employer and Employee are unable to agree upon an impartial arbitrator within 10 days of a request for arbitration, the parties shall request a panel of 10 employment arbitrators from AAA and alternatively strike names until a single arbitrator remains. The arbitration shall take place in Sacramento, California and both Employee and Employer agree to submit to the jurisdiction of the arbitrator selected in accordance with AAA's rules and procedures. Except as set forth in Sections 6 through 10 hereof, Employee and Employer agree that the arbitration procedure provided for in this section will be the exclusive avenue of redress for any disputes relating to or arising from Employee's employment with Employer, and that the award of the arbitrator shall be final and binding on both parties, and nonappealable. The arbitrator shall have discretion to award monetary and other damages, or no damages, and to fashion such other relief as the arbitrator deems appropriate. The arbitrator shall also have discretion to award the prevailing party reasonable costs and attorneys' fees incurred in bringing or defending an action under this EMPLOYER AND EMPLOYEE ACKNOWLEDGE AND AGREE THAT BY AGREEING TO ARBITRATE THE DISPUTES COVERED BY THIS SECTION 11.4, THEY ARE WAIVING ANY RIGHT TO BRING AN ACTION AGAINST THE OTHER IN A COURT OF LAW, EITHER STATE OR FEDERAL, AND ARE WAIVING THE RIGHT TO HAVE CLAIMS AND DAMAGES, IF ANY, DETERMINED BY A JURY WITH RESPECT TO SUCH DISPUTES. IN THE EVENT OF ANY LEGAL ACTION TO ENFORCE THE TERMS OF SECTIONS 6, 7, 8, 9 OR 10 OF THIS AGREEMENT, THE LEGAL ACTION SHALL BE CONDUCTED ONLY IN SACRAMENTO COUNTY, CALIFORNIA AND EACH PARTY HEREBY IRREVOCABLY CONSENTS AND SUBMITS TO THE PERSONAL JURISDICTION OF AND VENUE IN COURTS OF THE STATE OF CALIFORNIA, IN AND FOR THE COUNTY OF SACRAMENTO, OR, IF IT HAS OR CAN ACQUIRE JURISDICTION, IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA, IN ANY ACTION ARISING OUT OF OR RELATED TO SECTIONS 6, 7, 8 9, OR 10 OF THIS AGREEMENT.

- 11.5 Entire Agreement. This Agreement contains all the understandings and agreements between the parties concerning matters set forth in this Agreement. The terms of this Agreement supersede any and all prior statements, representations and agreements by or between Employer and Employee, or either of them, concerning the matters set forth in this Agreement.
- 11.6 Counterparts. This Agreement may be executed in two or more counterparts, which when so executed shall constitute one and the same agreement. Facsimile signatures attached to this Agreement shall be as valid and binding as original signatures.
- Agreement shall be deemed sufficiently given if in writing and, if delivered personally, when it is delivered or, if delivered in another manner, the earlier of when it is actually received by the party to whom it is directed or when the period set forth below expires (whether or not it is actually received): (i) if deposited with the U.S. Postal Service, postage prepaid, and addressed to the party to receive it as set forth below, 48 hours after such deposit as registered or certified mail; or (ii) if accepted by Federal Express or a similar delivery service in general usage for

delivery to the address of the party to receive it as set forth next below, 24 hours after the delivery time promised by the delivery service. Notices should be addressed as follows, or to such other address or to the attention of such other person as the recipient party will have specified by prior written notice to the sending party:

To Employer:

KBI Norcal, Inc. c/o Building Materials Holding Corporation Four Embarcadero Center, Suite 3250 San Francisco, CA 94111 Attention: General Counsel Fax: (415) 627-9119

To Employee:

Pete Yanez c/o Brabo Carlsen & Cahill Michael Brabo 1111 E. Tahquitz Canyon Way Suite 203 Palm Springs, CA 92262 Fax: (760) 322-4626

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have set their hands hereto as of the date first above written, and Employee acknowledges that he has read and understands the entire contents of this Agreement and that he has received a copy of this Agreement.

EMPLOYER:

KBI NORCAL GENERAL PARTNERSHIP

By: VAUGHN/KOAD, LLC, general partner

Ву: ______

Name: John Volkman

Title: President

EMPLOYEE:

PETE YANEZ

Signed: _

Print Name: Pete Yanez

[Signature Page to Employment, Confidentiality, Non-competition and Non-solicitation Agreement]

EXHIBIT A

TERRITORY

California:

Alameda

Amador

Butte

Calaveras

Colusa

Contra

Costa

El Dorado

Marin

Merced

Napa

Placer

Plumas

Sacramento

San

Joaquin

Santa Clara

Sierra

Solano

Stanislaus

Sutter

Tuolumne

Yolo

Nevada:

Washoe

SCHEDULE 3

None.