

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

IN RE:)	
	)	Chapter 11
BUILDING MATERIALS HOLDING CORPORATION, <i>et al.</i>,¹)	
	)	Case No. 09-12074 (KJC)
Debtors.)	
	)	Jointly Administered
)	
	)	Objection Deadline: July 9, 2009 at 4:00 p.m. (ET)
	)	Hearing Date: July 16, 2009 at 4:30 p.m. (ET)
)	
	)	(Waiver of Local Rule 2016-2 Requested)

**DEBTORS' APPLICATION PURSUANT TO SECTIONS 327(a) AND 328(a)
OF THE BANKRUPTCY CODE FOR AN ORDER AUTHORIZING THE
DEBTORS TO RETAIN AND EMPLOY KPMG LLP AS AUDITORS AND
TAX CONSULTANTS *NUNC PRO TUNC* TO THE PETITION DATE, AND
WAIVING CERTAIN REQUIREMENTS OF LOCAL RULE 2016-2**

Building Materials Holding Corporation ("**BMHC**") and its affiliates, as debtors and debtors in possession (collectively, the "**Debtors**"), submit this Application (the "**Application**") for entry of an order pursuant to sections 327(a) and 328(a) of title 11 of the United States Code (the "**Bankruptcy Code**"), Rule 2014 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"), and Rule 2014-1 of the Local Rules of Bankruptcy Practice and Procedure for the United States Bankruptcy Court for the District of Delaware (the "**Local Rules**"), substantially in the form annexed hereto as **Exhibit A**, for authorization to employ and retain KPMG LLP ("**KPMG**") as auditors and tax consultants *nunc pro tunc* to June 16, 2009

¹ The Debtors, along with the last four digits of each Debtor's tax identification number, are as follows: Building Materials Holding Corporation (4269), BMC West Corporation (0454), SelectBuild Construction, Inc. (1340), SelectBuild Northern California, Inc. (7579), Illinois Framing, Inc. (4451), C Construction, Inc. (8206), TWF Construction, Inc. (3334), H.N.R. Framing Systems, Inc. (4329), SelectBuild Southern California, Inc. (9378), SelectBuild Nevada, Inc. (8912), SelectBuild Arizona, LLC (0036), and SelectBuild Illinois, LLC (0792). The mailing address for the Debtors is 720 Park Boulevard, Suite 200, Boise, Idaho 83712.

(the "**Petition Date**") and to compensate KPMG pursuant to section 330 of the Bankruptcy Code.

In support thereof, the Debtors respectfully represent:

JURISDICTION AND VENUE

1. The Court has jurisdiction to consider this Application pursuant to 28 U.S.C. sections 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. section 157(b). Venue is proper pursuant to 28 U.S.C. sections 1408 and 1409.

RELIEF REQUESTED

2. By this Application, the Debtors request, pursuant to sections 327(a) and 328(a) of the Bankruptcy Code, Bankruptcy Rule 2014(a), and Local Rule 2014-1, entry of an order (a) authorizing them to employ and retain KPMG as auditors and tax consultants, *nunc pro tunc* to the Petition Date, on the terms set forth herein and in those certain engagement letters between BMHC and KPMG, respectively dated April 15, 2009, March 10, 2009, and January 22, 2009 (the "**Engagement Letters**"), annexed hereto as **Exhibit B²** and (b) waiving certain requirements of Local Rule 2016-2 in connection therewith. In support of the Application, the Debtors submit the declaration of Glenn M. Farrell (the "**Farrell Declaration**"), annexed hereto as **Exhibit C**.

BACKGROUND

3. On June 16, 2009 (the "**Petition Date**"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code (the "**Chapter 11 Cases**"). The Debtors continue to operate their businesses and manage their property as debtors in

² In the event of any inconsistencies between the description of KPMG's engagement with the Debtors in this Application and the terms of the Engagement Letters, the Engagement Letters shall control.

possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in the Chapter 11 Cases.

4. The Debtors are one of the largest providers of residential building products and construction services in the United States. The Debtors distribute building materials, manufacture building components (e.g., millwork, floor and roof trusses, and wall panels), and provide construction services to professional builders and contractors through a network of 31 distribution facilities, 43 manufacturing facilities, and five regional construction services facilities.

5. The Debtors operate under two brand names: BMC West® and SelectBuild®.

- ***BMC West.*** Under the BMC West brand, the Debtors market and sell building products, manufacture building components, and provide construction services to professional builders and contractors. Products include structural lumber and building materials purchased from manufacturers, as well as manufactured building components such as millwork, trusses, and wall panels. Construction services include installation of various building products and framing. The Debtors currently offer these products and services in major metropolitan markets in Texas, Washington, Colorado, Idaho, Utah, Montana, North Carolina, California, and Oregon.
- ***SelectBuild.*** Under the SelectBuild brand, the Debtors offer integrated construction services to production homebuilders, as well as commercial and multi-family builders. Services include wood framing, concrete services, managing labor and construction schedules, and sourcing materials. The Debtors currently offer these services in major metropolitan markets in California, Arizona, Nevada and Illinois.

6. On the Petition Date, the Debtors filed their proposed chapter 11 plan (the "***Plan***") and accompanying disclosure statement (the "***Disclosure Statement***"). As set forth in greater detail in the Plan and Disclosure Statement, the Plan contemplates a restructure of the

Debtors' balance sheet and ownership structure, as well as an immediate cash distribution to unsecured creditors and an opportunity for such creditors to receive full payment from the Reorganized Debtors, depending on business performance. The Debtors believe that the restructuring proposal embodied in the Plan provides the Debtors' creditors with the best means of maximizing value of the Debtors and their businesses. To implement this restructuring, the Debtors have obtained a commitment to provide \$80 million in the form of debtor-in-possession financing, which the Court approved on an interim basis on June 17, 2009.

A. KPMG's Qualifications

7. KPMG is a firm of independent public accountants as defined under the Code of Professional Conduct of the American Institute of Certified Public Accountants.

8. The Debtors have selected KPMG as their auditors and tax consultants because of the firm's diverse experience and extensive knowledge in the fields of accounting, taxation, and operational controls for large sophisticated companies both in and out of chapter 11.

9. KPMG is well qualified to assist the Debtors as their auditors and tax consultants. Prior to the Petition Date, KPMG and its predecessors have served as the Debtors' auditors and tax consultants since 2004. By virtue of this service, KPMG's professionals have worked closely with the Debtors' management, internal staff, and other professionals and are familiar with the books, records, financial information, and other data maintained by the Debtors.

10. It is anticipated that KPMG will render services to the Debtors as needed throughout the course of the Chapter 11 Cases, as described in the Engagement Letters, and this Application. KPMG's services as auditors and tax consultants do not and will not duplicate the services provided and to be provided to the Debtors by any of the Debtors' other professionals. KPMG, with the Debtors and their other professionals, will undertake to make every reasonable

effort to avoid duplication between KPMG's services and the services provided by any other professionals employed by the Debtors.

B. Scope of Services

11. Subject to the direction of the Debtors and further order of this Court, as set forth in the Engagement Letters, KPMG will provide the auditing and tax consulting services to the Debtors set forth below.

Audit Services:

- i. Auditing of the Debtors' consolidated balance sheets as of December 31, 2009 and 2008;
- ii. Auditing of the related consolidated statements of operations, shareholders' equity, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2009;
- iii. Reviewing of the quarterly consolidated financial statements as of March 31, June 30, and September 30, 2009; and
- iv. Auditing of the Debtors' internal control over financial reporting as of December 31, 2009.

Tax Advisory Services:

- i. Assisting the Debtors in their current IRS income tax examination with regard to uniform capitalization of costs under IRC section 263A for the 2005, 2006 and 2007 tax years;
- ii. Working with the Debtors to develop an appropriate strategy for best handling the examination;
- iii. Assisting the Debtors in their dealings with the IRS examination team, and meeting with team members as appropriate and necessary; and
- iv. Assisting the Debtors in preparing submissions in response to IRS inquiries.

C. KPMG's Disinterestedness

12. KPMG has informed the Debtors that to the best of Mr. Farrell's knowledge, KPMG (a) has no connection with the Debtors, their creditors, or other parties in

interest in the Chapter 11 Cases; (b) does not hold any interest adverse to the Debtors' estates; and (c) believes it is a "disinterested person" as defined by section 101(14) of the Bankruptcy Code.

13. If any new material facts or relationships are discovered or arise, KPMG will provide the Court with a supplemental declaration.

14. KPMG has agreed not to share with any person or firm the compensation to be paid for professional services rendered in connection with the Chapter 11 Cases, other than as permitted pursuant to section 504 of the Bankruptcy Code.

D. Terms of Retention

15. Subject to this Court's approval and in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, guidelines established by the Office of the United States Trustee for the District of Delaware (the "*U.S. Trustee*"), and any other applicable orders of this Court, KPMG intends to (a) seek compensation for its tax provision and tax compliance services, as well as its additional tax advisory services, including the tax consulting services, matters involving tax authorities, and unforeseen issues, all on an hourly basis in accordance with its ordinary and customary rates in effect on the date such services are rendered, and (b) seek reimbursement of actual and necessary costs and expenses incurred by KPMG in connection with these services.

16. KPMG has informed the Debtors that its currently hourly rates, subject to periodic adjustments, are as follows:

Professional Level	Discounted Rate for Audit Services	Discounted Rate for Tax Consulting Services
Partners	\$392-490	\$578

Managing Directors	---	\$543
Senior Managers	\$322-420	---
Managers	\$266-336	\$333-420
Supervising Senior	\$210-336	---
Senior Associates	\$210-266	\$245
Associates	\$98-168	\$193
Para-Professionals	\$56	\$105

KPMG's fees for this engagement will be based on the actual time incurred to complete the work at approximately 56 – 70% of their standard hourly rates for the individuals involved in providing the services.

17. In addition, KPMG charges the Debtors for reasonable out-of-pocket expenses, which shall include meals, lodging, travel, photocopying, delivery service, postage, vendor charges, internal per ticket charges for booking travel, and other out-of-pocket expenses incurred in providing professional services to the Debtors.

18. KPMG will render progress billings to the Debtors as work is performed and expenses are incurred. Pursuant to Local Rule 2016-2(d), in a motion for compensation and reimbursements of expenses, activities must be billed in tenths of an hour. It is not the general practice of KPMG employees, however, to keep records in such increments. KPMG's customary practice is to provide a detailed description of the services rendered and the amount of time spent on each date in half-hour increments. The Debtors believe that KPMG's customary practice with respect to time descriptions will still provide this Court with the ability to appropriately review and evaluate the services provided by KPMG. Furthermore, because it would be more efficient for KPMG to continue in its customary time-keeping practices, the Debtor respectfully seek a

waiver of Local Rule 2016-2(d) to permit KPMG to submit its time records in half-hour increments.

19. The Debtors are submitting, concurrently on the date hereof, a separate application for the retention of PricewaterhouseCoopers, LLP ("**PwC**"), as tax advisor to the Debtors. KPMG and PwC have advised the Debtors that they will make every effort to avoid duplication of their work.

E. Indemnification

20. The Debtors have agreed to indemnify KPMG in accordance with the indemnification provisions set forth in the Engagement Letter dated January 22, 2009 (collectively, the "**Indemnification Provisions**"). Notwithstanding the Indemnification Provisions, such indemnity shall be modified to the extent set forth below (the "**Modified Indemnification Provisions**");

- (a) Subject to the provisions of subparagraphs (c) and (d) below, the Debtors are authorized to indemnify, and shall indemnify, KPMG, in accordance with the Engagement Letter and to the extent permitted by applicable law, for any claim arising from, related to, or in connection with KPMG's performance of the services described in the Engagement Letter;
- (b) KPMG shall not be entitled to indemnification, contribution, or reimbursement for services provided under the Engagement Letter, unless such services and the indemnification, contribution, or reimbursement therefor are approved by the Court;
- (c) Notwithstanding anything to the contrary in the Engagement Letter, the Debtors shall have no obligation to indemnify any person, or provide contribution or reimbursement to any person, for any claim or expense to the extent that it is (i) judicially determined (the determination having become final and no longer subject to appeal) to have arisen from that person's gross negligence or willful misconduct; (ii) for a contractual dispute in which the Debtors allege the breach of KPMG's contractual obligations unless the Court determines that indemnification, contribution, or reimbursement would be permissible pursuant to *In re United Artists Theatre Co.*, 315 F.3d 217 (3d Cir. 2003); or (iii) settled prior to a judicial determination as to the exclusions set forth in clauses (i) and (ii), but

determined by this Court, after notice and a hearing, to be a claim or expense for which that person should not receive indemnity, contribution, or reimbursement under the terms of the Engagement Letter as modified by the Order approving this Application; and

- (d) If, before the earlier of (i) the entry of an order confirming a chapter 11 plan in these cases (that order having become a final order no longer subject to appeal) and (ii) the entry of an order closing the Chapter 11 Cases, KPMG believes that it is entitled to the payment of any amounts by the Debtors on account of the Debtors' indemnification, contribution, or reimbursement obligations under the Engagement Letter, including without limitation the advancement of defense costs, KPMG must file an application before this Court, and the Debtors may not pay any such amounts to KPMG before the entry of an order by this Court approving the payment. This subparagraph (d) is intended only to specify the period of time under which the Court shall have jurisdiction over any request for payment by KPMG for indemnification, contribution, or reimbursement, and not a provision limiting the duration of the Debtors' obligation to indemnify KPMG.

BASIS FOR RELIEF REQUESTED

A. Section 328 of the Bankruptcy Code Permits the Employment and Retention of KPMG on Terms Substantially Similar to those in the Engagement Letters

21. Bankruptcy Code section 327(a) provides, in relevant part, as follows:

Except as otherwise provided in this section, the trustee, with the court's approval, may employ one or more attorneys, accountants, appraisers, auctioneers, or other professional persons, that do not hold or represent an interest adverse to the estate, and that are disinterested persons, to represent or assist the trustee in carrying out the trustee's duties under this title.

11 U.S.C. section 327(a).

22. Bankruptcy Code section 328(a) provides, in relevant part, as follows:

The trustee . . . with the court's approval, may employ or authorize the employment of a professional person under section 327 . . . of this title . . . on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, on a fixed or percentage fee basis, or on a contingent fee basis. Notwithstanding such terms and conditions, the court may allow compensation different

from the compensation provided under such terms and conditions after the conclusion of such employment, if such terms and conditions prove to have been improvident in light of developments not capable of being anticipated at the time of the fixing of such terms and conditions.

11 U.S.C. section 328(a).

23. Bankruptcy Rule 2014 provides, in relevant part, as follows:

An order approving the employment of attorneys, accountants, appraisers, auctioneers, agent, or other professionals pursuant to section 327 . . . of the Code shall be made only on application or the trustee or committee.

Fed. R. Bankr. P. 2014.

24. The Debtors require the services to be provided by KPMG to assist in the administration of the Debtors' estates. KPMG has extensive experience and knowledge in performing the scope of the work described below. KPMG's experience in audit and tax matters is widely recognized, and it regularly provides such services to large and complex business entities in other chapter 11 cases. Thus, the Debtors believe that KPMG is well suited and qualified to serve as the Debtors' auditors and tax consultants in a cost-effective and efficient manner.

25. KPMG has acquired significant knowledge with respect to the Debtors' business affairs, which will allow KPMG to provide the services contemplated in the Engagement Letters in the most cost-effective and efficient manner. Thus, the Debtors respectfully submit that the employment and retention of KPMG would be in the best interests of the Debtors, their estates, and creditors.

NOTICE

26. No trustee, examiner, or creditors' committee has been appointed in the Chapter 11 Cases. The Debtors have provided notice of filing of the Application to: (a) the U.S.

Trustee; (b) the 50 largest unsecured creditors of the Debtors on a consolidated basis as identified in the Debtors' chapter 11 petitions; (c) counsel to Wells Fargo Bank, as agent under the Debtors' Prepetition Credit Agreement and DIP Facility (as defined in the Plan); and (d) any persons who have filed a request for notice in the Chapter 11 Cases pursuant to Bankruptcy Rule 2002. Due to the nature of the relief requested, the Debtors respectfully submit that no further notice of this Application is required.

NO PRIOR REQUEST

27. No prior request for the relief sought in this Application has been made to this or any other court.

WHEREFORE, the Debtors respectfully request that the Court grant the relief requested herein and such other and further relief as the Court may deem just and proper.

Dated: Wilmington, Delaware
June 25, 2009

BUILDING MATERIALS HOLDING
CORPORATION

A handwritten signature in black ink, appearing to read "P. Street", is written over a horizontal line.

By: Paul S. Street
Title: Senior Vice President,
General Counsel Chief Administrative
Officer, and Corporate Secretary

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

IN RE:)	
	)	Chapter 11
BUILDING MATERIALS HOLDING CORPORATION, <i>et al.</i>,¹)	
	)	Case No. 09-12074 (KJC)
Debtors.)	
	)	Jointly Administered
)	
	)	Objection Deadline: July 9, 2009 at 4:00 p.m. (ET)
	)	Hearing Date: July 16, 2009 at 4:30 p.m. (ET)
)	
	)	(Waiver of Local Rule 2016-2 Requested)

NOTICE OF APPLICATION

TO: (I) THE OFFICE OF THE UNITED STATES TRUSTEE; (II) THE DEBTORS' FIFTY LARGEST UNSECURED CREDITORS ON A CONSOLIDATED BASIS; (III) COUNSEL TO WELLS FARGO BANK, AS AGENT UNDER THE PREPETITION CREDIT FACILITY AND THE DIP FACILITY (AS DEFINED IN THE PLAN); AND (IV) ALL PARTIES ENTITLED TO NOTICE UNDER RULE 2002-1(b) OF THE LOCAL RULES OF BANKRUPTCY PRATICE AND PROCEDURE FOR THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE

PLEASE TAKE NOTICE that the above-captioned debtors and debtors in possession (collectively, the "Debtors") have filed the attached **Debtors' Application Pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code for an Order Authorizing the Debtors to Retain and Employ KPMG LLP as Auditors and Tax Consultants *Nunc Pro Tunc* to the Petition Date, and Waiving Certain Requirements of Local Rule 2016-2 (the "Application")**.

PLEASE TAKE FURTHER NOTICE that any objections to the Application must be filed on or before **July 9, 2009 at 4:00 p.m. (ET)** (the "Objection Deadline") with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 3rd Floor, Wilmington, Delaware 19801. At the same time, you must serve a copy of the objection upon the undersigned counsel to the Debtors so as to be received on or before the Objection Deadline.

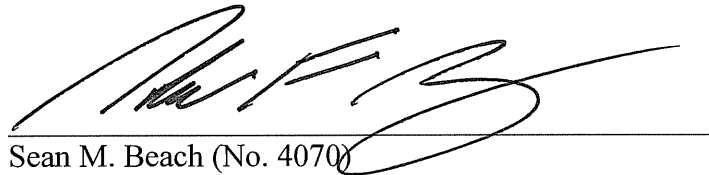
¹ The Debtors, along with the last four digits of each Debtor's tax identification number, are as follows: Building Materials Holding Corporation (4269), BMC West Corporation (0454), SelectBuild Construction, Inc. (1340), SelectBuild Northern California, Inc. (7579), Illinois Framing, Inc. (4451), C Construction, Inc. (8206), TWF Construction, Inc. (3334), H.N.R. Framing Systems, Inc. (4329), SelectBuild Southern California, Inc. (9378), SelectBuild Nevada, Inc. (8912), SelectBuild Arizona, LLC (0036), and SelectBuild Illinois, LLC (0792). The mailing address for the Debtors is 720 Park Boulevard, Suite 200, Boise, Idaho 83712.

PLEASE TAKE FURTHER NOTICE THAT A HEARING TO CONSIDER THE APPLICATION WILL BE HELD ON **JULY 16, 2009 AT 4:30 P.M. (ET)** BEFORE THE HONORABLE KEVIN J. CAREY AT THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 824 MARKET STREET, 5TH FLOOR, COURTROOM NO. 5, WILMINGTON, DELAWARE 19801.

PLEASE TAKE FURTHER NOTICE that if you fail to respond in accordance with this notice, the Court may grant the relief requested in the Application without further notice or hearing.

Dated: Wilmington, Delaware
June 26, 2009

YOUNG CONAWAY STARGATT & TAYLOR, LLP



Sean M. Beach (No. 4070)
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Robert F. Poppiti, Jr. (No. 5052)
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----and----

GIBSON, DUNN & CRUTCHER LLP
Michael A. Rosenthal (admitted *pro hac vice*)
Matthew K. Kelsey (admitted *pro hac vice*)
Saeed M. Muzumdar (admitted *pro hac vice*)
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PROPOSED ATTORNEYS FOR DEBTORS
AND DEBTORS IN POSSESSION

EXHIBIT A

Proposed Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

IN RE:)	
	)	Chapter 11
BUILDING MATERIALS HOLDING CORPORATION, et al.,¹)	
	)	Case No. 09-12074 (KJC)
)	
Debtors.	)	Jointly Administered
)	
	)	Ref. Docket No. _____

ORDER PURSUANT TO SECTIONS 327(a) AND 328(a) OF THE BANKRUPTCY CODE AUTHORIZING THE DEBTORS TO RETAIN AND EMPLOY KPMG LLP AS AUDITORS AND TAX ADVISOR *NUNC PRO TUNC* TO THE PETITION DATE AND WAIVING CERTAIN REQUIREMENTS OF LOCAL RULE 2016-2

Upon consideration of the application (the "*Application*") of Building Materials Holding Corporation and its affiliates, as debtors and debtors in possession (collectively, the "*Debtors*") for entry of an order pursuant to sections 327(a) and 328(a) of title 11 of the United States Code (the "*Bankruptcy Code*"), Rule 2014 of the Federal Rules of Bankruptcy Procedure (the "*Bankruptcy Rules*"), and Rule 2014-1 of the Local Rules of Bankruptcy Practice and Procedure for the United States Bankruptcy Court for the District of Delaware (the "*Local Rules*") for authorization to employ and retain KPMG LLP ("*KPMG*") as auditors and tax consultants to the Debtors, all as set forth in the Application; and upon the declaration of Glenn M. Farrell in support of the Application;² and the Court having found that venue of this

¹ The Debtors, along with the last four digits of each Debtor's tax identification number, are as follows: Building Materials Holding Corporation (4269), BMC West Corporation (0454), SelectBuild Construction, Inc. (1340), SelectBuild Northern California, Inc. (7579), Illinois Framing, Inc. (4451), C Construction, Inc. (8206), TWF Construction, Inc. (3334), H.N.R. Framing Systems, Inc. (4329), SelectBuild Southern California, Inc. (9378), SelectBuild Nevada, Inc. (8912), SelectBuild Arizona, LLC (0036), and SelectBuild Illinois, LLC (0792). The mailing address for the Debtors is 720 Park Boulevard, Suite 200, Boise, Idaho 83712.

² Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Application.

proceeding and the Application in this district is proper pursuant to 28 U.S.C. sections 1408 and 1409; and the Court having found that the relief requested in the Application is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and notice of the Application and the opportunity for a hearing on the Application was appropriate under the particular circumstances; and the Court having reviewed the Application and having considered the statements in support of the relief requested therein at a hearing before the Court (the "**Hearing**"); and the Court having determined that the legal and factual bases set forth in the Application and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED:

1. The Application is granted as set forth below.
2. In accordance with sections 327(a) and 328(a) of the Bankruptcy Code, Bankruptcy Rule 2014, and Local Rule 2014-1, the Debtors are authorized to employ and retain KPMG *nunc pro tunc* to the Petition Date as their auditors and tax consultants on the terms set forth in the Application.
3. KPMG shall be compensated in accordance with the procedures set forth in section 330 of the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules, and such procedures as may be fixed by order of this Court; *provided, however*, that KPMG may submit time records in half-hour increments.
4. The indemnification provisions of the Engagement Letter are approved, subject to the following clarifications:
 - (a) Subject to the provisions of subparagraphs (c) and (d) below, the Debtors are authorized to indemnify, and shall indemnify, KPMG, in accordance with the Engagement Letter and to the extent permitted by applicable law,

for any claim arising from, related to, or in connection with KPMG's performance of the services described in the Engagement Letter;

- (b) KPMG shall not be entitled to indemnification, contribution, or reimbursement for services provided under the Engagement Letter, unless such services and the indemnification, contribution, or reimbursement therefor are approved by the Court;
- (c) Notwithstanding anything to the contrary in the Engagement Letter, the Debtors shall have no obligation to indemnify any person, or provide contribution or reimbursement to any person, for any claim or expense to the extent that it is (i) judicially determined (the determination having become final and no longer subject to appeal) to have arisen from that person's gross negligence or willful misconduct; (ii) for a contractual dispute in which the Debtors allege the breach of KPMG's contractual obligations unless the Court determines that indemnification, contribution, or reimbursement would be permissible pursuant to *In re United Artists Theatre Co.*, 315 F.3d 217 (3d Cir. 2003); or (iii) settled prior to a judicial determination as to the exclusions set forth in clauses (i) and (ii), but determined by this Court, after notice and a hearing, to be a claim or expense for which that person should not receive indemnity, contribution, or reimbursement under the terms of the Engagement Letter as modified by this Order; and
- (d) If, before the earlier of (i) the entry of an order confirming a chapter 11 plan in these cases (that order having become a final order no longer subject to appeal) and (ii) the entry of an order closing the Chapter 11 Cases, KPMG believes that it is entitled to the payment of any amounts by the Debtors on account of the Debtors' indemnification, contribution, or reimbursement obligations under the Engagement Letter, including without limitation the advancement of defense costs, KPMG must file an application before this Court, and the Debtors may not pay any such amounts to KPMG before the entry of an order by this Court approving the payment. This subparagraph (d) is intended only to specify the period of time under which the Court shall have jurisdiction over any request for payment by KPMG for indemnification, contribution, or reimbursement, and not a provision limiting the duration of the Debtors' obligation to indemnify KPMG.

5. Notwithstanding any terms of the Engagement Letters to the contrary, paragraph 6 of the terms and conditions annexed to the Engagement Letter, dated January 22, 2009 shall be struck in its entirety.

6. Notwithstanding any terms of the Engagement Letters to the contrary, the Court shall have jurisdiction over any controversy arising from or related to the Application, the Engagement Letters, or KPMG's retention in the Chapter 11 Cases.

7. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Application.

8. The Court shall retain jurisdiction with respect to all matters arising under or relating to the implementation and enforcement of this Order.

Dated: Wilmington, Delaware
July __, 2009

Kevin J. Carey
Chief United States Bankruptcy Judge

EXHIBIT B

KPMG Engagement Letters



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

March 10, 2009

COPY

PRIVATE

Mr. Paul S. Street
Sr. Vice President, Chief Administrative Officer,
General Counsel & Corporate Secretary
Building Materials Holding Corporation
Four Embarcadero Center – Suite 3250
San Francisco, CA 94111

*orig. mailed
3-16-09*

Re: Addendum to Engagement Letter Dated January 22, 2009

Dear Mr. Street:

This letter serves as an addendum to KPMG LLP's ("KPMG") January 22, 2009 engagement letter to provide tax consulting services to Building Materials Holding Corporation ("BMHC") with respect to the Internal Revenue Service examination with regard to uniform capitalization of costs under IRC section 263A for the 2005, 2006 and 2007 tax years (the "Engagement Letter").

Except as expressly modified herein, the terms of the Engagement Letter shall remain in full force and effect.

Fees

This addendum has BMHC's Audit Committee's approval of KPMG's request for an additional \$30,000 in fees to complete the scope of services described in the Engagement Letter.

We will render progress billings to BMHC as work is performed.

* * *

Please sign the enclosed copy of this letter to confirm your agreement of this addendum to the Engagement Letter and return it to us within 30 days.



*Mr. Paul S. Street
Building Materials Holding Corporation
March 10, 2009
Page 2*

If you have any questions, please call me at 312-665-3583.

Very truly yours,

KPMG LLP

A handwritten signature in black ink, reading "John P. Jankowski". The signature is written in a cursive, flowing style.

John P. Jankowski
Tax Managing Director

cc: Louis P. Miramontes – KPMG LLP, San Francisco

ACCEPTED:

Building Materials Holding Corporation

Authorized Signature

Title

Date



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

January 22, 2009

PRIVATE

Mr. Paul S. Street
Senior Vice President and
Chief Executive Officer
Building Materials Holding Corporation
Four Embarcadero Center – Suite 3250
San Francisco, CA 94111

Dear Mr. Street:

We are pleased you have engaged KPMG LLP (“KPMG”) to provide tax consulting services to Building Materials Holding Corporation (“BMHC”) with respect to the Internal Revenue Service examination for the 2005, 2006 and 2007 tax years. This letter confirms the scope and related terms of your engagement of KPMG.

Scope

KPMG will assist, and as requested, represent BMHC in its current IRS income tax examination with regard to uniform capitalization of costs under IRC section 263A for the 2005, 2006 and 2007 tax years. As part of this representation, KPMG will work to resolve the examination in the most efficient and timely manner possible, and will work with BMHC to develop an appropriate strategy for best handling the examination. KPMG will assist BMHC in its dealings with the IRS examination team, and will meet with team members as appropriate and necessary. KPMG will assist BMHC in preparing submissions in response to IRS inquiries. If the case is not resolved at the examination level, and if BMHC desires to retain KPMG to represent you before IRS Appeals (or an equivalent reviewing body), or to participate in an alternative dispute resolution program, we will prepare a new engagement letter at the time.

To be of greatest assistance to you, we should be advised **in advance** of proposed transactions. If such matters exceed the scope of this engagement letter, we will issue an addendum or separate engagement letter to confirm the scope and related terms of any additional engagements. Furthermore, a separate engagement letter will be issued for each discrete tax consulting project not specified in this engagement letter (e.g., transfer pricing study, corporate acquisition or disposition, etc.).

We do not anticipate that the written tax advice provided under this engagement letter will be a Covered Opinion as defined in §10.35 of Circular 230 (Covered Opinion). Therefore, all the written tax advice provided under this engagement letter will contain the following legend:



Mr. Paul S. Street
Building Materials Holding Corporation
January 22, 2009
Page 2

ANY TAX ADVICE IN THIS COMMUNICATION IS NOT INTENDED OR WRITTEN BY KPMG TO BE USED, AND CANNOT BE USED, BY A CLIENT OR ANY OTHER PERSON OR ENTITY FOR THE PURPOSE OF (i) AVOIDING PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER OR (ii) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY MATTERS ADDRESSED HEREIN.

However, if our services will rise to the level of a Covered Opinion, we will issue a separate engagement letter for the issuance of a Covered Opinion.

Conflict Waiver

Due to our previous involvement in advising on, opining on, marketing, and implementing a new method of accounting for additional IRC 263A costs under the simplified production method, a potential conflict of interest may exist with respect to our representing you in proceedings before the Internal Revenue Service on the same matter. In order to prevent any potential conflict of interest, we suggest that you consider alternative counsel to represent you with respect to this matter.

However, if BMHC desires to retain KPMG to represent BMHC on this matter, BMHC hereby agrees that any assistance provided by KPMG at the request of BMHC with respect to the tax controversy assistance should not constitute a conflict of interest for KPMG in light of the services that KPMG has previously provided to BMHC. However, to the extent that any assistance provided by KPMG at the request of BMHC with respect to the tax controversy assistance is or may be considered a conflict of interest, BMHC hereby consents to a waiver of its rights to assert any such conflict against KPMG.

Tax Return Standards

For a return filed on or before December 31, 2007: KPMG will not defend any transaction that is or becomes a transaction designated by the IRS or a state as a "listed transaction." KPMG applies elevated standards in providing tax controversy representation services. Under these standards, we must determine that a return position has a "realistic possibility" of being sustained on its merits (i.e., approximately a one-in-three or greater likelihood of success if challenged by the taxing authorities). If a return position relates to a "principal purpose transaction," we must arrive at a "should" confidence level (i.e., approximately a 70 percent or greater likelihood of success if challenged by the taxing authorities) with respect to the position. Stricter tax return preparation minimum standards will be applied in certain jurisdictions (e.g., California and New York). In determining whether a position meets the appropriate elevated standard, we will not take into account the possibility that a tax return will not be audited, that an issue will not be raised on audit, or that an issue will be settled. We will inform you as soon



Mr. Paul S. Street
Building Materials Holding Corporation
January 22, 2009
Page 3

as possible if, during our analysis, we determine circumstances exist that prevent us from defending any positions under these standards.

For a return filed after December 31, 2007: KPMG will not defend any transaction that is or becomes a transaction designated by the IRS or a state as a "listed transaction." KPMG applies elevated standards in providing tax controversy representation services. In this regard, if a return position relates to a "principal purpose transaction," we must arrive at a "should" confidence level (i.e., approximately a 70 percent or greater likelihood of success if challenged by the IRS) with respect to the position. If the position does not involve a "principal purpose transaction," we must be able to determine that (1) an undisclosed return position is at least "more likely than not" to be upheld (i.e., has a greater than 50 percent likelihood of success if challenged by the taxing authorities) or (2) a disclosed return position has at least a "realistic possibility" of being sustained on its merits (i.e., approximately a one-in-three or greater likelihood of success if challenged by the taxing authorities). Stricter tax return preparation minimum standards will be applied in certain jurisdictions (e.g., California and New York). In determining whether a return position meets the appropriate standard, we will not take into account the possibility that a tax return will not be audited, that an issue will not be raised on audit, or that an issue will be settled. We will inform you as soon as possible if, during our analysis, we determine that circumstances exist that prevent us from defending any positions under these standards and we will advise you of potential alternatives.

Fees

Our fee for this engagement will be based on the actual time incurred to complete the work at 70% of our standard hourly rates for the individuals involved in providing the services. In addition, we will bill you for our out-of-pocket expenses (e.g., travel, lodging, meals, etc.).

We will render progress billings to BMHC as work is performed.

* * *

The attached Standard Terms and Conditions for Advisory and Tax Services are made a part of this engagement letter. Please sign the enclosed copy of this engagement letter to confirm our agreement and return it to us within 30 days.



Mr. Paul S. Street
Building Materials Holding Corporation
January 22, 2009
Page 4

If you have any questions, please call me at 312-665-3583.

Very truly yours,

KPMG LLP

John P. Jankowski
Tax Managing Director

Enclosure: Standard Terms and Conditions for Advisory and Tax Services

cc: Louis P. Miramontes – KPMG LLP, San Francisco
Violet Goodheart – KPMG LLP, Chicago

ACCEPTED:

Building Materials Holding Corporation

Authorized Signature

PAUL S. STREET

Sr. Vice President, Chief Administrative Officer

~~General Counsel and Corporate Secretary~~

Title

1-30-09
Date



KPMG LLP
Standard Terms and Conditions for Advisory and Tax Services

1. Services; Client Responsibilities.

(a) It is understood and agreed that KPMG's services may include advice and recommendations; but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, Client. KPMG will not perform management functions or make management decisions for Client. References herein to Client shall refer to the addressee of the Proposal or Engagement Letter to which these Standard Terms and Conditions are attached (the "Engagement Letter").

(b) In connection with KPMG's provision of services under the Engagement Letter, Client agrees that Client, and not KPMG, shall perform the following functions: (i) make all management decisions and perform all management functions; (ii) designate an individual who possesses suitable skill, knowledge and experience, preferably within senior management, to oversee such services, and to evaluate the adequacy and results of such services; (iii) accept responsibility for the results of such services; and (iv) establish and maintain internal controls over the processes with which such services are concerned, including monitoring ongoing activities.

(c) Subsequent to the completion of this engagement, KPMG will not update its advice, recommendations or work product for changes or modification to the law and regulations, or to the judicial and administrative interpretations thereof, or for subsequent events or transactions, unless Client separately engages KPMG to do so in writing after such changes or modifications, interpretations, events or transactions.

2. Tax on Services. All fees, charges and other amounts payable to KPMG under the Engagement Letter do not include any sales, use, excise, value added or other applicable taxes, tariffs or duties, payment of which shall be Client's sole responsibility, excluding any applicable taxes based on KPMG's net income or taxes arising from the employment or independent contractor relationship between KPMG and its personnel.

3. Termination. Either party may terminate the Engagement Letter at any time by giving written notice to the other party not less than 30 calendar days before the effective date of termination.

4. Ownership and Use of Deliverables.

(a) KPMG has created, acquired, owns or otherwise has rights in, and may, in connection with the performance of services under the Engagement Letter, use, provide, modify, create, acquire or otherwise obtain rights in, concepts, ideas, methods, methodologies, procedures, processes, know-how, techniques, models, templates and software (collectively, the "KPMG Property"). KPMG retains all ownership and use rights in the KPMG Property. Client shall acquire no rights or interest in the KPMG Property, except as expressly provided in the next paragraph. KPMG acknowledges that KPMG Property shall not include any of Client's confidential information or tangible or intangible property, and KPMG shall have no ownership rights in such property.

(b) Except for KPMG Property, and upon full and final payment to KPMG under the Engagement Letter, the tangible items specified as deliverables or work product in the Engagement Letter including any intellectual property rights appurtenant thereto (the "Deliverables") will become the property of Client. If any KPMG Property is contained in any of the Deliverables, KPMG hereby grants Client a royalty-free, paid-up, non-exclusive, perpetual license to use such KPMG Property in connection with Client's use of the Deliverables.

(c) Client acknowledges and agrees that any advice, recommendations, information or work product provided to Client by KPMG in connection with this engagement is for the sole use of Client and may not be relied upon by any third party. Client agrees that if it makes such advice, recommendations, information or work product available to any third party other than as expressly permitted by the Engagement Letter the provisions of Paragraph 8(b) shall apply unless Client provides the written notice to the third party in substantially the form of Appendix A hereto (the "Notice"), which Notice shall be acknowledged in writing by such third party and returned to Client. Upon request, Client shall provide KPMG with a copy of the foregoing Notice and acknowledgement and any notice and acknowledgement sent to Client by such third party as contemplated by the Notice. Notwithstanding the foregoing, (i) in the event of a disclosure made by Client that is required by law, that is made to a regulatory authority having jurisdiction over Client or that is made pursuant to Paragraph 17(a) below, no acknowledgement of the Notice shall be required and (ii) no Notice or acknowledgement shall be required with respect to disclosures expressly authorized by the Engagement Letter.

5. Warranties. KPMG's services under the Engagement Letter are subject to and will be performed in accordance with American Institute of Certified Public Accountants ("AICPA") and other professional standards applicable to the services provided by KPMG under the Engagement Letter and in accordance with the terms thereof. KPMG disclaims all other warranties, either express or implied.

6. Limitation on Damages. Except for each party's indemnification obligations herein, neither Client nor KPMG shall be liable to the other for any actions, damages, claims, liabilities, costs, expenses or losses in any way arising out of or relating to the services performed under the Engagement Letter for an aggregate amount in excess of the fees paid or owing to KPMG under the Engagement Letter. In no event shall either party be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs).

7. Infringement.

(a) KPMG hereby agrees to indemnify, hold harmless and defend Client from and against any and all claims, liabilities, losses, expenses (including reasonable attorneys' fees), fines, penalties, taxes or damages (collectively "Liabilities") asserted by a third party against Client to the extent such Liabilities result from the infringement by the Deliverables (including any KPMG Property contained therein) of such third party's patents issued as of the



KPMG LLP

Standard Terms and Conditions for Advisory and Tax Services

date of the Engagement Letter, trade secrets, trademarks or copyrights. The preceding indemnification shall not apply to any infringement arising out of (x) use of the Deliverables other than in accordance with applicable documentation or instructions supplied by KPMG or other than in accordance with Paragraph 4(c); (y) any alteration, modification or revision of the Deliverables not expressly agreed to in writing by KPMG; or (z) the combination of the Deliverables with materials not supplied or approved by KPMG.

- (b) In case any of the Deliverables (including any KPMG Property contained therein) or any portion thereof is held, or in KPMG's reasonable opinion is likely to be held, to constitute infringement, KPMG may, within a reasonable time, at its option either: (i) secure for Client the right to continue the use of such infringing item; or (ii) replace, at KPMG's sole expense, such item with a substantially equivalent non-infringing item or modify such item so that it becomes non-infringing. In the event KPMG is, in its reasonable discretion, unable to perform either of options described in (i) or (ii) above, Client shall return the Deliverable to KPMG, and KPMG's sole liability shall be to refund to Client the amount paid to KPMG for such item; provided that the foregoing shall not be construed to limit KPMG's indemnification obligation set forth in Paragraph 7(a) above.
- (c) The provisions of this Paragraph 7 state KPMG's entire liability and Client's sole and exclusive remedy with respect to any infringement or claim of infringement.

8. Indemnification.

- (a) Each party agrees to indemnify, hold harmless and defend the other from and against any and all Liabilities for physical injury to, or illness or death of, any person regardless of status, and damage to or destruction of any tangible property, which the other party may sustain or incur, to the extent such Liabilities result from the negligence or willful misconduct of the indemnifying party.
- (b) In accordance with Paragraph 4(c) Client agrees to indemnify, defend and hold harmless KPMG from and against any and all Liabilities incurred or suffered by or asserted against KPMG in connection with a third party claim to the extent resulting from such party's use or possession of or reliance upon KPMG's advice, recommendations, information or work product as a result of Client's disclosure of such advice, recommendations, information or work product without adhering to the notice requirements of Paragraph 4(c) above.
- (c) The party entitled to indemnification (the "Indemnified Party") shall promptly notify the party obligated to provide such indemnification (the "Indemnifying Party") of any claim for which the Indemnified Party seeks indemnification. The Indemnifying Party shall have the right to conduct the defense or settlement of any such claim at the Indemnifying Party's sole expense, and the Indemnified Party shall cooperate with the Indemnifying Party. The party not conducting the defense shall nonetheless have the right to participate in such defense at its own expense. The Indemnified Party shall have the right to approve the settlement of any claim that imposes any liability or obligation other than the payment of money damages.

9. Cooperation; Use of Information.

- (a) Client agrees to cooperate with KPMG in the performance of the services under the Engagement Letter and shall provide or arrange to provide KPMG with timely access to and use of the personnel, facilities, equipment, data and information to the extent necessary for KPMG to perform the services under the Engagement Letter. The Engagement Letter may set forth additional obligations of Client in connection with this engagement. Client acknowledges that Client's failure to perform these obligations could adversely affect KPMG's ability to provide the services under the Engagement Letter.
- (b) Client acknowledges and agrees that KPMG will, in performing the services under the Engagement Letter, base its conclusions on the facts and assumptions that Client furnishes and that KPMG may use data, material, and other information furnished by or at the request or direction of Client without any independent investigation or verification and that KPMG shall be entitled to rely upon the accuracy and completeness of such data, material and other information. Inaccuracy or incompleteness of such data, material and other information furnished to KPMG could have a material effect on KPMG's conclusions.

- 10. **Independent Contractor.** It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is or shall be considered an agent, distributor or representative of the other. Neither party shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

11. Confidentiality.

- (a) "Confidential Information" means all documents, software, reports, data, records, forms and other materials obtained by one party (the "Receiving Party") from the other party (the "Disclosing Party") or at the request or direction of the Disclosing Party in the course of performing the services under the Engagement Letter: (i) that have been marked as confidential; (ii) whose confidential nature has been made known by the Disclosing Party to the Receiving Party; or (iii) that due to their character and nature, a reasonable person under like circumstances would treat as confidential. Notwithstanding the foregoing, Confidential Information does not include information which: (i) is already known to the Receiving Party at the time of disclosure by the Disclosing Party; (ii) is or becomes publicly known through no wrongful act of the Receiving Party; (iii) is independently developed by the Receiving Party without benefit of the Disclosing Party's Confidential Information; (iv) relates to the tax treatment or tax structure of any transaction, (v) the Receiving Party determines is required to be maintained or disclosed by the Receiving Party under sections 6011, 6111 or 6112 of the Internal Revenue Code ("IRC") or the regulations thereunder or under any similar or analogous provisions of the laws of a state or other jurisdiction or (vi) is received by the Receiving Party from a third party without restriction and without a breach of an obligation of confidentiality.



KPMG LLP

Standard Terms and Conditions for Advisory and Tax Services

- (b) The Receiving Party will deliver to the Disclosing Party all Confidential Information of the Disclosing Party and all copies thereof when the Disclosing Party requests the same, except for one copy thereof that the Receiving Party may retain for its records. The Receiving Party shall not use or disclose to any person, firm or entity any Confidential Information of the Disclosing Party without the Disclosing Party's express, prior written permission; provided, however, that notwithstanding the foregoing, the Receiving Party may disclose Confidential Information to the extent that it is required to be disclosed pursuant to a statutory or regulatory provision or court order or to fulfill professional obligations and standards.
- (c) Each party shall be deemed to have met its nondisclosure obligations under this Paragraph 11 as long as it exercises the same level of care to protect the other's information as it exercises to protect its own confidential information but in no event less than reasonable care, except to the extent that applicable law or professional standards impose a higher requirement.
- (d) If the Receiving Party receives a subpoena or other validly issued administrative or judicial demand requiring it to disclose the Disclosing Party's Confidential Information, the Receiving Party shall provide prompt written notice to the Disclosing Party of such demand in order to permit it to seek a protective order. So long as the Receiving Party gives notice as provided herein, the Receiving Party shall be entitled to comply with such demand to the extent permitted by law, subject to any protective order or the like that may have been entered in the matter.
- 12. Assignment; Use of Member Firms.** Neither party may assign, transfer or delegate any of its rights or obligations without the prior written consent of the other party, such consent not to be unreasonably withheld. Notwithstanding the foregoing, to the extent any of the services under the Engagement Letter will be performed in or relate to a jurisdiction outside of the United States, Client acknowledges and agrees that such services, including any applicable tax advice, may be performed by the member firm of KPMG International practicing in such jurisdiction. Accordingly, Client consents to KPMG's disclosure to a member firm and such member firm's use of data and information, including tax return information, received from or at the request or direction of Client for the purpose of completing the services under the Engagement Letter.
- 13. Governing Law; Severability.** The Engagement Letter and these Standard Terms and Conditions shall be governed by and construed in accordance with the laws of the State of New York, without regard to its conflict of laws provisions. In the event that any term or provision of the Engagement Letter or these terms shall be held to be invalid, void or unenforceable, then the remainder of the Engagement Letter and these terms shall not be affected, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.
- 14. Alternative Dispute Resolution.**
- (a) Any dispute or claim arising out of or relating to the Engagement Letter between the parties or the services provided thereunder shall be submitted first to non-binding mediation (unless either party elects to forego mediation by initiating a written request for arbitration) and if mediation is not successful within 90 days after the issuance by one of the parties of a request for mediation then to binding arbitration in accordance with the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution ("CPR Arbitration Rules"). By operation of this provision, the parties agree to forego litigation over such disputes in any court of competent jurisdiction.
- (b) Mediation, if selected, may take place at a location to be designated by the parties using the Mediation Procedures of the International Institute for Conflict Prevention and Resolution, with the exception of paragraph 2 (Selecting the Mediator).
- (c) Arbitration shall take place in New York, New York. The arbitration panel shall have no power to award non-monetary or equitable relief of any sort except as provided in CPR Rule 13 (Interim Measures of Protection). Damages that are inconsistent with any applicable agreement between the parties, that are punitive in nature, or that are not measured by the prevailing party's actual damages shall be unavailable in arbitration or any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.
- (d) Either party may seek to enforce any written agreement reached by the parties during mediation, or to confirm and enforce any final award entered in arbitration, in any court of competent jurisdiction.
- (e) Notwithstanding the agreement to such procedures, either party may seek equitable relief to enforce its rights in any court of competent jurisdiction.
- 15. Miscellaneous.**
- (a) Except as otherwise set forth in the Engagement Letter, in accepting this engagement, Client acknowledges that completion of this engagement or acceptance of Deliverables resulting from this engagement will not constitute a basis for Client's assessment or evaluation of internal control over financial reporting and disclosure controls and procedures, or its compliance with its principal officer certification requirements under Section 302 of the Sarbanes-Oxley Act of 2002 (the "Act"). The services under the Engagement Letter shall not be construed to support Client's responsibilities under Section 404 of the Act requiring each annual report filed under Section 13(a) or 15(d) of the Securities Exchange Act of 1934 to contain an internal control report from management.
- (b) KPMG may communicate with Client by electronic mail or otherwise transmit documents in electronic form during the course of this engagement. Client accepts the inherent risks of these forms of communication (including the security risks of interception of or unauthorized access to such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices) and agrees that it may rely only upon a final hardcopy version of a document or other communication that KPMG transmits to Client unless no such hard copy is transmitted by KPMG to Client.



KPMG LLP

Standard Terms and Conditions for Advisory and Tax Services

- (c) For engagements where services will be provided by KPMG through offices located in California, Client acknowledges that certain of KPMG's personnel who may be considered "owners" under the California Accountancy Act and implementing regulations (California Business and Professions Code section 5079(a); 16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with this engagement, may not be licensed as certified public accountants under the laws of any of the various states.
- (d) Where KPMG is reimbursed for expenses, it is KPMG's policy to bill clients the amount incurred at the time the good or service is purchased. If KPMG subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, KPMG does not credit such payment to Client. Instead, KPMG applies such payments to reduce its overhead costs, which costs are taken into account in determining KPMG's standard billing rates and certain transaction charges that may be charged to clients.
- (e) Except as permitted by law or the terms of the Engagement Letter, neither party shall acquire hereunder any right to use the name or logo of the other party or any part thereof. Any such use shall require the express written consent of the owner party.
- 16. Entire Agreement.** The Engagement Letter and these Standard Terms and Conditions, including the Exhibits and Appendices hereto and thereto, constitute the entire agreement between KPMG and Client with respect to the services under the Engagement Letter and supersede all other oral and written representation, understandings or agreements relating thereto.
- 17. Additional Terms for Engagements Involving Tax Services.**
- (a) Notwithstanding anything to the contrary set forth herein, no provision in the Engagement Letter or these Standard Terms and Conditions is or is intended to be construed as a condition of confidentiality within the meaning of IRC sections 6011, 6111, 6112 or the regulations thereunder, or under any similar or analogous provisions of the laws of a state or other jurisdiction. In particular, Client (and each employee, representative, or other agent of Client) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any transaction within the scope of this engagement and all materials of any kind (including opinions and other tax analyses) that are provided to Client relating to such tax treatment and tax structure. Client also agrees to use commercially reasonable efforts to inform KPMG of any conditions of confidentiality imposed by third party advisors with respect to any transaction on which KPMG advice is requested. Such notification must occur prior to KPMG providing any advice with respect to the transaction.
- (b) Treasury regulations under IRC section 6011 require taxpayers to disclose to the IRS their participation in reportable transactions and IRC section 6707A imposes strict penalties for noncompliance. Client agrees to use commercially reasonable efforts to inform KPMG if Client is required to disclose any transaction covered by the Engagement Letter as a reportable transaction to the IRS or to any state or other jurisdiction adopting similar or analogous provisions. IRC section 6111 requires a material advisor with respect to a reportable transaction to disclose information on the transaction to the IRS by a prescribed date, and IRC section 6112 requires the material advisor to maintain, and make available to the IRS upon request, a list of persons and other information with respect to the transaction. KPMG will use commercially reasonable efforts to inform Client if KPMG provides Client's identifying information to the IRS under IRC section 6111 or 6112, or to any state or other jurisdiction adopting similar or analogous provisions.
- (c) Information relating to advice KPMG provides to Client, including communications between KPMG and Client and material KPMG creates in the course of providing advice, may be privileged and protected from disclosure to the IRS or other governmental authority in certain circumstances. As KPMG is not able to assert the privilege on Client's behalf with respect to any communications for which privilege has been waived, Client agrees to notify KPMG of any such waivers, whether resulting from communications with KPMG or third parties in the same or a related matter. Client also understands that privilege may not be available for communications with an audit client and that KPMG personnel providing audit and non-audit services will discuss matters that may affect the audit to the extent required by applicable professional standards. Client agrees that KPMG will not assert on Client's behalf any claim of privilege unless Client specifically instructs KPMG in writing to do so after discussing the specific request and the grounds on which such privilege claim would be made. Notwithstanding the foregoing, Client acknowledges that in no event will KPMG assert any claim of privilege that KPMG concludes, after exercising reasonable judgment, is not valid.
- (d) Unless expressly provided for, KPMG's services do not include representing Client in the event of a challenge by the IRS or other tax or revenue authorities.
- (e) Client acknowledges that in connection with any tax compliance services provided by KPMG under the Engagement Letter, KPMG may utilize the services of affiliates and third party service providers within and without the United States to organize and input data, operate the software used to generate tax returns for Client or its personnel and perform other related tasks. Client hereby consents to KPMG's use of such affiliates and third party service providers and the disclosure to such affiliates and third party service providers and their use of tax return information, received from Client or its personnel for the purpose of preparing, assisting in preparing, or obtaining or providing services in connection with preparing, any tax return required under the Engagement Letter.
- (f) In rendering tax advice, KPMG may consider, for example, the applicable provisions of the Internal Revenue Code of 1986, and the Employee Retirement Income Security Act of 1973, each as amended, and the relevant state and foreign statutes, the regulations thereunder, income tax treaties, and judicial and administrative interpretations, thereof. These authorities are subject to change, retroactively or prospectively, and any such changes could affect the validity of KPMG's advice.



APPENDIX A

[FORM OF NOTICE AND ACKNOWLEDGEMENT]

[Name of Third Party]
Address

The advice, recommendations and information in the document included with this notice were prepared for the sole benefit of [Name of Client], based on the specific facts and circumstances of [Name of Client], and its use is limited to the scope of KPMG's engagement for [Name of Client]. It has been provided to you for informational purposes only and may not be relied upon by you or any other person or organization. You acknowledge and agree that KPMG accepts no responsibility or liability in respect of the advice, recommendations or other information in such document to any person or organization other than [Name of Client]. You shall have no right to disclose the advice, recommendations or other information in such document to anyone else without including a copy of this notice and obtaining a signed acknowledgement of this notice from the party to whom disclosure is made and you provide a copy thereof to [Name of Client]. You acknowledge and agree that you will be responsible for any damages suffered by KPMG as a result of your failure to comply with the terms of this notice.

*Please acknowledge your acceptance of the foregoing by signing and returning to us a copy of this letter.

Very truly yours,

[Name of Client]

By: _____
Name:
Title:

***Accepted and Agreed to on this ____ day of ____, 20__ by:**

[Name of Third Party]

By: _____
Name:
Title:

* Remove if a signed acknowledgement is not required by the terms of Paragraph 4(c).



KPMG LLP
55 Second Street
San Francisco, CA 94105

Telephone 415 963 5100
Fax 415 963 8100
Internet www.us.kpmg.com

April 15, 2009

Building Materials Holding Corporation
Four Embarcadero Center, Suite 3200
San Francisco, CA 94111

Attention: James K. Jennings, Jr., Chairman of the Audit Committee
William M. Smartt, Senior Vice President and Chief Financial Officer

This letter (the Engagement Letter) confirms our understanding of our engagement to provide professional services to Building Materials Holding Corporation (BMHC).

Objectives and Limitations of Services

Integrated Audit Services

We will perform an audit of BMHC's consolidated financial statements and an audit of its internal control over financial reporting (collectively, the Integrated Audit).

Based on our Integrated Audit, we will issue our reports on:

- The consolidated financial statements of BMHC as set forth in Appendix I;
- Schedules supporting such financial statements; and
- The effectiveness of internal control over financial reporting as set forth in Appendix I.

These reports will be included in the annual report (Form 10-K) proposed to be filed by BMHC under the Securities Exchange Act of 1934.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the financial reporting and preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.



Mr. James K. Jennings, Jr., Chairman of the Audit Committee
Mr. William M. Smartt, Senior Vice President and Chief Financial Officer
Building Materials Holding Corporation
April 15, 2009
Page 2

We have the responsibility to conduct and will conduct the:

- a. audit of the consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) (United States), with the objective of expressing an opinion as to whether the presentation of the consolidated financial statements and schedules, taken as a whole, conforms with U.S. generally accepted accounting principles.
- b. audit of internal control over financial reporting in accordance with the standards of the PCAOB (United States), with the objective of obtaining reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

The consolidated financial statements and schedules, management's assessment of the effectiveness of internal control over financial reporting, and our reports on the financial statements and schedules and the effectiveness of internal control over financial reporting are subject to review by the Securities and Exchange Commission (SEC) staff and to the application by them of their interpretation of the relevant rules and regulations.

Our Integrated Audit will include:

- a. performing tests of the accounting records and such other procedures, as we consider necessary in the circumstances, to provide a reasonable basis for our opinions.
- b. assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation.
- c. obtaining an understanding of internal control over financial reporting, testing and evaluating the design and operating effectiveness of internal control over financial reporting, and performing such other procedures as we consider necessary in the circumstances.

Our Integrated Audit:

- a. will be planned and performed to obtain reasonable, but not absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Therefore, there is a risk that material errors, fraud (including fraud that may be an illegal act), and other illegal acts may exist and not be detected by an Integrated Audit performed in accordance with the standards of the PCAOB (United States). Also, an audit is not designed to detect matters that are immaterial to the consolidated financial statements. Our Integrated Audit will be planned and performed with an objective to obtain reasonable assurance about whether material weaknesses exist in internal control over financial reporting as of BMHC's fiscal year end and whether the consolidated financial statements are free from material misstatement.
- b. cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over



Mr. James K. Jennings, Jr., Chairman of the Audit Committee
Mr. William M. Smartt, Senior Vice President and Chief Financial Officer
Building Materials Holding Corporation
April 15, 2009
Page 3

financial reporting. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our reports will be addressed to the board of directors of BMHC and will be in a form that is in accordance with the published rules and regulations of the SEC and the standards of the PCAOB (United States). We cannot provide assurance that unqualified opinions will be rendered. Circumstances may arise in which it is necessary for us to modify our reports or withdraw from the engagement.

While our reports may be sent to the Company electronically for your convenience, only the hard copy reports are to be relied upon as our work product.

As part of our Integrated Audit, we will read the other information in your annual report (Form 10-K) and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the consolidated financial statements or is inconsistent with the results of our audit of internal control over financial reporting. However, our Integrated Audit does not include the performance of procedures to corroborate such other information (including forward-looking statements).

Quarterly Review Services

We will review the consolidated balance sheets of BMHC, as set forth in Appendix I, and the related consolidated statements of operations, stockholders' equity, comprehensive (loss) income, and cash flows for the quarterly and year-to-date periods, which are to be included in the quarterly reports (Form 10-Q) proposed to be filed by BMHC under the Securities Exchange Act of 1934. We will also review the selected quarterly financial data specified by Item 302 of Regulation S-K, which is required to be included in the annual report (Form 10-K) proposed to be filed by BMHC under the Securities Exchange Act of 1934.

We have the responsibility to conduct our reviews in accordance with the provisions of the standards of the PCAOB (United States). The objective of a review of interim financial information is to provide us with a basis for communicating whether we are aware of any material modifications that should be made to such interim financial information for it to conform with U.S. generally accepted accounting principles. Our procedures will be substantially less in scope than an Integrated Audit performed in accordance with the standards of the PCAOB (United States), the objective of which is the expression of opinions regarding the financial statements taken as a whole and internal control over financial reporting. Accordingly, we will not express an opinion on BMHC's interim financial information.

Our reviews will consist principally of performing analytical procedures applied to financial data and making inquiries of BMHC's personnel responsible for financial and accounting matters. Our reviews will include obtaining sufficient knowledge of BMHC's business and its internal control as it relates to the preparation of both annual and interim financial information to (a) identify the types of potential material misstatements in the interim financial information and consider the likelihood of their occurrence, and (b) select the inquiries and analytical procedures that will provide us with a basis for communicating whether we are aware of any material modifications that should be made to the interim financial information for it to conform with U.S. generally accepted accounting principles.



Mr. James K. Jennings, Jr., Chairman of the Audit Committee
Mr. William M. Smartt, Senior Vice President and Chief Financial Officer
Building Materials Holding Corporation
April 15, 2009
Page 4

A review does not contemplate tests of internal controls or accounting records, tests of responses to inquiries by obtaining corroborating evidential matter, and certain other procedures ordinarily performed during an Integrated Audit. Thus, a review does not provide assurance that we will become aware of all significant matters that would be disclosed in an Integrated Audit. Further, a review is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses and cannot be relied on to detect errors, fraud, or illegal acts.

As agreed, we will not issue a written report upon completion of each review. BMHC understands that any reference to interim financial information as reviewed by us when such information is included in documents issued to stockholders or third parties (including the SEC) will necessitate the issuance of a written review report, which must accompany the interim financial information in the document.

Registration Statements and Other Offering Documents

We understand that the consolidated financial statements and schedules, management's assessment regarding the effectiveness of internal control over financial reporting, and our written audit reports on the financial statements and schedules and the effectiveness of internal control over financial reporting, as described above, are to be included by BMHC in its annual report (Form 10-K), and that in so doing, BMHC will be incorporating by reference the consolidated financial statements and schedules, management's assessment regarding the effectiveness of internal control over financial reporting, and our reports on the financial statements and schedules and the effectiveness of internal control over financial reporting in previously filed and effective Forms S-4 and S-8. Prior to issuing our consent to the incorporation by reference in these registration statements of our reports with respect to the consolidated financial statements and schedules and internal control over financial reporting described above, we will perform procedures as required by the standards of the PCAOB (United States), including, but not limited to, reading information incorporated by reference in these registration statements and performing subsequent event procedures.

Should BMHC wish to include or incorporate by reference the consolidated financial statements, management's assessment regarding the effectiveness of internal control over financial reporting, and our audit reports on the financial statements and schedules and the effectiveness of internal control over financial reporting into a future filing under the Securities Act of 1933, or an exempt offering, prior to our consenting to include or incorporate by reference our reports on the consolidated financial statements and internal control over financial reporting, we would consider our consent to the inclusion of our reports and the terms thereof at that time. We will be required to perform procedures as required by the standards of the PCAOB (United States), including, but not limited to, reading other information incorporated by reference in the registration statement or other offering document and performing subsequent event procedures. Our reading of the other information included or incorporated by reference in the offering document will consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the consolidated financial statements or is inconsistent with the results of our audit of internal control over financial reporting. However, we will not perform procedures to corroborate such other information (including forward-looking statements). The specific terms of our future services with respect to future filings or other offering documents will be determined at the time the services are to be performed.



Mr. James K. Jennings, Jr., Chairman of the Audit Committee
Mr. William M. Smartt, Senior Vice President and Chief Financial Officer
Building Materials Holding Corporation
April 15, 2009
Page 5

Comfort Letters

Should a comfort letter be requested in connection with a future filing under the Securities Act of 1933, or an exempt offering, the specific terms of our services will be determined at that time. Prior to our issuance of a comfort letter, management of BMHC agrees to supply us with a representation letter that will, among other things, confirm that no events have occurred that would require adjustments to (or additional disclosures in) the audited consolidated financial statements or management's assessment regarding the effectiveness of BMHC's internal control over financial reporting referred to above and confirm BMHC's responses to certain inquiries made in connection with our issuance of the comfort letter.

Our Responsibility to Communicate with the Audit Committee

In conjunction with management, who is responsible for establishing BMHC's accounting policies, we will discuss our judgments of the quality and understandability, not just the acceptability, of BMHC's accounting policies and disclosures, prior to the filing of our audit reports with the SEC. We believe oral communication is the appropriate forum to provide open and frank dialogue.

We will report to the audit committee, in writing, the following matters prior to the filing of our audit reports with the SEC:

- All material weaknesses¹ and significant deficiencies² identified during the Integrated Audit. If a material weakness or significant deficiency exists because of the oversight of the Company's external financial reporting and internal control over financial reporting by the audit committee, we report such deficiency in writing to the board of directors.
- Corrected misstatements arising from the Integrated Audit that could, in our judgment, either individually or in aggregate, have a significant effect on BMHC's financial reporting process. In this context, corrected misstatements are proposed corrections of the financial statements that were recorded by management and, in our judgment, may not have been detected except through the auditing procedures performed.
- Uncorrected misstatements aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in aggregate.
- All relationships between KPMG LLP (KPMG) and its related entities and BMHC and its related entities or persons in financial reporting oversight roles at BMHC that may reasonably be thought to bear on independence.

¹ A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

² A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.



Mr. James K. Jennings, Jr., Chairman of the Audit Committee
Mr. William M. Smartt, Senior Vice President and Chief Financial Officer
Building Materials Holding Corporation
April 15, 2009
Page 6

- Alternative treatments within U.S. generally accepted accounting principles for accounting policies and practices related to material items that have been discussed with management during the current audit period, including i) ramifications of the use of such alternative disclosures and treatments and the treatment preferred by us and ii) the process used by management in formulating particularly sensitive accounting estimates.
- Disagreements with management or other significant difficulties encountered in performance of our audit or review services.
- Critical accounting policies and practices applied in the consolidated financial statements and our assessment of management's disclosures regarding such policies and practices, including why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations.
- Other matters required to be communicated by the standards of the PCAOB (United States).

We will also read minutes, if any, of audit committee meetings for consistency with our understanding of the communications made to the audit committee and determine that the audit committee has received copies of all material written communications between ourselves and management. We will also determine that the audit committee has been informed of i) the initial selection of, or the reasons for any change in, significant accounting policies or their application during the period under audit, ii) the methods used by management to account for significant unusual transactions, and iii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

To the extent that they come to our attention, we will inform the appropriate level of management about any material errors in the financial statements and any instances of fraud. Further, to the extent they come to our attention, we also will communicate directly to the audit committee illegal acts, unless they are clearly inconsequential, material errors in the financial statements, and any instances of fraud that involve senior management or that, in our judgment, cause a material misstatement of the financial statements. In the case of illegal acts which, in our judgment, would have a material effect on the consolidated financial statements of BMHC, we are also required to follow the procedures set forth in the Private Securities Litigation Reform Act of 1995, which under certain circumstances requires us to communicate our conclusions to the SEC.

If, during the performance of our Integrated Audit procedures, circumstances arise which make it necessary to modify our reports or withdraw from the engagement, we will communicate to the audit committee our reasons for withdrawal. Similarly, if during performance of our quarterly review services we become aware of matters that cause us to believe the interim information filed, or to be filed, with the SEC, is probably materially misstated as a result of a departure from U.S. generally accepted accounting principles, we will discuss such matters with management and, if appropriate, communicate such matters to the audit committee.

In addition, if we become aware of information that relates to the consolidated financial statements and/or management's assessment regarding the effectiveness of internal control over financial reporting after we have issued our reports or completed our interim review procedures, but which was not known to us at the date of our reports or completion of our interim review procedures, and which is of such a nature and from such a source that we would have investigated that information had it



Mr. James K. Jennings, Jr., Chairman of the Audit Committee
Mr. William M. Smartt, Senior Vice President and Chief Financial Officer
Building Materials Holding Corporation
April 15, 2009
Page 7

come to our attention during the course of our Integrated Audit and/or interim review procedures, we will, as soon as practicable: (1) communicate such an occurrence to the audit committee; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our reports or completion of our interim review procedures. Further, management agrees that in conducting that investigation, we will have the full cooperation of BMHC's personnel. If the subsequently discovered information is found to be of such a nature that (a) our reports or completion of our interim review procedures would have been affected if the information had been known as of the date of our reports or completion of our interim review procedures and (b) we believe that the reports or interim review procedures are currently being relied upon or are likely to be relied upon by someone who would attach importance to the information, appropriate steps will be taken by KPMG and expected by BMHC to prevent further reliance on our reports or interim review procedures. Such steps include appropriate disclosures by BMHC of the newly discovered facts and the impact to the financial statements.

Audit Committee Responsibilities

The audit committee is directly responsible for the appointment of KPMG as independent auditor, determining our compensation, and oversight of our Integrated Audit work, including resolution of disagreements between management and us regarding financial reporting. We understand that we report directly to the audit committee. The audit committee is responsible for preapproval of all audit and nonaudit services provided by us.

Management Responsibilities

The management of BMHC is responsible for the fair presentation, in accordance with U.S. generally accepted accounting principles, of the consolidated financial statements, schedules, and interim financial information and all representations contained therein. Management also is responsible for identifying and ensuring that BMHC complies with laws and regulations applicable to its activities, and for informing us of any known material violations of such laws and regulations. Management also is responsible for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies, and for establishing and maintaining effective internal control over financial reporting and procedures for financial reporting to maintain the reliability of the consolidated financial statements or interim financial information and to provide reasonable assurance against the possibility of misstatements that are material to the consolidated financial statements or interim financial information. Management is also responsible for informing us, of which it has knowledge, of all deficiencies in the design or operation of such controls.

The management of BMHC is also responsible for:

1. Accepting responsibility for the effectiveness of BMHC's internal control over financial reporting;
2. Evaluating the effectiveness of BMHC's internal control over financial reporting using suitable control criteria;
3. Supporting its evaluation with sufficient evidence, including documentation; and



Mr. James K. Jennings, Jr., Chairman of the Audit Committee
Mr. William M. Smartt, Senior Vice President and Chief Financial Officer
Building Materials Holding Corporation
April 15, 2009
Page 8

4. Presenting a written assessment of the effectiveness of BMHC's internal control over financial reporting as of BMHC's fiscal year end.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. If management does not fulfill these responsibilities above, we cannot complete the Integrated Audit.

Management of BMHC agrees that all records, documentation, and information we request in connection with our Integrated Audit will be made available to us, that all material information will be disclosed to us, and that we will have the full cooperation of BMHC's personnel. As required by the standards of the PCAOB (United States), we will make specific inquiries of management about the representations embodied in the consolidated financial statements or interim financial information and the effectiveness of internal control over financial reporting, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the consolidated financial statements, and the effectiveness of internal control over financial reporting.

Management is responsible for adjusting the annual consolidated financial statements and interim financial information to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements being reported upon, or the interim information being reviewed, taken as a whole.

Dispute Resolution

Any dispute or claim arising out of or relating to this Engagement Letter or the services provided hereunder, or any other audit or attest services provided by or on behalf of KPMG or any of its subcontractors or agents to BMHC or at its request, shall be submitted first to non-binding mediation (unless either party elects to forego mediation by initiating a written request for arbitration) and if mediation is not successful within 90 days after the issuance by one of the parties of a request for mediation then to binding arbitration in accordance with the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution then in effect ("CPR Arbitration Rules"). Any issue concerning the extent to which any dispute is subject to arbitration, or any dispute concerning the applicability, interpretation, or enforceability of these dispute resolution procedures, including any contention that all or part of these procedures is invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. By operation of this provision, the parties agree to forego litigation over such disputes in any court of competent jurisdiction.

Mediation, if selected, may take place at a location to be designated by the parties using Mediation Procedures of the International Institute for Conflict Prevention and Resolution, with the exception of paragraph 2 (Selecting the Mediator). Arbitration shall take place in New York, New York. The arbitration panel shall have no power to award non-monetary or equitable relief of any sort except as provided in CPR Rule 13 (Interim Measures of Protection). Damages that are inconsistent with any applicable agreement between the parties, that are punitive in nature, or that are not measured by the



Mr. James K. Jennings, Jr., Chairman of the Audit Committee
Mr. William M. Smartt, Senior Vice President and Chief Financial Officer
Building Materials Holding Corporation
April 15, 2009
Page 9

prevailing party's actual damages shall be unavailable in arbitration or any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Either party may seek to enforce any written agreement reached by the parties during mediation, or to confirm and enforce any final award entered in arbitration, in any court of competent jurisdiction. Notwithstanding the agreement to such procedures, either party may seek equitable relief to enforce its rights in any court of competent jurisdiction.

Other Matters

This letter shall serve as BMHC's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between KPMG and BMHC and between KPMG and outside specialists or other entities engaged by either KPMG or BMHC. BMHC acknowledges that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of KPMG. KPMG will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

Further, for purposes of the services described in this letter only, BMHC hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all names, logos, trademarks and service marks of BMHC solely for presentations or reports to BMHC or for internal KPMG presentations and intranet sites.

KPMG is a limited liability partnership comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this letter.

Without our prior written approval, BMHC will not solicit for employment, nor will BMHC hire, any current or former partner or any professional employee of KPMG or any of its affiliated member firms, in a financial reporting oversight role (as defined in the SEC independence rules) if such partner or professional employee previously participated in the audit of BMHC's consolidated financial statements or quarterly review procedures until the applicable "cooling off" period under the SEC independence rules has expired. That period would commence with the latest date on which the individual participated in the annual audit or quarterly review procedures and would expire upon the filing by BMHC of its Form 10-K for the succeeding fiscal year.

KPMG member firms located outside the United States and other third-party service providers operating under our supervision may also participate in providing the services described in this letter.

BMHC agrees to provide prompt notification if BMHC or any of its subsidiaries or affiliates currently are or become subject to the laws of a foreign jurisdiction that require regulation of any securities issued by BMHC or such subsidiary or affiliate that would result in KPMG becoming subject to registration in such jurisdiction.



Mr. James K. Jennings, Jr., Chairman of the Audit Committee
Mr. William M. Smartt, Senior Vice President and Chief Financial Officer
Building Materials Holding Corporation
April 15, 2009
Page 10

Work Paper Access by Regulators and Others

The work papers for this engagement are the property of KPMG. In the event KPMG is requested pursuant to subpoena or other legal process to produce its documents relating to this engagement for BMHC in judicial or administrative proceedings to which KPMG is not a party, BMHC shall reimburse KPMG at standard billing rates for its professional time and expenses, including reasonable attorney's fees, incurred in responding to such requests.

We may also be requested to make certain work papers available to the PCAOB pursuant to authority given to it by law or regulation. If requested, access to such work papers will be provided under the supervision of KPMG personnel. Furthermore, upon request, we may provide photocopies of selected work papers to the PCAOB. The PCAOB may intend, or decide, to distribute the photocopies or information contained therein to others, including the SEC. We agree to communicate to you on a timely basis any requests by the PCAOB for access to the work papers as part of its inspection process and when it desires direct contact with members of the audit committee.

Fees for Services

Appendix I to this letter details our fees for professional services to be performed per this letter. In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fees for professional services set forth in Appendix I and may be subject to written arrangements supplemental to those in this letter.

* * * * *

Our engagement herein is for the provision of annual audit services for the financial statements and for the periods described in Appendix I, and it is understood that such services are provided as a single engagement. Pursuant to our arrangement as reflected in this letter, we will provide the services set forth in Appendix I as a single engagement for each of BMHC's subsequent fiscal years until either the audit committee or we terminate this agreement, or mutually agree to the modification of its terms. The fees for each subsequent year will be annually subject to negotiation and approval by the audit committee.

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign and return it to us.

Very truly yours,

KPMG LLP

Glenn M. Farrell
Partner

cc: Robert E. Mellor, Chairman and Chief Executive Officer



Mr. James K. Jennings, Jr., Chairman of the Audit Committee
Mr. William M. Smartt, Senior Vice President and Chief Financial Officer
Building Materials Holding Corporation
April 15, 2009
Page 11

ACCEPTED:

Building Materials Holding Corporation

James K. Jennings, Jr.
Chairman of the Audit Committee

William M. Smartt
Chief Financial Officer

April 18, 2009
Date

4/17/09
Date



Appendix I

Fees for Services

Based upon our discussions with and representations of management, our fees for services we will perform are estimated as follows:

Audit of the consolidated balance sheets of BMHC and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders' equity, comprehensive (loss) income, and cash flows for each of the years in the three-year period ended December 31, 2009; reviews of the quarterly consolidated financial statements as of and for the quarters ended March 31, June 30, and September 30, 2009; and audit of internal control over financial reporting as of December 31, 2009

\$ TBD³

Time incurred relating to special projects (such as consultation on accounting matters) will be billed separately.

The above estimates are based on the level of experience of the individuals who will perform the services. In addition, expenses for items such as air and ground transportation, meals and lodging, telephone, and postage are billed for reimbursement as incurred. Circumstances encountered during the performance of these services that warrant additional time or expense could cause us to be unable to deliver them within the above estimates. We will endeavor to notify you of any such circumstances as they are assessed.

The ethics of our profession prohibit the rendering of professional services where the fee for such services is contingent, or has the appearance of being contingent, upon the results of such services. Accordingly, in order to avoid the possible implication that our fee is contingent upon the success of the contemplated offering, it is important that our bills be paid promptly when rendered. If a situation arises in which it may appear that our independence would be questioned because of significant unpaid bills, we may be prohibited from signing our audit report and consent.

Where KPMG is reimbursed for expenses, it is KPMG's policy to bill clients the amount incurred at the time the good or service is purchased. If KPMG subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, KPMG does not credit such payment to the client. Instead, KPMG applies such payments to reduce its overhead costs, which costs are taken into account in determining KPMG's standard billing rates and certain transaction charges which may be charged to clients.

³ Our fees for the 2009 services described above will be discussed and agreed with the audit committee, at which time an updated Appendix I will be provided.

EXHIBIT C

Farrell Declaration

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

IN RE:)	
	)	Chapter 11
BUILDING MATERIALS HOLDING CORPORATION, <i>et al.</i>,¹)	
	)	Case No. 09-12074 (KJC)
)	
Debtors.	)	Jointly Administered
)	
)	

**DECLARATION OF GLENN M. FARRELL IN SUPPORT OF
DEBTORS' APPLICATION PURSUANT TO SECTIONS 327(a) AND
328(a) OF THE BANKRUPTCY CODE FOR AN ORDER AUTHORIZING
THE DEBTORS TO RETAIN AND KPMG LLP AS AUDITORS AND
TAX ADVISOR *NUNC PRO TUNC* TO THE PETITION DATE AND
WAIVING CERTAIN REQUIREMENTS OF LOCAL RULE 2016-2**

I, Glenn M. Farrell, being duly sworn, hereby deposes and says:

1. I am a Certified Public Accountant and a partner of KPMG LLP, a professional services firm ("**KPMG**"). KPMG is the United States member firm of KPMG International, a Swiss cooperative. I submit this declaration on behalf of KPMG in support of the application (the "**Application**") of Building Materials Holding Corporation and certain of its affiliates as debtors and debtors in possession (collectively, the "**Debtors**") for entry of an order pursuant to sections 327(a) and 328(a) of the Bankruptcy Code,² Bankruptcy Rule 2014(a), and Local Rule 2014-1(a), authorizing the Debtors to retain and employ KPMG as auditors and tax

¹ The Debtors, along with the last four digits of each Debtor's tax identification number, are as follows: Building Materials Holding Corporation (4269), BMC West Corporation (0454), SelectBuild Construction, Inc. (1340), SelectBuild Northern California, Inc. (7579), Illinois Framing, Inc. (4451), C Construction, Inc. (8206), TWF Construction, Inc. (3334), H.N.R. Framing Systems, Inc. (4329), SelectBuild Southern California, Inc. (9378), SelectBuild Nevada, Inc. (8912), SelectBuild Arizona, LLC (0036), and SelectBuild Illinois, LLC (0792). The mailing address for the Debtors is 720 Park Boulevard, Suite 200, Boise, Idaho 83712.

² Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Application.

consultants to the Debtors, *nunc pro tunc* to the Petition Date. I have personal knowledge of the matters set forth herein.³

QUALIFICATIONS OF KPMG

2. KPMG is a firm of independent public accountants as defined under the Code of Professional Conduct of the American Institute of Certified Public Accountants.

3. The Debtors have selected KPMG as their auditors and tax consultants because of the firm's diverse experience and extensive knowledge in the fields of accounting, taxation, and operational controls for large sophisticated companies both in chapter 11 as well as outside of chapter 11.

4. The Debtors have employed KPMG since 2004. By virtue of its prior engagements, KPMG is familiar with the books, records, financial information and other data maintained by the Debtors and is qualified to continue to provide audit and tax services to the Debtors. As such, retaining KPMG is an efficient and cost effective manner in which the Debtors may obtain the requisite services.

SCOPE OF SERVICES

5. Subject to approval of the Application, pursuant to two separate engagement letters and a tax addendum between KPMG and one or more of the Debtors (the "**Engagement Letters**"), each of which are attached to the Application as **Exhibit B**, KPMG will provide audit and tax consulting services as KPMG and the Debtors shall deem appropriate and feasible in order to advise the Debtors in the course of the Chapter 11 Cases, including but not limited to the following:

³ Certain of the disclosures herein relate to matters within the personal knowledge of other professionals at KPMG and are based on information provided by them.

Audit Services:

- i. Auditing of the Debtors' consolidated balance sheets as of December 31, 2009 and 2008;
- ii. Auditing of the related consolidated statements of operations, shareholders' equity, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2009;
- iii. Reviewing of the quarterly consolidated financial statements as of March 31, June 30, and September 30, 2009; and
- iv. Auditing of the Debtors' internal control over financial reporting as of December 31, 2009.

Tax Advisory Services:

- i. Assisting the Debtors in their current IRS income tax examination with regard to uniform capitalization of costs under IRC section 263A for the 2005, 2006 and 2007 tax years;
- ii. Working with the Debtors to develop an appropriate strategy for best handling the examination;
- iii. Assisting the Debtors in their dealings with the IRS examination team, and meeting with team members as appropriate and necessary; and
- iv. Assisting the Debtors in preparing submissions in response to IRS inquiries.

6. In addition to the foregoing, KPMG will provide such other consulting, advice, research, planning, and analysis regarding audit and tax and advisory services as may be necessary, desirable, or requested from time to time.⁴

⁴ Although, by the Application, the Debtors are seeking to retain KPMG to provide such other consulting, advice, research, planning, analysis regarding audit and tax services as may be necessary, desirable, or requested from time to time, internal KPMG procedures require that KPMG enter into additional engagement letters if new services not otherwise covered by an existing engagement letter are expected to cost in excess of \$50,000. For example, to the extent the Debtors request additional audit or tax services not otherwise covered by the Engagement Letters and which are expected to cost in excess of \$50,000, the Debtors and KPMG will enter into additional engagement letters and file with the Court, for disclosure purposes, such additional engagement letters. Unless required by the Court, the Debtors and KPMG do not intend to seek separate retention orders with regard to any additional engagement letters.

7. Subject to this Court's approval of the Application, KPMG is willing to serve as the Debtors' auditors and tax consultants and to perform the services described above.

DISINTERESTEDNESS AND ELIGIBILITY

8. Based upon information supplied by Debtors' counsel, KPMG searched its client database from May 2, 2005 to the present to identify any connection or relationship with the parties listed on *Schedule 1*, attached hereto and incorporated herein, which lists the following categories:

- The Debtors and Affiliates;
- Debtors' Current and Former Officers and Directors;
- Equipment Leasing;
- 401(k) Management;
- Lender Syndicate;
- Substantial Equity Holders;
- Top 50 Largest Vendors;
- Unions;
- Significant Other Counterparties;
- Significant Customers;
- Utilities;
- Current Insurers and Brokers;
- Landlords;
- Significant Litigation Counterparties; and
- Top 50 Unsecured Creditors.

9. KPMG's review consisted of queries of an internal computer database containing names of individuals and entities that are present or recent and former clients of

KPMG in order to identify potential relationships.⁵ This database includes engagement activity or potential engagement activity from May 2, 2005 forward. A summary of those current potential relationships that KPMG was able to identify using its reasonable efforts is reflected in *Schedule 2* attached hereto.⁶ On an ongoing basis, KPMG will conduct further reviews of its professional contacts as it becomes aware of new parties of interest, as is stated below. To the best of my knowledge and based upon the results of the relationship search described above and disclosed herein, KPMG neither holds nor represents an interest adverse to the Debtors' estates that would impair KPMG's ability to objectively perform professional services for the Debtors, in accordance with section 327 of the Bankruptcy Code.

10. To the best of my knowledge, KPMG is a "disinterested person" as that term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, in that, KPMG:

- a. is not a creditor, equity security holder, or insider of the Debtors;
- b. is not and was not, within two years before the date of filing of the Chapter 11 Cases, a director, officer, or employee of the Debtors; and
- c. does not have an interest materially adverse to the interest of the Debtors' estates or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the Debtors or for any other reason.

⁵ As set forth in paragraph 15, KPMG is the United States member firm of KPMG International, a Swiss cooperative of independent member firms. While KPMG is a separate and distinct legal entity from all other member firms of KPMG International, in an attempt to identify conflicts among or between KPMG International member firms, KPMG International has a global conflict internal computer database related to the engagement activity or potential engagement activity of a majority of such member firms since May 2, 2005 that allows KPMG International member firms to identify potential conflicts between other KPMG International member firms. Financial information pertaining to engagement activity is the proprietary and confidential information of each individual member firm and KPMG does not have any legal right to access, or if accessed, to disclose, such information relating to other KPMG International member firms.

⁶ *Schedule 2* contains a list of the relationships or potential relationships of all KPMG International member firms (as opposed to solely KPMG) and one or more of the parties set forth on the conflicts checklist.

11. As of the date the Debtors filed for bankruptcy protection, KPMG was not a "creditor" of the Debtors within the meaning of section 101(10) of the Bankruptcy Code.

12. To the best of my knowledge, except as set forth herein and in *Schedule 2* attached hereto and incorporated herein by reference, (a) KPMG has no connections with the creditors, any other party-in-interest, or their respective attorneys and accountants; and (b) the KPMG partners and professionals working on this matter are not relatives of and have no known connection with the United States Trustee of the District of Delaware or of any known employee in the office thereof, or any United States Bankruptcy Judge of the District of Delaware.

13. KPMG has in the past been retained by, and presently provides and likely in the future will provide services for, certain creditors of the Debtors, other parties-in-interest and their respective attorneys and accountants in matters unrelated to such parties' claims against the Debtors or interests in the Chapter 11 Cases. KPMG currently performs, has previously performed, or may have performed such services for the entities listed in *Schedule 2*, however, except as disclosed herein, such services, to the extent performed by KPMG, are unrelated to the Debtors or the Chapter 11 Cases.

14. KPMG has not provided, and will not provide, any professional services to any of the creditors, other parties-in-interest, or their respective attorneys and accountants with regard to any matter related to the Chapter 11 Cases.

15. KPMG is the United States member firm of KPMG International, a Swiss cooperative of member firms, each a separate legal entity, located worldwide. Only KPMG is being retained in this matter. KPMG cannot assure that an engagement will not be accepted by a foreign member firm of KPMG International for another party that may bear upon KPMG's engagement by the Debtors. However, to the extent KPMG is aware of such engagement and

believes such engagement may bear upon KPMG's engagement by the Debtors, KPMG will file a supplemental declaration with the Court.

16. From time to time, KPMG may consult with certain professionals from member firms of KPMG International when necessary to the performance of its professional duties and services to the Debtors. The use of such professionals allows KPMG to maximize resources and minimize costs to the Debtors' estates.

17. In addition, from time to time, KPMG may use independent contractors, such as software providers. However, KPMG will not profit from the use of such persons.

18. As part of its practice, KPMG appears in many cases, proceedings, and transactions involving many different law firms, financial consultants, and investment bankers in matters unrelated to these bankruptcy cases. KPMG has not identified any material relationships or connections with any law firm, financial consultant, or investment banker involved in the Chapter 11 Cases that would cause it to be adverse to the Debtors, the Debtors' estates, any creditor or any other party in interest. If and when additional information becomes available with respect to any other relationships which may exist between KPMG, foreign member firms of KPMG International, or their partners and professionals and the Debtors, creditors, or any other parties in interest which may affect these cases, supplemental declarations describing such information shall be filed with this Court.

PROFESSIONAL COMPENSATION

19. KPMG's requested compensation for professional services rendered to the Debtors will be based upon the hours actually expended by each assigned staff member at each staff member's hourly billing rate. The Debtors have agreed to compensate KPMG for

professional services rendered at its normal and customary hourly rates, subject to the reductions discussed below.⁷

20. The majority of fees to be charged in this engagement reflect a reduction of approximately 30-44% from KPMG's normal and customary rates, depending on the types of services to be rendered.⁸ In the normal course of KPMG's business, the hourly rates are subject to periodic increase. To the extent such hourly rates are increased, KPMG requests that, with respect to the work to be performed after such increase, the rates listed below be amended to reflect the increase. The hourly rates for audit and tax services to be rendered by KPMG and applicable herein are as follows:

Professional Level	Discounted Rate for Audit Services	Discounted Rate for Tax Consulting Services
Partners	\$392-490	\$578
Managing Directors	---	\$543
Senior Managers	\$322-420	---
Managers	\$266-336	\$333-420
Supervising Senior	\$210-336	---
Senior Associates	\$210-266	\$245
Associates	\$98-168	\$193
Para-Professionals	\$56	\$105

⁷ The Engagement Letters, which were entered into prior to the Petition Date, include a total estimated amount of fees to be charged for the applicable services. Any such amount is an estimate and may be subject to increase or decrease depending upon the Debtors' circumstances.

⁸ If in connection with any subsequent engagement letters, KPMG is retained to perform additional services at different rates, such rates will be disclosed in connection with the relevant engagement letters. As stated above, KPMG and the Debtors do not intend to seek separate retention orders with regard to any such engagement letters.

21. KPMG also will seek reimbursement for reasonable necessary expenses incurred, which shall include meals, lodging, travel, photocopying, delivery service, postage, vendor charges, internal per ticket charges for booking travel, and other out-of-pocket expenses incurred in providing professional services to the Debtors.

22. KPMG intends to apply to the Court for the allowance of compensation for professional services rendered and reimbursement of expenses incurred in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and orders of this Court. KPMG has agreed to accept as compensation such sums as may be allowed by the Court and understands that interim and final fee awards are subject to approval by the Court.

23. KPMG will maintain reasonably detailed records of its fees and any actual and necessary costs and expenses incurred in connection with the aforementioned services. It is not the general practice of KPMG employees to keep detailed time records (i.e. increments of one-tenth of an hour) similar to those customarily kept by attorneys who are compensated through the Court. The customary practice of KPMG provides a description of the services rendered and the amount of time spent on each date, in half-hour increments, in rendered services to their clients. These time description still provide the ability to review the time entries and evaluate the services provided by our professionals. Accordingly, to the extent necessary based on the foregoing, KPMG respectfully seeks a waiver of the information requirements set forth in Local Rule 2016-2(d) in accordance with Local Rule 2016-2(h).

24. KPMG has agreed to modify the Engagement Letters, including the Standard Terms and Conditions attached thereto, during the course of the Chapter 11 Cases as set forth in the proposed order attached to the Application as *Exhibit A*.

25. Except as set forth in paragraphs 16 and 17, (a) no commitments have been made or received by KPMG with respect to compensation or payment in connection with these cases other than in accordance with the provisions of the Bankruptcy Code; and (b) there is no agreement or understanding between KPMG and any other entity, other than a member, partner, or regular associate of KPMG, for the sharing of compensation received or to be received for services rendered in connection with these proceedings.

26. This declaration is provided in accordance with sections 327 and 328 of the Bankruptcy Code, Bankruptcy Rule 2014 and Local Rule 2014-1.

[Remainder of Page left Intentionally Blank]

Pursuant to 28 U.S.C. section 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated this 25th day of June 2009

By: Glenn M. Farrell
Glenn M. Farrell
Partner

Sworn to and subscribed before
me this 25 day of JUNE, 2009

MICHELLE DAVIS #1698135
Notary Public

(PLZ SEE CALIFORNIA ACKNOWLEDGMENT
FORM FOR SEAL. ATTACHED.)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of SAN FRANCISCO

On JUNE 25, 2009 before me, MICHELLE DAVIS, NOTARY PUBLIC
Date Here Insert Name and Title of the Officer

personally appeared GLENN FARRELL
Name(s) of Signer(s)



who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature [Signature] Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: DISTRICT OF DELAWARE, CASE #09-12074 (KJC)

Document Date: JUNE 25, 2009 Number of Pages: 31

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

- ☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT
OF SIGNER
Top of thumb here

Signer's Name: _____

- ☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT
OF SIGNER
Top of thumb here

SCHEDULE 1

Interested Parties

Debtor entities (including f/k/a's):

- Building Materials Holding Corporation
- BMC West Corporation
- SelectBuild Construction, Inc.
- SelectBuild Nevada, Inc.
- KBI Stucco, Inc.
- SelectBuild, LP
- C Construction, Inc.
- TWF Construction, Inc.
- KBI Windows, Inc.
- H.N.R. Framing Systems, Inc.
- SelectBuild Florida, LLC
- SelectBuild Arizona, LLC
- SelectBuild Distribution, Inc.
- SelectBuild Northern California, Inc.
- SelectBuild Southern California, Inc.
- SelectBuild Mid-Atlantic, LLC
- SelectBuild Illinois, LLC
- SelectBuild Trim, LLC
- SelectBuild Mechanical, LLC
- A-1 Building Components, LLC
- Illinois Framing, Inc.

Equipment Leasing:

- GE Capital Corp.
- Penske

401(k) Management:

- Prudential

Lender Syndicate:

- Wells Fargo Bank
- BNP Paribas
- SunTrust Bank
- American AgCredit
- J.P. Morgan Chase
- U.S. Bank
- LaSalle Bank
- Rabobank
- Raymond James
- Union Bank of California
- Dimaio Ahmad Capital (Duane Street)

- HSBC
- PNC Bank
- Commerzbank
- Guaranty Federal Bank
- Van Kampen American
- Bank of New York (OWS)
- Bank of New York (Blue Mountain)
- Bank of New York (Jersey Street)
- Bank Leumi
- D. E. Shaw Laminar Portfolios
- West Coast Bank
- Whitebox Hedged HY Partnership
- Grandview Capital (Vinacasa, Waterfront)
- Whitney Bank
- Aladdin Capital Mgmt. (Landmark)
- Fraser Sullivan
- Denali Capital
- Phoenix
- PPM American
- Bank of America
- ACA Management
- Gulf Stream Asset Mgmt.
- Alliance Bernstein LP
- AIB Debt Management
- PHL Variable Insurance
- Morgan Stanley
- State Street (Qualcomm)
- Columbus Nova
- Third Avenue Spec. Sit. Fund
- Edwards Angell Palmer & Dodge (Marlborough St.)
- MFS
- The Hartford
- GPX LIX LLC
- Lehman Commercial Paper
- Bayside Capital (Grace Bay Holdings)

Current and Former Officers and Directors (two year reach back, including officers and directors of subsidiaries):

- Robert E. Mellor
- William M. Smartt
- Stanley M. Wilson
- Paul S. Street
- Mark R. Kailer
- Michael D. Mahre

- Jeffrey F. Lucchesi
- Steven H. Pearson
- John D. Fa
- Danny McQuary
- Randy Folts
- Randall Shipp
- Doug Richards
- Ward Cole
- Michael Kearney
- Mike Landgren
- Robert Garcia
- John Volkman
- Steve Webster
- Alan Bruce Willard
- Jon Stone
- John Herring
- Tony Spagnola
- Robert Blose
- Edward Levato
- Keith Kotche
- Gerald Riggs
- Rick Jepson
- Sean Cavanaugh
- Jim Clevan
- Gary Burleson
- Robert R. Thomas
- Henry F. Rice
- Lawrence Calof
- Sara L. Beckman
- Eric S. Belsky
- James K. Jennings, Jr.
- Norman J. Metcalfe
- David M. Moffett
- R. Scott Morrison, Jr.
- Peter S. O'Neill
- Richard G. Reiten
- Norman R. Walker

Substantial Equity Holders:

- Schneider Capital Management Corporation
- Royce & Associates, LLC
- Howard H. Leach
- Leach Capital LLC

Top 50 Largest Vendors:

- Weyerhaeuser NR Company
- Boise Cascade BMDD
- General Electric Co.
- Marvin Windows & Doors
- JP Morgan Chase Bank
- Masonite
- Hampton Distribution Companies
- James Hardie Building Products
- Guardian Building Products
- Bluelinx Corporation
- Louisiana Pacific Corp.
- DW Distribution
- SB Mira Loma Reload
- Columbia Forest Products
- Ainsworth Lumber Co Ltd.
- Mitek Industries Inc.
- Huttig Building Products
- Jeld Wen Windows & Doors
- American Intl. Forest Products
- Swanson Group
- Milgard Manufacturing Inc.
- SB Dist Nevada LBM
- Silver State Materials Corp.
- JM Thomas Forest Products
- Lumber Products
- Potlatch Land & Lumber LLC
- Orepac Bldg Products
- White Cap
- True Value
- Sauder Mouldings
- Therma Tru Corp.
- West Fraser Mills Ltd.
- All Coast Forest Products
- Taiga Forest Products Ltd.
- Woodgrain
- Sun Mountain Lumber Company
- Sierra Pacific Industries
- Db Constructors Inc.
- Capital Lumber Company
- Martco Partnership
- Coffman Stairs LLC
- Atrium Companies Inc.
- Riley Creek Co.

- Aristokraft
- Masonite Entry Systems
- Cedar Creek Lumber Inc.
- Lifetime Doors Inc.
- Ferguson Enterprises Inc.
- Lumber Yard Supply Co.
- Ready Mix Inc.

Unions:

- Chicago Regional Council of Carpenters
- General Teamsters
- Lumber, Production & Industrial Workers Union
- U.B.C. Industrial
- Western Council of Industrial Workers

Significant other counterparties:

- Microsoft
- CIT Technology Financing Services, Inc.

Professionals:

- Gibson, Dunn & Crutcher, LLP
- Young Conaway Stargatt & Taylor, LLP
- The Garden City Group, Inc.
- Alvarez and Marsal North America, LLC
- Peter J. Solomon Company
- PricewaterhouseCoopers LLP
- KPMG LLP
- Kekst and Company, Inc.

Significant Customers:

- Western National Contractors
- D.R. Horton, Inc.
- K B Home
- The Chanen Corporation
- The Ryland Group Inc.
- Barratt American Incorporated
- Mel-Re Construction, Inc.
- Wilshire Homes Of Texas Ltd.
- The Astoria Corporation
- Woodrow Taylor Homes Inc.
- Pulte Homes, Inc.
- Woodside Group Inc.
- Ff Development L.P.
- Van Guard Construction, LLC

- Phi Holding Inc.
- Ashton Woods USA L.L.C.
- J.F. Shea Construction, Inc.
- Nevis Homes, LLC
- Ducati Development Group, LLC
- Framemax, Inc.
- Weekley Homes, L.P.
- David Powers Homes L.E., Ltd.
- Prime Investors & Developers Inc.
- Ivory Homes, Ltd.
- Weyerhaeuser Company
- WI Homes LLC
- Storybook Homes LLC
- Toll Brothers, Inc.
- Main Street Ltd.
- Mansions Custom Homes Iv LLC
- Borm Associates Inc.
- Olson Urban Housing LP
- Highway One Construction, Inc.
- M.D.C. Holdings, Inc.
- Bonadelle Development Corp.
- Core Construction Svcs Nev Inc.
- Lyle Homes, Inc.
- Prescott Homes Inc.
- Fantasy Construction Inc.
- Colrich Construction, Inc
- Mhi Mortgage
- Highland Homes, Ltd.
- Meritage Homes Corporation
- Davidson Communities LLC
- Standard Pacific Corp.
- Pannunzio, Inc.
- Greystone Multi-Family Builders, Inc.
- Summit Companies Of Jacksonville, Inc.
- Centex Corporation
- Signature Properties, Inc.

Utilities:

- AHA Macav Power Service
- Allied Waste Services # 538
- APS
- Black Hills Energy
- Araphahoe County
- Atmos Energy

- Bermuda Water Company
- Board of Water Works
- Bona Vista Water District
- CenterPoint Energy
- Central Texas Electric
- City Of Abilene
- City of Austin
- City of Boise
- City of Burlington
- City of Cedar Park
(Whitestone)
(Brushy Creek)
- City of Charlotte
- County of Mecklenburg
- City of Coppell
- City of Fort Collins
- City of Fresno
- City of Frisco
- City of Helena
- City of Houston
- City of Hurst
- City of Issaquah
- City of Kent
- City of Killeen
- City of Missoula
- City of Modesto
- City of North Las Vegas
- City of Orem
- City of Poway
- City of Rexburg
- City of Rosenberg
- City of Shelley
- City of Sparks
- City of Terrell
- City of Thornton
- City of West Jordan
- City Waste Paper, Inc
- Clark Public Utilities
- Clark Regional Waste Water
- Colorado Springs Utilities
- CPS Energy
- Douglas County
- Duke Energy
- Duncan Disposal

- EDCO Waste & Recycling Service
- El Paso Electric Company
- El Paso Water
- Evergreen Disposal
- Evergreen Metro District
- Flathead County Water
- Flathead Electric Cooperative, Inc.
- Gas Company
- Hargus Disposal
- Harris County Mud 366
- Idaho Power
- Imperial Irrigation District
- Indio Water Authority
- Intermountain Gas
- Intermountain Rural Electric Association
- Lakeview Light & Power
- Lakewood Refuse Service
- Las Vegas Valley Water District
- Modesto Irrigation District
- Mountain Water Co.
- New Braunfels Utilities
- NorthWestern Energy
- NW Harris Co. Mud # 6
- NW Natural
- Pedernales Electric
- PG & E
- PGE Portland General Electric
- Piedmont Natural Gas
- Pierce County
- Pride Disposal Company
- Puget Sound Energy
- Questar Gas
- Riverside Public Utilities
- Rocky Mountain Power
- Rubatino Refuse Removal Inc
- Sammamish Plateau
- San Diego Gas & Electric
- Sierra Pacific Power Co.
- Snohomish County
- Southern California Edison
- Southwestern Electric Power (American Electric Inc)
- Strategic Energy
- Texas Gas Service
- Truckee Meadows Water

- Tualatin Valley Water District
- United Power
- United Water
- Utility Services
- Waste Connections - Vancouver District 210
- Waste Management
- West Haven Special District
- WTU Retail Energy
- Xcel Energy
- ADG Communications
- AllTel
- Arkadin Global
- ATT
- ATT Mobility
- Broadwing/L3 Communications
- CCI Network Services
- Cellular One
- CenturyTel
- eFax Corporate
- Embarq
- Excel
- Frontier
- Gila River Telecom
- Granite
- Integra Telecom
- InteCall
- Matrix Telecom Inc
- MetTel
- NTS Communications Inc
- PAETEC Communications
- Qwest
- Sprint-Nextel
- TelePacific Comm
- TW Telecom
- UCN Inc
- Verizon
- Westel Fiber

Current Insurers and Brokers:

- Marsh USA, Inc.
- Integro USA, Inc.
- Aon, Inc.
- ACE American Insurance Co.
- Westchester Surplus Lines Ins. Co.

- All Risks Ltd.
- AXIS Surplus Insurance Company
- Max Specialty Insurance Company
- Aspen Insurance UK Limited
- Marsh Global Markets (Dublin) Limited
- Lexington Insurance Company UKB
- Marsh Ltd.
- Tower Place
- London, N/A EC3R 5 BU
- XL Europe Limited
- Catlin Insurance Company (UK) Ltd.
- Max Re Ltd.
- SR International Business Insurance
- Marsh AG
- AIG Excess Liability Insurance Company Ltd.
- American Int'l Specialty Lines Ins. Co.
- Western Risk Specialists Inc.
- XL Specialty Ins. Co.
- W Brown & Associates Insurance Service
- Federal Ins. Co.
- National Union Fire Insurance Co. of Pittsburgh PA
- Arch Ins. Company
- XL Insurance Ltd.
- Starr Excess Liab Ins Co Ltd.
- Old Republic Insurance Company
- Zurich American Ins. Co.
- Swiss Re
- AIGCEL
- Midwest Employers Casualty Co.
- AIG Environmental
- Chubb Group of Insurance Companies
- AIG Cat Excess
- Indemnity Ins. Co. of N.A. (ACE)

Landlords:

- 3 Boulders, LLC
- Ralph Road LLC
- Gregg Street LLC
- ER Management/Federal Blvd Properties LP
- SRC Oates LLC
- Space Center Mira Loma, Inc.
- Hawley Family Trust
- MW LLC
- 2930 Marco St, LLC

- Northpark, LLC
- Eugene MonKarsh
- David Eckenrode
- JH Associates LLC
- Greenwood & McKenzie Real Estate Investments
- Darryl Crow
- Opus West Corporation
- Cactus Bloom LLC
- Scottsdale Ridge Prop Off LLC
- Condos LLC
- Walter Sargent
- John David Gillis
- Boston Properties
- Price Lakeshore LLC
- Sundance Investments L.P.
- Wooten Properties LLP
- WS Properties
- Union Pacific Railroad
- Massie & Co
- Houston Distributing Company, Inc.
- The Home Emporium
- Steve & Becky Studebaker
- Waycon Development
- SRC Polaris LLC
- VEPA III, LLC
- SRC Pellisier, LLC
- Leaman Building Materials, L.P.
- Thunderhead Holdings
- WESTLAND ENTERPRISES
- The Gateway
- David & Patricia Kubich
- Randolph Davis, Sandra Davis, George Davis & Jody Davis
- 3 Boulders, LLC
- Boulders West, LLC
- San Marcos Plaza /JVP LLC
- SSS Properties LLC
- SRC Spencer LLC
- Southwest Land Development
- RAMI Enterprises
- Lone Butte Industrial Park
- Beck Properties
- ViaWest
- Dependable Sheet Metal
- B&T LLC

- MK Plaza Trust
- Nyle Tanner
- The Outfitters Building
- Stutzman Properties, LLC
- Modern Building Systems, Inc.
- Intermountain Design & Display Center, LLC
- Dan Treinen
- Resun Leasing Inc.
- Youngquist Investments, Ltd.
- Elwood HA, LLC
- Hillcrest Partners Joint Venture
- NWV Center LTD
- Douglas C Moore
- Tivydale Business Park
- Sam Golden
- RUMA, Ltd.
- Railroad Management Company LLC
- Braker Center LP
- Chase Merritt/PW Plaza Phase I, Ltd.
- Kevin Mendenhall
- Steel Yards LLC
- Your Daily Home Show LLC
- Union Pacific Railroad
- Aramark-Wahweap Marina
- San Joaquin Valley RR Co
- CRP Holdings B.L.P
- LF Limited LP
- Cedar Mill Lumber & Hardware Co., Inc.
- RRW LLC

Significant Litigation Counterparties:

- DR Horton
- Brett Laso
- Merrill Bauchert
- Campbell Companies
- Weis Builders, Inc.
- Chanen Construction
- Fifth Third Bank

Top 50 Unsecured Creditors (excludes entities already listed above):

- Simpson Strong Tie Inc.
- Calportland
- Barr Lumber Co. Inc.
- Probuild

- Alenco
- Cemex Inc.
- Hajoca Corp.
- Cobb Holman Lumber Company Inc.
- Pamex Inc.
- Cascade Windows
- Hardwoods Specialty Products
- Simpson Door Company
- Primesource
- Odl Inc.
- Berry Plastics
- Performance Ready Mix LLC
- Schlage Lock Co.
- Masco Builder Cabinet Group
- Mjb Wood Group Inc.
- Penrod Company
- Dixie Plywood Co.
- Vandermeer Forest Products

SCHEDULE 2

Building Materials Holding Corporation
KPMG Relationships

Debtor entities:

- Building Materials Holding Corporation
- BMC West Corporation
- SelectBuild Construction, Inc.
- SelectBuild Nevada, Inc.
- KBI Stucco, Inc.
- SelectBuild, LP
- C Construction, Inc.
- TWF Construction, Inc.
- KBI Windows, Inc.
- H.N.R. Framing Systems, Inc.
- SelectBuild Florida, LLC
- SelectBuild Arizona, LLC
- SelectBuild Distribution, Inc.
- SelectBuild Northern California, Inc.
- SelectBuild Southern California, Inc.
- SelectBuild Mid-Atlantic, LLC
- SelectBuild Illinois, LLC
- SelectBuild Trim, LLC
- SelectBuild Mechanical, LLC
- A-1 Building Components, LLC
- Illinois Framing, Inc.

Equipment Leasing:

- GE Capital Corp.
- Penske

401(k) Management:

- Prudential

Lender Syndicate:

- AIB Debt Management
- Aladdin Capital Mgmt. (Landmark)
- Alliance Bernstein LP
- American AgCredit
- Bank Leumi
- Bank of America
- Bank of New York (Blue Mountain)
- Bank of New York (Jersey Street)
- Bank of New York (OWS)
- Bayside Capital (Grace Bay Holdings)

- BNP Paribas
- Columbus Nova
- Commerzbank
- D. E. Shaw Laminar Portfolios
- Denali Capital
- Dimaio Ahmad Capital (Duane Street)
- Edwards Angell Palmer & Dodge (Marlborough St.)
- Guaranty Federal Bank
- Gulf Stream Asset Mgmt.
- HSBC
- J.P. Morgan Chase
- LaSalle Bank
- Lehman Commercial Paper
- MFS
- Morgan Stanley
- PHL Variable Insurance
- Phoenix
- PNC Bank
- PPM American
- Rabobank
- Raymond James
- State Street (Qualcomm)
- SunTrust Bank
- The Hartford
- Third Avenue Spec. Sit. Fund
- U.S. Bank
- Union Bank of California
- Van Kampen American
- Wells Fargo Bank
- Whitebox Hedged HY Partnership
- Whitney Bank

Current and Former Officers and Directors (two year reach back, including officers and directors of subsidiaries):

- James K. Jennings, Jr.
- Mark R. Kailer
- Norman J. Metcalfe
- Norman R. Walker
- Paul S. Street
- Peter S. O'Neill
- R. Scott Morrison, Jr.

- Robert E. Mellor
- Robert R. Thomas
- Sara L. Beckman
- Stanley M. Wilson
- Steve Webster
- William M. Smartt

Substantial Equity Holders:

- Royce & Associates, LLC

Top 50 Largest Vendors:

- Ainsworth Lumber Co Ltd.
- Atrium Companies Inc.
- Bluelinx Corporation
- Boise Cascade BMDD
- Columbia Forest Products
- Ferguson Enterprises Inc.
- General Electric Co.
- Guardian Building Products
- Huttig Building Products
- James Hardie Building Products
- JP Morgan Chase Bank
- Louisiana Pacific Corp.
- Masonite
- Masonite Entry Systems
- Milgard Manufacturing Inc.
- Mitek Industries Inc.
- Potlatch Land & Lumber LLC
- Ready Mix Inc.
- Sauder Mouldings
- Sierra Pacific Industries
- Silver State Materials Corp.
- Taiga Forest Products Ltd.
- Therma Tru Corp.
- True Value
- Weyerhaeuser NR Company
- White Cap
- Woodgrain

Unions:

- General Teamsters

Significant other counterparties:

- Microsoft
- CIT Technology Financing Services, Inc.

Professionals:

- Gibson, Dunn & Crutcher, LLP
- Young Conaway Stargatt & Taylor, LLP
- The Garden City Group, Inc.
- Alvarez and Marsal North America, LLC
- PricewaterhouseCoopers LLP
- Kekst and Company, Inc.

Significant Customers:

- Ashton Woods USA L.L.C.
- Barratt American Incorporated
- Centex Corporation
- D.R. Horton, Inc.
- Framemax, Inc.
- Highland Homes, Ltd.
- K B Home
- M.D.C. Holdings, Inc.
- Main Street Ltd.
- Meritage Homes Corporation
- Prescott Homes Inc.
- Pulte Homes, Inc.
- Signature Properties, Inc.
- Standard Pacific Corp.
- Summit Companies Of Jacksonville, Inc.
- The Ryland Group Inc.
- Toll Brothers, Inc.
- Weekley Homes, L.P.
- Weyerhaeuser Company
- Wl Homes LLC
- Woodrow Taylor Homes Inc.
- Woodside Group Inc.

Utilities:

- Allied Waste Services # 538
- AllTel
- APS

- Atmos Energy
- ATT
- ATT Mobility
- Black Hills Energy
- Board of Water Works
- Broadwing/L3 Communications
- CCI Network Services
- Cellular One
- CenterPoint Energy
- CenturyTel
- City of Austin
- City of Burlington
- City of Charlotte
- City of Fort Collins
- City of Houston
- Colorado Springs Utilities
- CPS Energy
- Douglas County
- Duke Energy
- Duncan Disposal
- El Paso Electric Company
- Embarq
- Excel
- Frontier
- Gas Company
- Gila River Telecom
- Granite
- Harris County Mud 366
- Idaho Power
- Imperial Irrigation District
- InteCall
- Integra Telecom
- Intermountain Gas
- Intermountain Rural Electric Association
- Matrix Telecom Inc
- NorthWestern Energy
- NTS Communications Inc
- NW Natural
- PAETEC Communications
- Pedernales Electric
- PG & E

- PGE Portland General Electric
- Piedmont Natural Gas
- Pierce County
- Puget Sound Energy
- Qwest
- Rocky Mountain Power
- San Diego Gas & Electric
- Sierra Pacific Power Co.
- Snohomish County
- Southern California Edison
- Southwestern Electric Power (American Electric Inc)
- Sprint-Nextel
- Strategic Energy
- Texas Gas Service
- TW Telecom
- UCN Inc
- United Power
- United Water
- Utility Services
- Verizon
- Waste Management
- WTU Retail Energy
- Xcel Energy

Current Insurers and Brokers:

- ACE American Insurance Co.
- AIG Cat Excess
- AIG Environmental
- AIG Excess Liability Insurance Company Ltd.
- AIGCEL
- American Int'l Specialty Lines Ins. Co.
- Aon, Inc.
- Arch Ins. Company
- Aspen Insurance UK Limited
- AXIS Surplus Insurance Company
- Catlin Insurance Company (UK) Ltd.
- Chubb Group of Insurance Companies
- Federal Ins. Co.
- Indemnity Ins. Co. of N.A. (ACE)
- Lexington Insurance Company UKB

- London, N/A EC3R 5 BU
- Marsh AG
- Marsh Global Markets (Dublin) Limited
- Marsh Ltd.
- Marsh USA, Inc.
- Max Re Ltd.
- Max Specialty Insurance Company
- Midwest Employers Casualty Co.
- National Union Fire Insurance Co. of Pittsburgh PA
- Old Republic Insurance Company
- SR International Business Insurance
- Starr Excess Liab Ins Co Ltd.
- Swiss Re
- Tower Place
- Westchester Surplus Lines Ins. Co.
- Western Risk Specialists Inc.
- XL Europe Limited
- XL Insurance Ltd.
- XL Specialty Ins. Co.
- Zurich American Ins. Co.

Landlords:

- Boston Properties
- Chase Merritt/PW Plaza Phase I, Ltd.
- CRP Holdings B.L.P
- Dependable Sheet Metal
- Douglas C Moore
- Elwood HA, LLC
- Hawley Family Trust
- Massie & Co
- MW LLC
- RRW LLC
- San Joaquin Valley RR Co
- Space Center Mira Loma, Inc.
- Sundance Investments L.P.
- The Gateway
- Union Pacific Railroad

Significant Litigation Counterparties:

- DR Horton

- Campbell Companies
- Fifth Third Bank

Top 50 Unsecured Creditors (excludes entities already listed above):

- Simpson Strong Tie Inc.
- Calportland
- Barr Lumber Co. Inc.
- Probuild
- Alenco
- Cemex Inc.
- Hajoca Corp.
- Cobb Holman Lumber Company Inc.
- Pamex Inc.
- Cascade Windows
- Hardwoods Specialty Products
- Simpson Door Company
- Primesource
- Odl Inc.
- Berry Plastics
- Performance Ready Mix LLC
- Schlage Lock Co.
- Masco Builder Cabinet Group
- Mjb Wood Group Inc.
- Penrod Company
- Dixie Plywood Co.
- Vandermeer Forest Products