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)
	))	Jointly Administered
Debtors.	))	Related Document 1097

DECLARATION OF PAUL S. STREET IN SUPPORT OF DEBTORS' MOTION FOR AN ORDER, PURSUANT TO SECTIONS 105, 363, AND 365 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 2002, 9004, 9006, 9014, AND 9019, (I) AUTHORIZING THE PRIVATE SALE BY C CONSTRUCTION, INC. OF THE PURCHASED ASSETS FREE AND CLEAR OF LIENS, ENCUMBRANCES AND OTHER INTERESTS, (II) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN ASSUMED CONTRACTS, (III) APPROVING THE ASSET PURCHASE AGREEMENT AND THE TRANSITION SERVICES AGREEMENT, (IV) AUTHORIZING THE DEBTORS TO PAY SEVERANCE, (V) AUTHORIZING THE WIND DOWN OF BUSINESS OPERATIONS IN ILLINOIS AND (VI) GRANTING RELATED RELIEF

I, Paul S. Street, do hereby declare, under penalty of perjury:

1. I am the Senior Vice President, Chief Administrative Officer, General Counsel, and Corporate Secretary of Building Materials Holding Corporation, a corporation organized under the laws of the State of Delaware and one of the above-captioned debtors and debtors-in-possession (collectively, the "***Debtors***") in these chapter 11 cases (the "***Chapter 11 Cases***"). In this capacity, I am familiar with the Debtors' day-to-day operations, businesses,

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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.

financial affairs, and books and records. I am authorized to submit this Declaration on behalf of the Debtors.

2. At the commencement of these Chapter 11 Cases, the Debtors filed their proposed chapter 11 plan (the "***Plan***") and accompanying disclosure statement (the "***Disclosure Statement***"). The Debtors have since filed several amended versions of the Plan and Disclosure Statement. The Court approved the Disclosure Statement by order entered on October 22, 2009 (Docket No. 768), and the hearing to confirm the Plan is currently scheduled for December 17, 2009, with an anticipated effective date (the "***Effective Date***") in late 2009 or early 2010.

3. I submit this Declaration (the "***Declaration***") in support of the *Debtors' Motion for an Order, Pursuant to Sections 105, 363, and 365 of the Bankruptcy Code and Bankruptcy Rules 2002, 9004, 9006, 9014, and 9019, (I) Authorizing the Private Sale by C Construction, Inc. of the Purchased Assets Free and Clear of Liens, Encumbrances and Other Interests, (II) Authorizing the Assumption and Assignment of Certain Assumed Contracts, (III) Approving the Asset Purchase Agreement and the Transition Services Agreement, (IV) Authorizing the Debtors to Pay Severance, (V) Authorizing the Wind Down of Business Operations in Illinois and (VI) Granting Related Relief* (the "***Motion***") (Docket No. 1097).[2]

4. On December 8, 2009, the Debtors filed the Motion, pursuant to which the Debtors sought approval of (a) the private sale (the "***Sale***") by C Construction, Inc. (the "***Seller***") to Davis Development Company Inc. (the "***Purchaser***") of the Ontario Framing Business (as defined below) pursuant to the terms and conditions of the asset purchase agreement attached to the Motion as Exhibit B (the "***Current APA***"), free and clear of liens, claims, encumbrances, and

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

interests, except as set forth in the Current APA, and (b) the wind down of business operations of the Debtors in the State of Illinois (the "***Illinois Business Wind Down***").

5. I have reviewed the Motion and am familiar with the facts alleged therein and relief requested. I have been involved in negotiations, on behalf of the Debtors, and internal deliberations that resulted in the Sale and the Illinois Business Wind Down. Except as otherwise indicated, I have personal knowledge of the matters set forth herein or have gained knowledge of such matters from the Debtors' employees or retained advisers that report to me in the ordinary course of my responsibilities. If I were called upon to testify, I could and would testify competently to the facts set forth herein.[3]

6. This Declaration is submitted to provide an evidentiary basis for the Court to enter an order approving the Motion.

Good Business Judgment

7. I submit that approval of the Motion and the Current APA and the consummation of the Sale and the Illinois Business Wind Down are in the best interests of the Debtors, their creditors, their estates, and other parties in interest.

The Ontario Framing Business Sale

8. On July 31, 2006, SelectBuild Construction, Inc. ("***SelectBuild Construction***") and the Seller entered into that certain asset purchase agreement (the "***2006 Purchase Agreement***") with Davis Brothers Framing, Inc. ("***Davis Brothers Framing***"), Rancho Leasing, Inc. (an entity affiliated with Davis Brothers Framing), and Messrs. Randolph and George Davis (the sole shareholders of Davis Brothers Framing). Pursuant to the 2006 Purchase

[3] Certain of the disclosures herein relate to matters within the knowledge of other employees of the Debtors and are based on information provided by them.

Agreement, the Seller (a subsidiary of SelectBuild Construction) acquired Davis Brothers Framing's California-based carpentry and framing business (the "***Ontario Framing Business***").

9. The 2006 Purchase Agreement required that, as part of the purchase price, the Debtors make annual payments to Messrs. Davis if the Ontario Framing Business achieved certain annual earnings targets (the "***Contingent Consideration***").[4] The 2006 Purchase Agreement obligates the Debtors to pay the Contingent Consideration each year in which the Ontario Framing Business achieved the required earnings targets, subject to setoffs for certain liabilities and expenses. After the first anniversary of the purchase of the Ontario Framing Business, and based on achievement of the earnings targets, the Debtors paid approximately $3.1 million in Contingent Consideration to Messrs. Davis.

10. The current economic downturn and resulting harm to the housing industry have negatively impacted the Debtors' business, including the Ontario Framing Business. In 2008, the Ontario Framing Business recorded revenues of approximately $62.5 million, a 21.4% drop from 2007. In addition, the Ontario Framing Business's 2009 year-to-date revenues are $44.4 million. Nevertheless, at the time of commencement of these Chapter 11 Cases, the Ontario Framing Business was one of the Debtors' most profitable business segments.

11. Unfortunately, however, revenues from the Ontario Framing Business have recently deteriorated on account of unexpected delays in the Chapter 11 Cases. In April 2009, the Debtors forecasted approximately $7.9 million in revenue for the Ontario Framing Business in the third quarter of 2009. Actual revenues were less than $5.1 million. In October

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4 The Debtors estimate that, as of December 21, 2009, they will owe Messrs. Davis approximately $206,668.84 of Contingent Consideration. The 2006 Purchase Agreement also required the Debtors to employ Messrs. Davis as the managers of the Ontario Framing Business.

2009, moreover, the Ontario Framing Business recorded only approximately $738,000 in revenue.

12. I believe that the delays in the Chapter 11 Cases resulting from the difficulty to obtain committed exit financing are directly responsible for the recent deterioration in the Ontario Framing Business. The success of the Ontario Framing Business depends in part on the willingness of contractors to award subcontracts that require construction services over 12-18 month periods of time while the Ontario Framing Business is being operated under chapter 11. I have noticed that many contractors have been unwilling to award subcontracts to the Ontario Framing Business for such extended periods while the Debtors remain in bankruptcy. As a result, prospective opportunities for the Ontario Framing Business have dwindled, thereby reducing backlog significantly. This significant reduction in backlog, coupled with limitations in bonding capacity available to the reorganized Debtors, leads me to believe that there is uncertainty that the Ontario Framing Business will be a source of significant revenue for the Debtors until late in 2010.

13. In addition, I submit that there is no guarantee that the Ontario Framing Business' revenue stream will return to pre-filing levels after the Debtors' emergence from bankruptcy. The Ontario Framing Business' success is directly linked to the management prowess of Messrs. Davis. During their original ownership of the business, Messrs. Davis formed the network of customers, employees, and suppliers which drive the corporate entity and helped it become the Debtors' most profitable business unit. Mr. Randolph Davis's employment agreement is set to expire on July 31, 2010. If Mr. Davis leaves the business, the entity may struggle to maintain its relationships with key stakeholders.

14. Sale of the Ontario Framing Business will not impair the Debtors' remaining businesses. The business has had limited integration and customer cross-over with the remainder of the Debtors' businesses. The Debtors' primary business is in the single residence housing market, while the Ontario Framing Business is near-exclusively in the construction of apartments, condominiums, and dormitories. In fact, I believe that sale of the Ontario Framing Business may have the smallest impact of any potential disposition on the Debtors' post-emergence strategic and operational footprint, in part, because the Seller only purchased the Ontario Framing Business in 2006. Thus, while profitable, the Ontario Framing Business is not a large part of the Debtors' historical and core business.

15. In light of these business-related concerns with the Ontario Framing Business and given the favorable tax provisions recently enacted in the Worker, Homeownership, and Business Assistance Act of 2009 (the "***2009 Act***"), sale of the Ontario Framing Business pursuant to the Current APA maximizes the value to the Debtors of the Ontario Framing Business, is an exercise of sound business judgment, and should be approved. The Debtors' ability in a reasonable time frame to realize real value from continued operation of the Ontario Framing Business is uncertain. Sale of the Ontario Framing Business allows the Debtors to crystallize value in two key respects. First, as a result of the 2009 Act, the Debtors will receive significant tax benefits. In my judgment, these benefits exceed the value that the Debtors could obtain from continuing to operate the Ontario Framing Business. In pertinent part, the 2009 Act contains a special one-time tax provision which, with respect to calendar year 2009, allows the carryback of net operating losses for a five-year period as opposed to the normal two-year period. The original purchase price under the 2006 Purchase Agreement was approximately $78.6 million. Three and a half years later, the current tax basis of the Ontario Framing Business

(under the 2006 Purchase Agreement) is $58,765,666. Under the 2009 Act, if the Debtors are able to effectuate the sale of the Ontario Framing Business both before the end of calendar year 2009 and before the Effective Date of the Plan, the Debtors could carryback the net loss generated from this transaction for a five-year period and apply that net loss against profits made in 2004 and 2005. Under the Internal Revenue Code, as revised by the 2009 Act, the Debtors will be entitled to receive a federal tax refund of approximately $20,567,983 in cash on account of the Sale. By contrast, I believe that, in connection with the Sale, the Debtors are assuming liabilities of only approximately $62,250 related to employee vacation and sick pay.

16. In addition to the value realized by virtue of the tax benefits, the Debtors will also receive value from the Sale in form of the Purchase Price. The "Purchase Price" is the net book value of the Purchased Assets that are specifically set forth on Exhibit 6 to the Current APA and shall be paid, at least in part, by crediting against the Purchase Price all amounts due and payable at any time, before or after the Closing Date from Seller as Contingent Consideration under the 2006 Purchase Agreement and incentive payments owed to Randolph Davis under this Court's Order Authorizing Incentive Payments to Randolph Davis (Docket No. 962).

17. I submit that there is sound business justification for the Seller's preference to proceed by private sale, rather than conducting a public sale of the Purchased Assets. The Purchaser is the most logical purchaser of the Seller's assets. The Purchaser's shareholders are members of the Ontario Framing Business's management team and, prior to the execution of the 2006 Purchase Agreement, owners of the Ontario Framing Business. Messrs. Davis' management of the Ontario Framing Business is required for its future success and, therefore, its value to any outside buyer. I believe that no outside buyer would be willing to

assume succession risks relating to Randolph Davis's potential departure from the Ontario Framing Business in July 2010. Moreover, as outlined above, failure to complete the proposed Sale both before the Effective Date of the Plan and before the end of 2009 would deprive the Debtors of the ability to realize the tax refund available by virtue of the 2009 Act. In my judgment, and based on advice that I have received from my professional advisors, no other viable transaction, or public auction process, with respect to the Ontario Framing Business could be accomplished within this time frame. Accordingly, I believe that the private Sale of the Purchased Assets to the Purchaser is in the best interests of the Debtors' estates and creditors.

18. In addition, the Sale is the product of good faith, arm's length negotiations between the Seller and the other Debtors on the one hand, and the Purchaser, on the other. The Purchaser is not an insider of the Debtors as that term is defined in section 101(31) of the Bankruptcy Code.

The Illinois Business Wind Down

19. The Debtors currently maintain operations in Illinois through two entities, SelectBuild Illinois, LLC and Illinois Framing, Inc. (together the "***Illinois Business***"), both of which are Debtors in these Chapter 11 Cases. Historically, the Illinois Business has not generated significant profits, and recently, it has generated losses. In 2007, the Illinois Business had revenues of approximately $44.7 million and Earnings Before Interest Taxes and Amortization ("***EBITDA***") of approximately $1.7 million. During the economic downturn, the Illinois Business' financial performance has worsened. In 2008, the Illinois Business had revenues of approximately $21.6 million, a decrease of 51.7% from 2007, and an EBITDA of approximately negative $641,000. Moreover, in 2009, the Illinois Business has continued to struggle. Year to date, revenues for the Illinois Business equal approximately $6.9 million and

EBITDA equals approximately negative $775,000. In October 2009, the Illinois Business continued to generate poor financial results, registering only $346,000 in total revenue.

20. In addition, evidence suggests that when the housing market rebounds, the Illinois Business may be poorly situated to take advantage of improving economic conditions. SelectBuild Illinois, LLC, in particular, is subject to fixed labor costs which has impaired and likely, will continue to impair its ability to bid for future work.

21. I believe that the Illinois Business Wind Down represents the best opportunity for the Debtors to maximize the value of the Illinois Business for two reasons. First, the Illinois Business Wind Down eliminates the risk that the Debtors will incur potential future losses from the Illinois Business. Second, if and to the extent that the Illinois Business Wind Down can be approved by the Court and implemented prior to the Effective Date of the Plan and the end of calendar year 2009, the Debtors will be able to use the provisions of the 2009 Act to carryback net losses related to the Illinois Business and increase the amount of the Debtors' federal tax refund. The current tax basis for the Illinois Business is $7,052,411. Under the 2009 Act, if the Debtors implement the Illinois Business Wind Down prior to the Effective Date of the Plan and the end of calendar year 2009, the Debtors can take a net loss for this entire amount and increase their federal tax refund claim by approximately $2,468,344. By comparison, the Debtors estimate that near term liabilities relating to the termination of certain employees of the Illinois Business as a result of the Illinois Business Wind Down will equal approximately $46,600.[5] Accordingly, the Illinois Business Wind Down is an exercise of sound business judgment and should be approved.

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5 There may be additional severance obligations payable in 2010 of approximately $25,000.

22. The Illinois Business Wind Down likely will not affect the remainder of the Debtors' operations. Geographically, the Illinois Business is cut off from the rest of the Debtors' operations. The Illinois Business has little to no connection with the Debtors' remaining businesses.

WHEREFORE, for the reasons set forth herein, I believe the Motion should be approved.

Dated: December 15, 2009

Paul S. Street