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-_____ ( )**
	)	
Debtors.	)	**Joint Administration Requested**
	)	

DISCLOSURE STATEMENT WITH RESPECT TO JOINT PLAN OF REORGANIZATION FOR THE DEBTORS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

THIS IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THE DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL TO THE BANKRUPTCY COURT BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AT THIS TIME.

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Dated: Wilmington, Delaware
June 16, 2009

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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.

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS [___] P.M. PREVAILING EASTERN TIME ON [_____], 2009 UNLESS EXTENDED BY ORDER OF THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE.

DISCLAIMER

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT (THIS "DISCLOSURE STATEMENT")[2] IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE JOINT PLAN OF REORGANIZATION OF BUILDING MATERIALS HOLDING CORPORATION AND ITS SUBSIDIARY DEBTORS (THE "PLAN") AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

ONCE APPROVED, THIS DISCLOSURE STATEMENT AND THE RELATED DOCUMENTS ARE THE ONLY DOCUMENTS AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ACCEPTING OR REJECTING THE PLAN. NO REPRESENTATIONS ARE AUTHORIZED BY THE BANKRUPTCY COURT CONCERNING THE DEBTORS, THEIR BUSINESS OPERATIONS, THE VALUE OF THEIR ASSETS OR THE VALUES OF THE EQUITY SECURITIES DESCRIBED HEREIN TO BE ISSUED OR BENEFITS OFFERED PURSUANT TO THE PLAN, EXCEPT AS EXPLICITLY SET FORTH IN THIS DISCLOSURE STATEMENT OR ANY OTHER DISCLOSURE STATEMENT OR OTHER DOCUMENT APPROVED FOR DISTRIBUTION BY THE BANKRUPTCY COURT. HOLDERS OF CLAIMS AND/OR INTERESTS SHOULD NOT RELY UPON ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OF THE PLAN OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT.

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS ANNEXED TO THE PLAN AND THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF. THE DEBTORS UNDERTAKE NO DUTY TO UPDATE THE INFORMATION CONTAINED HEREIN. IN THE EVENT OF ANY CONFLICT BETWEEN THE DESCRIPTIONS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE TERMS OF THE PLAN, THE TERMS OF THE PLAN SHALL GOVERN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE AND RULE 3016(B) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. PERSONS TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS OF, OR INTERESTS IN, THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

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2 Capitalized terms not defined herein shall have the meanings ascribed to them in the Uniform Glossary of Defined Terms for Plan Documents, attached hereto as Exhibit A.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, BUILDING MATERIALS HOLDING CORPORATION ("BMHC") OR ANY OF ITS SUBSIDIARY DEBTORS (COLLECTIVELY WITH BMHC, THE "COMPANY"). EACH HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS WITH RESPECT TO ANY MATTERS CONCERNING THIS DISCLOSURE STATEMENT, THE SOLICITATION OF VOTES TO ACCEPT THE PLAN, THE PLAN AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY.

THE COMPANY'S BOARDS OF DIRECTORS HAVE APPROVED THE PLAN AND RECOMMEND THAT THE HOLDERS OF CLAIMS IN ALL IMPAIRED CLASSES ENTITLED TO VOTE (CLASSES 2(A)-(C), 3(A)-(C), 6(A)-(C) AND 8(A)-(C)) VOTE TO ACCEPT IT.

THE COMPANY PRESENTLY INTENDS TO SEEK TO CONSUMMATE THE PLAN AND TO CAUSE THE EFFECTIVE DATE TO OCCUR PROMPTLY AFTER CONFIRMATION OF THE PLAN. THERE CAN BE NO ASSURANCE, HOWEVER, AS TO WHEN AND WHETHER CONFIRMATION OF THE PLAN AND THE EFFECTIVE DATE ACTUALLY WILL OCCUR. THE CONFIRMATION AND EFFECTIVENESS OF THE PLAN ARE SUBJECT TO MATERIAL CONDITIONS PRECEDENT, SOME OF WHICH MAY NOT BE SATISFIED. SEE ARTICLE XIII, "CONDITIONS PRECEDENT TO CONSUMMATION." THERE IS NO ASSURANCE THAT THESE CONDITIONS WILL BE SATISFIED OR WAIVED. PROCEDURES FOR DISTRIBUTIONS UNDER THE PLAN ARE DESCRIBED UNDER "PROVISIONS GOVERNING DISTRIBUTIONS; PROCEDURES FOR TREATING AND RESOLVING DISPUTED CLAIMS."

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AGAINST, AND HOLDERS OF INTERESTS IN, THE DEBTORS (INCLUDING, WITHOUT LIMITATION, THOSE HOLDERS OF CLAIMS AND INTERESTS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

ACCEPTANCE OF THE PLAN BY HOLDERS OF CLAIMS WILL BE DEEMED TO CONSTITUTE APPROVAL OF THE LONG TERM INCENTIVE PLAN FOR PURPOSES OF SECTIONS 162(M) AND 422 OF THE INTERNAL REVENUE CODE OF 1986 AS AMENDED.

IF THE PLAN IS NOT CONFIRMED AND CONSUMMATED, THE COMPANY BELIEVES THAT THERE IS SUBSTANTIAL DOUBT ABOUT ITS ABILITY TO CONTINUE AS A GOING CONCERN WITHOUT AN ALTERNATIVE FINANCIAL RESTRUCTURING UNDER THE PROVISIONS OF CHAPTER 11 OF THE BANKRUPTCY CODE. WITHOUT THE RESTRUCTURING OF INDEBTEDNESS CONTEMPLATED BY THE PLAN, THERE CAN BE NO ASSURANCE THAT THE COMPANY WILL BE ABLE TO EFFECTUATE SUCH AN ALTERNATIVE FINANCIAL RESTRUCTURING OR SUCCESSFULLY EMERGE FROM A CASE UNDER CHAPTER 11 OF THE BANKRUPTCY CODE, AND THE COMPANY MAY BE FORCED INTO A LIQUIDATION UNDER CHAPTER 7 OF THE BANKRUPTCY CODE. THE COMPANY BELIEVES THAT IF IT IS LIQUIDATED UNDER CHAPTER 7, THE VALUE OF THE ASSETS AVAILABLE FOR PAYMENT OF CREDITORS WOULD BE SIGNIFICANTLY LOWER THAN THE VALUE OF THE DISTRIBUTIONS CONTEMPLATED BY AND UNDER THE PLAN.

THIS DISCLOSURE STATEMENT HAS NOT BEEN FILED WITH OR REVIEWED BY, AND THE REORGANIZED BMHC EQUITY INTERESTS TO BE ISSUED ON THE EFFECTIVE DATE WILL NOT HAVE BEEN THE SUBJECT OF A REGISTRATION STATEMENT FILED WITH, THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") UNDER THE SECURITIES ACT OF

1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE PLAN HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION, AND NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED.

THIS DISCLOSURE STATEMENT CONTAINS PROJECTED FINANCIAL INFORMATION REGARDING THE REORGANIZED DEBTORS AND CERTAIN OTHER FORWARD-LOOKING STATEMENTS, ALL OF WHICH ARE BASED ON VARIOUS ESTIMATES AND ASSUMPTIONS. THE DEBTORS' MANAGEMENT PREPARED THE PROJECTIONS WITH THE ASSISTANCE OF THEIR PROFESSIONALS. THE DEBTORS' MANAGEMENT DID NOT PREPARE THE PROJECTIONS TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OR THE RULES AND REGULATIONS OF THE SEC. SUCH INFORMATION AND STATEMENTS ARE SUBJECT TO INHERENT UNCERTAINTIES AND TO A WIDE VARIETY OF SIGNIFICANT BUSINESS, ECONOMIC, AND COMPETITIVE RISKS, INCLUDING, AMONG OTHERS, THOSE SUMMARIZED HEREIN. SEE ARTICLE XVIII, "PLAN-RELATED RISK FACTORS AND ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN." CONSEQUENTLY, ACTUAL EVENTS, CIRCUMSTANCES, EFFECTS, AND RESULTS MAY VARY SIGNIFICANTLY FROM THOSE INCLUDED IN OR CONTEMPLATED BY THE PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS CONTAINED HEREIN WHICH, THEREFORE, ARE NOT NECESSARILY INDICATIVE OF THE FUTURE FINANCIAL CONDITION OR RESULTS OF OPERATIONS OF THE REORGANIZED DEBTORS AND SHOULD NOT BE REGARDED AS REPRESENTATIONS BY THE COMPANY, ITS ADVISORS, OR ANY OTHER PERSONS THAT THE PROJECTED FINANCIAL CONDITION OR RESULTS CAN OR WILL BE ACHIEVED. NEITHER THE COMPANY'S INDEPENDENT AUDITORS NOR ANY OTHER INDEPENDENT ACCOUNTANTS HAVE COMPILED, EXAMINED, OR PERFORMED ANY PROCEDURES WITH RESPECT TO THE FINANCIAL PROJECTIONS AND THE LIQUIDATION ANALYSIS CONTAINED HEREIN, NOR HAVE THEY EXPRESSED ANY OPINION OR ANY OTHER FORM OF ASSURANCE AS TO SUCH INFORMATION OR ITS ACHIEVABILITY, AND ASSUME NO RESPONSIBILITY FOR, AND DISCLAIM ANY ASSOCIATION WITH THE FINANCIAL PROJECTIONS OR LIQUIDATION ANALYSIS. EXCEPT FOR PURPOSES OF THIS DISCLOSURE STATEMENT, THE DEBTORS DO NOT PUBLISH PROJECTIONS OF THEIR ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS. THE PROJECTIONS ARE QUALIFIED IN THEIR ENTIRETY BY THE DESCRIPTION THEREOF CONTAINED IN THIS DISCLOSURE STATEMENT. THERE CAN BE NO ASSURANCE THAT THE ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS WILL PROVE CORRECT OR THAT THE REORGANIZED DEBTORS' ACTUAL RESULTS WILL NOT DIFFER FROM THE INFORMATION CONTAINED WITHIN THIS DISCLOSURE STATEMENT. THE COMPANY AND ITS PROFESSIONALS DO NOT INTEND TO UPDATE OR OTHERWISE REVISE ANY INFORMATION DISCLOSED HEREIN TO REFLECT ANY CHANGES ARISING AFTER THE DATE HEREOF OR TO REFLECT FUTURE EVENTS, EVEN IF ANY ASSUMPTIONS CONTAINED HEREIN ARE SHOWN TO BE IN ERROR. FORWARD-LOOKING STATEMENTS ARE PROVIDED IN THIS DISCLOSURE STATEMENT PURSUANT TO THE SAFE HARBOR ESTABLISHED UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND SHOULD BE EVALUATED IN THE CONTEXT OF THE ESTIMATES, ASSUMPTIONS, UNCERTAINTIES, AND RISKS DESCRIBED HEREIN, INCLUDING THE CONSUMMATION AND IMPLEMENTATION OF THE PLAN, THE CONTINUING AVAILABILITY OF SUFFICIENT BORROWING CAPACITY OR OTHER FINANCING TO FUND OPERATIONS, ACHIEVING OPERATING EFFICIENCIES, COMMODITY PRICE FLUCTUATIONS, CURRENCY EXCHANGE RATE FLUCTUATIONS, MAINTENANCE OF GOOD EMPLOYEE RELATIONS, EXISTING AND FUTURE GOVERNMENTAL REGULATIONS AND ACTIONS OF GOVERNMENTAL BODIES, NATURAL DISASTERS AND UNUSUAL WEATHER CONDITIONS, ACTS OF TERRORISM OR WAR, INDUSTRY-SPECIFIC RISK FACTORS AND OTHER MARKET AND COMPETITIVE CONDITIONS.

HOLDERS OF CLAIMS AND INTERESTS ARE CAUTIONED THAT THE FORWARD-LOOKING STATEMENTS SPEAK AS OF THE DATE MADE AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS, AND THE DEBTORS UNDERTAKE NO OBLIGATION TO UPDATE ANY SUCH STATEMENTS. THE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY THE DEBTORS, MAY NOT BE REALIZED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY, REGULATORY, MARKET AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH WILL BE BEYOND THE REORGANIZED DEBTORS' CONTROL. THE DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE OR ARE MADE AS TO THE ACCURACY OF THE PROJECTIONS OR TO THE REORGANIZED DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS.

SOME ASSUMPTIONS INEVITABLY WILL BE INCORRECT; MOREOVER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE DEBTORS PREPARED THE PROJECTIONS MAY BE DIFFERENT FROM THOSE ASSUMED, OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. THE PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, HOLDERS OF CLAIMS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE PROJECTIONS AND SHOULD CONSULT WITH THEIR OWN ADVISORS.

IN THIS DISCLOSURE STATEMENT, THE COMPANY RELIES ON AND REFERS TO INFORMATION AND STATISTICS REGARDING ITS INDUSTRY. THE COMPANY OBTAINED THIS MARKET DATA FROM INDEPENDENT INDUSTRY PUBLICATIONS OR OTHER PUBLICLY AVAILABLE INFORMATION. ALTHOUGH THE COMPANY BELIEVES THAT THESE SOURCES ARE RELIABLE, THE COMPANY HAS NOT INDEPENDENTLY VERIFIED AND DOES NOT GUARANTEE THE ACCURACY AND COMPLETENESS OF THIS INFORMATION.

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I. INTRODUCTION AND SUMMARY OF THE PLAN

Building Materials Holding Corporation, BMC West Corporation, SelectBuild Construction, Inc., SelectBuild Northern California, Inc., Illinois Framing, Inc., C Construction, Inc., TWF Construction, Inc., H.N.R. Framing Systems, Inc., SelectBuild Southern California, Inc., SelectBuild Nevada, Inc., SelectBuild Arizona, LLC, and SelectBuild Illinois, LLC, as debtors and debtors in possession (collectively, the "Debtors"), submit this Disclosure Statement, pursuant to section 1125 of the Bankruptcy Code, to Holders of Claims in connection with: (a) the solicitation of votes to accept or reject the *Joint Plan of Reorganization for the Debtors under Chapter 11 of the Bankruptcy Code* (as the same may be amended from time to time, the "Plan"), which was filed by the Debtors with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), and (b) the confirmation hearing (the "Confirmation Hearing"), which is scheduled for _____ at _____ _.m. (Prevailing Eastern Time) (the "Confirmation Hearing Date"). The Plan actually represents three separate plans, one for BMHC, one for BMHC's subsidiaries BMC West Corporation and Illinois Framing, Inc. (collectively, the "BMC West Debtors") and, finally, one for the SelectBuild subsidiaries (the "SelectBuild Debtors").[3] As described in Section VIII(A) below, the Plan seeks to substantively consolidate the BMC West Debtors and the SelectBuild Debtors, respectively, for purposes of voting and distribution and the Debtors believe that such substantive consolidation does not injure any creditor of any Subsidiary Debtor and is not only consistent with the manner in which these Subsidiary Debtors were considered by their creditors, but also practically required by the inability to separate their assets and liabilities. A Uniform Glossary of Defined Terms for Plan Documents, including this Disclosure Statement, is attached hereto as Exhibit A and incorporated herein by reference.

On June 16, 2009 (the "Petition Date"), BMHC and all of its subsidiaries (collectively, the "Subsidiary Debtors") filed voluntary petitions with the Bankruptcy Court (these "Chapter 11 Cases"). BMHC and the Subsidiary Debtors are operating their businesses and managing their property as debtors-in-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 these Chapter 11 Cases. On _____, 2009, the United States Trustee for the District of Delaware (the "U.S. Trustee") convened an organizational meeting and appointed a consolidated official committee of unsecured creditors for the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code (the "Committee," as may be reconstituted from time to time).

Attached as exhibits to this Disclosure Statement are copies of the following documents: (a) the Uniform Glossary of Defined Terms for Plan Documents (Exhibit A); (b) the Plan (Exhibit B); (c) the Disclosure Statement Approval Order (Exhibit C), which among other things, approves this Disclosure Statement and establishes certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan; (d) the Voting Procedures Order (Exhibit D), which, among other things, establishes certain procedures with respect to voting and the temporary allowance of Claims for voting purposes; (e) the Liquidation Analysis (Exhibit E), which sets forth estimated recoveries in a chapter 7 liquidation of BMHC, the BMC West Debtors and the SelectBuild Debtors, considered separately and in the aggregate, as compared to estimated recoveries under the Plan; (f) the Feasibility Analysis (Exhibit F), which sets forth the analysis, and related financial projections, showing that the Company can fund its ongoing operations and service its debt obligations under the Plan going forward, (g) the Company's latest 10K (Exhibit G); (h) the Liquidating Trust Agreement (Exhibit H); (i) the term sheet with respect to the Term Loan Credit Agreement (Exhibit I); and (j) the term sheet with respect to the Exit Revolver (Exhibit J). In addition, for those holders of Claims entitled to vote under the Plan, a Ballot (together with voting instructions) for the acceptance or rejection of the Plan is separately enclosed.

The Plan represents a compromise and settlement of various significant Claims against the Debtors. The Plan seeks to preserve the value of the Debtors for its Creditors while recognizing and balancing the fact that the

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3 The SelectBuild Debtors are SelectBuild Construction, Inc. (1340), SelectBuild Northern California, Inc. (7579), 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).

Debtors' Prepetition Lenders have direct claims against the Debtors that would result in the Debtors' other Creditors receiving little, if any, value for their Claims. Receipt of consideration under the Plan by Holders of BMHC General Unsecured Claims (Class 6(a)), BMC West General Unsecured Claims (Class 6(b)), and SelectBuild General Unsecured Claims (6(c)), respectively, is dependent on whether such Classes vote to accept or reject the Plan. If the respective Classes vote to accept the Plan, then Holders of Allowed Claims in the accepting Classes will receive Beneficial Interests in the Liquidating Trust, entitling them to Distributions from the Unsecured Cash Fund and the Liquidating Trust Share of Excess Cash Flow which are projected to result in Distributions of approximately 55.2% of each Holder's Allowed Claim. If any such Class does not vote to accept the Plan, then the rejecting Class will receive no Beneficial Interests in the Liquidating Trust; instead, (x) if the rejecting Class is the Class of BMHC General Unsecured Claims (Class 6(a)), then each Holder of an Allowed BMHC General Unsecured Claim shall receive the BMHC Rejection Distribution in the amount of 4% of its Allowed BMHC General Unsecured Claim; (y) if the rejecting Class is the Class of BMC West General Unsecured Claims (Class 6(b)), then each Holder of an Allowed BMC West General Unsecured Claim shall receive the BMC West Rejection Distribution in the amount of 4% of its Allowed BMC West General Unsecured Claim; and (z) if the rejecting Class is the Class of SelectBuild General Unsecured Claims (Class 6(c)), then each Holder of an Allowed SelectBuild General Unsecured Claim shall receive the SelectBuild Rejection Distribution in the amount of 2% of its Allowed SelectBuild General Unsecured Claim.

A. OVERVIEW OF CHAPTER 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for similarly situated holders of claims and equity interests, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the debtor's legal and equitable interests in property as of the commencement of the chapter 11 case. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor-in-possession."

Consummating a plan is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any issuer of securities under the plan, any person acquiring property under the plan, any holder of a claim against or equity interest in a debtor and all other persons as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code, to the terms and conditions of the confirmed plan. Subject to certain limited exceptions, the order issued by the bankruptcy court confirming a plan provides for the treatment of claims and equity interests in accordance with the terms of the confirmed plan and discharges a debtor from its prepetition obligations.

After a plan of reorganization has been filed, certain holders of claims against and interests in a debtor are permitted to vote to accept or reject the plan. Prior to soliciting acceptances of a proposed chapter 11 plan, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the chapter 11 plan. The purpose of this Disclosure Statement, submitted in accordance with the requirements of section 1125 of the Bankruptcy Code, is to provide such information.

B. PURPOSE AND EFFECT OF THE PLAN

The Debtors believe that the transactions contemplated by the Plan will (a) significantly de-leverage their balance sheet, (b) improve cash flows by significantly reducing ongoing interest expense and (c) provide sufficient working capital through the Exit Revolver to (i) fund the Company's emergence from chapter 11, (ii) appropriately capitalize the Reorganized Debtors and (iii) facilitate the implementation of the Debtors' business plan. The Debtors believe that any alternative to Confirmation of the Plan, such as conversion of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code, would result in significant delays, litigation and additional costs and, ultimately, would substantially lower, and in many cases eliminate, the recoveries for Holders of Allowed Claims.

1. Overview of Restructuring Transactions

The Plan contemplates the reorganization of the Company upon consummation of the Plan and the resolution of the outstanding Claims against and Interests in BMHC and the Subsidiary Debtors, including the BMC West Debtors and the SelectBuild Debtors, pursuant to sections 1123, 1129 and 1141 of the Bankruptcy Code.

2. Exit Revolver

The Reorganized Debtors shall obtain exit financing in the form of the Revolving Credit Agreement which shall consist of a revolving credit line in the amount of $100 million. The Revolving Credit Agreement shall be secured by a first priority lien and security interest on all or substantially all of the assets of the Reorganized Debtors. The proceeds of the Revolving Credit Agreement will be used to pay in full the outstanding balance under the DIP Facility and to fund exit costs and ongoing operating expenses. Letters of credit will be issued to replace the then outstanding letters of credit issued under the DIP Facility. A copy of a term sheet with respect to the Exit Revolver is attached hereto as Exhibit J.

3. Term Loan and Prepetition Letters of Credit

The Reorganized Debtors shall also enter into the Term Loan Credit Agreement. Holders of Prepetition Funded Lender Claims, which on the Petition Date were secured by a first priority security interest on all or substantially all of the assets of the Debtors, shall receive notes in the aggregate principal amount of $135 million, which notes shall be issued under the terms of the Term Loan Credit Agreement. The Term Loan Credit Agreement shall be secured by a second priority lien and security interest on all or substantially all of the assets of the Reorganized Debtors.

The Reorganized Debtors shall also have certain obligations related to the Prepetition Letters of Credit which will remain outstanding after the Effective Date. While the Reorganized Debtors will not be liable to reimburse the Prepetition L/C Lenders for amounts drawn under the Prepetition Letters of Credit, the Reorganized Debtors will be responsible to pay certain fees associated with the continuation of these Prepetition Letters of Credit and, if and to the extent that draws are made under the Prepetition Letters of Credit after the Petition Date, the Prepetition L/C Lenders that fund such draws shall be entitled to receive additional notes issued under the Term Loan Credit Agreement in an amount equal to 50% of the amount funded, subject to a cap. These draws could result in up to an approximately $55 million increase in the amount of the notes issued under the Term Loan Credit Agreement. A copy of a term sheet with respect to the Term Loan Credit Agreement is attached hereto as Exhibit I.

4. Liquidating Trust

Provided that their respective Classes vote to accept the Plan, creditors with Allowed General Unsecured Claims in Classes 6(a), 6(b) and 6(c) will receive their Pro Rata share of the Beneficial Interests in the BMHC Liquidating Trust. The Liquidating Trust shall be funded with the Liquidating Trust Assets, which consist of the Unsecured Cash Fund and the Liquidating Trust Share of Excess Cash Flow.

The Liquidating Trust Share of Excess Cash Flow means (i) if each of Classes 6(a), 6(b), and 6(c) vote to accept the Plan, 20% of Excess Cash Flow, determined on an annual basis based on the delivery of audited financial statements, in any fiscal year in which the EBITDA of Reorganized BMHC equals or exceeds $50 million; (ii) if one or more of Classes 6(a), 6(b), or 6(c) votes to reject the Plan, the Liquidating Trust Share of Excess Cash Flow described in clause (i) shall be reduced by the percentage that the aggregate amount of Allowed General Unsecured Claims in such rejecting Classes bears to the aggregate amount of Allowed General Unsecured Claims in Classes 6(a), 6(b) and 6(c); provided, however, that the aggregate Liquidating Trust Share of Excess Cash Flow shall not exceed the difference between (a) the aggregate amount of all Allowed General Unsecured Claims in any Class 6 Class that votes to accept the Plan and (b) the Unsecured Cash Fund.

The Unsecured Cash Fund means (i) if each of Classes 6(a), 6(b) and 6(c) vote to accept the Plan, $10,000,000; (ii) if one or more of Classes 6(a), 6(b), or 6(c) vote to reject the Plan, $10,000,000 less the percentage

of such $10,000,000 that the aggregate amount of Allowed General Unsecured Claims in such rejecting Classes bears to the aggregate amount of Allowed General Unsecured Claims in Classes 6(a), 6(b) and 6(c).

A copy of the Liquidating Trust Agreement is attached as Exhibit H.

5. Reorganized BMHC Equity Interests

On the Effective Date, Reorganized BMHC will emerge from chapter 11 as a private company and 100% of the Reorganized BMHC Equity Interests shall be owned by the Holders of Prepetition Funded Lender Claims. This ownership interest is subject to dilution by up to 10% in connection with the Long Term Incentive Plan and by up to 30% if and to the extent that Prepetition Letters of Credit are drawn after the Petition Date.

C. SUMMARY OF TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN

THE FOLLOWING CHART IS A SUMMARY OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS AND THE PROJECTED RECOVERIES UNDER THE PLAN. THE AMOUNTS SET FORTH BELOW ARE ESTIMATES ONLY. REFERENCE SHOULD BE MADE TO THE ENTIRE DISCLOSURE STATEMENT AND THE PLAN FOR A COMPLETE DESCRIPTION OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS. THE RECOVERIES SET FORTH BELOW ARE PROJECTED RECOVERIES AND ARE THEREFORE SUBJECT TO CHANGE. THE ALLOWANCE OF CLAIMS MAY BE SUBJECT TO LITIGATION OR OTHER ADJUSTMENTS, AND ACTUAL ALLOWED CLAIM AMOUNTS MAY DIFFER MATERIALLY FROM THESE ESTIMATED AMOUNTS.

SUMMARY OF TREATMENT AND PROJECTED RECOVERIES

Class	Type of Claim or Interest	Treatment of Claim/Interest	Projected Recovery Under the Plan
Unclassified	Administrative Expense Claims, including Claims under DIP Facility	These Claims are Unimpaired. The Plan provides for payment of Allowed Administrative Expense Claims in full in Cash.	100%
Unclassified	Professional Compensation Claims	These Claims are Unimpaired. The Plan provides for payment of each Allowed Professional Compensation Claim in full in Cash.	100%
Unclassified	Priority Tax Claims	These Claims are Unimpaired. The Plan provides for payment of each Allowed Priority Tax Claim in full in Cash.	100%
1(a)-(c)	Other Priority Claims	Claims in these Classes are Unimpaired. The Plan provides for payment of each Allowed Other Priority Claim in full in Cash.	100%
2(a)-(c)	Funded Lender Claims	Claims in these Classes are Impaired. Each Holder of an Allowed Funded Lender Claim shall receive (i) the Funded Lender's Share of the Sale Cash Collateral Excess Proceeds Account Effective Date Amount, (ii) a Term Note issued by Reorganized BMHC under the Term Loan Credit Agreement in an original aggregate principal amount equal to $135,000,000 (less the Sale Cash Collateral Excess Proceeds Account Effective Date Amount) multiplied by such Holder's Pro Rata share of Allowed Funded Lender Claims; and (iii) its Pro Rata share of the Reorganized BMHC Equity Interests, subject to dilution by (a) any Reorganized BMHC Equity	66.5%

Class	Type of Claim or Interest	Treatment of Claim/Interest	Projected Recovery Under the Plan
		Interests issued from time to time to the Holders of L/C Lender Claims up to the Reorganized BMHC Equity Interest L/C Cap and (b) any Reorganized BMHC Equity Interests issued after the Effective Date in respect of the Long Term Incentive Plan.	
3(a)-(c)	L/C Lender Claims	Claims in these Classes are Impaired. From and after the Effective Date, obligations of the Prepetition L/C Lenders (whether Wells Fargo Bank, N.A. ("WFB"), as the letter of credit issuer under the Prepetition Credit Agreement, or the Prepetition Revolving Lenders in respect of their several reimbursement obligations to WFB arising under the Prepetition Credit Agreement) shall continue to be governed by the lender reimbursement provisions of the Prepetition Credit Agreement. Reorganized BMHC shall have no obligations whatsoever in respect of the letter of credit reimbursement obligations arising in respect of the Prepetition Letters of Credit, except (a) the Holders of Allowed L/C Lender Claims shall be entitled to the L/C Lender Fee and (b) as expressly set forth in Section 4.3.2.2 of the Plan, and all Liens with respect to the Prepetition Credit Agreement shall be released, discharged and extinguished. To the extent any Allowed L/C Lender Claim is liquidated on or after the Petition Date, each Holder of an Allowed L/C Lender Claim shall, in full satisfaction, release, and discharge of and in exchange for the Liquidated L/C Amount of such Claim, receive the following: (A) a Term Note issued by Reorganized BMHC under the Term Loan Credit Agreement in an original aggregate principal amount equal to 50% of the Liquidated L/C Amount of the Allowed L/C Lender Claim; provided, however, that the maximum amount of the Term Notes issued in connection with Allowed L/C Lender Claims shall not exceed the Maximum L/C Lenders Term Note Cap; provided, however, that the principal amount of any Term Note issued by Reorganized BMHC on the Effective Date to the Holder of an Allowed L/C Lender Claim in respect of the Liquidated L/C Amount of such Claim shall be reduced by the L/C Lender's Share of the Sale Cash Collateral Excess Proceeds Account Effective Date Amount; (B) Reorganized BMHC Equity Interests, rounded to the nearest whole number, equal to such L/C Lender's Pro Rata share of the aggregate Reorganized BMHC Equity Interest L/C Cap multiplied by the ratio (expressed as a percentage) of the Liquidated L/C Amount to the Maximum L/C Lenders Term Note Cap, subject to dilution by any Reorganized BMHC Equity Interests issued after the Effective Date in respect of the Long Term Incentive Plan. The total Reorganized BMHC Equity Interests that shall be issued with	NA

Class	Type of Claim or Interest	Treatment of Claim/Interest	Projected Recovery Under the Plan
		respect to Allowed L/C Lender Claims shall not exceed the Reorganized BMHC Equity Interest L/C Lender Cap; and (C) The L/C Lender's Share of the Sale Cash Collateral Excess Proceeds Account Effective Date Amount. If, and only to the extent, a Prepetition L/C Lender fails to reimburse in full WFB in respect of its reimbursement obligation to WFB arising under the Prepetition Credit Agreement, WFB shall be entitled to receive the distribution described above which would otherwise be payable to such defaulting Prepetition L/C Lender. Prepetition Letters of Credit shall not be used by the Reorganized Debtors to collateralize obligations that do not exist as of the Effective Date, notwithstanding any provision of the Prepetition Letters of Credit to the contrary; provided, however, that the obligations under insurance policies and/or performance bonds incurred prior to the Effective Date shall (i) survive the Effective Date (as provided in Section [__] of the Plan) and (ii) be collateralized by the Prepetition Letters of Credit until the earlier to occur of (a) the termination of such obligations or (b) the Maturity Date under the Term Loan Credit Agreement. Allowed L/C Lender Claims or any portion thereof that are not liquidated prior to the occurrence of the Maturity Date of the Term Loan Credit Agreement shall be extinguished, and any outstanding Prepetition Letters of Credit at that time shall be cancelled and replaced by the Reorganized Debtors as and to the extent necessary in accordance with their business judgment.	
4(a)-(c)	Other Secured Claims	Claims in these Classes are Unimpaired. Each Allowed Other Secured Claim shall be reinstated or otherwise rendered unimpaired.	100%
5(a)-(c)	L/C General Unsecured Claims	Claims in these Class are Unimpaired. Each Allowed L/C General Unsecured Claim shall be reinstated, paid in full, or otherwise rendered Unimpaired.	100%
6(a)	BMHC General Unsecured Claims	Claims in this Class are Impaired. Provided that the Class votes to accept the Plan, each Holder of an Allowed BMHC General Unsecured Claim shall receive its Pro Rata share of the BMHC Beneficial Interests in the Liquidating Trust, which shall entitle such Holder to distributions from the Liquidating Trust Assets as and to the extent set forth in the Plan and Liquidating Trust Agreement. Notwithstanding the foregoing, each Holder of an Allowed BMHC General Unsecured Claim shall be entitled, by exercise of the election set forth on the Ballot with respect to such BMHC General Unsecured Claim, to make the Small Unsecured Claims Class Election. If the Class votes to reject the Plan, on the Distribution Date,	55.2%

Class	Type of Claim or Interest	Treatment of Claim/Interest	Projected Recovery Under the Plan
		each Holder of an Allowed BMHC General Unsecured Claim shall receive its Pro Rata share of the BMHC Rejection Distribution.	
6(b)	BMC West General Unsecured Claims	Claims in this Class are Impaired. Provided that the Class votes to accept the Plan, each Holder of an Allowed BMC West General Unsecured Claim shall receive its Pro Rata share of the BMC West Beneficial Interests in the Liquidating Trust, which shall entitle such Holder to distributions from the Liquidating Trust Assets as and to the extent set forth in the Plan and the Liquidating Trust Agreement. Notwithstanding the foregoing, each Holder of a BMC West General Unsecured Claim shall be entitled, by exercise of the election set forth on the Ballot with respect to such Allowed Other Debtor Unsecured Claim, to make the Small Unsecured Claims Class Election. If the Class votes to reject the Plan, on the Distribution Date, each Holder of an Allowed BMC West General Unsecured Claim shall receive its Pro Rata share of the BMC West Rejection Distribution.	55.2%
6(c)	SelectBuild General Unsecured Claims	Claims in this Class are Impaired. Provided that the Class votes to accept the Plan, each Holder of an Allowed SelectBuild General Unsecured Claim shall receive its Pro Rata share of the SelectBuild Beneficial Interests in the Liquidating Trust, which shall entitle such Holder to distributions from the Liquidating Trust Assets as and to the extent set forth in the Plan and the Liquidating Trust Agreement. Notwithstanding the foregoing, each Holder of a SelectBuild General Unsecured Claim shall be entitled, by exercise of the election set forth on the Ballot with respect to such Allowed Other Debtor Unsecured Claim, to make the Small Unsecured Claims Class Election. If the Class votes to reject the Plan, on the Distribution Date, each Holder of an Allowed SelectBuild General Unsecured Claim shall receive its Pro Rata share of the SelectBuild Rejection Distribution.	55.2%
7(a)-(c)	Intercompany Claims	Claims in these Classes are Unimpaired. To preserve the Debtors' corporate structure, Intercompany Claims may be reinstated as of the Effective Date or, at the Debtors' or Reorganized Debtors' option, be cancelled, and no distributions shall be made on account of such Claims.	100%
8(a)-(c)	Small Unsecured Claims	Claims in these Classes are Impaired. Each Holder of a Small Unsecured Claim shall receive Cash equal to the lesser of (i) 100% of the Allowed Amount of such Claim (excluding any interest) or (ii) $5,000; provided, however, that the Small Unsecured Claims Class Election shall only be effective upon the Confirmation Order and the occurrence of the Effective Date.	100%

Class	Type of Claim or Interest	Treatment of Claim/Interest	Projected Recovery Under the Plan
9(a)	Interests in BMHC	Interests in this Class are Impaired. All Interests in BMHC shall be cancelled without further distribution.	NA
9(b)-(c)	Other Interests	Interests in these Classes are Unimpaired. Intercompany Interests in each of the BMC West Debtors and the SelectBuild Debtors shall be reinstated for the benefit of the Holders thereof.	NA
10(a)-(c)	Section 510(b) Claims	Claims in these Classes are Impaired. All Section 510(b) Claims shall be cancelled and discharged without further distribution.	0%

II. VOTING AND CONFIRMATION PROCEDURES

A. PERSONS ENTITLED TO VOTE ON THE PLAN

Under the provisions of the Bankruptcy Code, not all holders of claims against and equity interests in a debtor are entitled to vote on a chapter 11 plan. Holders of Claims or Interests that are not Impaired by the Plan are deemed to accept the Plan under section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote on the Plan. Holders of Claims or Interests that will not receive a distribution or retain any property under the Plan are deemed to reject the Plan under section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote on the Plan.

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of classes of Claims against and Interests in the Debtor. A Claim or Interest is placed in a particular Class for purposes of voting on the Plan and of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or an Allowed Interest in that Class and such Claim or Interest has not been paid, released or otherwise settled prior to the Effective Date.

The classification of Claims and Interests against the Debtors pursuant to the Plan is as follows:

1. Classes 1(a)-(c): Priority Non-Tax Claims.

Class	Claims and Interests	Status	Voting Rights
Class 1(a)	Priority Non-Tax Claims against BMHC	Unimpaired	Not entitled to vote (Deemed to accept)
Class 1(b)	Priority Non-Tax Claims against the BMC West Debtors	Unimpaired	Not entitled to vote (Deemed to accept)
Class 1(c)	Priority Non-Tax Claims against the SelectBuild Debtors	Unimpaired	Not entitled to vote (Deemed to accept)

2. Classes 2(a)-(c): Funded Lender Claims.

Class	Claims and Interests	Status	Voting Rights
Class 2(a)	Funded Lender Claims against BMHC	Impaired	Entitled to vote

Class	Claims and Interests	Status	Voting Rights
Class 2(b)	Funded Lender Claims against the BMC West Debtors	Impaired	Entitled to vote
Class 2(c)	Funded Lender Claims against the SelectBuild Debtors	Impaired	Entitled to vote

3. **Classes 3(a)-(c): L/C Lender Claims.**

Class	Claims and Interests	Status	Voting Rights
Class 3(a)	Funded Lender Claims against BMHC	Impaired	Entitled to vote
Class 3(b)	Funded Lender Claims against the BMC West Debtors	Impaired	Entitled to vote
Class 3(c)	Funded Lender Claims against the SelectBuild Debtors	Impaired	Entitled to vote

4. **Classes 4(a)-(c): Other Secured Claims.**

Class	Claims and Interests	Status	Voting Rights
Class 4(a)	Other Secured Claims against BMHC	Unimpaired	Not entitled to vote (Deemed to accept)
Class 4(b)	Other Secured Claims against the BMC West Debtors	Unimpaired	Not entitled to vote (Deemed to accept)
Class 4(c)	Other Secured Claims against the SelectBuild Debtors	Unimpaired	Not entitled to vote (Deemed to accept)

5. **Classes 5(a)-(c): L/C General Unsecured Claims.**

Class	Claims and Interests	Status	Voting Rights
Class 5(a)	L/C General Unsecured Claims against BMHC	Unimpaired	Not entitled to vote (Deemed to accept)
Class 5(b)	L/C General Unsecured Claims against the BMC West Debtors	Unimpaired	Not entitled to vote (Deemed to accept)
Class 5(c)	L/C General Unsecured Claims against the SelectBuild Debtors	Unimpaired	Not entitled to vote (Deemed to accept)

6. **Classes 6(a)-(c): General Unsecured Claims.**

Class	Claims and Interests	Status	Voting Rights
Class 6(a)	BMHC General Unsecured Claims	Impaired	Entitled to vote
Class 6(b)	BMC West General Unsecured Claims	Impaired	Entitled to vote
Class 6(c)	SelectBuild General Unsecured Claims	Impaired	Entitled to vote

7. **Classes 7(a)-(c): Intercompany Claims.**

Class	Claims and Interests	Status	Voting Rights
Class 7(a)	Intercompany Claims against BMHC	Unimpaired	Not entitled to vote (Deemed to accept)
Class 7(b)	Intercompany Claims against the BMC West Debtors	Unimpaired	Not entitled to vote (Deemed to accept)
Class 7(c)	Intercompany Claims against the SelectBuild Debtors	Unimpaired	Not entitled to vote (Deemed to accept)

8. **Classes 8(a)-(c): Small Unsecured Claims.**

Class	Claims and Interests	Status	Voting Rights
Class 8(a)	Small Unsecured Claims against BMHC	Impaired	Entitled to vote
Class 8(b)	Small Unsecured Claims against the BMC West Debtors	Impaired	Entitled to vote
Class 8(c)	Small Unsecured Claims against the SelectBuild Debtors	Impaired	Entitled to vote

9. **Classes 9(a)-(c): Interests.**

Class	Claims and Interests	Status	Voting Rights
Class 9(a)	Interests in BMHC	Impaired	Not entitled to vote (Deemed to reject)
Class 9(b)	Intercompany Interests in BMC West Debtors	Unimpaired	Not entitled to vote (Deemed to accept)
Class 9(c)	Intercompany Interests in the SelectBuild Debtors	Unimpaired	Not entitled to vote (Deemed to accept)

10. Class 10(a)-(c): Section 510(b) Claims.

Class	Claims and Interests	Status	Voting Rights
Class 10(a)	Section 510(b) Claims against BMHC	Impaired	Not entitled to vote (Deemed to reject)
Class 10(b)	Section 510(b) Claims against BMC West Debtors	Impaired	Not entitled to vote (Deemed to reject)
Class 10(c)	Section 510(b) Claims against the SelectBuild Debtors	Impaired	Not entitled to vote (Deemed to reject)

For a detailed description of the Classes of Claims and the Classes of Interests, as well as their respective treatment under the Plan, see Article IV of the Plan.

B. ACCEPTANCE OR REJECTION OF THE PLAN

The Bankruptcy Code defines "acceptance" of a plan by a class of claims or interests as acceptance by Holders of at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims or Interests in that class that cast ballots for acceptance or rejection of the plan. Assuming that at least one Impaired Class with respect to each of BMHC, the BMC West Debtors and the SelectBuild Debtors votes to accept the Plan, the Debtors will seek to confirm the Plan under section 1129(b) of the Bankruptcy Code, which permits the confirmation of a plan notwithstanding the non-acceptance by one or more Impaired classes of Claims or Interests. Under section 1129(b) of the Bankruptcy Code, a plan may be confirmed if (a) the plan has been accepted by at least one Impaired class of Claims and (b) the Bankruptcy Court determines that the plan does not discriminate unfairly and is "fair and equitable" with respect to the non-accepting classes. A more detailed discussion of these requirements is provided in Article XVII of this Disclosure Statement.

C. VOTING PROCEDURES

To determine whether you are entitled to vote on the Plan, refer to section II(A) above. If you are entitled to vote, you should carefully review this Disclosure Statement, including the attached exhibits and the instructions accompanying the Ballot. Then, indicate your acceptance or rejection of the Plan by voting for or against the Plan on the enclosed Ballot and return the Ballot in the postage-paid envelope provided. If you are a creditor of more than one of BMHC, the BMC West Debtors or the SelectBuild Debtors, you may cast one vote with respect to the plans for each of these entities which are contained in the Plan, or you may vote separately with respect to the plans for each of these entities which are contained in the Plan. Please refer to Exhibit C "Disclosure Statement Approval Order" and Exhibit D "Voting Procedures Order" for more information.

To be sure your Ballot is counted, your Ballot must be received by The Garden City Group, Inc. (the "Voting Agent"), as instructed in your Ballot, no later than 5:00 p.m. Prevailing Eastern Time on [_____], 2009 (the "Voting Deadline"). Your Ballot will not be counted if received after the Voting Deadline.

If you must return your Ballot to your bank, broker, agent, or nominee, then you must return your Ballot to such bank, broker, agent or nominee in sufficient time for them to process your Ballot and return it to the Debtors' Voting Agent before the Voting Deadline. Your Ballot will not be counted if received after the Voting Deadline.

DO NOT RETURN SECURITIES OR ANY OTHER DOCUMENTS WITH YOUR BALLOT.

It is important that Creditors exercise their right to vote to accept or reject the Plan. Even if you do not vote to accept the Plan, you may be bound by it if it is accepted by the requisite holders of Claims. The amount and

number of votes required for confirmation of the Plan are computed on the basis of the total amount and number of Claims actually voting.

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST POSSIBLE RECOVERIES TO THE DEBTORS' CREDITORS. THE DEBTORS THEREFORE BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF EACH AND EVERY CLASS OF CREDITORS AND URGE ALL HOLDERS OF IMPAIRED CLAIMS ENTITLED TO VOTE ON THE PLAN TO VOTE TO ACCEPT THE PLAN.

D. CONFIRMATION HEARING

Section 1128(a) of the Bankruptcy Code requires a bankruptcy court, after notice, to hold a hearing on confirmation of a plan filed under chapter 11 of the Bankruptcy Code. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan.

1. Confirmation Hearing Date

The Confirmation Hearing will commence on [ ], 2009, at [ ].m. (Prevailing Eastern Time), before The Honorable [ ], United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, 5th Floor, Courtroom ____, 824 Market Street, Wilmington, Delaware 19801. The Confirmation Hearing may be continued from time to time without further notice other than an adjournment announced in open court or a notice of adjournment filed with the Bankruptcy Court and served on the Persons specified in Bankruptcy Rule 2002, all Persons who have requested notice in these Chapter 11 Cases, and the Persons who have filed objections to the Plan ("Plan Objections"), without further notice to parties in interest. The Bankruptcy Court, in its discretion and prior to the Confirmation Hearing, may put in place additional procedures governing the Confirmation Hearing. The Plan may be modified, if necessary, prior to, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

2. Plan Objection Deadline

The Plan Objection Deadline is 4:00 p.m. (Prevailing Eastern Time) on [ ], 2009. All Plan Objections must be filed with the Bankruptcy Court and served on the Debtors and certain other parties in accordance with the notice of confirmation hearing attached as Exhibit ____ to the Disclosure Statement Approval Order (the "Confirmation Hearing Notice") on or before the Plan Objection Deadline. In accordance with the Confirmation Hearing Notice, Plan Objections or requests for modifications to the Plan, if any, must:

- Be in writing;
- conform to the Bankruptcy Rules;
- state the name and address of the objecting Person and the amount and nature of the Claim or Interest of such Person;
- state with particularity the basis and nature of the Plan Objection and, if practicable, a proposed modification to the Plan that would resolve such Plan Objection; and
- be filed, contemporaneously with a proof of service, with the Bankruptcy Court and served so that it is **actually received** by the notice parties identified in the Confirmation Hearing Notice on or prior to the Plan Objection Deadline.

The Debtors' proposed schedule will provide Persons sufficient notice of the Plan Objection Deadline pursuant to Bankruptcy Rule 2002(b). The Debtors believe that the Plan Objection Deadline will afford the Bankruptcy Court, the Debtors and other parties in interest reasonable time to consider the Plan Objections prior to the Confirmation Hearing.

THE BANKRUPTCY COURT WILL NOT CONSIDER PLAN OBJECTIONS UNLESS THEY ARE TIMELY SERVED AND FILED BY THE PLAN OBJECTION DEADLINE IN COMPLIANCE WITH THE DISCLOSURE STATEMENT ORDER.

III. GENERAL INFORMATION

A. THE COMPANY'S BUSINESS OPERATIONS

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 5 regional construction services facilities.

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

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. The BMC West brand also includes the services provided by the Debtor Illinois Framing, Inc.

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.

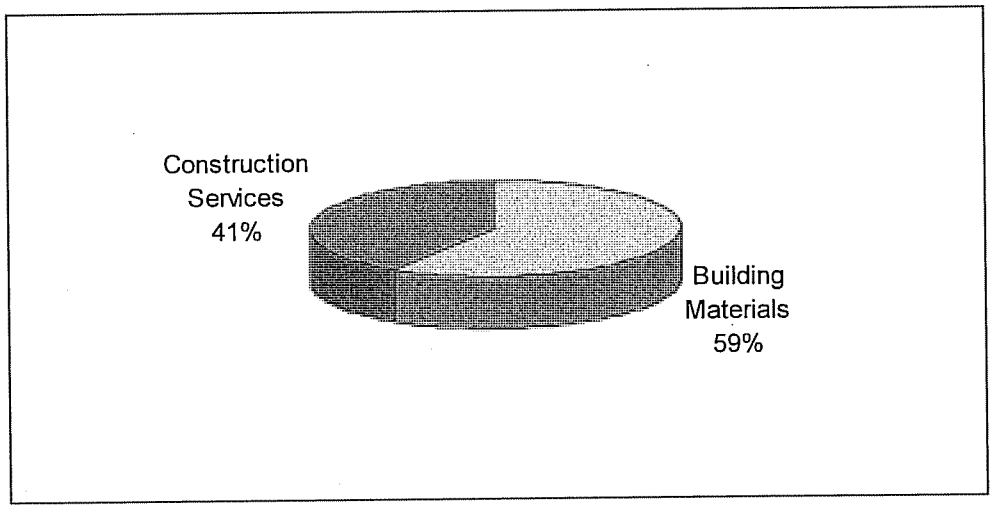
The Debtors operate in metropolitan areas that have historically outpaced U.S. averages for residential building permit activity (largely in the Southern and Western portions of the United States). Based on National Association of Home Builders building permit activity, the Debtors provide building products and construction services in 9 of the top 25 single-family construction markets.

In addition to their strategic geographic locations, the Debtors have many other competitive strengths that enable them to attract business. For example, the Debtors' full offering of building materials, manufactured products, and construction services allows the Debtors to help professional builders and contractors reduce costs and cycle time. Similarly, the Debtors' long-term relationships with their suppliers provide the Debtors with purchasing advantages—including volume rebate programs and preferred customer status when supplies or liquidity are limited—which are passed on to the Debtors' customers in the form of reduced costs and increased on-time reliability. The Debtors have also cultivated a reputation for providing superior quality building components and construction services by employing experienced, service-oriented individuals to procure, produce, and deliver these products and services.

The Debtors' principal executive offices are located in Boise, Idaho. As of the Petition Date, the Debtors employed approximately 5,500 people. Debtor Building Materials Holding Corporation is a public company that

trades on the OTC Bulletin Board under the ticker symbol BLGM. For the twelve months ended March 31, 2009, the Debtors' revenue totaled approximately $1.1 billion. As of March 31, 2009 the book value of the Debtors' assets totaled approximately $480 million and its liabilities totaled approximately $481 million.

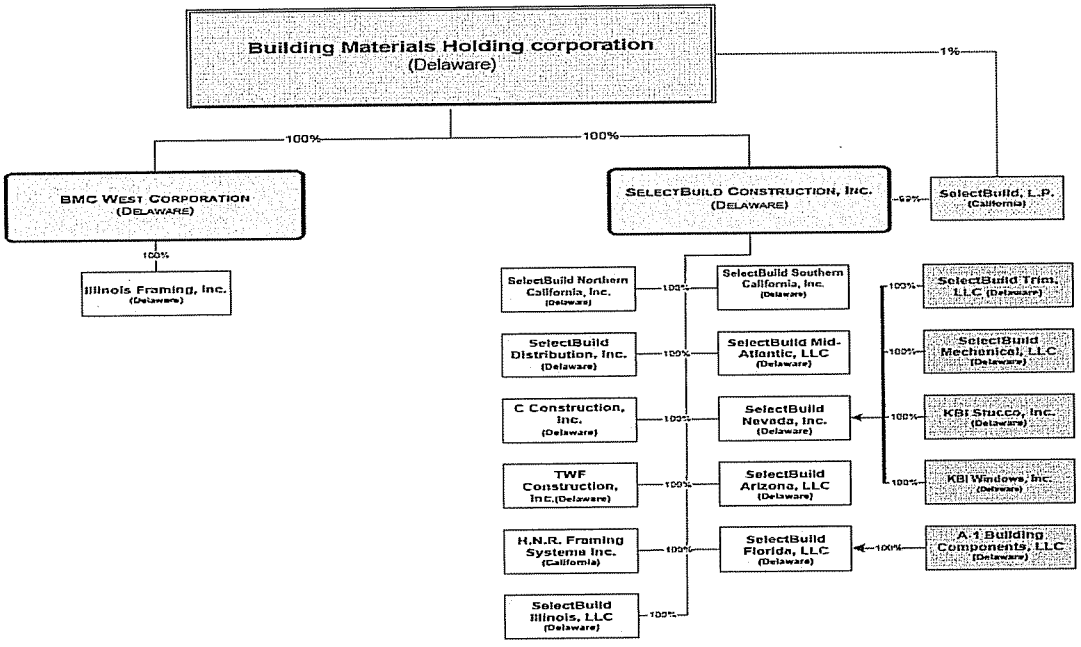
Figure 1 – Debtors' Sales Revenue by Product Type



B. THE COMPANY'S ORGANIZATION STRUCTURE

The following chart generally depicts the Debtors' prepetition organizational structure just prior to a merger that took effect on or about June 10, 2009 pursuant to which the Company merged its dormant subsidiaries, SelectBuild Distribution, Inc., SelectBuild L.P., SelectBuild Mid-Atlantic, LLC, SelectBuild Florida, LLC, SelectBuild Mechanical, LLC, SelectBuild Trim, LLC, KBI Stucco, Inc, KBI Windows, Inc. and A-1 Building Components, LLC, with and into SelectBuild Southern California, Inc.:

Figure 2 – Debtors' Prepetition/Pre-Merger Organizational Structure



IV. SUMMARY OF PREPETITION INDEBTEDNESS AND FINANCING

A. THE COMPANY'S PREPETITION CREDIT AGREEMENT

The Debtors' prepetition credit facility consists of a $340 million secured term loan maturing in November 2011 (the "Prepetition Term Loan") and a $200 million secured revolving line of credit, with a letter of credit sublimit (the "Prepetition Revolving Credit Facility"). In addition, the Debtors have entered into interest rate swap agreements (the "Swap Agreements") with various parties and owe prepetition payment-in-kind interest of approximately $6 million under the Prepetition Term Loan. All of these obligations are secured by a pari passu first priority, perfected security interest in substantially all of the assets of the Debtors, other than BMHC.

As of the Petition Date, there were approximately $20 million in borrowings outstanding under the Prepetition Revolving Credit Facility and approximately $269 million in principal was outstanding under the Prepetition Term Loan. In addition, as of the Petition Date, there were open, but undrawn, letters of credit (collectively, the "Letters of Credit") issued under the Prepetition Revolving Credit Facility in the amount of approximately $113 million. As of the Petition Date, the Debtors believe that the termination obligations under the Swap Agreements were approximately $6 million. Pursuant to the DIP Facility, the Debtors are seeking to roll-up $4 million of the approximately $20 million outstanding amount of the Prepetition Revolving Credit Facility into the DIP Facility.

The Prepetition Term Loan and Revolving Credit Facility. Debtor Building Materials Holding Corporation, as the borrower, the other Debtors, as guarantors, Wells Fargo Bank, as administrative agent ("WFB" or the "Administrative Agent"), and the lenders party thereto (together with the Administrative Agent, the "Prepetition Lenders") are parties to that certain Second Amended and Restated Credit Agreement, dated as of November 10, 2006 (the "Prepetition Credit Agreement"), as amended by that certain First Amendment to Second Amended and Restated Credit Agreement and Waiver, dated as of February 29, 2008 (the "First Amendment") and that certain Second Amendment to Second Amended and Restated Credit Agreement and Waiver, dated as of September 30, 2008 (the "Second Amendment"). The Prepetition Credit Agreement provides for the $200 million Prepetition Revolving Credit Facility and the $340 million Prepetition Term Loan, which is scheduled to mature on November 10, 2011. The Debtors' ability to draw on the $200 million Prepetition Revolving Credit Facility is subject to certain borrowing base limitations. The Prepetition Credit Agreement is secured pursuant to that certain Third Amended and Restated Security Agreement by and among the Debtors and the Administrative Agent (the "Prepetition Security Agreement"), dated as of November 10, 2006, which grants the Lenders a security interest in substantially all of the Debtors' assets. As of the Petition Date, there were approximately $20 million in borrowings outstanding under the Prepetition Revolving Credit Facility and approximately $269 million in principal was outstanding under the Prepetition Term Loan. Pursuant to the DIP Facility, the Debtors are seeking to roll-up $4 million of the approximately $20 million outstanding amount of the Prepetition Revolving Credit Facility into the DIP Facility.

The Letters of Credit. The Debtors caused to be issued various Prepetition Letters of Credit in favor of certain of the Debtors' creditors. The Prepetition Letters of Credit were issued primarily in favor of the Debtors' insurers for the deductible portion of automobile, general liability, and workers' compensation claims, with respect to performance bonds for projects undertaken by the Debtors and with respect to obligations owed to certain of the Debtor's key material suppliers.. Wells Fargo Bank issued the Prepetition Letters of Credit under the terms of the Prepetition Credit Agreement, by which the outstanding Letters of Credit reduce the $200 amount available to the Debtors under the Prepetition Revolving Credit Facility. These Prepetition Letters of Credit renew automatically on their various anniversary dates or until released by their respective beneficiaries. As of the Petition Date, there were open, but undrawn, Letters of Credit in the amount of approximately $113 million.

Swap Agreements. The Debtors are party to two ISDA Master Agreements, (a) an ISDA Agreement with BNP Paribas dated as of April 7, 2004 (along with all schedules and amendments to same, the "BNP Paribas Master Agreement") and (b) an ISDA Agreement with Suntrust Bank dated as of October 10, 2006 (along with all schedules and amendments to same, the "Suntrust Bank Master Agreement" and, together with the BNP Paribas Master Agreement, the "Prepetition Master Agreements"). The Prepetition Master Agreements govern multiple Transactions (as defined in the Prepetition Master Agreements) between the parties. Obligations arising from such Transactions, moreover, are secured by the Collateral (as defined in the Prepetition Master Agreements), and the

resulting security interests are pari passu with that created under the Prepetition Security Agreement. Section 5(a)(vii) of each of the Prepetition Master Agreements gives BNP Paribas and Suntrust Bank the right to terminate such agreements on account of these Chapter 11 Cases. As of the Petition Date, the Debtors believe that the termination obligations under the Swap Agreements were approximately $6 million.

B. THE COMPANY'S OTHER DEBT

Other Secured Borrowings. The Debtors have a limited amount of other long-term secured debt. Such other debt consists of (a) an obligation owed to various parties from whom BMC West purchased real property in 2006, which obligation is secured by the real property that was purchased (the "Mitchell Obligation") and (b) an equipment capital lease. The outstanding liability with respect to Mitchell Obligation is approximately $950,000 and the obligation under the equipment lease is approximately $8,000. The interest rate on the Mitchell Obligation is 7%, payments are monthly and the maturity date is December 2010.

Trade Credit/Expense Accrual. The Debtors also receive unsecured credit from most vendors and suppliers, though the Debtors do have two trade suppliers whose rights to payment are secured by Prepetition Letters of Credit. As of the Petition Date, the Debtors estimate that they owe approximately $31 million to their unsecured trade creditors with respect to invoices and inventory received. In addition, the Debtors anticipate that they have accrued expenses for the month of May, for which they have not yet received invoices, of approximately $717,000.

SERP Claims/Other Deferred Compensation Claims/Executive Bonus. In 1993, BMHC developed a Supplemental Employee Retirement Plan (the "SERP") to help meet retirement and retention objectives for key Company employees. There are currently two programs, the 1994 "Old Plan," which was frozen in order to preserve less restrictive Internal Revenue Service rules, and the 2005 "New Plan," which has more restrictive election and distribution procedures. Both plans are non-qualified deferred compensation plans. The cost of the program was offset by reductions in BMHC's cash profit-sharing program. The plan is funded with 5.5% of BMHC earnings after tax. The SERP was frozen by BMHC's compensation committee in November 2008 due to market conditions and the Company's financial performance.

Benefits under the SERP are paid out upon retirement as elected by the participant, either in a lump sum or monthly installment payments. The benefits are funded from life insurance policies held by BMHC in a "rabbi" trust. The rabbi trust holds various insurance assets that have a cash surrender value of approximately $16 million. As of the Petition Date, BMHC owed $21 million to SERP claimants.

In addition, BMHC has another deferred compensation plan, separate from SERP, that benefits nine former employees that are owed approximately $1.1 million under the plan, and has accrued approximately $835,000 with respect to certain executive bonuses.

Liability under Leases. Prior to the Petition Date, the Debtors were parties to numerous unexpired real and personal property leases which the Debtors utilized to operate their businesses. As of the Petition Date, the Debtors no longer needed certain of these leases due to the Debtor's restructuring efforts whereby the Debtors discontinued operations in many locations and closed several business units. As a result, the Debtors were maintaining leases for unoccupied parcels of real property as well as trucks, tractors and trailers, vans, heavy equipment and office equipment that were not being used in the course of the Debtors' businesses. The Debtors expect to reject such leases, resulting in rejection damages claims of approximately $_____.

Employment Agreement Claims. Prior to the Petition Date, the Debtors entered into a number of employment agreements with their employees and former employees. Certain of their employment agreements with former employees required the Debtors to make payments to these former employees even though the former employees were no longer providing any benefits to the Debtors. Consequently, the Debtors expect to reject certain employment agreements, resulting in rejection damages claims of approximately $_____.

Ordinary Course Employee Liabilities. The Debtors employ approximately 5,500 employees, of which 80 are part-time and approximately 300 are represented by unions. The Debtors paid all of their undisputed prepetition wage obligations to their employees. However, in the ordinary course of business, each month the

debtors incur approximately $18,343,000 in employee wage obligations. In addition the Debtors employ approximately 10 independent contractors to whom the Debtors pay an average of $100,000 per month. The Debtors reimburse employees and directors for certain business-related expenses such as travel, meals, parking and similar expenses. On average, the Debtors reimburse approximately $250,000 in business related expenses per month. The Debtors provide company-leased vehicles or a base allowance plus adjustable fuel allowance for employees who travel in excess of 12,000 miles per year on account of business. The Debtors incur approximately $355,000 per month on account of these automobile expenses.

The Debtors offer their employees a variety of benefits including: health insurance, dental insurance, vision care, vacation time, leaves of absence, 401(k) plans, retirement benefits with respect to union-sponsored pension plans provided by certain of the unions that represent the Debtors' employees, life and accidental death and dismemberment insurance, short and long term disability benefits, flexible benefit plans, relocation program, tuition reimbursement, severance pay, and retiree medical benefits. The Debtors paid all of their undisputed obligations on account of these benefits. On account of these benefits, the Debtors incur an average of $2,300,000 per month.

The Debtors intend to pay these employee related expenses on a going-forward basis in the ordinary course of business. In addition, the Debtors intend to assume all of their Collective Bargaining Agreements.

C. PENDING LITIGATION

1. Class Action Lawsuits

The Debtors are parties to two pending class action lawsuits:

a. Pedro Alvarado et al. v. Building Materials Holding Corporation et al.; In the Superior Court of the State of California for the County of Los Angeles; Case No. BC391029

This is a class action lawsuit filed in a California state court by a former employee of Debtor HNR Framing, Inc. It alleges that the plaintiff and all similarly situated employees were not paid overtime, given break times or lunch periods as required by California law. The lawsuit seeks to be certified as a class action, but no motion to certify has been filed yet.

The Company denies the allegation that the former employee and all similarly situated employees were not paid properly. The Company believes that the class certification would be inappropriate given the individualized nature of the claims, the variability in the circumstances of the putative class members and the ability of individual employees, each of whom will be given notice of the Chapter 11 Cases, to file their own claims for any alleged violations of wage and hour requirements.

b. Pedro Acevedo et al. v. Building Materials Holding Corporation et al.; In the United States District Court for the Central District of California; CV 08-06227 SJO (Cwx)

This is a class action lawsuit filed in a federal court in California, but plaintiffs are former employees of Debtor Subsidiaries operating in Nevada, California, and Arizona. The lawsuit alleges that all similarly situated employees have not been properly paid for all of their compensable time. The plaintiffs are seeking certification of a class action under the Fair Labor Standards Act ("FLSA") based on alleged violations of the FLSA, including alleged failure to pay overtime, failure to compensate for time spent waiting for materials or work, time spend traveling to and from work sites and other "off the clock" wage claims. Plaintiffs have filed a motion seeking class certification.

The Company denies the allegation that the former employees and all similarly situated employees were not paid in accordance with law. The Company believes that the class certification would be inappropriate given the individualized nature of the claims and the variability in the circumstances (including the applicability of labor laws

in three different states) of the putative class members, and the ability of individual employees, each of whom will be given notice of the Chapter 11 Cases, to file their own claims for any alleged violations of wage and hour requirements.

2. Other Litigation

The Company is also a party to other legal proceedings incidental to its business. While management currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on its consolidated financial statements, litigation is subject to inherent uncertainties. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the Company's financial condition and on the results of operations for the period in which the ruling occurs.

V. EVENTS LEADING TO THE CHAPTER 11 CASES

A series of unforeseen and, unfortunately, unavoidable events placed significant strain on the Debtors' ability to continue servicing its indebtedness and ultimately led to the Debtors' filing of the Chapter 11 Cases. Those events include (A) the unprecedented downturn in the U.S. housing and construction market, (B) the resulting deterioration in the Debtors' financial performance, (C) the Debtors' default under the Prepetition Credit Agreement, and (D) the Debtors' unsuccessful attempts to implement an out-of-court restructuring.

A. THE DOWNTURN IN THE U.S. HOUSING AND CONSTRUCTION MARKETS

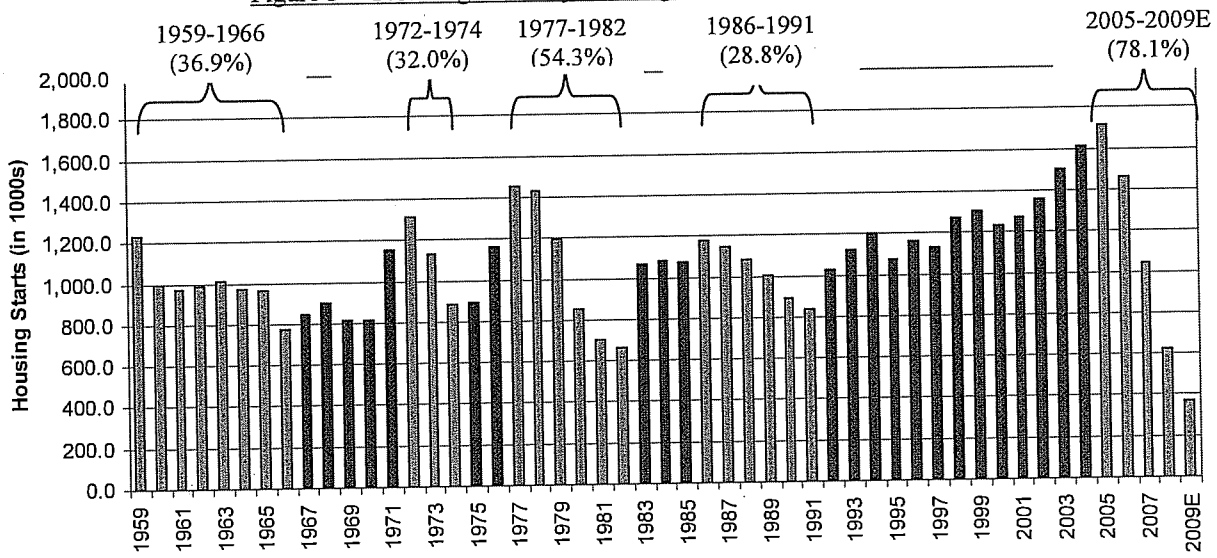
The residential building products and construction services industry is highly dependent upon demand for single-family homes. Various macroeconomic factors, including general economic conditions, interest rates, levels of unemployment, consumer confidence, and the availability of credit influence the demand for single-family homes. Historically, the new home construction sector has been cyclical. During 2006, however, a major housing downturn began in the United States. Indeed, single-family "housing starts" fell more than 14% from approximately 1.72 million in 2005 to approximately 1.47 million in 2006.[4]

The housing market downturn in the United States intensified during 2007, with single-family housing starts in 2007 falling almost 29% from the 2006 rate to approximately 1.05 million, and continued during 2008, with single-family housing starts falling over 40% from the 2007 rate to approximately 622,000. As of March 2009, single-family housing starts have fallen to an annualized rate of less than 400,000 – the lowest level of single-family housing start activity since World War II.

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4 "Housing starts" are considered a leading indicator in the United States housing market. The United States Census Bureau and the Untied States Department of Housing and Urban Development jointly publish a monthly report on housing starts which is available at http://www.census.gov/const/www/newresconstindex.html.

Figure 3 – U.S. Single-Family Housing Start History 1959-2009

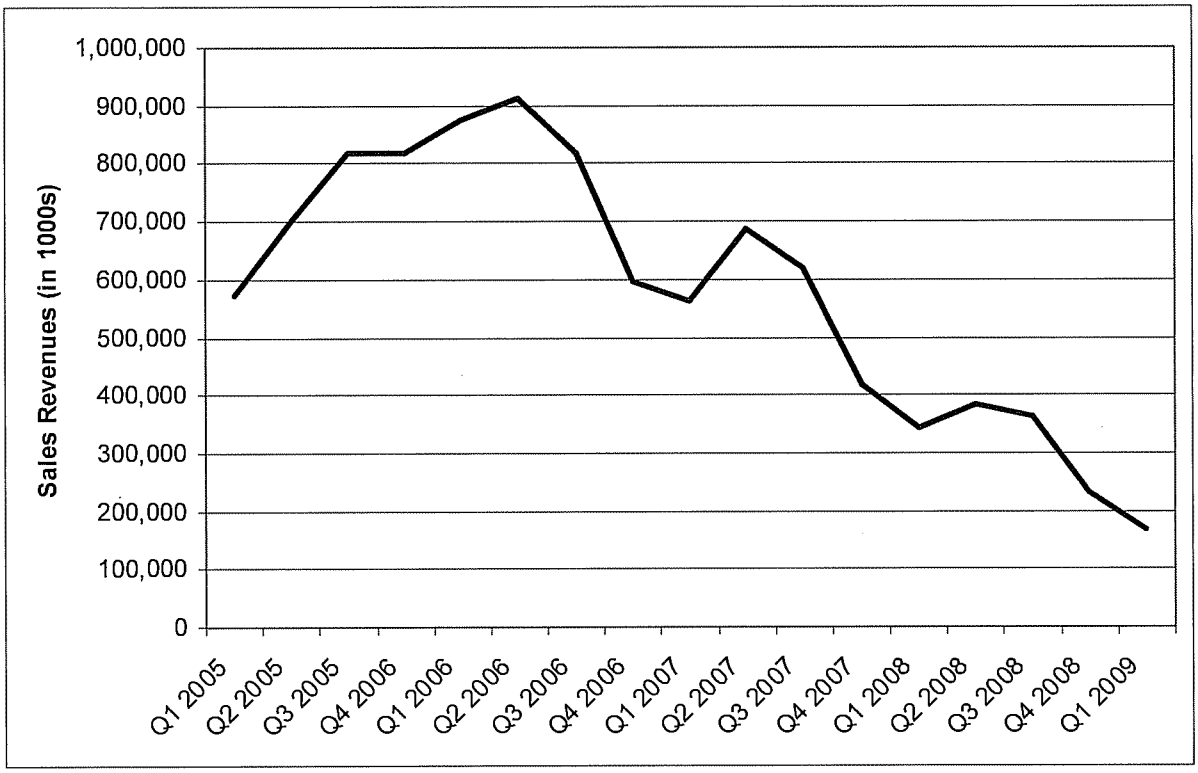


The negative effect of the housing market downturn is compounded by recent turmoil in the general economy, mortgage market, and overall credit markets, which has caused increasing levels of unemployment, a severe decline in home prices, a dramatic tightening of consumer credit, and decreased consumer confidence.

B. THE DEBTORS' FINANCIAL PERFORMANCE DETERIORATES

The adverse market conditions described above negatively affected the Debtors' financial position. Sales revenues declined from $3.0 billion in 2006 to $1.3 billion in 2008.

Figure 4 – Debtors' Unaudited Quarterly Sales Revenue (2005-Q1 2009)



As a result of this unanticipated and precipitous decline in sales revenues, the Debtors began experiencing losses from operations on a continuous basis in the fourth quarter of 2007. For the year ending December 31, 2008, the Debtors experienced a loss of $192,456,000 from continuing operations.

C. THE DEBTORS DEFAULT UNDER THE PREPETITION CREDIT AGREEMENT

The Debtors' Prepetition Credit Agreement requires monthly compliance with financial covenants, including minimum liquidity and adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA"). Ultimately, decreased demand and corresponding sales declines caused the Debtors to fall out of compliance with certain of these financial covenants as of December 31, 2007. As a result of these covenant defaults, the Prepetition Lenders were entitled to seek immediate repayment of $345,625,000 under the Prepetition Credit Agreement. Accordingly, the Debtors engaged WFB, the Administrative Agent, in discussions for a waiver of the financial covenant defaults and an amendment to the covenants in the Prepetition Credit Agreement that would enable the Debtors to meet the covenants on a going-forward basis given the depressed state of the housing market. A description of the initiatives undertaken by the Debtors to address the default under the Prepetition Credit Agreement and the depressed state of the housing market is set forth below.

D. THE DEBTORS' OUT-OF-COURT RESTRUCTURING INITIATIVES

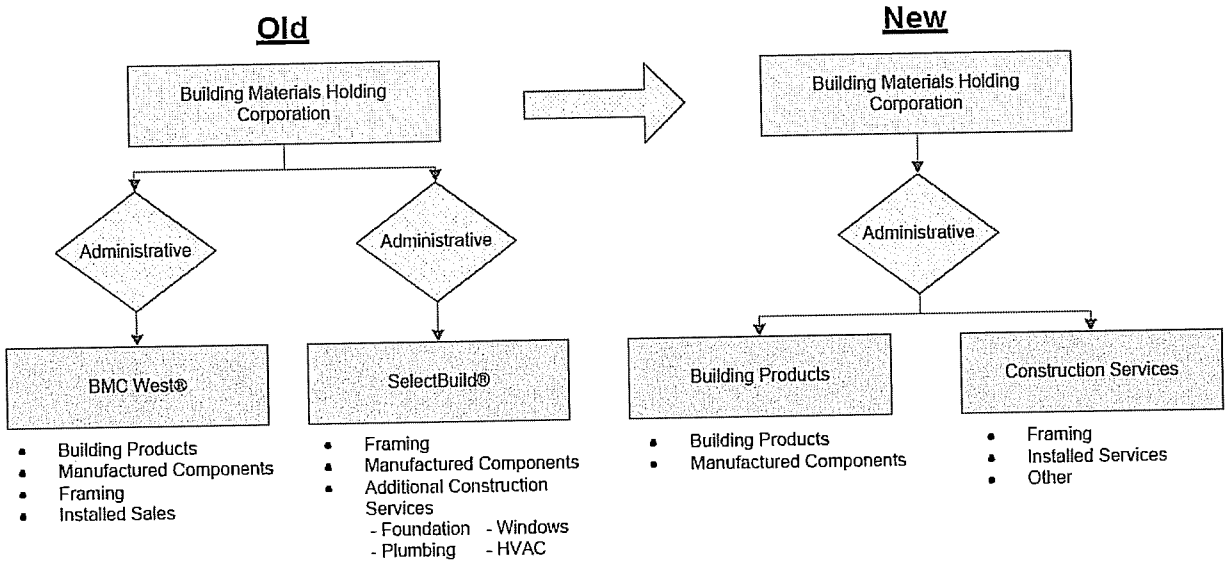
1. Operational Restructuring

In response to the above-described challenging economic and industry conditions, in May 2008 the Debtors initiated a comprehensive analysis of their business operations to rationalize their operations for the current conditions of the homebuilding industry and improve cash flow and profitability. To assist in this analysis, the Debtors engaged Alvarez & Marsal ("A&M"), one of the pre-eminent restructuring turnaround firms in the world. With the assistance of A&M, the Debtors formulated a restructuring plan to right-size their operations, consolidate

their administrative services, reorganize their operations structure, and close or consolidate their underperforming business units.

To implement this restructuring plan, the Debtors have reduced overall headcount from a high of 22,824 in June 2006 to approximately 5,500 as of the Petition Date. The Debtors have also created a shared services organization at their headquarters in Boise, Idaho to provide key administrative services such as information technology, human resources, accounting, marketing, and purchasing. Previously, some individual business locations had provided their own administrative services. In addition, the Debtors have engaged in a comprehensive reorganization of their operations structure in order to eliminate unnecessary overhead expenditures, reduce redundancy, and enhance corporate oversight and control over the business.

Figure 5 – Debtors' Business Operations Reorganization



Finally, the Debtors have taken significant actions to close or consolidate their underperforming business units. To date, the Debtors have sold, wound down or consolidated 78 business units.

2. Financial Restructuring

Throughout February 2008, the Debtors continued negotiating with the Administrative Agent for a waiver of the financial covenant defaults and an amendment to the covenants in the Prepetition Credit Agreement that would enable them to meet the covenants on a going-forward basis given the depressed state of the housing market. To provide the parties with additional time to continue negotiations and avert a possible chapter 11 filing, the parties agreed to a temporary waiver of the financial covenants under the Prepetition Credit Agreement.

On February 29, 2008, the Debtors were able to enter successfully into the First Amendment to the Prepetition Credit Agreement, which, among other provisions, modified the financial covenants to account for the downturn in the housing market by, among other things, lowering the Debtors' consolidated net worth requirement and the minimum EBITDA-to-interest expense ratio and setting new minimum EBITDA default-trigger thresholds. In accordance with the First Amendment, Debtor Building Materials Holding Corporation suspended its quarterly cash dividend to shareholders.

Nonetheless, as the housing market continued to decline, the Debtors fell out of compliance with these new financial covenants after the fiscal period ended June 30, 2008. As a result, the Debtors engaged in further discussions with the Administrative Agent and sought another waiver of their financial covenant and other related defaults and another amendment to the covenants in the Prepetition Credit Agreement. The Debtors were able to obtain a waiver of the existing defaults and, on September 30, 2008, were successful in entering into the Second

Amendment to the Prepetition Credit Agreement which, among other things, reset the minimum EBITDA default-trigger thresholds and added minimum liquidity default-trigger thresholds.

Despite these extensive good-faith renegotiations of the Prepetition Credit Agreement, the unprecedented decline in the housing industry and the concomitant decline in sales of the Debtors' products and services caused the Debtors to fall out of compliance with the minimum adjusted EBITDA required by the Second Amendment for the fiscal period ended February 28, 2009. As part of their continued good-faith negotiations with the Prepetition Lenders, the Debtors were able to obtain a temporary waiver of this and other anticipated defaults through the earlier of (i) April 15, 2009, which was extended through June 1, 2009 and again through June 29, 2009 and (ii) the occurrence of another default.

3. Development of Plan

Prior to the Petition Date, the Debtors, with the assistance of their Professionals and advisors, engaged in extensive efforts to maximize the value of the Debtors' assets. Specifically, the Debtors conducted a broad marketing effort to explore a possible sale of their business. This marketing effort, however, did not yield indications of interest that were consistent with the Debtors' view, in their business judgment, of the best way to maximize the value of their business.

Additionally, the Debtors explored ways in which to refinance some or all of its outstanding prepetition indebtedness. Notwithstanding this effort, due to liquidity restraints in the capital markets, coupled with the severe and well-reported downturn in the U.S. housing markets, the Debtors were unable to obtain interest in a refinancing that could be implemented under the current economic conditions outside of bankruptcy.

Accordingly, the Debtors engaged in good faith, arm's-length negotiations with their prepetition senior secured lenders, among many other potential funding sources, to develop a proposed restructuring that would significantly de-lever the Debtors' balance sheet, while at the same time provide a meaningful recovery to the Debtors' unsecured creditors. After months of negotiations and the consideration of four separate funding proposals, the Debtors and certain of the prepetition senior secured lenders were able to agree to a restructuring proposal, which is embodied in the Plan.

VI. ADMINISTRATION OF THE CHAPTER 11 CASES

A. RELIEF SOUGHT AT THE OUTSET OF THESE CHAPTER 11 CASES

On or shortly after the Petition Date, the Company filed several motions and applications seeking the entry of certain interim orders (collectively, the "First Day Orders") and final orders (collectively, the "Final Orders"), which are intended to facilitate the transition between the Company's prepetition and postpetition business operations by approving certain regular business conduct that may not be authorized specifically under the Bankruptcy Code or as to which the Bankruptcy Code requires prior approval by the Bankruptcy Court.

Recognizing that any interruption of the Company's business, even for a brief period, would negatively impact operations, customer relationships, revenue and profits, the Company filed a number of motions to ensure a stabilization of operations. [Thereafter, the Bankruptcy Court entered a number of First Day and Final Orders granting the Company the authority to, among other things, pay certain prepetition claims and obligations and continue certain existing programs.]

1. Stabilizing Operations

a. Critical Vendors and 503(b)(9) Claimants

The Company relies on certain critical suppliers of goods and services, with whom the Company intends to continue to do business and whose goods and services are essential for the continuation of the Company's operations. The Company believed that the ability to honor prepetition claims of these critical suppliers could be utilized to secure favorable trade terms from these suppliers and in many cases was necessary to continue the

Company's operations, minimize disruption of its delivery schedules to the Company's customers, preserve enterprise value, and emerge successfully from these Chapter 11 Cases.

Many of these critical suppliers and certain other suppliers delivered goods to the Debtors in the ordinary course of business during the 20-day period prior to the Petition Date. Pursuant to section 503(b)(9) of the Bankruptcy Code, creditors have an administrative priority claim to the extent of "the value of any goods received by the debtor within 20 days before the date of commencement of a case under this title in which the goods have been sold to the debtor in the ordinary course of such debtor's business." The Company believed that the ability to pay these suppliers at the outset of these Chapter 11 Cases would increase the likelihood that such suppliers would continue to supply the goods and services necessary to operate the Company's business on favorable credit terms.

[Accordingly, the Bankruptcy Court entered a First Day Order and a Final Order authorizing the Company to pay certain prepetition claims of critical vendors up to $[_____] in the aggregate on a final basis and to pay claims entitled to administrative priority pursuant to section 503(b)(9) during the pendency of these Chapter 11 Cases [Docket Nos. ____, respectively].]

b. Outstanding Orders, Goods in Transit, Warehousemen, and Mechanic's/Materialman's Lien Claimants

Prior to the Petition Date, and in the ordinary course of business, the Company ordered goods for which delivery would not occur until after the Petition Date. The Company believed that the suppliers of these goods might refuse to ship or transport such goods (or recall such shipments) unless the Company issued substitute purchase orders postpetition or obtained an order of the Bankruptcy Court: (a) granting administrative expense priority under section 503(b) of the Bankruptcy Code to all of the Company's undisputed obligations arising from the acceptance of goods ordered prior to the Petition Date and (b) authorizing the Company to satisfy such obligations in the ordinary course of business.

In addition, in the period immediately prior to the Petition Date, certain of the Company's goods were in transit or were stored in third-party warehouses. The Company believed that, unless it was authorized to pay certain shippers and warehousemen, it would have been highly unlikely that the Company would have recovered possession of these goods. The Company was concerned that the shippers and warehousemen possessed lien rights or the ability to exercise "self-help" remedies to secure payment of their claims, and, as such, any failure by the Company to satisfy outstanding shipping charges and warehousing charges could have had a material adverse impact on the Company's business.

The Company also does business with a number of third parties who could potentially assert liens against the Company and its property or its customers' property for amounts the Company owes to those third parties, including mechanic's liens and materialman's liens. The Company was concerned that if it was unable to satisfy the prepetition claims of those third parties, they could have either prevented the Company from retrieving its tooling or other equipment or could have prevented the Company from receiving payment from its customers, who often require lien releases from these third parties before they will pay the Company.

[Accordingly, the Bankruptcy Court entered a Final Order authorizing, among other things, the Company to pay for goods ordered prior to the Petition Date in the ordinary course of business, to pay certain prepetition claims of shippers and warehousemen, and to pay certain prepetition claims of other potential lien claimants [Docket No._____].]

c. Employee Compensation

The Company relies on its employees for its day-to-day business operation. The Company believed that absent the ability to honor prepetition wages, salaries, benefits and the like, its employees might have sought alternative employment opportunities, perhaps with the Company's competitors, thereby depleting the Company's workforce, hindering the Company's ability to meet its customer obligations and likely diminishing confidence in the Company's ability to successfully reorganize. The loss of valuable employees would have been distracting at a critical time when the Company was focused on stabilizing its operations. [Accordingly, the Bankruptcy Court

entered a First Day Order and a Final Order authorizing the Company to pay, among other amounts, prepetition claims and obligations for (1) wages, salaries and other compensation, (2) reimbursable employee expenses and (3) employee medical and similar benefits [Docket Nos. _____, respectively].]

d. Taxes

The Company believed that, in some cases, certain authorities had the ability to exercise rights that would be detrimental to the Company's restructuring if the Company failed to meet the obligations imposed upon it to remit certain taxes and fees. Therefore, the Company felt that it was in its best interests to eliminate the possibility of any unnecessary distractions. [Accordingly, the Company sought, and the Bankruptcy Court entered, a Final Order authorizing the Company to pay taxes and fees, including sales, income, use, and franchise taxes as well as business license fees and certain other governmental charges as necessary or appropriate to avoid harm to the Company's business operations [Docket No _____].]

e. Insurance Coverage

The Company felt that the maintenance of its prepetition insurance policies and premium financing agreements was critical to the preservation of the value of the Company's estate, and that payment of any unpaid prepetition amounts owed in connection with its insurance policies was necessary to continue operating in certain states, prevent its insurers from drawing on letters of credit, keep its insurance policies in current effect and/or ensure that there were no inadvertent lapses in coverage. [Accordingly, the Bankruptcy Court entered a Final Order authorizing the Company to (1) continue prepetition insurance policies and programs and to pay any obligations relating thereto and (2) maintain prepetition premium financing agreements [Docket No. _____].]

f. Cash Management System

As part of a smooth transition into these Chapter 11 Cases and in an effort to avoid administrative inefficiencies, maintaining the Company's cash management system was of critical importance. Thus, the Company sought [and the Bankruptcy Court entered] a Final Order authorizing the Company to continue using its existing cash management system, bank accounts and business forms and authorizing the Company to open new bank accounts. [Further, the Court deemed the Company's bank accounts the debtor-in-possession accounts and authorized the Company to maintain and continue using these accounts in the same manner and with the same account numbers and document forms as those employed prior to the Petition Date. In addition, the Bankruptcy Court authorized the Company to continue to perform intercompany transactions in the ordinary course of business and to continue its prepetition investment practices [Docket No. ___].]

g. Utilities

Section 366 of the Bankruptcy Code protects the Company from utility service cutoffs upon a bankruptcy filing while providing utility companies with adequate assurance that the Company will pay for postpetition services. The Company agreed to provide the utilities with a deposit equal to the approximate value of two weeks of utility services (which amount was reduced by certain deposits held by utility providers) as the adequate assurance required by the Bankruptcy Code. [Consequently, the Bankruptcy Court entered a First Day Order and a Final Order approving procedures for, among other things, determining adequate assurance for utility providers and prohibiting utility providers from altering, refusing or discontinuing services without further Bankruptcy Court order [Docket Nos. ___, respectively].]

h. Customer Programs

Prior to the Petition Date, the Company enacted certain customer programs such as warranty, rebate and similar programs designed to develop customer loyalty, encourage new purchases, sustain goodwill, enhance customer satisfaction and ensure that the Company remains competitive. The Company believed that these customer programs assisted, and continue to assist, it in retaining current customers, attracting new ones and, ultimately, increasing revenue. The continuation of these customer programs and retention of core customers is a critical element of the Company's successful reorganization.

[On _____, 2009, the Bankruptcy Court entered a Final Order authorizing the Company to continue its customer programs and to honor prepetition commitments owed to customers [Docket No. __].]

i. Foreign Vendors

The Company relies on certain foreign vendors to supply products that the Company sells to its customers or that are necessary to the Company's production of manufactured building components. The Company believed that continued delivery of the goods supplied by the foreign vendors was necessary to avoid disruptions to its business operations. The Company believed that it was necessary to honor the prepetition obligations to these foreign vendors because foreign vendors are unfamiliar with U.S. bankruptcy laws and the Company's failure to pay even a single invoice would have posed a significant risk that the foreign vendors would take precipitous action against the Company. [Therefore, the Bankruptcy Court entered a Final Order authorizing the Debtors to pay certain prepetition claims of foreign vendors up to $[_____] in the aggregate on a final basis [Docket No. ____].]

j. Lease Rejection

Prior to the Petition Date, the Company was party to unexpired leases for the use and occupancy of certain nonresidential real property which it no longer needed as a result of pre and postpetition restructuring efforts. The Company believed that these leases posed a significant drain on its assets with no corresponding benefit because the relevant properties were not being occupied. [Accordingly, the Bankruptcy Court entered a Final Order authorizing the Debtors to reject certain real property leases *nunc pro tunc* to the Petition Date [Docket No. ___].]

The Company was also party to unexpired leases for the use of certain trucks, trailers, heavy equipment and office equipment which it no longer needed as a result of pre and postpetition restructuring efforts and downsizing. The Company believed that these leases posed a significant drain on its assets with no corresponding benefit because the relevant personal property was no longer being used. [Accordingly, the Bankruptcy Court entered a Final Order authorizing the Debtors to reject certain personal property leases *nunc pro tunc* to the Petition Date [Docket No. ___].]

2. The Debtor in Possession Financing and Use of Cash Collateral

On June 16, 2009, the Company sought approval to enter into the DIP Facility which consists of an $80 million revolving credit facility, with a $20 million letter of credit sublimit, extended by the DIP Lenders. The administrative agent under the DIP Facility is WFB (or in such capacity, the "DIP Administrative Agent"), which also is the prepetition Administrative Agent under the Prepetition Credit Agreement. WFB and various other Prepetition Lenders under the Prepetition Credit Agreement are the DIP Lenders. The DIP Facility provides for repayment of $4.0 million of the prepetition amounts outstanding under the Prepetition Credit Agreement's revolver (the "Roll-Up Debt").

[On _____, 2009, the Bankruptcy Court entered a First Day Order (the "Interim DIP Order") authorizing the Company to borrow up to $40 million on an interim basis under the DIP Facility [Docket No. ___]. In addition to approving the interim financing, the Bankruptcy Court authorized the Company to use cash collateral in which the DIP Lenders and/or the Prepetition Lenders may have an interest, pursuant to the term and conditions set forth in the Interim DIP Order.

On _____, 2009, the Bankruptcy Court entered a Final Order (the "Final DIP Order") approving, on a final basis, among other things, (i) the DIP Facility and the Company's access to the full commitment thereunder; (ii) the cash collateral provisions and related adequate protection package for the Prepetition Lenders; and (iii) the repayment of the Roll-Up Debt [Docket No. ____]].

3. Employment and Compensation of Advisors

To assist the Company in carrying out its duties as Debtors-in-possession and to otherwise represent the Company's interests in the Chapter 11 Cases, [the Bankruptcy Court authorized the Company to retain and employ the following advisors: Gibson, Dunn & Crutcher, LLP; Young Conaway Stargatt & Taylor, LLP; Alvarez &

Marsal; Peter J. Solomon Company; PriceWaterhouseCoopers LLC, and KPMG. On _____, 2009, the Bankruptcy Court entered an order approving certain procedures for the interim compensation and reimbursement of Professionals in the Chapter 11 Cases [Docket No. _____]. The Bankruptcy Court also entered an order authorizing the Company to continue to employ and pay other professionals in the ordinary course of business [Docket No. _____].]

4. The Plan and Disclosure Statement

On the Petition Date, the Company filed the Plan and a draft of this Disclosure Statement to implement the restructuring. [The Disclosure Statement hearing was conducted on _____, 2009, and the Bankruptcy Court entered the Disclosure Statement Approval Order on _____, 2009.]

5. The Voting Procedures Order

On _____, 2009, the Company filed a Motion seeking approval of the balloting and solicitation procedures applicable to the Plan. [On _____, 2009, the Bankruptcy Court entered the Voting Procedures Order.]

B. UNSECURED CREDITORS

1. Appointment of the Creditors' Committee

On _____, 2009, the U.S. Trustee appointed the Committee pursuant to section 1102 of the Bankruptcy Code. The members of the Committee are: _____.

The Committee retained _____ as its legal counsel. The Committee also has retained _____ as its financial advisor [Docket No. _____]. [On _____, 2009, the Bankruptcy Court entered Final Orders approving the retention of _____ [Docket Nos. __]].

2. Meeting of Creditors

The meeting of creditors pursuant to section 341 of the Bankruptcy Code is scheduled to commenced on _____, 2009 at the J. Caleb Boggs Federal Building, 844 King Street, 2nd Floor, Room 2112, Wilmington, Delaware 19801. In accordance with Bankruptcy Rule 9001(5) (which requires, at a minimum, that one representative of the Company appear at such meeting of creditors for the purpose of being examined under oath by a representative of the U.S. Trustee and by any attending parties in interest), at least one representative of the Company, as well as counsel to the Company, will attend the meeting and answer questions posed by the U.S. Trustee and other parties in interest present at the meeting.

C. SCHEDULES

[On _____, 2009, the Bankruptcy Court entered an order granting the Company an extension of time to file its Schedules of Assets and Liabilities and Statement of Financial Affairs [Docket No. __] through and including _____, 2009].

D. CLAIMS BAR DATE

[On _____, 2009, the Bankruptcy Court approved _____, 2009 at 5:00 p.m. (Prevailing Eastern Time) as the general Claims Bar Date and has approved the form and manner of the notice of the Claims Bar Date [Docket No. __]].

VII. SUMMARY OF THE PLAN

A. ADMINISTRATIVE EXPENSE CLAIMS, PRIORITY TAX CLAIMS AND PROFESSIONAL COMPENSATION CLAIM

1. **Administrative Expense Claims**On the later of (i) the Effective Date or (ii) if the Administrative Expense Claim is not Allowed as of the Effective Date, 30 days after the date on which an Administrative Expense Claim becomes Allowed, the Disbursing Agent shall either (x) pay to each Holder of an Allowed Administrative Expense Claim, in Cash, the full amount of such Allowed Administrative Expense Claim, or (y) satisfy and discharge such Administrative Expense Claim in accordance with such other terms that the Debtors and such Holder shall have agreed upon; *provided, however*, that such agreed-upon treatment shall not be more favorable than the treatment provided in clause (x). Notwithstanding the foregoing, if the Allowed Administrative Expense Claims are based on liabilities incurred in the ordinary course of business during the Postpetition Period, such Holders of an Allowed Administrative Expense Claim shall receive Cash pursuant to the terms and conditions of the particular transaction giving rise to such Allowed Administrative Expense Claims without any further action by the Holders of such Allowed Administrative Expense Claims.

2. **Professional Compensation Claims**Notwithstanding any other provision of the Plan dealing with Administrative Expense Claims, any Person seeking a Professional Compensation Claim shall, no later than 30 days after the Confirmation Date, file a final application for allowance of compensation for services rendered and reimbursement of expenses incurred through the Effective Date. To the extent that such an award is granted by the Bankruptcy Court, the requesting Person shall receive: (i) payment of Cash in an amount equal to the amount Allowed by the Bankruptcy Court less all interim compensation paid to such Professional during the Chapter 11 Cases, such payment to be made within the later of (a) the Effective Date or (b) three (3) business days after the Order granting such Person's final fee application becomes a Final Order; (ii) payment on such other terms as may be mutually agreed upon by the Holder of the Professional Compensation Claim and BMHC or Reorganized BMHC, as applicable (but in no event shall the payment exceed the amount Allowed by the Bankruptcy Court); or (iii) payment in accordance with the terms of any applicable administrative procedures orders entered by the Bankruptcy Court, including the Interim Compensation Order, dated [_____], 2009. All Professional Compensation Claims for services rendered after the Confirmation Date, including those relating to the prosecution of Causes of Action preserved hereunder, shall be paid by Reorganized BMHC upon receipt of an invoice therefor, or on such other terms as Reorganized BMHC (or the Debtors prior to the Effective Date) and the Professional may agree, without the requirement of a further Bankruptcy Court order.

3. **Priority Tax Claims**Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each Holder of such Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code.

4. **DIP Facility**Notwithstanding any other provision of the Plan dealing with Administrative Expense Claims, Administrative Expense Claims arising under the DIP Facility shall be Allowed Administrative Expense Claims on the Effective Date and shall be paid in full in Cash on the Effective Date, and all excess Cash in the Cash Collateral Account shall remain with the Reorganized Debtors.

5. **U.S. Trustee Fees**

U.S. Trustee Fees incurred by the U.S. Trustee prior to the Effective Date shall be paid on the Distribution Date in accordance with the applicable schedule for payment of such fees. Until each of the Chapter 11 Cases is closed by entry of a final decree of the Bankruptcy Court, the Liquidating Trust shall pay additional U.S. Trustee Fees incurred in accordance with the applicable schedule for the payment of such fees if the Liquidating Trust Existence Condition Precedent occurs; otherwise, such additional U.S. Trustee Fees shall be paid by the Reorganized Debtors.

B. CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND EQUITY SECURITIES

1. Summary

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims against and Interests in the Debtors. A Claim or Interest is placed in a particular Class for the purposes of voting on the Plan and receiving Distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and such Claim or Interest has not been paid, released, withdrawn, or otherwise settled prior to the Effective Date. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims of the kinds specified in sections 507(a)(2) and 507(a)(8), respectively, of the Bankruptcy Code have not been classified and their treatment is set forth in Article II of the Plan and described above.

The Plan constitutes a separate chapter 11 plan of reorganization for BMHC. The Plan also constitutes a single chapter 11 plan of reorganization for each of (i) the BMC West Debtors and (ii) the SelectBuild Debtors, which, respectively, shall be substantively consolidated for the purposes of voting, Distribution, and Confirmation, but not for corporate reorganizational or operational purposes except to the extent described in the Restructuring Transactions Memorandum. In the event that the Bankruptcy Court does not authorize substantive consolidation of the BMC West Debtors and/or the SelectBuild Debtors, the Plan will constitute a separate plan of reorganization for each of the BMC West Debtors and/or the SelectBuild Debtors, as applicable. Pursuant to section 1122 of the Bankruptcy Code, set forth below is a summary of Classes of Claims against and Interests in the Debtors.

2. Summary of Classification and Treatment of Classified Claims and Interests

Classes	Type of Claim or Interest	Treatment of Claim/Interest	Projected Recovery Under the Plan
1(a)-(c)	Other Priority Claims	Claims in these Classes are Unimpaired. The Plan provides for payment of each Allowed Other Priority Claim in full in Cash.	100%
2(a)-(c)	Funded Lender Claims	Claims in these Classes are Impaired. Each Holder of an Allowed Funded Lender Claim shall receive (i) the Funded Lender's Share of Sale Cash Collateral Excess Proceeds Account Effective Date Amount, (ii) a Term Note issued by Reorganized BMHC under the Term Loan Credit Agreement in an original aggregate principal amount equal to $135,000,000 (less the Sale Cash Collateral Excess Proceeds Account Effective Date Amount) multiplied by such Holder's Pro Rata share of Allowed Funded Lender Claims; and (iii) its Pro Rata share of the Reorganized BMHC Equity Interests, subject to dilution by (a) any Reorganized BMHC Equity Interests issued from time to time to the Holders of L/C Lender Claims up to the Reorganized BMHC Equity Interest L/C Cap and (b) any Reorganized BMHC Equity Interests issued after the Effective Date in respect of the Long Term Incentive Plan.	66.5%
3(a)-(c)	L/C Lender Claims	Claims in these Classes are Impaired. From and after the Effective Date, obligations of the Prepetition L/C Lenders (whether Wells Fargo Bank, N.A. ("WFB"), as the letter of credit issuer under the Prepetition Credit Agreement, or the Prepetition Revolving Lenders in respect of their several reimbursement obligations to WFB arising under the Prepetition Credit Agreement) shall continue to be governed by the lender reimbursement provisions of the Prepetition Credit Agreement. Reorganized BMHC shall have no obligations whatsoever in respect of the letter of credit reimbursement obligations	NA

Classes	Type of Claim or Interest	Treatment of Claim/Interest	Projected Recovery Under the Plan
		arising in respect of the Prepetition Letters of Credit, except (a) the Holders of Allowed L/C Lender Claims shall be entitled to the L/C Lender Fee and (b) as expressly set forth in Section 4.3.2.2 of the Plan, and all Liens with respect to the Prepetition Credit Agreement shall be released, discharged and extinguished. To the extent any Allowed L/C Lender Claim is liquidated on or after the Petition Date, each Holder of an Allowed L/C Lender Claim shall, in full satisfaction, release, and discharge of and in exchange for the Liquidated L/C Amount of such Claim, receive the following: (A) a Term Note issued by Reorganized BMHC under the Term Loan Credit Agreement in an original aggregate principal amount equal to 50% of the Liquidated L/C Amount of the Allowed L/C Lender Claim; provided, however, that the maximum amount of the Term Notes issued in connection with Allowed L/C Lender Claims shall not exceed the Maximum L/C Lenders Term Note Cap; provided, however, that the principal amount of any Term Note issued by Reorganized BMHC on the Effective Date to the Holder of an Allowed L/C Lender Claim in respect of the Liquidated L/C Amount of such Claim shall be reduced by the L/C Lender's Share of the Sale Cash Collateral Excess Proceeds Account Effective Date Amount; (B) Reorganized BMHC Equity Interests, rounded to the nearest whole number, equal to such L/C Lender's Pro Rata share of the aggregate Reorganized BMHC Equity Interest L/C Cap multiplied by the ratio (expressed as a percentage) of the Liquidated L/C Amount to the Maximum L/C Lenders Term Note Cap, subject to dilution by any Reorganized BMHC Equity Interests issued after the Effective Date in respect of the Long Term Incentive Plan. The total Reorganized BMHC Equity Interests that shall be issued with respect to Allowed L/C Lender Claims shall not exceed the Reorganized BMHC Equity Interest L/C Lender Cap; and (C) The L/C Lender's Share of the Sale Cash Collateral Excess Proceeds Account Effective Date Amount. If, and only to the extent, a Prepetition L/C Lender fails to reimburse in full WFB in respect of its reimbursement obligation to WFB arising under the Prepetition Credit Agreement, WFB shall be entitled to receive the distribution described above which would otherwise be payable to such defaulting Prepetition L/C Lender. Prepetition Letters of Credit shall not be used by the Reorganized Debtors to collateralize obligations that do not exist as of the Effective Date, notwithstanding any provision of the Prepetition Letters of Credit to the contrary; provided, however, that the obligations under insurance policies and/or performance bonds incurred prior to the Effective Date shall (i) survive the Effective Date (as provided in Section [__] of the Plan) and (ii) be collateralized by the Prepetition Letters of Credit until the earlier to occur of (a) the termination of such obligations or (b) the Maturity Date under the Term Loan Credit Agreement.	

Classes	Type of Claim or Interest	Treatment of Claim/Interest	Projected Recovery Under the Plan
		Allowed L/C Lender Claims or any portion thereof that are not liquidated prior to the occurrence of the Maturity Date of the Term Loan Credit Agreement shall be extinguished, and any outstanding Prepetition Letters of Credit at that time shall be cancelled and replaced by the Reorganized Debtors as and to the extent necessary in accordance with their business judgment.	
4(a)-(c)	Other Secured Claims	Claims in these Classes are Unimpaired. Each Allowed Other Secured Claim shall be reinstated or otherwise rendered unimpaired.	100%
5(a)-(c)	L/C General Unsecured Claims	Claims in these Class are Unimpaired. Each Allowed L/C General Unsecured Claim shall be reinstated, paid in full, or otherwise rendered Unimpaired.	100%
6(a)	BMHC General Unsecured Claims	Claims in this Class are Impaired. Provided that the Class votes to accept the Plan, each Holder of an Allowed BMHC Unsecured Claim shall receive its Pro Rata share of the BMHC Beneficial Interests in the Liquidating Trust, which shall entitle such Holder to distributions from the Liquidating Trust Assets as and to the extent set forth in the Plan and Liquidating Trust Agreement. Notwithstanding the foregoing, each Holder of an Allowed BMHC General Unsecured Claim shall be entitled, by exercise of the election set forth on the Ballot with respect to such BMHC General Unsecured Claim, to make the Small Unsecured Claims Class Election. If the Cass votes to reject the Plan, on the Distribution Date, each Holder of an Allowed BMHC General Unsecured Claim shall receive its Pro Rata share of the BMHC Rejection Distribution.	55.2%
6(b)	BMC West General Unsecured Claims	Claims in this Class are Impaired. Provided that the Class votes to accept the Plan, each Holder of an Allowed BMC West General Unsecured Claim shall receive its Pro Rata share of the BMC West Beneficial Interests in the Liquidating Trust, which shall entitle such Holder to distributions from the Liquidating Trust Assets as and to the extent set forth in the Plan and the Liquidating Trust Agreement. Notwithstanding the foregoing, each Holder of a BMC West General Unsecured Claim shall be entitled, by exercise of the election set forth on the Ballot with respect to such Allowed Other Debtor Unsecured Claim, to make the Small Unsecured Claims Class Election. If the Class votes to reject the Plan, on the Distribution Date, each Holder of an Allowed BMC West General Unsecured Claim shall receive its Pro Rata share of the BMC West Rejection Distribution.	55.2%
6(c)	SelectBuild General Unsecured Claims	Claims in this Class are Impaired. Provided that the Class votes to accept the Plan, ach Holder of an Allowed SelectBuild General Unsecured Claim shall receive its Pro Rata share of the SelectBuild Beneficial Interests in the Liquidating Trust, which shall entitle such Holder to distributions from the Liquidating Trust Assets as and to the extent set forth in the Plan and the Liquidating Trust Agreement. Notwithstanding the foregoing, each Holder of a SelectBuild General Unsecured Claim shall be entitled, by exercise of the election set forth on the Ballot with respect to such Allowed Other Debtor Unsecured Claim, to make the Small Unsecured Claims Class Election.	55.2%

Classes	Type of Claim or Interest	Treatment of Claim/Interest	Projected Recovery Under the Plan
		If the Class votes to reject the Plan, on the Distribution Date, each Holder of an Allowed SelectBuild General Unsecured Claim shall receive its Pro Rata share of the SelectBuild Rejection Distribution.	
7(a)-(c)	Intercompany Claims	Claims in these Classes are Unimpaired. To preserve the Debtors' corporate structure, Intercompany Claims may be reinstated as of the Effective Date or, at the Debtors' or Reorganized Debtors' option, be cancelled, and no distributions shall be made on account of such Claims.	100%
8(a)-(c)	Small Unsecured Claims	Claims in these Classes are Impaired. Each Holder of a Small Unsecured Claim shall receive Cash equal to the lesser of (i) 100% of the Allowed Amount of such Claim (excluding any interest) or (ii) $5,000; provided, however, that the Small Unsecured Claims Class Election shall only be effective upon the Confirmation Order and the occurrence of the Effective Date.	100%
9(a)	Interests in BMHC	Interests in this Class are Impaired. All Interests in BMHC shall be cancelled without further distribution.	NA
9(b)-(c)	Other Interests	Interests in these Classes are not impaired. Intercompany Interests in each of the BMC West Debtors and the SelectBuild Debtors shall be reinstated for the benefit of the Holders thereof.	NA
10(a)-(c)	Section 510(b) Claims	Claims in these Classes are Impaired. All Section 510(b) Claims shall be cancelled and discharged without further distribution.	0%

3. Effect of Non-Voting; Modifications.

At the Confirmation Hearing, the Debtors will seek a ruling that if no Holder of a Claim or Interest eligible to vote in a particular Class timely votes to accept or reject the Plan, the Plan will be deemed accepted by the Holders of such Claims or Interests in such Class for the purposes of section 1129(b) of the Bankruptcy Code. Subject to section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, the Debtors reserve the right to modify the Plan to the extent that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification, provided such modifications are consistent with Section 12.5 of the Plan.

4. Classification and Treatment of Claims and Interests

To the extent a Class contains Allowed Claims or Allowed Interests with respect to the Debtors, the treatment provided to each Class for distribution purposes is specified below:

a. Treatment of Classes 1(a)-(c) – Other Priority Claims.

Impairment and Voting. Classes 1(a)-(c) are Unimpaired by the Plan. Each Holder of an Allowed Other Priority Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

Treatment. On the Distribution Date, each Holder of an Allowed Other Priority Claim shall receive in full satisfaction, release, and discharge of and in exchange for such Claim: (i) payment of Cash in an amount equal to the unpaid portion of such Allowed Other Priority Claim, or (ii) such other treatment that the Debtors and such Holder shall have agreed upon in writing; *provided, however*, that such agreed-upon treatment shall not be more favorable than the treatment provided in clause (i).

b. Treatment of Classes 2(a)-(c) – Funded Lender Claims.

Impairment and Voting. Classes 2(a)-(c) are Impaired by the Plan. Each Holder of an Allowed Funded Lender Claim as of the Record Date is entitled to vote to accept or reject the Plan.

Treatment. Each Holder of an Allowed Funded Lender Claim shall, in full satisfaction, release, and discharge of and in exchange for such Claim, receive (i) the Funded Lender's Share of the Sale Cash Collateral Excess Proceeds Account Effective Date Amount, (ii) a Term Note issued by Reorganized BMHC under the Term Loan Credit Agreement in an original aggregate principal amount equal to $135,000,000 (less the Sale Cash Collateral Excess Proceeds Account Effective Date Amount) multiplied by such Holder's Pro Rata share of Allowed Funded Lender Claims; and (iii) its Pro Rata share of the Reorganized BMHC Equity Interests, subject to dilution by (a) any Reorganized BMHC Equity Interests issued from time to time to the Holders of L/C Lender Claims up to the Reorganized BMHC Equity Interest L/C Lender Cap and (b) any Reorganized BMHC Equity Interests issued after the Effective Date in respect of the Long Term Incentive Plan.

c. Treatment of Classes 3(a)-(c) – L/C Lender Claims.

Impairment and Voting. Classes 3(a)-(c) are Impaired by the Plan. Each Holder of an Allowed L/C Lender Claim as of the Record Date is entitled to vote to accept or reject the Plan.

Treatment. Allowed L/C Lender Claims shall be treated as follows:

1. From and after the Effective Date, obligations of the Prepetition L/C Lenders (whether WFB, as the letter of credit issuer under the Prepetition Credit Agreement, or the Prepetition Revolving Lenders in respect of their several reimbursement obligations to WFB arising under the Prepetition Credit Agreement) shall continue to be governed by the lender reimbursement provisions of the Prepetition Credit Agreement. Reorganized BMHC shall have no obligations whatsoever in respect of the letter of credit reimbursement obligations arising in respect of the Prepetition Letters of Credit, except (a) the Holders of Allowed L/C Lender Claims shall be entitled to the L/C Lender Fee and (b) as expressly set forth in Section 4.3.2.2 of the Plan, and all Liens with respect to the Prepetition Credit Agreement shall be released, discharged and extinguished.

2. To the extent any Allowed L/C Lender Claim is liquidated on or after the Petition Date, each Holder of an Allowed L/C Lender Claim shall, in full satisfaction, release, and discharge of and in exchange for the Liquidated L/C Amount of such Claim, receive the following:

(A) a Term Note issued by Reorganized BMHC under the Term Loan Credit Agreement in an original aggregate principal amount equal to 50% of the Liquidated L/C Amount of the Allowed L/C Lender Claim; *provided, however*, that the maximum amount of the Term Notes issued in connection with Allowed L/C Lender Claims shall not exceed the Maximum L/C Lenders Term Note Cap; provided, however, that the principal amount of any Term Note issued by Reorganized BMHC on the Effective Date to the Holder of an Allowed L/C Lender Claim in respect of the Liquidated L/C Amount of such Claim shall be reduced by the L/C Lender's Share of the Sale Cash Collateral Excess Proceeds Account Effective Date Amount;

(B) Reorganized BMHC Equity Interests, rounded to the nearest whole number, equal to .such L/C Lender's Pro Rata share of the aggregate Reorganized BMHC Equity Interests L/C Lender Cap multiplied by the ratio (expressed as a percentage) of the Liquidated L/C Amount to the Maximum L/C Lenders Term Note Cap, subject to dilution by any Reorganized BMHC Equity Interests issued after the Effective Date in respect of the Long Term Incentive Plan. The total Reorganized BMHC Equity Interests that shall be issued with respect to Allowed L/C Lender Claims shall not exceed the Reorganized BMHC Equity Interest L/C Lender Cap; and

(C) The L/C Lender's Share of the Sale Cash Collateral Excess Proceeds Account Effective Date Amount.

3. If, and only to the extent, a Prepetition L/C Lender fails to reimburse in full WFB in respect of its reimbursement obligation to WFB arising under the Prepetition Credit Agreement, WFB shall be entitled to receive

the distribution described in Section 4.3.2.2 of the Plan which would otherwise be payable to such defaulting Prepetition L/C Lender.

4. Prepetition Letters of Credit shall not be used by the Reorganized Debtors to collateralize obligations that do not exist as of the Effective Date, notwithstanding any provision of the Prepetition Letters of Credit to the contrary; provided, however, that the obligations under insurance policies and/or performance bonds incurred prior to the Effective Date shall (i) survive the Effective Date (as provided in Section [__] of the Plan) and (ii) be collateralized by the Prepetition Letters of Credit until the earlier to occur of (a) the termination of such obligations or (b) the Maturity Date under the Term Loan Credit Agreement.

5. Allowed L/C Lender Claims or any portion thereof that are not liquidated prior to the occurrence of the Maturity Date of the Term Loan Credit Agreement shall be extinguished, and any outstanding Prepetition Letters of Credit at that time shall be cancelled and replaced by the Reorganized Debtors as and to the extent necessary in accordance with their business judgment.

d. Treatment of Classes 4(a)-(c) – Other Secured Claims.

Impairment and Voting. Classes 4(a)-(c) are Unimpaired by the Plan. Each Holder of an Allowed Other Secured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

Treatment. Except to the extent that a Holder of an Other Secured Claim agrees to a less favorable treatment, in full satisfaction, settlement, release, and discharge of and in exchange for each Other Secured Claim, each Allowed Other Secured Claim shall be reinstated or otherwise rendered Unimpaired.

e. Treatment of Classes 5(a)-(c) –L/C General Unsecured Claims.

Impairment and Voting. Classes 5(a)-(c) are Unimpaired by the Plan. Each Holder of an Allowed L/C General Unsecured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

Treatment. Except to the extent that a Holder of an L/C General Unsecured Claim agrees to a less favorable treatment, in full satisfaction, settlement, release, and discharge of and in exchange for each L/C General Unsecured Claim, each Allowed L/C General Unsecured Claim shall be reinstated, paid in full or otherwise rendered Unimpaired.

f. Treatment of Class 6(a)--BMHC General Unsecured Claims.

Impairment and Voting. Class 6(a) is Impaired by the Plan. Each Holder of an Allowed BMHC General Unsecured Claim as of the Record Date is entitled to vote to accept or reject the Plan.

Treatment. Provided that this Class votes to accept the Plan, on the Distribution Date, each Holder of an Allowed BMHC General Unsecured Claim shall, in full satisfaction, release, and discharge of and in exchange for such Claim, receive its Pro Rata share of BMHC Beneficial Interests in the Liquidating Trust, which shall entitle such Holder to distributions from the Liquidating Trust of the Liquidating Trust Assets as and to the extent set forth in the Plan and the Liquidating Trust Agreement. Notwithstanding the foregoing, each Holder of an Allowed BMHC General Unsecured Claim shall be entitled, by exercise of the election set forth on the Ballot with respect to such BMHC General Unsecured Claim, to make the Small Unsecured Claims Class Election.

If the Class votes to reject the Plan, on the Distribution Date, each Holder of an Allowed BMHC General Unsecured Claim shall, in full satisfaction, release, and discharge of and in exchange for such Claim, receive its Pro Rata share of the BMHC Rejection Distribution.

g. Treatment of Class 6(b) – BMC West General Unsecured Claims.

Impairment and Voting. Class 6(b) is Impaired by the Plan. Each Holder of an Allowed BMC West General Unsecured Claim as of the Record Date is entitled to vote to accept or reject the Plan.

Treatment. Provided that this Class votes to accept the Plan, on the Distribution Date, each Holder of an Allowed BMC West General Unsecured Claim shall, in full satisfaction, release, and discharge of and in exchange for such Claim, receive its Pro Rata share of the BMC West Beneficial Interests in the Liquidating Trust, which shall entitle such Holder to distributions from the Liquidating Trust of the Liquidating Trust Assets as and to the extent set forth in the Plan and the Liquidating Trust Agreement. Notwithstanding the foregoing, each Holder of an Allowed BMC West General Unsecured Claim shall be entitled, by exercise of the election set forth on the Ballot with respect to such Allowed Other Debtor General Unsecured Claim, to make the Small Unsecured Claims Class Election.

If the Class votes to reject the Plan, on the Distribution Date, each Holder of an Allowed BMC West General Unsecured Claim shall, in full satisfaction, release, and discharge of and in exchange for such Claim, receive its Pro Rata share of the BMC West Rejection Distribution.

h. Treatment of Class 6(c) – SelectBuild General Unsecured Claims.

Impairment and Voting. Class 6(c) is Impaired by the Plan. Each Holder of an Allowed SelectBuild General Unsecured Claim as of the Record Date is entitled to vote to accept or reject the Plan.

Treatment. Provided that this Class votes to accept the Plan, on the Distribution Date, each Holder of an Allowed SelectBuild General Unsecured Claim shall, in full satisfaction, release, and discharge of and in exchange for such Claim, receive its Pro Rata share of the SelectBuild Beneficial Interests in the Liquidating Trust, which shall entitle such Holder to distributions from the Liquidating Trust of the Liquidating Trust Assets as and to the extent set forth in the Plan and the Liquidating Trust Agreement. Notwithstanding the foregoing, each Holder of an Allowed SelectBuild General Unsecured Claim shall be entitled, by exercise of the election set forth on the Ballot with respect to such Allowed Other Debtor General Unsecured Claim, to make the Small Unsecured Claims Class Election.

If the Class votes to reject the Plan, on the Distribution Date, each Holder of an Allowed SelectBuild General Unsecured Claim shall receive, in full satisfaction, release, and discharge of and in exchange for such Claim, its Pro Rata share of the SelectBuild Rejection Distribution.

i. Treatment of Classes 7(a)-(c) – Intercompany Claims.

Impairment and Voting. Classes 7(a)-(c) are Unimpaired by the Plan. Each Holder of an Allowed Intercompany Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

Treatment. To preserve the Debtor's corporate structure, Intercompany Claims may be reinstated as of the Effective Date or, at the Debtors' or Reorganized Debtors' option, be cancelled and no distributions shall be made on account of such Claims.

j. Treatment of Classes 8(a)-(c) – Small Unsecured Claims.

Impairment and Voting. Classes 8(a)-(c) are Impaired by the Plan. Each Holder of a Small Unsecured Claim as of the Record Date is entitled to vote to accept or reject the Plan.

Treatment. On the Distribution Date, each Holder of a Small Unsecured Claim shall receive, in full satisfaction, release, and discharge of and in exchange for such Claim, Cash equal to the lesser of (i) 100% of the Allowed Amount of such Claim (excluding any interest) or (ii) $5,000 in Cash; *provided, however*, that the Small

Unsecured Claims Class Election shall only be effective upon entry of the Confirmation Order and the occurrence of the Effective Date.

k. Treatment of Class 9(a) – Interests in BMHC.

Impairment and Voting. Class 9(a) is Impaired by the Plan. Each Holder of an Interest in BMHC is conclusively presumed to have rejected the Plan and is not entitled to vote to accept or reject the Plan.

Treatment. On the Effective Date, all Interests in BMHC shall be cancelled without further distribution.

l. Treatment of Classes 9(b)-(c) – Other Interests.

Impairment and Voting. Classes 9(b)-(c) are Unimpaired by the Plan. Each Holder of an Intercompany Interest in any BMC West Debtor or SelectBuild Debtor is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

Treatment. In full and final satisfaction, settlement, release, and discharge of and in exchange for each Intercompany Interest, Intercompany Interests in each of the BMC West Debtors and the SelectBuild Debtors shall be reinstated for the benefit of the Holders thereof.

m. Treatment of Classes 10(a)-(c) – Section 510(b) Claims.

Impairment and Voting. Classes 10(a)-(c) are Impaired by the Plan. Each Holder of a Section 510(b) claim is conclusively presumed to have rejected the Plan and is not entitled to vote to accept or reject the Plan.

Treatment. On the Effective Date, all Section 510(b) Claims shall be cancelled and discharged without any distribution.

C. DISCLAIMER GOVERNING UNIMPAIRED CLAIMS

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Company's rights in respect of any Unimpaired Claims, including, without limitation, all rights in respect of legal and equitable defenses to, or setoffs or recoupments against, any such Unimpaired Claims.

D. ACCEPTANCE OR REJECTION OF THE PLAN

1. Voting Classes

Classes 2(a)-(c), 3(a)-(c), 6(a)-(c), and 8(a)-(c) are Impaired under the Plan and are entitled to vote to accept or reject the Plan.

2. Presumed Acceptance of the Plan

Classes 1(a)-(c), 4(a)-(c), 5(a)-(c), 7(a)-(c) and 9(b)-(c) are Unimpaired under the Plan. Pursuant to section 1126(f) of the Bankruptcy Code the Holders of Claims and Interests in such Classes are conclusively presumed to have accepted the Plan and are therefore not entitled to vote to accept or reject the Plan.

3. Presumed Rejection of the Plan

Classes 7(a)-(c), 9(a) and 10(a)-(c) are Impaired under the Plan. Pursuant to section 1126(g) of the Bankruptcy Code the Holders of Claims and Interests in such Classes are deemed not to have accepted the Plan and are therefore not entitled to vote to accept or reject the Plan.

E. CONFIRMATION PURSUANT TO SECTIONS 1129(A)(8) AND/OR (10) AND 1129(B) OF THE BANKRUPTCY CODE

BMHC shall tabulate all votes on its Plan on a non-consolidated basis for purposes of determining whether the Plan satisfies sections 1129(a)(8) and/or (10) of the Bankruptcy Code. The BMC West Debtors shall tabulate all votes on the Plan on a consolidated basis by Class for the purpose of determining whether the Plan has satisfied sections 1129(a)(8) and/or (10). The SelectBuild Debtors shall tabulate all votes on the Plan on a consolidated basis by Class for the purpose of determining whether the Plan has satisfied sections 1129(a)(8) and/or (10) of the Bankruptcy Code. If no Impaired Classes accept the Plan, the Debtors may modify the Plan to appropriately address the rights of the Holders of Allowed Claims. The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests.

F. CONTROVERSY CONCERNING IMPAIRMENT

If a controversy arises as to whether any Claims or Interests, or any Class of Claims or Interests, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

VIII. MEANS FOR IMPLEMENTATION OF THE PLAN AND POSTPETITION GOVERNANCE OF REORGANIZED DEBTORS

A. SUBSTANTIVE CONSOLIDATION OF BMC WEST DEBTORS AND SELECTBUILD DEBTORS, RESPECTIVELY

The Plan represents three separate plans, one for BMHC, one for the BMC West Debtors and, finally, one for the SelectBuild Debtors. The BMC West Debtors and the SelectBuild Debtors are, respectively, substantively consolidated for all purposes and actions associated with consummation of the Plan, including, without limitation, for purposes of voting, Distribution and Confirmation, but not for corporate organizational or operational purposes except to the extent described in the Restructuring Transactions Memorandum. Without limiting the generality of the foregoing, (i) all Assets and liabilities of the BMC West Debtors and the SelectBuild Debtors shall, respectively, be treated as though they were merged into one Estate solely for purposes of the Plan, (ii) for all purposes associated with Confirmation, including, without limitation, for purposes of tallying acceptances and rejections of the Plan, the Estates of the BMC West Debtors and the SelectBuild Debtors shall, respectively, be deemed to be one consolidated Estate, and (iii) each and every Claim filed or to be filed in the Chapter 11 Cases of the BMC West Debtors and the SelectBuild Debtors shall, respectively, be deemed filed against all the BMC West Debtors or the SelectBuild Debtors as applicable. As a result of the consolidation, any guaranty by one or more of (i) the BMC West Debtors of the obligations of another BMC West Debtor, and all intercompany claims of the BMC West Debtors, and (ii) the SelectBuild Debtors of the obligations of another SelectBuild Debtor, and all intercompany claims of the SelectBuild Debtors, will be eliminated.

Substantive consolidation of the BMC West Debtors and the SelectBuild Debtors, respectively, shall not affect distributions from any insurance policies or proceeds of such policies. The Restructuring Transactions Memorandum describes the legal and organizational structure of the Reorganized Debtors from and after the Effective Date.

The Debtors firmly believe that the limited substantive consolidation of the BMC West Debtors and the SelectBuild Debtors sought in the Plan is justified. For purposes of dealing with creditors, the BMC West Debtors and the SelectBuild Debtors, respectively, were often treated as a single consolidated entity. For example, when determining to extend credit to a BMC West Debtor or a SelectBuild Debtor, creditors were provided access only to a consolidated financial statement for BMHC that was segmented by the BMC West and SelectBuild reporting groups. Creditors were not provided with specific financial statements for the particular Debtor involved. Thus, from the perspective of creditors, those dealing with any of the BMC West Debtors or the SelectBuild Debtors, respectively, would have perceived that they were dealing with a single entity. Further, the assets and liabilities of the BMC West Debtors and the SelectBuild Debtors, respectively, are so commingled that separating them would be prohibitive, costly and would serve no purpose given that each and every creditor's Distribution under the Plan is significantly greater than what such creditor would receive even if all the Assets and liabilities of each BMC West

Debtor and each SelectBuild Debtor were separated. More particularly, the limited substantive consolidation proposed under the Plan benefits each and every creditor of the Debtors because all the Debtors are obligated (either as borrower or guarantor) under the Prepetition Loan Agreement and substantially all of the assets of the BMC West Debtors and the SelectBuild Debtors secure such debt. The total value of the BMC West Debtors and the SelectBuild Debtors, both on an individual basis and in the aggregate, is less than the amount owed under the Prepetition Credit Agreement. Thus, even if the specific Assets and liabilities of the BMC West Debtors and the SelectBuild Debtors were determined after some costly analysis or litigation, only nominal distributions (if any) would be available to the creditors of the BMC West Debtors or the SelectBuild Debtors (other than to the Prepetition Lenders) absent the settlement provided in the Plan. Thus, all unsecured Creditors of these entities are significantly advantaged by the Plan, which proposes to pay the principal amount of such Creditors' claims in full through Distributions from the Liquidating Trust. Thus, the Debtors submit that the Plan meets the requirements for substantive consolidation under the terms and principles articulated by the United States Court of Appeals for the Third Circuit. *See In re Owens Corning*, 419 F.3d 195 (3rd Cir. 2005).

In the event that the Bankruptcy Court does not approve substantive consolidation of the BMC West Debtors or the SelectBuild Debtors or both, then: (i) nothing in the Plan or the Disclosure Statement shall constitute or be deemed to constitute an admission that one of the BMC West Debtors or Select Build Debtors, respectively, is subject to or liable for any Claim against any other BMC West Debtor or SelectBuild Debtor, respectively; (ii) Claims against multiple BMC West Debtors, or SelectBuild Debtors shall be treated as separate Claims with respect to each BMC West Debtor's or SelectBuild Debtor's Estate, as applicable, for all purposes (including, without limitation, Distributions and voting), and such Claims shall be administered as provided in the Plan; and (c) the BMC West Debtors and the SelectBuild Debtors shall not, nor shall they be required to, resolicit votes with respect to the Plan, nor will the failure of the Bankruptcy Court to approve substantive consolidation of the BMC West Debtors and/or SelectBuild Debtors materially alter the economics of the Distributions set forth in the Plan. In the event that the Bankruptcy Court does not order substantive consolidation of the BMC West Debtors or the SelectBuild Debtors or both, the Plan shall be deemed to provide for 12 subplans of reorganization. A vote to accept the Plan by the Holder of a Claim shall also be deemed a vote to accept a separate plan for each of the BMC West Debtors and/or SelectBuild Debtors against whom such Holder has a Claim in the event that the Bankruptcy Court denies approval of the substantive consolidation, *provided* that the treatment of the Claim being voted would not be materially different in the absence of substantive consolidation.

B. GENERAL SETTLEMENT OF CLAIMS Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, Distribution, releases, and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and Interests and controversies resolved pursuant to the Plan. Subject to Article VIII of the Plan, all Distributions made to Holders of Allowed Claims in any Class are intended to be and shall be final.

C. SOURCES OF CONSIDERATION FOR PLAN DISTRIBUTIONS.

1. The Exit Revolver.

On the Effective Date, the Reorganized Debtors shall enter the Revolving Credit Agreement in the amount of $100 million. Confirmation shall be deemed approval of the Revolving Credit Agreement (including the transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith) and authorization for the Reorganized Debtors to enter into and execute the Revolving Credit Agreement documents, subject to such modifications as the Reorganized Debtors and the Exit Revolver Lenders may deem to be reasonably necessary to consummate such Exit Revolver. Proceeds from the Exit Revolver shall be used by the Reorganized Debtors to (i) pay in full in Cash all non-contingent obligations under the DIP Facility, (ii) fund exit costs, including, without limitation, the funding of (a) the Cash Claims Reserve, (b) the Allowed Professional Compensation Claims, and (c) the Unsecured Cash Fund, and (iii) fund ongoing operating expenses of the Reorganized Debtors.

The Exit Revolver may be used for the issuance of letters of credit, including the replacement of the then outstanding letters of credit under the DIP Facility. The Exit Revolver shall mature on the third anniversary of its closing. The Exit Revolver shall be secured by a first priority lien on all or substantially all assets of the Reorganized Debtors.

A copy of a term sheet with respect to the Exit Revolver is attached hereto as Exhibit J.

2. The Term Loan and Prepetition Letters of Credit.

On the Effective Date, the Reorganized Debtors shall enter into the Term Loan Credit Agreement of up to $190 million. Confirmation shall be deemed approval of the Term Loan Credit Agreement (including the transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith) and authorization for the Reorganized Debtors to enter into and execute the Term Loan Credit Agreement documents, subject to such modifications as the Reorganized Debtors and the Term Loan Lenders may deem to be reasonably necessary to consummate such Term Loan Credit Agreement. The Term Notes shall be issued to the Holders of Allowed Funded Lender Claims as provided in Sections 4.2 of the Plan.

As provided in section 4.3 of the Plan, the Reorganized Debtors shall also have certain obligations related to the Prepetition Letters of Credit which will remain outstanding after the Effective Date. While the Reorganized Debtors will not be liable to reimburse the Prepetition L/C Lenders for amounts drawn under the Prepetition Letters of Credit, the Reorganized Debtors will be responsible to pay certain fees associated with the continuation of these Prepetition Letters of Credit and, if and to the extent that draws are made under the Prepetition Letters of Credit after the Petition Date, the Prepetition L/C Lenders that fund such draws shall, subject to a cap, be entitled to receive additional notes issued under the Term Loan Credit Agreement in an amount equal to 50% of the amount funded. These draws could result in up to an approximately $55 million increase in the amount of the notes issued under the Term Loan Credit Agreement.

Holders of the Term Notes shall be entitled to receive, among other things, an amount equal to (i) 100% of the Excess Cash Flow, determined on an annual basis upon delivery of audited financial statements by Reorganized BMHC, in any fiscal year in which the EBITDA of Reorganized BMHC does not exceed $50,000,00, and (ii) 100% of Excess Cash Flow, determined on an annual basis upon delivery of audited financial statements by Reorganized BMHC, less the Liquidating Trust Share of Excess Cash Flow, in any fiscal year in which the EBITDA of Reorganized BMHC equals or exceeds $50,000,000.

A copy of a term sheet with respect to the Term Loan Credit Agreement is attached hereto as Exhibit I.

3. Issuance of Reorganized BMHC Equity Interests.

On the Effective Date, Reorganized BMHC will emerge from chapter 11 as a private company and 100% of the Reorganized BMHC Equity Interests shall be owned by the Holders of Prepetition Funded Lender Claims. The ownership interest is subject to dilution by up to 10% in connection with the Long Term Incentive Plan and by up to 30% if and to the extent that Prepetition Letters of Credit are drawn after the Petition Date. The issuance of the Reorganized BMHC Equity Interests, including options, or other equity awards, if any, reserved for the Long Term Incentive Plan, by Reorganized BMHC shall be authorized without the need for any further corporate action or without any further action by the Holders of Claims or Interests. Two hundred million (200,000,000) common shares shall be authorized under the New Certificate of Incorporation of Reorganized BMHC. On the Effective Date, the Reorganized BMHC Equity Interests will be issued to Holders of Allowed Funded Lender Claims and, if applicable, as and to the extent provided in Section 4.3 of the Plan, Holders of Allowed L/C Lender Claims.

All of the shares of Reorganized BMHC Equity Interests issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable. Each distribution and issuance shall be governed by the terms and conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Person receiving such distributions or issuance.

Upon the Effective Date, in the event that Reorganized BMHC determines that a Shareholder Agreement is advisable, then Reorganized BMHC shall enter into such agreement with each Person that is to be a counter-party thereto and such agreement shall be deemed to be valid, binding, and enforceable in accordance with its terms.

4. Avoidance Actions.

Avoidance Actions are expressly preserved and shall vest in Reorganized BMHC on the Effective Date.

5. Unsecured Cash Fund.

On the Effective Date, or as soon thereafter as reasonably practicable, the Reorganized Debtors shall transfer, from the proceeds of the Exit Revolver, Cash sufficient to fund Unsecured Cash Fund to the Liquidating Trust.

If each of Classes 6(a), 6(b) and 6(c) vote to accept the Plan, the Unsecured Cash Fund shall be $10,000,000. If one or more of Classes 6(a), 6(b), or 6(c) vote to reject the Plan, the Unsecured Cash Fund shall be $10,000,000 less the percentage of such $10,000,000 that the aggregate amount of Allowed General Unsecured Claims in such rejecting Classes bears to the aggregate amount of Allowed General Unsecured Claims in Classes 6(a), 6(b) and 6(c). The Reorganized Debtors shall not be required to fund the Unsecured Cash Fund to the Liquidating Trust unless one or more of Classes 6(a), 6(b) or 6(c) votes to accept the Plan.

6. Liquidating Trust Share of Excess Cash Flow.

Beginning on the first anniversary of the Effective Date, and then continuing thereafter annually through the Liquidating Trust Share of Excess Cash Flow Maturity Date (the earlier of December 31, 2015 or the full payment of the aggregate Liquidating Trust Share of Excess Cash Flow as provided in the Plan), Reorganized BMHC shall pay to the Liquidating Trust, for distribution to Beneficiaries, Cash in an amount equal to the Liquidating Trust Share of Excess Cash Flow, if any; provided however, that the aggregate Liquidating Trust Share of Excess Cash Flow shall not exceed the difference between (a) the aggregate amount of all Allowed General Unsecured Claims in any Class 6 Class that votes to accept the Plan and (b) the Unsecured Cash Fund. While the precise definition of Excess Cash Flow will be set forth in the Term Loan Credit Agreement, generally, Excess Cash Flow means Cash in an amount equal to 20% of Reorganized BMHC's EBITDA, determined on an annual basis based on delivery of audited financial statements for Reorganized BMHC, less the sum of changes in working capital, capital expenditures, cash interest, and cash taxes; provided, however, that no Liquidating Trust Share of Excess Cash Flow shall be paid to the Liquidating Trust in any fiscal year in which Reorganized BMHC's EBITDA does not equal or exceed $50 million. Reorganized BMHC shall not be required to make any payment with respect to the Liquidating Trust Share of Excess Cash Flow unless one or more of Classes 6(a), 6(b), or 6(c) votes to accept the Plan.

D. LIQUIDATING TRUST

The Liquidating Trust, and provisions related thereto, shall only be operative if one or more of Classes 6(a), 6(b), or 6(c) votes to accept the Plan. If one or more of Classes 6(a), 6(b), or 6(c) does not vote to accept the Plan, the Liquidating Trust shall not be created.

1. Establishment of the Liquidating Trust.

On the Effective Date, the Reorganized Debtors shall and, in any event, shall be deemed to: (i) enter into the Liquidating Trust Agreement, (ii) take all other steps necessary or appropriate to establish the Liquidating Trust, and (iii) transfer, assign, and deliver to the Liquidating Trust all of the Debtors' right, title, and interest in, to, under, and in connection with the Liquidating Trust Assets for the benefit of the Beneficiaries, in each case free and clear of any Lien in such property of any other Person. On the Effective Date, the Liquidating Trust shall be deemed created and effective pursuant to the terms of the Liquidating Trust Agreement without any further action by the Bankruptcy Court or any other Person, and the Liquidating Trustee will begin serving in accordance with the Liquidating Trust Agreement. Each of the foregoing transfers and releases shall be deemed to have occurred without any further action.

For federal income tax purposes, it is intended that the Liquidating Trust be classified as a liquidating trust under Section 301.77014-4 of the Treasury regulations and that the Liquidating Trust be owned by the Beneficiaries.

Accordingly, for federal income tax purposes, the Debtors, the Liquidating Trustee, and the Beneficiaries agree to treat the Beneficiaries as grantors of the Liquidating Trust, and the transfer of such Liquidating Trust Assets to the Liquidating Trust shall be treated as a deemed distribution by the Debtors to the Beneficiaries of an undivided interest in each of the Liquidating Trust Assets followed by a deemed transfer of such Liquidating Trust Assets by the Beneficiaries to the Liquidating Trust.

2. Purpose of the Liquidating Trust.

General unsecured creditors in Class 6 Classes that vote to accept the Plan will receive their Pro Rata share of the Beneficial Interests in the Liquidating Trust which shall be funded with the Unsecured Cash Fund and the Liquidating Trust Share of Excess Cash Flow. The Liquidating Trust will be organized for the sole purpose of distributing the Liquidating Trust Assets, and resolving Disputed General Unsecured Claims, with no objective or authority to continue or engage in the conduct of trade or business. In particular, the Liquidating Trust shall (i) issue the Beneficial Interests to Holders of Allowed Claims in the Class 6 Classes that, because those Classes have voted to accept the Plan, are Beneficiaries of the Liquidating Trust, (ii) receive and distribute the Liquidating Trust Assets, and (iii) take such steps as are necessary or appropriate to accomplish these purposes, in each case as more fully provided in, and subject to the terms and conditions of, the Liquidating Trust Agreement. The Liquidating Trust shall make an initial Cash distribution to Holders of Allowed Claims in the Class 6 Classes that, because those Classes have voted to accept the Plan, are Beneficiaries of the Liquidating Trust, no later than 30 days after the Effective Date.

3. Powers and Obligations of the Liquidating Trust.

As provided in the Liquidating Trust Agreement, from and after the Effective Date, the Liquidating Trust shall protect, conserve, and distribute the Liquidating Trust Assets and resolve the Disputed General Unsecured Claims as quickly as reasonably practicable. As of the Effective Date, the Liquidating Trust shall be the successor to the Debtors in all proceedings then pending or thereafter commenced regarding any Disputed General Unsecured Claim, and shall have the exclusive power, as successor to and on behalf and in the name of the Debtors, to investigate, enforce, abandon, prosecute, resolve, defend against, compromise, and settle all Disputed General Unsecured Claims. The expenses of the Liquidating Trust shall be paid out of the Liquidating Trust Assets, as and to the extent provided in the Liquidating Trust Agreement.

4. Liquidating Trustee; Liquidating Trust Oversight Committee.

The Liquidating Trustee shall be designated by the Committee in accordance with the Plan and the Liquidating Trust Agreement. The Committee shall designate the initial three members of the Liquidating Trust Oversight Committee on or before the 10th day prior to the Voting Deadline. The Liquidating Trustee shall administer the Liquidating Trust from and after the Effective Date in accordance with the Liquidating Trust Agreement and subject to the oversight of the Liquidating Trust Oversight Committee, as provided therein. For the avoidance of doubt, other than as specifically provided in the Plan or Liquidating Trust Agreement, neither the Debtors nor the Reorganized Debtors shall have any authority concerning or relating to the administration of the Liquidating Trust or the distribution of the Liquidating Trust Assets.

5. Issuance of Beneficial Interests.

On or before the Effective Date, the Debtors shall deliver to the Liquidating Trust a list of each Person to receive Beneficial Interests as of the Effective Date pursuant to the Plan and the Liquidating Trust Agreement, including the Allowed amounts of the General Unsecured Claims of, and the address of, each such Person. On the Effective Date, the Reorganized Debtors shall also deliver to the Liquidating Trust a list of each Holder, as of the Effective Date, of a Disputed General Unsecured Claim in a Class 6 Class that, because such Class has voted to accept the Plan, is a Beneficiary of the Liquidating Trust, including the Maximum Amount of each such Claim, and the address of the Holder thereof. The Liquidating Trustee shall maintain a record of the Holders of Beneficial Interests, and shall adjust the record of Holders of Beneficial Interests from time to time as such Disputed General Unsecured Claims become Allowed. Beneficial Interests shall be accounted for by amount of such General Unsecured Claims that become Allowed. The Liquidating Trust shall not issue to any Holder of Beneficial Interests any certificate of evidence of ownership of Beneficial Interests. Except as otherwise provided in the Plan or in the

Liquidating Trust Agreement, after the Effective Date, neither the Debtors nor the Reorganized Debtors shall have any further responsibilities concerning or relating to the administration of the Liquidating Trust. No Beneficial Interests shall be issued to any Holder in a Class 6 Class whose Class has voted to reject the Plan.

6. Reserve for Disputed General Unsecured Claims.

On the date of any Distribution, the Liquidating Trust shall establish, and maintain thereafter, a reserve from Cash for the benefit of Holders of General Unsecured Claims in Class 6 Classes that, because those Classes have voted to accept the Plan, are Beneficiaries of the Liquidating Trust. Such reserve shall consist of an amount of Cash equal to the amount that would be distributable to all Holders of such Disputed General Unsecured Claims, in respect of all distributions made to that date, if those Claims were Allowed in the Maximum Amount. The Maximum Amount of such Disputed General Unsecured Claims for which the Liquidating Trust shall reserve shall be set forth in the Confirmation Order. In the event any such Disputed General Unsecured Claim becomes an Allowed Claim, the amount of such Allowed Claim shall never exceed the Maximum Amount of such Disputed General Unsecured Claim, and the Liquidating Trust shall distribute to the Holder of such Allowed Claim from the reserve the aggregate amount of Cash and Beneficial Interests that such Holder would have received as of the date of such distribution in respect of such Allowed Claim had such Claim been an Allowed Claim as of the Effective Date.

7. Distributions of Liquidating Trust Assets.

No later than 30 days after the Effective Date, and after establishing appropriate expense and claim reserves in accordance with the Liquidating Trust Agreement and the Plan, the Liquidating Trust shall distribute all Available Cash in the Liquidating Trust to the Holders of the Beneficial Interests pursuant to the terms of the Plan and the Liquidating Trust Agreement. The Liquidating Trust will make subsequent distributions to the Holders of the Beneficial Interests from time to time after the Effective Date, as and to the extent provided in the Plan and in the Liquidating Trust Agreement.

8. Vesting of Liquidating Trust Assets.

On the Effective Date, all Liquidating Trust Assets shall be deemed to vest in the Liquidating Trust, free and clear of all Liens, claims, and interests of any Person. Without limiting the foregoing, the Cash held in reserve pursuant to the Plan and Liquidating Trust Agreement shall be maintained by the Liquidating Trust in a segregated, interest-bearing account.

9. Authority to Settle Liquidating Trust Share of Excess Cash Flow.

On and after the Effective Date, in accordance with the authorization procedures set forth in the Liquidating Trust Agreement, the Liquidating Trust shall have the authority, without authorization from the Bankruptcy Court, to settle, resolve, or otherwise renegotiate the Liquidating Trust Share of Excess Cash Flow with Reorganized BMHC.

10. Implementation of Plan.

The Liquidating Trust shall be authorized and directed to take all necessary or desirable steps and execute any documents and perform all necessary or desirable acts to consummate the terms and conditions of the Plan on and after the Effective Date. On or after the Effective Date, the Liquidating Trust may file such agreements and other documents as may be necessary or desirable to effectuate or further evidence the terms and conditions of the Plan and the other agreements referred to herein.

E. RULE 2004 EXAMINATIONS.

The power of the Debtors to conduct examinations pursuant to Bankruptcy Rule 2004 shall be expressly preserved following the Effective Date, and, to the extent related to the Disputed General Unsecured Claims in Class 6 Classes that, because those Classes have voted to accept the Plan, are Beneficiaries of the Liquidating Trust, conferred upon the Liquidating Trust.

F. CONTINUED CORPORATE EXISTENCE.

Except as provided in the Plan, each Debtor will continue to exist on or after the Effective Date as a separate corporate entity, with all the powers of a corporation or limited liability company, as the case may be, under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger, dissolution, or otherwise) under applicable law.

G. REVESTING OF ASSETS.

Except as expressly provided in the Plan, the Assets of each Debtor's Estate shall revest with the respective Reorganized Debtor on the Effective Date. The Bankruptcy Court shall retain jurisdiction to determine disputes as to property interests created or vested by the Plan. From and after the Effective Date, the Reorganized Debtors may operate their businesses, and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code, except as provided in the Plan. As of the Effective Date, all property of the Reorganized Debtors shall be free and clear of all Claims and Interests, except as, and to the extent, provided in the Plan.

H. MERGER.

On the Effective Date, the Reorganized Debtors may: (i) effectuate the transactions described in the Restructuring Transactions Memorandum; (ii) merge, dissolve, transfer assets, or otherwise consolidate any of the Debtors in furtherance of the Plan or (iii) engage in any other transaction in furtherance of the Plan. Any such transaction may be effected on or subsequent to the Effective Date without any further action by Holders of Interests or the directors of any of the Debtors.

I. CANCELLATION OF SECURITIES AND AGREEMENTS.

On the Effective Date, except as otherwise specifically provided for in the Plan: (i) the obligations of the Debtors under the Prepetition Credit Agreement, DIP Facility, and any other Certificate, Equity Security, share, note, bond, indenture, purchase right, option, warrant, or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any Claim or Equity Security (except such Certificates, notes, or other instruments or document evidencing indebtedness or obligation of or ownership interest in the Debtors that are reinstated pursuant to the Plan) shall be cancelled solely as to the Debtors and their affiliates, and the Reorganized Debtors shall not have any continuing obligations thereunder; and (ii) the obligations of the Debtors pursuant, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing the shares, Certificates, notes, bonds, indentures, purchase rights, options, warrants, or other instruments or documents evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors (except such agreements, Certificates, notes, or other instruments evidencing indebtedness or obligations of or ownership interest in the Debtors that are specifically reinstated pursuant to the Plan) shall be released and discharged; *provided, however*, that notwithstanding Confirmation or consummation, any such agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of allowing Holders to receive distributions under the Plan; *provided, further, however*, that the preceding proviso shall not affect the discharge of Claims or Interests pursuant to the Bankruptcy Code, the Confirmation Order, or the Plan, or result in any expense or liability to the Reorganized Debtors; and *provided, further, however*, that the foregoing shall not effect the cancellation of the Reorganized BMHC Equity Interests issued pursuant to the Plan in Reorganized BMHC, nor the Beneficial Interests in the Liquidating Trust issued pursuant to the Plan and the Liquidating Trust Agreement, nor any other shares held by one Debtor in another Debtor, except in connection with any Restructuring Transactions implemented by the Reorganized Debtors.

J. REORGANIZED BMHC.

On the Effective Date, the New Board of Reorganized BMHC shall be established and Reorganized BMHC shall adopt its New Bylaws. As soon after the Effective Date as reasonably practicable, Reorganized BMHC shall adopt the Long Term Incentive Plan. Reorganized BMHC shall be authorized to adopt any other agreements,

documents, and instruments and to take any other action contemplated by the Plan as necessary and desirable to consummate the Plan.

K. POST EFFECTIVE DATE MANAGEMENT. Except as expressly provided in the Plan and the Debtors' certificate of incorporation and the Reorganized BMHC Certificates of Incorporation, which may be amended from time to time, the operation, management, and control of the Reorganized Debtors shall be the general responsibility of its board of directors or managers and senior officers, which shall thereafter have the responsibility for the management, control, and operation of the Reorganized Debtors. Entry of the Confirmation Order shall ratify and approve all actions taken by each of the Debtors from the Petition Date through and until the Effective Date.

L. DIRECTORS AND OFFICERS OF THE REORGANIZED DEBTORS.

On and after the Effective Date, the business and affairs of the Reorganized Debtors will be managed by the new boards and the officers, directors or managers identified in the Plan Supplement. Biographical information regarding these proposed officers, directors, and managers will be set forth in the Plan Supplement. A schedule of the annual compensation to be paid to persons serving as executives, officers, and directors or managers as of the Effective Date will be set forth in the Plan Supplement.

M. NEW CERTIFICATES OF INCORPORATION AND NEW BYLAWS OF THE REORGANIZED DEBTORS.

As of the Effective Date, the New Certificates of Incorporation and the New Bylaws will be substantially in the forms included in the Plan Supplement, with such changes as may be necessary to conform to the applicable laws of the state of incorporation. The New Certificates of Incorporation and New Bylaws, among other things, shall prohibit the issuance of nonvoting equity securities to the extent required by section 1123(a) of the Bankruptcy Code. After the Effective Date, the Reorganized Debtors may amend and restate their New Certificates of Incorporation and New Bylaws, as permitted under applicable state laws, subject to the terms and conditions of such documents.

N. NEW EMPLOYMENT, RETIREMENT, INDEMNIFICATION, AND OTHER RELATED AGREEMENTS.

As of the Effective Date, the Reorganized Debtors shall have the authority, as determined by its governing Persons, to: (i) maintain, amend, or revise existing employment, retirement, welfare, incentive, severance, indemnification, and other agreements with its active and retired directors or managers, officers, and employees, subject to the terms and conditions of any such agreement and applicable law; and (ii) enter into new employment, retirement, welfare, incentive, severance, indemnification, and other agreements for active and retired employees.

O. EFFECTUATING DOCUMENTS; FURTHER TRANSACTIONS.

On and after the Effective Date, Reorganized BMHC and the other Reorganized Debtors, and the officers and members of the New Boards, are authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of Reorganized BMHC and the other Reorganized Debtors, without the need for any approvals, authorization, or consents except for those expressly required pursuant to the Plan.

P. CORPORATE ACTION. Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including: (i) the adoption or assumption, as applicable, of the agreements with existing management; (ii) the selection of the directors and officers for the Reorganized Debtors; (iii) the distribution of the Reorganized BMHC Equity Interests in accordance with the Plan; (iv) the execution and entry into the Revolving Credit Agreement and the Term Loan Credit Agreement; (v) the establishment of the Liquidating Trust and the appointment of the Liquidating Trustee in accordance with the Plan and the Liquidating Trust Agreement; (vi) the establishment of the Long Term Incentive Plan and the issuance of any Reorganized BMHC

Equity Interests thereunder; and (vii) all other actions contemplated by the Plan (whether to occur before, on, or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan shall be deemed to have occurred and shall be in effect without any requirement of further action by the security holders, directors, or officers of the Debtors or the Reorganized Debtors. On or (as applicable) prior to the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors, as applicable, shall be authorized and (as applicable) directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including the Revolving Credit Agreement, the Term Loan Credit Agreement, and the Liquidating Trust Agreement, and any and all other agreements, documents, securities, and instruments relating to the foregoing. The authorizations and approvals contemplated herein shall be effective notwithstanding any requirements under non-bankruptcy law. The issuance of the Reorganized BMHC Equity Interests shall be exempt from the requirements of section 16(b) of the Securities Exchange Act of 1934 (pursuant to Rule 16b-3 promulgated thereunder) with respect to any acquisition of securities by an officer or director (or a director deputized for purposes thereof) as of the new Effective Date.

Q. SECTION 1146 EXEMPTION. Pursuant to section 1146 of the Bankruptcy Code, any transfers of property pursuant to the Plan shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forgo the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax, recordation fee, or governmental assessment.

R. PRESERVATION OF CAUSES OF ACTION. In accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. No Person may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against them. The Debtors or Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Person, except as otherwise expressly provided in the Plan. Unless any Causes of Action against any Person are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or consummation.

The Reorganized Debtors reserve and shall retain the Causes of Action notwithstanding the rejection or repudiation of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Person shall vest in the Reorganized Debtors, as the case may be. The applicable Reorganized Debtor, through its authorized agents or representatives, shall retain and may exclusively enforce any and all such Causes of Action. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

S. INSURANCE POLICIES. All of the Debtors' insurance policies and any agreements, documents, or instruments relating thereto, are treated as Executory Contracts under the Plan. On the Effective Date, the applicable Debtors shall be deemed to have assumed all insurance policies and any agreements, documents, and instruments relating to coverage of all Claims insured thereby.

T. COLLECTIVE BARGAINING AGREEMENTS.

All of the Debtors' Collective Bargaining Agreements are treated as Executory Contracts under the Plan. On the Effective Date, the applicable Debtors shall be deemed to have assumed all Collective Bargaining Agreements.

U. NON-OCCURRENCE OF EFFECTIVE DATE

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any request to extend the deadline for assuming or rejecting unexpired leases pursuant to section 365(d)(4) of the Bankruptcy Code.

IX. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. ASSUMPTION AND REJECTION OF CONTRACTS AND UNEXPIRED LEASES. Except as otherwise provided in the Plan or pursuant to the Confirmation Order, all Executory Contracts and Unexpired Leases that exist between the Debtors and any Person, including, but not limited to, all Intercompany Contracts, shall be assumed pursuant to section 365(a) of the Bankruptcy Code as of the Effective Date, except for any such contract or lease (i) that has been assumed or rejected, or renegotiated and either assumed or rejected on renegotiated terms, pursuant to an order of the Bankruptcy Court entered prior to the Effective Date, (ii) that has been entered into by the Debtors during the pendency of the Chapter 11 Cases in the ordinary course of business or pursuant to an order of the Bankruptcy Court, (iii) that is the subject of a motion to reject, or a motion to approve renegotiated terms and to assume or reject on such renegotiated terms, that has been filed and served prior to the Effective Date, or (iv) that is identified on the Rejected Executory Contract and Unexpired Lease List; provided, however, that the Debtors shall assume the Collective Bargaining Agreements on the Effective Date. Entry of the Confirmation Order shall constitute approval, pursuant to section 365(a) of the Bankruptcy Code, of the assumption of Executory Contracts and Unexpired Leases provided for herein. Each Executory Contract and Unexpired Lease assumed pursuant to the Plan or by any order of the Bankruptcy Court, which has not been assigned to a third party prior to the Confirmation Date, shall revest in and be fully enforceable by the Reorganized Debtors in accordance with its terms, except as such terms are modified by the provisions of the Plan or any order of the Bankruptcy Court authorizing and providing for its assumption under applicable federal law.

B. CLAIMS BASED ON REJECTION OF EXECUTORY CONTRACTS OR UNEXPIRED LEASES.

All Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, pursuant to the Plan or the Confirmation Order, if any, must be filed with the Bankruptcy Court within 30 days after the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not filed with the Bankruptcy Court within such time will be automatically disallowed, forever barred from assertion, and shall not be enforceable against the Debtors or the Reorganized Debtors, the Estates, or their property without the need for any objection by the Reorganized Debtors or further notice to, or action, order, or approval of the Bankruptcy Court. All Allowed Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases shall be classified as BMHC Unsecured Claims or Other Debtor Unsecured Claims, as applicable, and shall be treated in accordance with the Plan.

C. CURE OF DEFAULTS.

Any monetary defaults under each Executory Contract and Unexpired Lease to be assumed pursuant to the Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the Cure Amount in Cash on the Effective Date, subject to the limitation described below, or on such other terms as the parties to such

Executory Contracts or Unexpired Leases may otherwise agree. In the event of a dispute regarding (i) the Cure Amount, (ii) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or (iii) any other matter pertaining to assumption, the payments required by section 365(b)(1) of the Bankruptcy Code in respect of Cure Amounts shall be made following the entry of a Final Order or orders resolving the dispute and approving the assumption. At least 20 days prior to the Confirmation Hearing, the Debtors shall provide for notices of proposed assumption and proposed Cure Amounts to be sent to applicable third parties. Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assumption or related Cure Amount must be filed and served in accordance with, and otherwise comply with, the provisions of the Disclosure Statement Approval Order related to assumption of Executory Contracts and Unexpired Leases. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or Cure Amount will be deemed to have assented to such assumption or Cure Amount.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption. Any Proofs of Claim filed with respect to an Executory Contract or Unexpired Lease that has been assumed shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court.

D. CONTRACTS AND LEASES ENTERED INTO AFTER THE PETITION DATE.

Contracts and leases entered into during the Postpetition Period by any Debtor, including any Executory Contracts and Unexpired Leases assumed by such Debtor, will be performed by the Debtor or Reorganized Debtor liable thereunder in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts and Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

E. MODIFICATIONS, AMENDMENTS, SUPPLEMENTS, RESTATEMENTS, OR OTHER AGREEMENTS.

Unless otherwise provided in the Plan, each Executory Contract or Unexpired Lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements, and restatements to any prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

F. RESERVATION OF RIGHTS.

Neither the exclusion nor inclusion of any Executory Contract or Unexpired Lease on the Rejected Executory Contract and Unexpired Lease List, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or Reorganized Debtors, as applicable, shall have 30 days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease.

X. PROVISIONS GOVERNING DISTRIBUTIONS; PROCEDURES FOR TREATING AND RESOLVING DISPUTED CLAIMS

A. OCCURRENCE OF THE LIQUIDATING TRUST EXISTENCE CONDITION PRECEDENT.

One or more of Classes 6(a), 6(b) or 6(c) must vote to accept the Plan for the Liquidating Trust Existence Condition Precedent to occur. If the Liquidating Trust Existence Condition Precedent does not occur, the Liquidating Trust shall (i) not be a Disbursing Agent under Article VIII of the Plan, (ii) have no standing or right to object to any Disputed Claim, and (iii) not make any Distributions under the Plan. If the Liquidating Trust Existence Condition Precedent does not occur, then on the Effective Date, the Reorganized Debtors shall have the rights of the Liquidating Trust in Sections 8.9-8.11 to object to Disputed General Unsecured Claims or to settle such Claims.

B. DISBURSING AGENT.

The Debtors shall act as the Disbursing Agent under the Plan with respect to distributions of Cash made on the Effective Date, the Reorganized Debtors shall act as the Disbursing Agent after the Effective Date under the Plan with respect to distributions of Cash with respect to Allowed Cash Claims and Rejection Distributions (if any), and the Liquidating Trustee shall act as Disbursing Agent after the Effective Date under the Plan with respect to Distributions to Allowed General Unsecured Claims and allocations of Beneficial Interests pursuant to Section 7.4 of the Plan and the Liquidating Trust Agreement. The Disbursing Agent shall make all Distributions of Cash and Beneficial Interests required to be distributed under the applicable provisions of the Plan and, if applicable, the Liquidating Trust Agreement.

C. DISTRIBUTION RECORD DATE.

For purposes of the Plan, as of the close of business on the Distribution Record Date, the records of ownership of Claims against the Debtors (including the claims register in the Chapter 11 Cases) will be closed. For purposes of the Plan, the Debtors, the Estates, the Reorganized Debtors, and the Liquidating Trust shall have no obligation to recognize the transfer of any of the Claims against the Debtors occurring after the Distribution Record Date, and shall be entitled for all purposes relating to the Plan to recognize and deal only with those Holders of record as of the close of business on the Distribution Record Date.

D. CASH PAYMENTS.

Any Cash payments made pursuant to the Plan will be made in U.S. dollars. Cash payments made pursuant to the Plan in the form of a check shall be null and void if not cashed within 180 days of the date of issuance thereof.

E. DELIVERY OF DISTRIBUTIONS.

If the Distribution to any Holder of an Allowed Claim is returned as undeliverable, the Disbursing Agent shall use commercially reasonable efforts to determine the current address of such Holder. Undeliverable Distributions shall be held, subject, subject to Section 8.7 of the Plan.

F. MINIMUM CASH DISTRIBUTIONS.

No Cash payment less than fifty dollars shall be made to any Holder of a Claim unless a request therefor is made in writing to the Debtors.

G. WITHHOLDING TAXES.

The Disbursing Agent shall comply with all withholding, reporting, certification, and information requirements imposed by any federal, state, local, or foreign taxing authority and all distributions under the Plan shall, to the extent applicable, be subject to any such withholding, reporting, certification, and information requirements.

Persons entitled to receive distributions under the Plan shall, as a condition to receiving such distributions, provide such information and take such steps as the Disbursing Agent may reasonably require to ensure compliance with such withholding and reporting requirements, and to enable the Disbursing Agent to obtain the certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law.

Any Person that does not provide the Disbursing Agent with requisite information after the Disbursing Agent has made at least three attempts (by written notice or request for such information, including on the ballots in these Chapter 11 Cases) to obtain such information, may be deemed to have forfeited such Person's right to such distributions, which shall be treated as unclaimed property under Section 8.7 of the Plan.

H. UNCLAIMED PROPERTY.

Any Person that fails to claim any Distribution to be distributed under the Plan within one year from the initial date for such distribution shall forfeit all rights to any such distributions under the Plan. Upon such forfeiture of Cash or other property, such Cash or property shall be the property of the applicable Disbursing Agent. Nothing in the Plan shall require the Disbursing Agent to attempt to locate or notify any Person with respect to any forfeited property. Persons that fail to claim Cash or other property to be distributed under the Plan within such one-year period shall forfeit their rights thereto and shall have no claim whatsoever with respect thereto against the Debtors, their Estates, the Disbursing Agent, the Liquidating Trust, the Liquidating Trustee, the Liquidating Trust Oversight Committee, the Liquidating Trust Assets, or any Holder of an Allowed Claim to which distributions are made.

I. DISPUTED CLAIMS.

If the Debtors or any other party in interest disputes any Claim against the Debtors, such dispute shall be determined, resolved, or adjudicated, as the case may be, under applicable law by the Bankruptcy Court. Among other things, (i) the Debtors (on or before the Effective Date), (ii) the Reorganized Debtors (after the Effective Date) with respect to Disputed Cash Claims, Disputed Class Action Claims, and Disputed General Unsecured Claims, and (iii) if the Liquidating Trust Existence Condition Precedent occurs, the Liquidating Trust (after the Effective Date) with respect to Disputed General Unsecured Claims other than the Disputed Class Action Claims, in Class 6 Claims that, because they have voted to accept the Plan, are Beneficiaries of the Liquidating Trust, may each elect, at their respective sole option, to object to or seek estimation under section 502 of the Bankruptcy Code with respect to any Proof of Claim filed by or on behalf of a Holder of a Claim against the Debtors.

J. OBJECTIONS TO CLAIMS.

Unless a later or different time is set by Final Order or otherwise established by other provisions of the Plan, all objections to Claims must be filed by the Claims Objection Bar Date; provided, however, that no such objection may be filed against any Claim after the Bankruptcy Court has determined by entry of a Final Order that such Claim is an Allowed Claim. The failure by any party in interest, including the Debtors and the Committee, to object to any Claim, whether or not unpaid, for purposes of voting shall not be deemed a waiver of such party's or the Disbursing Agent's rights to object to, or re-examine, any such Claim in whole or in part. After the Effective Date, no party in interest shall have the right to object to Claims against the Debtors or their Estates other than (i) the Reorganized Debtors with respect to Cash Claims, Class Action Claims and General Unsecured Claims; and (ii) if the Liquidating Trust Existence Condition Precedent occurs, the Liquidating Trust with respect to General Unsecured Claims other than Class Action Claims in Class 6 Classes that, because they have voted to accept the Plan, are Beneficiaries of the Liquidating Trust, each of which shall be deemed to have standing to object to all such Claims, respectively.

K. COMPROMISES AND SETTLEMENTS.

From and after the Effective Date, and without any further approval by the Bankruptcy Court, the Reorganized Debtors or the Liquidating Trustee, as applicable, may compromise and settle Claims as follows:

(a) If the Reorganized Debtor (i) Claims against the Debtors or their respective Estates, (ii) Causes of Action that the Reorganized Debtors have against other Persons, including, without limitation, any Avoidance Action, (iii) Disputed Cash Claims, (iv) Disputed Class Action Claims, and (v) Disputed General Unsecured Claims; provided, however, that if the Liquidating Trust Existence Condition Precedent is satisfied prior to the Effective Date, then the Reorganized Debtors shall only be able to compromise and settle a Disputed General Unsecured Claim in a Class 6 Class that, because it has voted to accept the Plan, is a beneficiary of the Liquidating Trust, if the Reorganized Debtors obtain (x) the prior written consent of the Liquidating Trustee or (y) an order of the Bankruptcy Court approving such compromise and settlement of such Disputed Unsecured Claim; provided further, however, that the Reorganized Debtors may settle any Disputed Cash Claims that are Class Action Claims without any further approval by the Bankruptcy Court or the Liquidating Trustee

(b) If the Liquidating Trust, Disputed General Unsecured Claims other than a Disputed Class Action Claim, in Class 6 Classes that, because they have voted to accept the Plan, are Beneficiaries of the Liquidating Trust; provided, however, that the Liquidating Trust shall only be able to compromise and settle such Disputed General Unsecured Claims other than a Disputed Class Action Claim if the Liquidating Trust obtains either (x) the prior written consent of Reorganized BMHC or (y) an order of the Bankruptcy Court approving such compromise and settlement of such Disputed General Unsecured Claim.

Prior to the Effective Date, the Debtors expressly reserve the right to compromise and settle (subject to the approval of the Bankruptcy Court) Claims against them or other claims they may have against other Persons.

L. NO DISTRIBUTIONS PENDING ALLOWANCE.

If a Claim or any portion of a Claim is disputed, no payment or Distribution will be made on account of the disputed portion of such Claim (or the entire Claim, if the entire Claim is disputed), unless such Disputed Claim or portion thereof becomes an Allowed Claim.

M. NO POSTPETITION INTEREST ON CLAIMS.

Unless otherwise specifically provided for in the Plan, the Confirmation Order, or other Final Order of the Bankruptcy Court, or required by applicable bankruptcy law, postpetition interest shall not accrue or be paid on any Claims against the Debtors, and no Holder of a Claim against the Debtors shall be entitled to interest accruing on or after the Petition Date on any such Claim.

N. CLAIMS PAID OR PAYABLE BY THIRD PARTIES.

1. Claims Paid by Third Parties.

The Debtors or the Disbursing Agent, as applicable, shall reduce in full a Claim, and such Claim shall be disallowed without a Claims objection having to be Filed and without further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or the Disbursing Agent. Subject to the last sentence of this paragraph, to the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or the Disbursing Agent on account of such Claim, such Holder shall, within two weeks of receipt thereof, repay or return the distribution to the applicable Disbursing Agent, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such Distribution under the Plan. The failure of such Holder to timely repay or return such Distribution shall result in the Holder owing the applicable Disbursing Agent annualized interest at the Federal Judgment Rate on such amount owed for each Business Day after the two-week grace period specified above until the amount is repaid.

2. Claims Payable by Third Parties.

Except with respect to Allowed Claims for the Debtors' portion of self-insured retention under insurance policies that are secured by Prepetition Letters of Credit, no Distributions under the Plan shall be made on account

of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such an Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, the applicable portion of the Claim may be expunged without a Claims objection having to be Filed and without further notice to or action, order, or approval of the Bankruptcy Court.

3. Applicability of Insurance Policies.

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Person may hold against any other Person, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver of such insurers of any defenses, including coverage defenses, held by such insurers.

XI. SETTLEMENT, RELEASE, INJUNCTION, AND RELATED PROVISIONS

A. DISCHARGE.

1. Discharge of Claims Against the Debtors and the Reorganized Debtors.

Except as otherwise expressly provided in the Plan or the Confirmation Order, the Confirmation of the Plan shall, as of the Effective Date: (i) discharge the Debtors, the Reorganized Debtors or any of its or their Assets from all Claims, demands, liabilities, other debts and Interests that arose on or before the Effective Date, including all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (a) a Proof of Claim based on such debt is filed or deemed filed pursuant to section 501 of the Bankruptcy Code, (b) a Claim based on such debt is Allowed pursuant to section 502 of the Bankruptcy Code or (c) the Holder of a Claim based on such debt has accepted the Plan; and (ii) preclude all Persons from asserting against the Debtors, the Reorganized Debtors, the Liquidating Trust (if the Liquidating Trust Existence Condition Precedent occurs), or any of its or their Assets, any other or further Claims or Interests based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, all pursuant to sections 524 and 1141 of the Bankruptcy Code. The discharge provided in the Plan shall void any judgment obtained against any of the Debtors at any time, to the extent that such judgment relates to a discharged Claim or cancelled Interest.

2. Injunction Related to the Discharge.

Except as otherwise provided in the Plan or the Confirmation Order, all entities that have held, currently hold, or may hold Claims or other debts or liabilities against the Debtors, or an Interest or other right of an Equity Security Holder in any or all of the Debtors, that are discharged pursuant to the terms of the Plan, are permanently enjoined, on and after the Effective Date, from taking any of the following actions on account of any such Claims, debts, liabilities or Interests or rights: (i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim, debt, liability, Interest, or right, other than to enforce any right to a Distribution pursuant to the Plan; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree or order against the Debtors, the Reorganized Debtors, the Liquidating Trust (if the Liquidating Trust Existence Condition Precedent occurs) or any of its or their Assets on account of any such Claim, debt, liability, Interest, or right; (iii) creating, perfecting, or enforcing any Lien or encumbrance against the Debtors, the Reorganized Debtors, the Liquidating Trust (if the Liquidating Trust Existence Condition Precedent occurs) or any of its or their Assets on account of any such Claim, debt, liability, Interest or right; (iv) asserting any right of setoff, subrogation, or recoupment of any kind against any debt, liability, or obligation due to the Debtors, the Reorganized Debtors, the Liquidating Trust (if the Liquidating Trust Existence Condition Precedent occurs) or any of its or their Assets on account of any such Claim, debt, liability, Interest, or right; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order. Such injunction shall extend to any successor of the Debtors, the Reorganized Debtors, the Liquidating Trust (if the Liquidating Trust Existence Condition Precedent occurs), or any of its or their Assets. Any

Person injured by any willful violation of such injunction shall recover actual damages, including costs and attorneys' and experts' fees and disbursements, and, in appropriate circumstances, may recover punitive damages, from the willful violator.

B. RELEASES.

1. Releases by the Debtors.

As of the Effective Date, for good and valuable consideration, the adequacy of which is confirmed, the Debtors in their individual capacity and as debtors in possession will be deemed to release and forever waive and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date (including prior to the Petition Date) in any way relating to the Debtors, the Chapter 11 Cases, the Plan, or the Disclosure Statement, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the Plan, the Plan Supplement, the Disclosure Statement, or related agreements, instruments, or other documents, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place before the Effective Date and that could have been asserted by or on behalf of the Debtors or their Estates at any time up to immediately prior to the Effective Date against the Released Parties, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or gross negligence. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

2. Certain Waivers.

Although the Debtors do not believe that California law is applicable to the Plan, nevertheless, in an abundance of caution, each Debtor hereby understands and waives the effect of Section 1542 of the California Civil Code to the extent that such section is applicable to the Debtors. Section 1542 of the California Civil Code provides:

> **§1542. A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.**

EACH DEBTOR AGREES TO ASSUME THE RISK OF ANY AND ALL UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES, INDEBTEDNESS AND OBLIGATIONS WHICH ARE RELEASED BY THE PLAN AND EACH DEBTOR HEREBY WAIVES AND RELEASES ALL RIGHTS AND BENEFITS WHICH IT MIGHT OTHERWISE HAVE UNDER THE AFOREMENTIONED SECTION 1542 OF THE CALIFORNIA CIVIL CODE WITH REGARD TO THE RELEASE OF SUCH UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES, INDEBTEDNESS AND OBLIGATIONS. TO THE EXTENT (IF ANY) ANY OTHER LAWS SIMILAR TO SECTION 1542 OF THE CALIFORNIA CIVIL CODE MAY BE APPLICABLE, EACH DEBTOR WAIVES AND RELEASES ANY BENEFIT, RIGHT OR DEFENSE WHICH IT MIGHT OTHERWISE HAVE UNDER ANY SUCH LAW WITH REGARD TO THE RELEASE OF UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES, INDEBTEDNESS AND OBLIGATIONS.

3. Releases by Holders of Claims and Interests.

As of the Effective Date of the Plan, each Holder of a Claim or an Interest, shall be deemed to have to released and forever waived and discharged all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity, or otherwise that are based in whole or part on any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date (including prior to the Petition Date) in any way relating to in any way relating to the Debtors, the Chapter 11 Cases, the Plan, or the Disclosure Statement, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiations, formulation, or preparation of the Plan, the related Disclosure Statement, the related Plan Supplement, or related agreements, instruments, or other documents, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place before the Effective Date and that could have been asserted by or on behalf of the Debtors or their Estates at any time up to immediately prior to the Effective Date against the Released Parties, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or gross negligence. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

4. Exculpation.

The Exculpated Parties shall not be liable, other than for gross negligence or willful misconduct, to any Holder of a Claim or Interest or any other Person with respect to any action, omission, forbearance from action, decision, or exercise of discretion taken at any time prior to the Effective Date in connection with:

- the management or operation of the Debtors or the discharge of their duties under the Bankruptcy Code;
- the implementation of any of the transactions provided for, or contemplated in the Plan or the other Plan Documents;
- any action taken in connection with either the enforcement of the rights of any Debtor against any Persons or the defense of Claims asserted against any such Debtor with regard to the Chapter 11 Cases;
- any action taken in the negotiation, formulation, development, proposal, solicitation, disclosure, Confirmation, or implementation of the Plan or the other Plan Documents; or
- the administration of the Plan or the assets and property to be distributed pursuant to the Plan.

In connection with this provision, the Exculpated Parties are entitled to reasonably rely upon the opinions of their respective counsel, accountants, and other experts or professionals and such reliance, if reasonable, will conclusively establish the absence of gross negligence or willful misconduct; provided, however, that a determination that such reliance is unreasonable will not, by itself, constitute a determination regarding the existence of willful misconduct or gross negligence.

If the Holder of a Claim or Interest or other Person brings an action, suit, or proceeding covered by this Section and does not prevail, such Holder or other Person must pay the reasonable attorneys' fees and costs of the Exculpated Party. Moreover, as a condition to going forward with such action, suit, or proceeding, the Holder of a Claim or Interest or other Person must, at the outset, provide appropriate proof and assurances of its capacity to pay the Exculpated Party's reasonable attorneys' fees and costs in the event the Holder or other Person fails to prevail. The Exculpated Party shall have no obligation to pay, or provide appropriate proof and financial assurance of its

capacity to pay, reasonable attorneys' fees and costs in the event that the Holder of a Claim or Interest or other Person prevails in any such action, suit, or proceeding against such Exculpated Party.

5. Injunction Related to Releases.

To the fullest extent allowed by law, and except as otherwise provided in the Plan or the Confirmation Order, all Persons that have held, currently hold, or may hold claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities that are released or exculpated pursuant to Section 9.2.1, 9.2.2, 9.2.3, and 9.2.4 of the Plan shall be permanently enjoined, on and after the Effective Date, from taking any of the following actions on account of any such claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities: (i) commencing or continuing in any manner any action or other proceeding of any kind against a Released Party or Exculpated Party with respect to any such claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against any Released Party or any Exculpated Party or any of its or their Assets on account of any such claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities; (iii) creating, perfecting, or enforcing any Lien or encumbrance against any Released Party or any Exculpated Party or any of its or their assets on account of any such claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities; (iv) asserting any right of setoff, subrogation, or recoupment of any kind against any debt, liability, or obligation due to any Released Party or any Exculpated Party or any of its or their Assets on account of any such claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order. Such injunction shall extend to any successor of any Released Party or any Exculpated Party or any of its or their assets. Any Person injured by any willful violation of such injunction shall recover actual damages, including costs and attorneys' and experts' fees and disbursements, and, in appropriate circumstances, may recover punitive damages, from the willful violator.

C. NO SUCCESSOR LIABILITY.

Except as otherwise expressly provided in the Plan, none of the Released Parties shall be determined to be successors to any of the Debtors or to any Person for which the Debtors may be held legally responsible, by reason of any theory of law or equity, and none can be responsible for any successor or transferee liability of any kind or character. The Released Parties do not agree to perform, pay, or indemnify creditors or otherwise have any responsibilities for any liabilities or obligations of the Debtors or the Reorganized Debtors, whether arising before, on, or after the Confirmation Date, except as otherwise expressly provided in the Plan.

D. RELEASE OF LIENS.

Except as otherwise expressly provided in the Plan or in any contract, instrument, indenture, or other agreement or document expressly incorporated by reference in the Plan, the Confirmation Order will release any and all prepetition Liens.

E. TERM OF INJUNCTIONS.

All injunctions or stays provided in, or in connection with, the Chapter 11 Cases, whether pursuant to section 105, section 362, or any other provision of the Bankruptcy Code, other applicable law or court order, in effect immediately prior to Confirmation will remain in full force and effect until such injunctions or stays become effective and shall remain in full force and effect thereafter if so provided in the Plan, the Confirmation Order or by their own terms. In addition, on and after Confirmation Date, the Debtors may seek further orders to preserve the status quo during the time between the Confirmation Date and the Effective Date.

F. BINDING EFFECT.

The Plan shall be binding upon, and inure to the benefit of, the Debtors and all Holders of Claims and Interests, and their respective successors and assigns, whether or not the Claims and Interests of such Holders are Impaired under the Plan and whether or not such Holders have accepted the Plan.

XII. ALLOWANCE AND PAYMENT OF PROFESSIONAL COMPENSATION CLAIMS

A. FINAL FEE APPLICATIONS.

Notwithstanding any other provision of the Plan dealing with Administrative Expense Claims, any Person seeking a Professional Compensation Claim shall, no later than 30 days after the Confirmation Date, file a final application for allowance of compensation for services rendered and reimbursement of expenses incurred through the Confirmation Date. To the extent that such an award is granted by the Bankruptcy Court, the requesting Person shall receive: (i) payment of Cash in an amount equal to the amount Allowed by the Bankruptcy Court less all interim compensation paid to such Professional during the Chapter 11 Cases, such payment to be made within the later of (a) the Effective Date or (b) three (3) business days after the Order granting such Person's final fee application becoming a Final Order; (ii) payment on such other terms as may be mutually agreed upon by the Holder of the Professional Compensation Claim and BMHC or Reorganized BMHC, as applicable (but in no event shall the payment exceed the amount Allowed by the Bankruptcy Court); or (iii) payment in accordance with the terms of any applicable administrative procedures order entered by the Bankruptcy Court, including the Interim Compensation Order.

B. POST-CONFIRMATION DATE FEES AND EXPENSES

After the Confirmation Date, any requirement that Professionals employed by the Debtors comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date will terminate, and the Reorganized Debtors will be authorized to employ and compensate Professionals in the ordinary course of business and without the need for Bankruptcy Court approval.

All Professional Compensation Claims for services rendered after the Confirmation Date, including those relating to prosecution of Causes of Action preserved under the Plan, shall be paid by Reorganized BMHC upon receipt of an invoice therefore, or on such other terms as Reorganized BMHC and the Professional shall agree to, without the requirement of a further Bankruptcy Court order.

XIII. CONDITIONS PRECEDENT TO CONSUMMATION

A. CONDITIONS PRECEDENT.

The Plan shall not become effective unless and until the following conditions have been satisfied:

1. Conditions to Confirmation.

a. Disclosure Statement. The Bankruptcy Court shall have approved this Disclosure Statement with respect to the Plan as containing adequate information within the meaning of section 1125 of the Bankruptcy Code.

b. Plan Supplement. The Plan Documents to be provided in the Plan Supplement are in a form that is reasonably satisfactory to the Debtors and the Exit Revolver Lenders.

c. Confirmation Order. The Confirmation Order must be in form and substance reasonably acceptable to the Debtors and the Exit Revolver Lenders.

2. Conditions to Effective Date.

a. Confirmation Order. At least 10 days shall have passed after the Bankruptcy Court shall have entered the Confirmation Order in form and substance reasonably acceptable to the Debtors and the Exit Revolver Lenders.

b. No Stay of Confirmation. There shall not be in force any order, decree, or ruling of any court or governmental body having jurisdiction, restraining, enjoining, or staying the consummation of, or rendering illegal the transactions contemplated by, the Plan.

c. Receipt of Required Authorization. All authorizations, consents, and regulatory approvals (if any) necessary to effectuate the Plan shall have been obtained.

d. Exit Revolver. The documents evidencing the Revolving Credit Agreement shall be in form and substance acceptable to the Debtors and the Exit Revolving Lenders, shall have been executed and delivered by the respective parties thereto, and all conditions precedent to the effectiveness of such document shall have been satisfied or waived.

e. Term Loan. The documents evidencing the Term Loan Credit Agreement shall be in form and substance reasonable acceptable to the Debtors, shall have been executed and delivered by the respective parties thereto, and all conditions precedent to the effectiveness of each such document shall have been satisfied or waived.

f. Liquidating Trust Agreement. If the Liquidating Trust Existence Condition Precedent occurs, the Liquidating Trust Agreement must be in form and substance reasonably acceptable to the Debtors and the Exit Revolver Lenders and shall have been executed and delivered by the respective parties thereto.

g. Liquidating Trust Oversight Committee. If the Liquidating Trust Existence Condition Precedent occurs, the Liquidating Trust Oversight Committee shall have been appointed.

h. Liquidating Trustee. If the Liquidating Trust Existence Condition Precedent occurs, the Liquidating Trustee shall have been appointed.

i. Plan Supplement. All documents to be contained in the Plan Supplement shall be completed and in final form and, to the extent necessary, shall have been executed and delivered by the respective parties thereto.

j. Required Transactions. All transactions required by the Plan have been completed to the reasonable satisfaction of the Debtors and the Exit Revolver Lenders.

k. Restructuring Transactions. At the discretion of the Debtors and with the consent of the Exit Revolver Lenders (which consent shall not be unreasonably withheld), the Restructuring Transactions described in the Restructuring Transactions Memorandum have been completed to the reasonable satisfaction of the Debtors and the Exit Revolver Lenders.

l. Waiver. Any of the conditions set forth in Sections 10.1.1 and 10.1.2 of the Plan may be waived by the Debtors to the extent that such waiver does not affect the distributions hereunder.

B. EFFECT OF FAILURE OF CONDITIONS.

In the event that the conditions specified in Section 10.1 of the Plan have not been satisfied or waived on or before 120 days after the Confirmation Date, then the Debtors may seek an order from the Bankruptcy Court vacating the Confirmation Order. Such request shall be served upon counsel for the administrative agent under the Prepetition Credit Agreement, the administrative agent under the DIP Facility, the proposed administrative agent

under the Revolving Credit Agreement, the Committee, and the U.S. Trustee. If the Confirmation Order is vacated, (i) the Plan shall be null and void in all respects; (ii) any settlement of Claims or Interests provided for in the Plan shall be null and void without further order of the Bankruptcy Court; and (iii) the time within which the Debtors may assume and assign or reject all Executory Contracts and Unexpired Leases shall be extended for a period of 60 days after the date the Confirmation Order is vacated.

XIV. RETENTION OF JURISDICTION

Pursuant to sections 105(c) and 1142 of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim or Interest, including, without limitation, the resolution of any request for payment of any Administrative Expense Claim or Priority Tax Claim and the resolution of any objections to the allowance or priority of Claims or Interests;

2. hear and rule upon all Causes of Action retained by the Debtors and commenced and/or pursued by the Debtors or the Reorganized Debtors;

3. resolve any matters related to the rejection, assumption, or assumption and assignment of any Executory Contract or Unexpired Lease to which any Debtor is a party or with respect to which the Debtors may be liable and to hear, determine, and, if necessary, liquidate any Claims arising therefrom;

4. ensure that Distributions on account of Allowed Claims are accomplished pursuant to the provisions of the Plan;

5. decide or resolve any motions, adversary proceedings, contested, or litigated matters and any other matters and grant or deny any applications involving the Debtors that may be pending on the Effective Date;

6. enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan, the Plan Supplement, the Disclosure Statement, or the Confirmation Order;

7. resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of the Plan or any contract, instrument, release, or other agreement or document that is executed or created pursuant to the Plan, or any Person's rights arising from or obligations incurred in connection with the Plan or such documents;

8. approve any modification of the Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code or approve any modification of the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan;

9. hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under sections 330, 331, 363, 503(b), 1103, and 1129(a)(9) of the Bankruptcy Code, which shall be payable by the Debtors, or the Reorganized Debtors, as applicable, only upon allowance thereof pursuant to the order of the Bankruptcy Court; provided, however, that the fees and expenses of the Debtors incurred after the Confirmation Date, including attorneys' fees, may be paid by the Reorganized Debtors in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

10. issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person with consummation of the Plan, implementation, or enforcement of the Plan or the Confirmation Order;

11. hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

12. enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked, or vacated, or if Distributions pursuant to the Plan are enjoined or stayed;

13. determine any other matters that may arise in connection with or relate to the Plan, the Plan Supplement, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement, or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order;

14. enforce all orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Cases;

15. hear and determine all matters related to (i) the property of the Debtors and the Estates from and after the Confirmation Date and (ii) the activities of the Debtors or the Reorganized Debtors; and

16. hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code.

XV. MISCELLANEOUS PROVISIONS

A. PLAN SUPPLEMENT.

No later than 10 days prior to the Voting Deadline, the Debtors shall File with the Bankruptcy Court the Plan Supplement, which shall contain such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. Holders of Claims or Interests may obtain a copy of the Plan Supplement upon written request to the Debtors' counsel.

B. EXEMPTION FOR REGISTRATION REQUIREMENTS.

Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance and Distribution of any securities contemplated by the Plan shall be exempt from, among other things, the registration requirements of Section 5 of the Securities Act and any state or local law requiring registration prior to the offering, issuance, distribution or sale of securities. In addition, any securities contemplated by the Plan will be tradable by the recipients thereof, subject to (i) the provisions of section 1145(b)(1) of the Bankruptcy Code; and (ii) the restrictions, if any, on the transferability of such securities and instruments.

C. STATUTORY FEES.

All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid by the Debtors on or before the Effective Date.

D. THIRD PARTY AGREEMENTS.

The Distributions to the various Classes of Claims and Interests under the Plan shall not affect the right of any Person to levy, garnish, attach, or employ any other legal process with respect to such Distributions by reason of any claimed subordination rights or otherwise. All of such rights and any agreements relating thereto shall remain in full force and effect, except as compromised and settled pursuant to the Plan. Distributions shall be subject to and modified by any Final Order directing distributions other than as provided in the Plan.

E. AMENDMENT OR MODIFICATION OF PLAN.

As provided in section 1127 of the Bankruptcy Code, modification of the Plan may be proposed in writing by the Debtors at any time before Confirmation, *provided* that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code, and the Debtors shall have complied with section 1125 of the Bankruptcy Code. The Debtors may modify the Plan at any time after Confirmation and before consummation of the Plan, *provided* that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan as modified, under section 1129 of the Bankruptcy Code, and the circumstances warrant such modifications. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted such Plan as modified if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim or Interest of such Holder.

F. SEVERABILITY.

In the event that the Bankruptcy Court determines, prior to the Confirmation Date, that any provision in the Plan is invalid, void or unenforceable, the Reorganized Debtors may, at their option, (a) treat such provision as invalid, void or unenforceable with respect to the Holder or Holders of such Claims or Interests that the provision is determined to be invalid, void or unenforceable, in which case such provision shall in no way limit or affect the enforceability and operative effect of any other provision of the Plan, or (b) alter, amend, revoke, or withdraw the Plan.

G. REVOCATION OR WITHDRAWAL OF PLAN.

The Debtors reserve the right to revoke and withdraw the Plan or to adjourn the Confirmation Hearing at any time prior to the occurrence of the Effective Date. If the Debtors revoke or withdraw the Plan, or if Confirmation or consummation does not occur, then (i) the Plan shall be null and void in all respects, (ii) any settlement or compromise embodied in the Plan, assumption or rejection of Executory Contracts or Unexpired Leases under the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void, and (iii) nothing contained in the Plan shall (A) constitute a waiver or release of any Claims by or against, or Interests in, such Debtors or any other Person, (B) prejudice in any manner the rights of such Debtors or any other Person, or (C) constitute an admission of any sort by the Debtors or any other Person.

For the avoidance of doubt, if the Confirmation Hearing is adjourned, the Debtors reserve the right to amend, modify, revoke or withdraw the Plan and/or submit any new plan of reorganization at such times and in such manner as they consider appropriate, subject to the provisions of the Bankruptcy Code.

H. RULES GOVERNING CONFLICTS BETWEEN DOCUMENTS.

In the event of a conflict between the terms or provisions of the Plan and the Plan Documents, the terms of the Plan shall control over the Plan Documents. In the event of a conflict between the terms of the Plan or the Plan Documents, on the one hand, and the terms of the Confirmation Order, on the other hand, the terms of the Confirmation Order shall control. In the event of a conflict between the information contained in the Disclosure Statement and the Plan or any other Plan Document, the Plan or other Plan Document (as the case may be) will control.

I. GOVERNING LAW.

Except to the extent that federal law (including, but not limited to, the Bankruptcy Code and the Bankruptcy Rules) is applicable or the Plan provides otherwise, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York without giving effect to its conflicts of law principles.

J. NOTICES.

Any notice required or permitted to be provided under the Plan shall be in writing and served by either (a) certified mail, return receipt requested, postage prepaid, (b) hand delivery, or (c) reputable overnight delivery service, freight prepaid. If to the Debtors, any such notice shall be directed to the following at the addresses set forth below:

Building Materials Holding Corporation
720 Park Boulevard
Boise, Idaho 83712
Attention: Paul Street

-- with copies to --

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, New York 10166-0193
Attention: Michael A. Rosenthal and Matthew K. Kelsey

-- and --

Young Conaway Stargatt & Taylor, LLP
The Brandywine Building
1000 West Street
17th Floor
Wilmington, Delaware 19801
Attention: Sean M. Beach and Robert F. Poppiti, Jr.

K. INTEREST AND ATTORNEYS' FEES.

Interest accrued after the Petition Date will accrue and be paid on Claims only to the extent specifically provided for in the Plan, the Confirmation Order or as otherwise required by the Bankruptcy Court or by applicable law. No award or reimbursement of attorneys' fees or related expenses or disbursements shall be allowed on, or in connection with, any Claim, except as set forth in the Plan or as ordered by the Bankruptcy Court.

L. BINDING EFFECT.

The Plan shall be binding upon the Debtors, the Reorganized Debtors, the Holders of all Claims and Interests, parties in interest, Persons, and Governmental Units and their respective successors and assigns. To the extent any provision of the Disclosure Statement or any other solicitation document may be inconsistent with the terms of the Plan, the terms of the Plan shall be binding and conclusive.

M. NO ADMISSIONS.

As to contested matters, adversary proceedings and other Causes of Action or threatened Causes of Action, nothing in the Plan, the Plan Supplement, the Disclosure Statement, or other Plan Documents shall constitute or be construed as an admission of any fact or liability, stipulation, or waiver, but rather as a statement made in settlement negotiations. The Plan shall not be construed to be conclusive advice on the tax, securities, and other legal effects of the Plan as to Holders of Claims against, or Interests in, the Debtors or any of their subsidiaries and affiliates, as debtors and debtors in possession in the Chapter 11 Cases.

N. EXHIBITS.

All Exhibits and Schedules to the Plan are incorporated into and are a part of the Plan as if set forth in full therein.

XVI. SOLICITATION AND VOTING PROCEDURES

The following briefly summarizes procedures to accept and confirm the Plan:

A. THE SOLICITATION PACKAGE.

The following materials constitute the Solicitation Package:

- written notice in the form approved by the bankruptcy court of (i) approval of the Disclosure Statement, (ii) the deadline for voting on the Plan, (iii) the date of the Confirmation Hearing, (iv) the deadline and procedures for filing objections to the confirmation of the Plan.
- the appropriate Ballots and applicable Voting Instructions;
- a pre-addressed, postage pre-paid return envelope; and
- this Disclosure Statement with all exhibits, including the Plan, and any other supplements or amendments to these documents.

The Classes entitled to vote to accept or reject the Plan shall be served the Disclosure Statement and all exhibits to the Disclosure Statement, including the Plan. Parties who wish to receive additional copies of these documents may request a copy from the Voting Agent by writing to Building Materials Holding Corporation, c/o The Garden City Group, Inc., Attention: Ballot Processing Center, _____or by calling _____. The Solicitation Package (except the Ballots) can also be obtained by any party by accessing the Voting Agent's web site at http://www._____.

B. VOTING INSTRUCTIONS.

Only the Holders of Claims in Classes 2(a)-(c), 3(a)-(c), 6(a)-(c) and 8(a)-(c) are entitled to vote to accept or reject the Plan, and they may do so by completing the Ballot and returning it in the envelope provided to the Voting Agent by the Voting Deadline. Voting instructions are attached to each Ballot.

The Company, with the approval of the Bankruptcy Court, has engaged The Garden City Group, Inc. as the Voting Agent to assist in the solicitation process. The Voting Agent will, among other things, answer questions, provide additional copies of all Solicitation Package materials, and generally oversee the solicitation process. The Voting Agent will also process and tabulate Ballots for each Class entitled to vote to accept or reject the Plan and will File the Voting Report as soon as practicable before the Confirmation Hearing.

The deadline to vote on the Plan is **5:00 p.m. (Prevailing Eastern Time) on [_____], 2009.**

Ballots must be actually received by the Voting Agent by the Voting Deadline by using the envelope provided, or by First Class Mail, Overnight Courier or Personal Delivery to:

Building Materials Holding Corporation Balloting Center
c/o _____
_____
_____

If you have any questions on the procedures for voting on the Plan, please call the Voting Agent at the following telephone number: _____.

ANY BALLOT THAT IS PROPERLY EXECUTED BY THE HOLDER OF A CLAIM, BUT WHICH DOES NOT CLEARLY INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN OR WHICH INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, SHALL NOT BE COUNTED. ANY BALLOT THAT IS PROPERLY EXECUTED BY THE HOLDER OF A CLAIM AND

WHICH CLEARLY INDICATES AN ACCEPTANCE OR REJECTION OF THE PLAN FOR ANY DEBTOR, BUT DOES NOT INDICATE AN ACCEPTANCE OR REJECTION FOR ANOTHER DEBTOR, SHALL BE DEEMED A VOTE IN FAVOR OF, OR AGAINST, THE PLAN, AS THE CASE MAY BE, WITH RESPECT TO ALL DEBTORS.

EACH HOLDER OF A CLAIM MUST VOTE ALL OF THEIR CLAIMS WITHIN A PARTICULAR PLAN CLASS EITHER TO ACCEPT OR REJECT THE PLAN AND MAY NOT SPLIT THEIR VOTES. BY SIGNING AND RETURNING A BALLOT, EACH HOLDER OF A CLAIM IN CLASSES 2(A)-(C), 3(A)-(C), 6(A)-(C) AND 8(A)-(C) WILL CERTIFY TO THE BANKRUPTCY COURT AND THE COMPANY THAT NO OTHER BALLOTS WITH RESPECT TO SUCH CLAIM HAVE BEEN CAST OR, IF ANY OTHER BALLOTS HAVE BEEN CAST WITH RESPECT TO SUCH CLASS OF CLAIMS, SUCH OTHER BALLOTS INDICATED THE SAME VOTE TO ACCEPT OR REJECT THE PLAN.

ALL BALLOTS ARE ACCOMPANIED BY RETURN ENVELOPES. IT IS IMPORTANT TO FOLLOW THE SPECIFIC INSTRUCTIONS PROVIDED ON EACH BALLOT.

For all Holders of Claims in Classes 2(a)-(c), 3(a)-(c), 6(a)-(c) and 8(a)-(c):

By signing and returning a Ballot, each Holder of a Claim in Classes 2(a)-(c), 3(a)-(c), 6(a)-(c) and 8(a)-(c) will be certifying to the Bankruptcy Court and the Company that, among other things:

- the Holder has received and reviewed a copy of the Disclosure Statement and Solicitation Package and acknowledges that the solicitation is being made pursuant to the terms and conditions set forth therein;
- the Holder has cast the same vote with respect to all Claims in a single Class; and
- no other Ballots with respect to the amount of the Claims have been cast or, if any other Ballots have been cast with respect to such Claims, then any such earlier Ballots are thereby revoked.

C. VOTING TABULATION.

To ensure that a vote is counted, the Holder of a Claim should: (a) complete a Ballot; (b) indicate the Holder's decision either to accept or reject the Plan in the boxes provided in the Ballot; and (c) sign and timely return the Ballot to the address set forth on the enclosed prepaid envelope by the Voting Deadline.

The Ballot does not constitute, and shall not be deemed to be, a Proof of Claim or an assertion or admission of a Claim. Only Holders of Claims in the single voting Class shall be entitled to vote with regard to such Claims.

Ballots received after the Voting Deadline may not be counted. The method of delivery of the Ballots to be sent to the Voting Agent is at the election and risk of each Holder of a Claim. Except as otherwise provided in the Solicitation Procedures, a Ballot will be deemed delivered only when the Voting Agent actually receives the original executed Ballot. Delivery of a Ballot to the Voting Agent by facsimile, e-mail or any other electronic means will not be accepted. No Ballot should be sent to the Company, the Company's agents (other than the Voting Agent), or the Company's financial or legal advisors. The Company expressly reserves the right to amend from time to time the terms of the Plan (subject to compliance with the requirements of section 1127 of the Bankruptcy Code and the terms of the Plan regarding modifications). The Bankruptcy Code requires the Company to disseminate additional solicitation materials if the Company makes material changes to the terms of the Plan or if the Company waives a material condition to Plan Confirmation. In that event, the solicitation will be extended to the extent directed by the Bankruptcy Court.

If multiple Ballots are received from the same Holder with respect to the same Claim prior to the Voting Deadline, the last Ballot timely received will be deemed to reflect that voter's intent and will supersede and revoke any prior Ballot. Holders must vote all of their Claims within a particular Plan Class either to accept or reject the

Plan and may not split their vote. Accordingly, a Ballot that partially rejects and partially accepts the Plan in a single class will not be counted. Further, to the extent there are multiple Claims within the same Class, the Company may, in its discretion, aggregate the Claims of any particular Holder within a Class for the purpose of counting votes.

In the event a designation of lack of good faith is requested by a party-in-interest under section 1126(e) of the Bankruptcy Code, the Bankruptcy Court will determine whether any vote to accept and/or reject the Plan cast with respect to that Claim will be counted for purposes of determining whether the Plan has been accepted and/or rejected.

Neither the Company nor any other Person will be under any duty to provide notification of defects or irregularities with respect to delivered Ballots other than as provided in the Voting Report, nor will any of them incur any liability for failure to provide such notification.

The Voting Agent will file the Voting Report with the Bankruptcy Court. The Voting Report shall, among other things, delineate every Ballot that does not conform to the Voting Instructions or that contains any form of irregularity (each an "Irregular Ballot") including, but not limited to, those Ballots that are late or (in whole or in material part) illegible, unidentifiable, lacking signatures or lacking necessary information, received via facsimile or electronic mail or damaged. The Voting Report also shall indicate the Company's intentions with regard to such Irregular Ballots.

XVII. CONFIRMATION PROCEDURES

A. CONFIRMATION HEARING

The Confirmation Hearing will commence on [ ], 2009 at [ ].m. (Prevailing Eastern Time), before The **Honorable** [_____], United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, DE 19801. Notice of the Confirmation Hearing will be provided in the manner prescribed by the Bankruptcy Court, and will also be available at the web site of The Garden City Group, Inc., the Company's Voting Agent, http://www._____. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

B. STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (1) the Plan satisfies or will satisfy all of the statutory requirements of chapter 11 of the Bankruptcy Code; (2) they have complied or will have complied with all of the requirements of chapter 11 of the Bankruptcy Code; and (3) the Plan has been proposed in good faith. Specifically, the Company believes that the Plan satisfies or will satisfy the applicable Confirmation requirements of section 1129 of the Bankruptcy Code set forth below.

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors, as the Plan proponents, will have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the case, has been disclosed to the Bankruptcy Court, and any such payment: (1) made before the Confirmation of the Plan is reasonable; or (2) subject to the approval of the Bankruptcy Court as reasonable, if it is to be fixed after Confirmation of the Plan.

- Either each Holder of an Impaired Claim has accepted the Plan, or will receive or retain under the Plan on account of such Claim, property of a value, as of the Effective Date of the Plan, that is not less than the amount that such Holder would receive or retain if the Company was liquidated on that date under chapter 7 of the Bankruptcy Code, including pursuant to section 1129(b) of the Bankruptcy Code for Claims and Interests deemed to reject the Plan.

- Each Class of Claims or Interests that is entitled to vote on the Plan has either accepted the Plan or is not Impaired under the Plan, or the Plan can be confirmed without the approval of such voting Class pursuant to section 1129(b) of the Bankruptcy Code.

- Except to the extent that the Holder of a particular Claim will agree to a different treatment of its Claim, the Plan provides that Administrative Claims and Other Priority Claims will be paid in full on the Effective Date, or as soon thereafter as is reasonably practicable.

- A least one Class of Impaired Claims against each of BMHC, the BMC West Debtors and the SelectBuild Debtors has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in that Class.

- Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Company or any successors thereto under the Plan.

- The Company has paid the required filing fees pursuant to 28 U.S.C. § 1930 to the clerk of the Bankruptcy Court.

- In addition to the filing fees paid to the clerk of the Bankruptcy Court, the Company will pay quarterly fees no later than the last day of the calendar month, following the calendar quarter for which the fee is owed in the Company's Chapter 11 Cases for each quarter (including any fraction thereof), to the Office of the U.S. Trustee, until the case is closed.

1. Best Interests of Creditors Test/Liquidation Analysis

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find, as a condition to confirmation, that a chapter 11 plan provides, with respect to each impaired class, that each holder of a claim or an equity interest in such class either (a) has accepted the plan or (b) will receive or retain under the plan property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the Company liquidated under chapter 7 of the Bankruptcy Code. This is commonly referred to as the "best interests" test. To make these findings, the Bankruptcy Court must: (a) estimate the cash liquidation proceeds that a chapter 7 trustee would generate if the Company's Chapter 11 Cases were converted to chapter 7 cases and the assets of the Company's estate were liquidated; (b) determine the liquidation distribution that each non-accepting holder of a claim or an equity interest would receive from such liquidation proceeds under the priority scheme dictated in chapter 7; and (c) compare such holder's liquidation distribution to the distribution under the plan that such holder would receive if the plan were confirmed.

In chapter 7 cases, unsecured creditors and interest holders of a debtor are paid from available assets generally in the following order, with no junior class receiving any payments until all amounts due to senior classes have been paid fully or any such payment is provided for: (a) holders of secured claims (to the extent of the value of their collateral); (b) holders of priority claims; (c) holders of unsecured claims; (d) holders of debt expressly subordinated by its terms or by order of the bankruptcy court; and (e) holders of equity interests.

To demonstrate compliance with the "best interests" test, Peter J. Solomon Company ("PJSC") prepared the Liquidation Analysis attached hereto as Exhibit E.

To prepare the Liquidation Analysis, PJSC first estimated the range of proceeds that might be generated from a hypothetical chapter 7 liquidation of the Debtors' assets by a chapter 7 trustee charged with reducing to cash

any and all of such assets in an orderly manner. The Liquidation Analysis assumes such liquidation commenced on June 30, 2009.

The gross amount of cash available from such hypothetical chapter 7 liquidation would be the sum of the cash held by the Debtors at the time of the commencement of the hypothetical chapter 7 liquidation plus the proceeds from the disposition of the Debtors' non-cash assets, reduced by the costs and expenses of the liquidation. Any net cash was allocated in the Liquidation Analysis to the creditors of the Debtors in strict compliance with the distribution priorities set forth in section 726 of the Bankruptcy Code.

PJSC then valued the recoveries to each impaired creditor class under the Plan and compared such recoveries to the recoveries that such creditors would receive in a hypothetical chapter 7 liquidation. The Liquidation Analysis was prepared separately for BMHC, the BMC West Debtors and the SelectBuild Debtors. Then, the aggregate recovery of the various impaired creditor classes was summarized in a summary chart.

The Liquidation Analysis demonstrates that, in every instance, the amount that each creditor in an impaired class would receive under the Plan is at least equal to, and in most instances substantially exceeds, the amount that such creditor would receive in a hypothetical chapter 7 liquidation. For example, the Liquidation Analysis demonstrates that each Holder of the Debtors' Prepetition Credit Agreement Debt receives property with a value equal to 66.5% of its claims under the Plan, compared to a recovery that ranges from 23.2% to 33.6% in a hypothetical chapter 7 liquidation. Similarly, each Holder of BMHC, BMC West and SelectBuild General Unsecured Claims receives payment of the principal on its Allowed Claim in full over time, with property with a present value equal to 55.2% of its claims under the Plan, compared to a recovery of 2% in a hypothetical chapter 7 liquidation of BMHC, a 2.8% to 3.6% recovery in a hypothetical chapter 7 liquidation of the BMC West Debtors and a 0% recovery in a hypothetical chapter 7 liquidation of the SelectBuild Debtors. All of the Debtors are obligated (either as borrower or guarantors) under the Prepetition Credit Agreement and the total liquidation value of all the Debtors, both individually and in the aggregate, is less than the amount owed to the Prepetition Lenders.

THE LIQUIDATION ANALYSIS IS AN ESTIMATE OF THE PROCEEDS THAT MAY BE GENERATED AS A RESULT OF A HYPOTHETICAL CHAPTER 7 LIQUIDATION OF THE DEBTORS' ASSETS. UNDERLYING THE LIQUIDATION ANALYSIS ARE NUMEROUS ESTIMATES AND ASSUMPTIONS REGARDING LIQUIDATION PROCEEDS THAT, ALTHOUGH DEVELOPED AND CONSIDERED REASONABLE BY THE DEBTORS' MANAGEMENT AND ITS ADVISORS, ARE INHERENTLY SUBJECT TO SIGNIFICANT ECONOMIC, COMPETITIVE, AND OPERATIONAL UNCERTAINTIES AND CONTINGENCIES BEYOND THE CONTROL OF THE DEBTORS OR A CHAPTER 7 TRUSTEE. IN ADDITION, VARIOUS LIQUIDATION DECISIONS UPON WHICH CERTAIN ASSUMPTIONS ARE BASED ARE SUBJECT TO CHANGE. THERE CAN BE NO ASSURANCE THAT THE ASSUMPTIONS AND ESTIMATES EMPLOYED IN DETERMINING THE LIQUIDATION VALUES OF THE DEBTORS' ASSETS WILL RESULT IN AN ACCURATE ESTIMATE OF THE PROCEEDS THAT WOULD BE REALIZED WERE THE DEBTORS TO UNDERGO AN ACTUAL LIQUIDATION.

THE ACTUAL AMOUNT OF CLAIMS AGAINST THE DEBTORS' ESTATES COULD VARY SIGNIFICANTLY FROM THE ESTIMATE SET FORTH HEREIN, DEPENDING ON THE CLAIMS ASSERTED DURING THE PENDENCY OF THE DEBTORS' HYPOTHETICAL CHAPTER 7 CASES. ACCORDINGLY, THE ACTUAL LIQUIDATION VALUE OF THE DEBTORS IS SPECULATIVE IN NATURE AND COULD VARY MATERIALLY FROM THE ESTIMATES PROVIDED HEREIN.

In estimating the gross amount of proceeds available under a hypothetical chapter 7 liquidation, PJSC estimated the cash proceeds that might be realized from the liquidation of the Debtors' assets based upon the book value of assets as of the March 31, 2009 closing balance sheet, or more recent financial information, where available. These values have not been subject to any review, compilation, or audit by any independent accounting firm. The Liquidation Analysis is subject to the qualifications and assumptions described above and in the schedules attached to Exhibit E.

2. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that the bankruptcy court find that confirmation is not likely to be followed by the liquidation of the reorganized debtor or the need for further financial reorganization, unless the plan contemplates such liquidation. For purposes of demonstrating that the Plan meets this "feasibility" standard, the Company analyzed the ability of the Reorganized Debtors to meet their obligations under the Plan and to retain sufficient liquidity and capital resources to conduct its business.

In connection with the development of the Plan and for the purposes of determining whether the Plan satisfies this feasibility standard, the Company analyzed its ability to satisfy its financial obligations while maintaining sufficient liquidity and capital resources. The Company believes that with a significantly de-leveraged capital structure, the Reorganized Debtors will have sufficient cash flow and loan availability to pay and service their debt obligations and to fund operations. This is demonstrated by the Feasibility Analysis attached as Exhibit F, and the detailed Financial Projections ("Projections"), including an Income Statement, a Balance Sheet and a Cash Flow Statement that are attached to the Feasibility Analysis.

The Projections are based upon numerous assumptions that are an integral part of the Projections, including, without limitation, confirmation and consummation of the Plan in accordance with its terms; realization of the Debtors' operating strategy for the Reorganized Debtors; industry performance; no material adverse changes in applicable legislation or regulations, or the administration thereof, including environmental legislation or regulations or generally accepted accounting principles; general business and economic conditions; competition; adequate financing; absence of material contingent or unliquidated litigation, indemnity or other claims; other matters many of which will be beyond the control of the Reorganized Debtors and some or all of which may not materialize. To the extent that the assumptions inherent in the Projections are based upon future business decisions and objectives, they are subject to change. The Projections were not prepared in accordance with the standards for projections promulgated by the American Institute of Certified Public Accountants or with a view to compliance with published guidelines of the SEC regarding projections or forecasts. The projections have not been audited, reviewed, or compiled by the Debtors' independent public accountants. In addition although they are presented with numerical specificity and the assumptions on which they are based are considered reasonable by the Debtors, the assumptions and estimates underlying the Projections are subject to significant business, economic and competitive uncertainties and contingencies, many of which will be beyond the control of the Reorganized Debtors. Accordingly, the Projections are only estimates that are necessarily speculative in nature. It can be expected that some or all of the assumptions in the Projections will not be realized and that actual results will vary from the Projections, which variations may be material and are likely to increase over time. The Projections should therefore not be regarded as a representation by the Debtors or any other Person that the results set forth in the Projections will be achieved. Neither the Debtors' independent public accountants, nor any other independent accountants or financial advisors, have compiled, examined or performed any procedures with respect to the Projections nor have they expressed any opinion or any other form of assurance on such information or its achievability. In light of the foregoing, readers are cautioned not to place undue reliance on the Projections. The projected financial information contained herein should not be regarded as a representation or warranty by the Debtors, the Reorganized Debtors, their advisors, or any other Person that the Projections can or will be achieved.

The Feasibility Analysis and Projections indicate that the Reorganized Debtors should have sufficient cash flow to service and pay their debt obligations and to fund their operations. Under the Plan, the Reorganized Debtors will emerge from chapter 11 with approximately $151.3 million of net debt[5] ("Net Debt"). According to the Projections, by December 2012, the Reorganized Debtors will substantially reduce Net Debt to $0,[6] and will have made approximately $7.6 million of payments to the Liquidating Trust on account of the Liquidating Trust Share of Excess Cash Flow for Distribution to Holders of Allowed BMHC, BMC West and SelectBuild General Unsecured Claims (assuming each of Classes 6(a), 6(b) and 6(c) have voted to accept the Plan). Additionally, through the

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5 $157.3 million of total debt net of $6 million balance sheet cash.

6 $53.9 million total debt net of $54.1 million balance sheet cash.

Projection period (through 2012) the Reorganized Debtors will have available and unused revolving credit facility capacity in excess of $25 million. Accordingly, the Company believes that the Plan satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code.

3. Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to confirmation, that, except as described in the following section, each class of claims or equity interests that is impaired under a plan, accept the plan. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. A class is "impaired" unless the plan: (a) leaves unaltered the legal, equitable and contractual rights to which the claim or the equity interest entitles the holder of such claim or equity interest; (b) cures any default and reinstates the original terms of such obligation; or (c) provides that, on the consummation date, the holder of such claim or equity interest receives cash equal to the allowed amount of that claim or, with respect to any equity interest, any fixed liquidation preference to which the holder of such equity interest is entitled to any fixed price at which the Company may redeem the security.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the plan. Thus, a class of claims will have voted to accept the plan only if two-thirds in amount and a majority in number actually voting cast their ballots in favor of acceptance.

The Claims in Classes 1(a)-(c), 4(a)-(c), 5(a)-(c), 7(a)-(c) and 9(b)-(c) are not Impaired under the Plan, and, as a result, the Holders of such Claims are deemed to have accepted the Plan.

The Claims in Classes 2(a)-(c), 3(a)-(c), 6(a)-(c) and 8(a)-(c) are Impaired under the Plan. The voting Classes will have accepted the Plan if the Plan is accepted by at least two-thirds in amount and a majority in number of the Claims of each such Classes (other than any Claims of Creditors designated under section 1126(e) of the Bankruptcy Code) that have voted to accept or reject the Plan.

The members of Classes 9(a) and 10(a)-(c) will not receive a distribution under the Plan, are deemed to reject the Plan, and are not entitled to vote on the Plan.

4. Confirmation Without Acceptance by All Impaired Classes

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if all impaired classes entitled to vote on the plan have not accepted it, **provided** that the plan has been accepted by at least one impaired class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class's rejection or deemed rejection of the plan, such plan will be confirmed, at the plan proponent's request, in a procedure commonly known as "cram down," so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

a. No Unfair Discrimination

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in it treatment of classes of claims of equal rank (e.g., classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly, and, accordingly, a plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

b. Fair and Equitable Test

This test applies to classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the amount of the allowed claims in such

class. As to the dissenting class, the test sets different standards depending on the type of claims or equity interests in such class.

Secured Claims: The condition that a plan be "fair and equitable" to a non-accepting class of secured claims includes, among other things, the requirements that: (1) the holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by the Company or transferred to another entity under the plan; and (2) each holder of a secured claim in the class receives deferred cash payments totaling at least the allowed amount of such claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant's interest in the Company's property subject to the liens.

Unsecured Claims: The condition that a plan be "fair and equitable" to a non-accepting class of unsecured claims includes the following requirement that either: (1) the plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (2) the holder of any claim or any equity interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or junior equity interest any property.

Interests: The condition that a plan be "fair and equitable" to a non-accepting class of equity interests includes the requirements that either: (1) the plan provides that each holder of an equity interest in that class receives or retains under the plan on account of that equity interest property of a value, as of the effective date of the plan, equal to the greater of: (a) the allowed amount of any fixed liquidation preference to which such holder is entitled; (b) any fixed redemption price to which such holder is entitled; or (c) the value of such interest; or (2) if the class does not receive the amount as required under (1) hereof, no class of equity interests junior to the non-accepting class may receive a distribution under the plan.

The Company will seek Confirmation of the Plan under section 1129(b) of the Bankruptcy Code, to the extent applicable, in view of the deemed rejection by Classes 9(a) and 10(a)-(c).

The votes of Holders of Classes 9(a) and 10(a)-(c) are not being solicited because, under Article IV of the Plan, there will be no distribution to the Holders of such Classes. Classes 9(a) and 10(a)-(c) are, therefore, conclusively deemed to have rejected the Plan pursuant to section 1129(b) of the Bankruptcy Code. Notwithstanding the deemed rejection by Classes 9(a) and 10(a)-(c) or any Class that votes to reject the Plan, the Company does not believe that the Plan discriminates unfairly against any Impaired Class of Claims or Interests. The Company believes that the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for nonconsensual confirmation of the Plan.

XVIII. PLAN-RELATED RISK FACTORS AND ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, ALL HOLDERS OF CLAIMS AND INTERESTS THAT ARE IMPAIRED SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH HEREIN, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT.

A. RISKS RELATED TO CONFIRMATION, EFFECTIVENESS AND IMPLEMENTATION

1. Parties in Interest May Object to the Substantive Consolidation of BMC West Debtors and SelectBuild Debtors, Respectively

For the reasons set out above in section VIII(A), the Company believes that the substantive consolidation of the BMC West Debtors and the SelectBuild Debtors, respectively, is appropriate under the facts of this case. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

2. Parties in Interest May Object to the Company's Classification of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Company believes that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Company created Classes of Claims and Interests, each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims and Interests in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

3. Failure to Satisfy Vote Requirement

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Company intends to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Company may seek to accomplish an alternative chapter 11 plan. There can be no assurance that the terms of any such alternative chapter 11 plan would be similar or as favorable to the Holders of Allowed Claims as those proposed in the Plan.

4. The Company May Not Be Able to Secure Confirmation of the Plan

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan, and requires, among other things, a finding by the bankruptcy court that: (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting holders of claims and equity interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the Company were liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting Holder of an Allowed Claim might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determined that this Disclosure Statement, the balloting procedures and voting results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it found that any of the statutory requirements for Confirmation had not been met, including the requirement that the terms of the Plan do not "unfairly discriminate" and are "fair and equitable" to non-accepting Classes.

The Liquidation Analysis for the Debtors is attached as Exhibit E to the Disclosure Statement Parties in interest in these Chapter 11 Cases may oppose Confirmation of the Plan by alleging that the liquidation value of one or more Debtors is higher than reflected on the Liquidation Analysis and that the Plan thereby improperly limits or extinguishes their rights to recoveries under the Plan. At the Confirmation hearing, the Bankruptcy Court may hear evidence regarding the views of the Company and opposing parties, if any, with respect to valuation of the Debtors.

Confirmation of the Plan is also subject to certain conditions as described in Article X of the Plan. If the Plan is not confirmed, it is unclear what distributions, if any, Holders of Allowed Claims would receive with respect to their Allowed Claims.

The Company, subject to the terms and conditions of the Plan, reserves the right to modify the terms and conditions of the Plan as necessary for Confirmation. Any such modifications could result in a less favorable treatment of any non-accepting Class, as well as of any Classes junior to such non-accepting Class, than the treatment currently provided in the Plan. Such a less favorable treatment could include a distribution of property to the Class affected by the modification of a lesser value than currently provided in the Plan or no distribution of property whatsoever under the Plan.

5. Nonconsensual Confirmation

In the event that any impaired class of claims or equity interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm such a plan at the proponents' request if at least one impaired class has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted, or is deemed not to have accepted, the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes. The Company believes that the Plan satisfies these requirements and the Company will request such nonconsensual Confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion.

6. The Company May Object to the Amount or Classification of a Claim

Except as otherwise provided in the Plan, the Reorganized Debtors reserve the right to object to the amount or classification of any Claim under the Plan. The estimates set forth in this Disclosure Statement cannot be relied on by any Holder of a Claim where such Claim is subject to an objection. Any Holder of a Claim that is subject to an objection thus may not receive its expected share of the estimated distributions described in this Disclosure Statement.

7. Risk of Non-Occurrence of the Effective Date

Although the Company believes that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing, or as to whether the Effective Date will, in fact, occur. The occurrence of the Effective Date is subject to the conditions precedent listed in the Plan and this Disclosure Statement, including execution of the Revolving Credit Agreement and the Term Loan Credit Agreement, and such conditions precedent may not occur.

8. Contingencies Not to Affect Votes of Impaired Classes to Accept or Reject the Plan

The distributions available to Holders of Allowed Claims under the Plan can be affected by a variety of contingencies, including, without limitation, whether the Bankruptcy Court orders certain Allowed Claims to be subordinated to other Allowed Claims. The occurrence of any and all such contingencies, which could affect distributions available to Holders of Allowed Claims under the Plan, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

B. RISK FACTORS RELATED TO THE BUSINESS OF THE REORGANIZED DEBTORS.

1. The Company's business is dependent on demand for and supply of single-family homes that are influenced by changes in the overall condition of the U.S. economy, including interest rates, consumer confidence, job formation, availability of credit and other important factors.

The residential building products and construction services industry is highly dependent on demand for single-family homes, which is influenced by several factors. These factors include economic changes nationally and locally, mortgage and other interest rates, consumer confidence, job formation, demographic trends, tax incentives and availability of credit as well as other factors. The construction of new homes may experience decline due to excess unsold home inventory levels, lack of availability of credit for lenders, builders and homebuyers, lack of available and affordable land in attractive metropolitan areas, shortages of qualified tradespeople, shortages of materials and regulations that impose restrictive zoning and density requirements. Also, changes to housing patterns may occur, such as an increase in consumer demand for urban living rather than single-family suburban neighborhoods.

All of these factors could limit demand for home construction and may result in lower sales of the Company's building products and construction services as well as lower operating results due to the Company's inability to align our cost structure with these sales trends.

2. **The Company's ability to maintain adequate liquidity, reduce operating costs and increase market share in an industry experiencing a 55% reduction in average annual housing starts may not be fully realized or may take longer to realize than expected.**

Excluding the boom years of 2006 through 2003, single-family housing starts for the U.S. as a whole averaged 1.1 million starts per year since 1990. For 2008, annualized single-family housing starts for the U.S. as a whole were 55% lower or 0.5 million starts. Housing starts have been negatively impacted by an excess inventory of unsold homes and home foreclosures as lending standards tightened and recent growing economic hardships of rising unemployment have sapped consumer confidence. These trends may not substantially improve for some time.

Single-family permits in the Company's markets declined 46% for 2008 and 31% for 2007. The decline was widespread across all the Company's markets for both building products and construction services. Lower sales from weakening buyer demand and increased competition for fewer contracts led to declines in the Company's margins, particularly for construction services. As of February 2009, single-family housing starts for the U.S. as a whole fell to an annualized rate below 0.4 million and single-family permits in the Company's markets fell to an annualized rate below 0.2 million. The Company expects market conditions to be challenging and may apply further pressure to its sales, margins and operating results.

3. **The Company's liquidity is dependent on operating performance, an efficient cash conversion cycle and compliance with financial covenants.**

Liquidity is essential to the Company's business. The Company funds working capital requirements and necessary capital expenditures with cash flow from operations and seasonal borrowings under its credit facility. A substantial deterioration in operating performance as well as inefficient conversion of business activities to cash may adversely affect the Company's ability to obtain funding from operations or its credit facility.

The Company may not be able to meet near-term working capital and scheduled interest and debt payment requirements if cash flows are inadequate from the Company's suppressed operating activities or if the Company's access to the revolver portion of its credit facility is restricted due to lack of compliance with financial covenants or revolver borrowing base limitations.

If the Company's operating performance, particularly cash flows from operations, is inadequate, the Company could suffer unfavorable consequences, such as payment delays to its suppliers or failure to honor contractual commitments including financial obligations.

Changes in or perceptions of the Company's liquidity or the liquidity of its suppliers and customers may adversely affect its cash flows and compound other risks. The Company's suppliers of building products as well as customers of its building products and construction services may experience or perceive uncertain liquidity and cause changes in the Company's liquidity. For example, vendors may disrupt supply with changes in terms such as credit and quantity limitations, pricing or payment. Similarly, customers may disrupt demand with changes in purchasing habits.

Increases in interest rates and the credit risk premium assigned to the Company as well as changes in the amount of debt will increase the Company's interest expense. Higher interest expense may adversely impact the Company's financial position, results of operations or cash flows for operating needs.

4. **An inability to implement and maintain cost structures that align with sales trends may have an adverse impact on the Company's operating results or the anticipated benefits of restructuring may not be fully realized or may take longer to realize than expected.**

When the Company experiences slower periods of homebuilding activity, it may experience inefficiencies in its cost structures. In response to the current challenging economic and industry conditions, the Company has implemented restructuring plans that include closure or consolidation of underperforming business units, reductions in the number of employees and consolidation of certain administrative functions. These actions are designed to align the Company's cost structures with anticipated sales. The Company's evaluation of and changes to expenses

in response to declining sales may not be sufficient, timely or realized, leading to costs that are too high relative to sales and to lower returns on sales.

5. Loss of customers as well as changes in the business models of customers may have an adverse impact on the Company's operating results.

The Company is exposed to the risk of loss arising from the failure or financial distress of customers. Although amounts due from the Company's customers are typically secured by liens on their construction projects, in the event a customer cannot meet its payment obligations to the Company, there is a risk that lender evaluations of customer creditworthiness may limit amounts paid to the Company or the value of their underlying project will not be sufficient to recover the amounts owed to the Company. Estimated credit losses are considered in the valuation of amounts due from the Company's customers, however the entire carrying amount is generally at risk.

While market and regulatory changes seek to reduce excess unsold home inventory and stabilize housing affordability, the Company may experience losses of and changes in customers. Many homebuilders are experiencing business and financial challenges in the current housing environment. The Company's 5 largest customers represent 18% of consolidated sales. Additionally, diversification of the Company's sales to more products and services for multi-family and commercial projects may result in changes in its customer mix. The loss of one or more of the Company's significant customers or changes in customer mix may adversely affect the Company's financial condition, results of operations or cash flows.

As the business models of the Company's customers evolve, the Company's existing building products and construction service offerings may not meet the needs of certain homebuilders. Homebuilders may decide to no longer outsource construction services or may purchase construction services and building products from separate suppliers. If the Company does not timely assess shifts in customer expectations, preferences and demands, its financial condition, results of operations or cash flows may be adversely affected.

6. Due to the continuing downturn in the housing industry, the Company may incur additional impairment charges and costs to close or consolidate additional business units in underperforming markets.

If weakness in the housing industry continues, all or a portion of remaining intangible assets for customer relationships as well as operating assets of underperforming business units may be impaired. The Company's ongoing evaluation of business operations places a priority on positive cash flow, efficient use of capital and higher returns. As a result of these evaluations, the Company may incur additional costs to close or consolidate additional underperforming business units. These impairment charges and costs may adversely affect the Company's financial condition, results of operations or cash flows.

7. The Company's business is subject to intense competition.

For 2008, annualized single-family housing starts for the U.S. as a whole were 55% lower or 0.5 million starts compared to an average of 1.1 million starts per year since 1990. Specifically, single-family building permits in the Company's markets declined 46% for 2008 and 31% for 2007. There are numerous competitors providing building materials and construction services for these lower housing starts. These competitive factors have led to pricing pressures and caused reductions in sales or margins as well as increases in operating costs. Loss of significant market share due to competition could result in the closure of facilities. Additionally, the availability of the Company's financial information as well as concerns about the Company's financial viability may be utilized against the Company by its competitors. Intense competition may adversely affect the Company's financial condition, results of operations or cash flows.

8. The Company's success is dependent upon the availability of and its ability to attract, train and retain qualified individuals.

Competition for employees is especially intense in both building products distribution and construction services. Weak operating results may limit the Company's ability to offer competitive compensation and benefits and may result in shortages of qualified labor and key personnel and in turn, may limit the Company's ability to complete contracts as well as obtain additional contracts with builders. Also, as a result of the downturn in the homebuilding industry, many qualified individuals have and may continue to seek employment in other industries. Additional employment and eligibility requirements as well as enhanced and perceived enforcement from state and federal authorities could also limit the availability of qualified labor. The Company cannot guarantee that it will be successful in recruiting and retaining qualified employees in the future.

The Company's success is also dependent on its ability to profitably implement evolving employment legislation. For example, potential legislation easing union organizing activities and limiting arbitration options may significantly increase costs and may reduce or eliminate the Company's ability to provide goods or services in certain markets. Increases in health care and unemployment benefits, holidays and various job protections increase costs. Likewise, changes required to reasonably balance employment levels and profitability are difficult to obtain under binding arbitration provisions. There is no assurance the Company will be successful in balancing a changing sense of entitlement with shareholder value. Employment legislation may adversely affect the Company's financial condition, results of operations or cash flows.

9. The Company's operating results are affected by fluctuations in its costs and the availability of sourcing channels for commodity wood products, concrete, steel and other building products.

Prices of commodity wood products, concrete, steel and other building products are historically volatile and are subject to fluctuations arising from changes in domestic and international supply and demand, labor costs, competition, market speculation, government regulations and periodic delays in delivery. Rapid and significant changes in product prices may affect sales as well as margins due to a limited ability to pass on short-term price changes. The Company does not use derivative financial instruments to hedge commodity price changes.

The Company may experience shortages of building products as a result of unexpected demand or production difficulties as well as transportation limitations. The Company has preferred suppliers for certain building products. The Company maintains an open dialogue with its suppliers to avoid supply disruptions. Suppliers may experience liquidity problems due to the decline in the homebuilding industry and tightened credit availability. Also, the Company's suppliers may have concerns about its financial viability and address their own liquidity needs by requesting faster payment of invoices or other assurances. If this were to happen, the Company's need for cash may intensify and it may be unable to make payments to our suppliers as they become due. Any disruption in the Company's sources of supply for key building products could negatively impact its financial condition, results of operations or cash flows.

10. Weather conditions, including natural catastrophic events, may cause the Company's operating results to fluctuate each quarter.

The Company's first and fourth quarters historically have been, and are expected to continue to be, adversely affected by weather conditions in some of its markets, causing decreases in operating results due to slower homebuilding activity. In addition, natural catastrophic events may cause the Company's operating results to fluctuate.

The nature of the Company's business exposes it to product liability and construction defect claims as well as other legal proceedings.

The Company has been involved in product liability and construction defect claims relating to the products it distributes and manufactures and its various construction trades. The Company is also exposed to potential claims arising from the conduct of homebuilders and their subcontractors. The Company also operate a large fleet of trucks

and other vehicles and therefore faces some risk of accidents. Although the Company believes it maintain adequate insurance, it may not be able to maintain such insurance on acceptable terms or such insurance may not provide adequate protection against potential liabilities.

The nature of the Company's business also exposes it to wage and hour claims. Accuracy of timekeeping methods may be difficult to defend and the extrapolation methods utilized may result in significant claims. Current or future claims may adversely affect the Company's financial condition, results of operations or cash flows.

11. The Company may be adversely affected by disruptions in its information systems.

The Company's operations are dependent upon information for decision-making and the related information systems. A substantial disruption in the Company's information systems for a prolonged period could delay the delivery of its products and services and adversely affect its ability to complete contracts and fulfill customer demands. Such delays, problems or costs may have an adverse effect on the Company's financial condition, results of operations or cash flows.

12. Actual and perceived vulnerabilities as a result of widespread credit and liquidity concerns, terrorist activities and armed conflict may adversely impact consumer confidence and the Company's business.

Instability in the economy and financial markets as a result of widespread credit and liquidity concerns, terrorism or war may impact consumer confidence and result in a decrease in homebuilding in the Company's markets. Terrorist attacks may also directly impact the Company's ability to maintain operations and services and may have an adverse effect on its business.

13. Federal, state and other regulations could impose substantial costs and/or restrictions on our business.

The Company is subject to various federal, state, local and other regulations, including among other things:

- work safety regulations promulgated by the Department of Labor's Occupational Safety and Health Administration,
- transportation regulations promulgated by the Department of Transportation,
- employment regulations promulgated by the Department of Homeland Security and the United States Equal Employment Opportunity Commission, as well as
- state and local zoning restrictions and building codes

More burdensome regulatory requirements in these or other areas may increase the Company's costs and have an adverse effect on its financial condition, results of operations or cash flows.

14. Numerous other matters of a local and regional scale, including those of a political, economic, business, competitive or regulatory nature may have an adverse impact on the Company's business.

Many factors shape the homebuilding industry and the Company's business. In addition to the factors previously cited, there are other matters of a local and regional scale, including those of a political, economic, business, competitive or regulatory nature that may have an adverse effect on the Company's business.

C. RISK FACTORS ASSOCIATED WITH FORWARD LOOKING STATEMENTS.

1. Financial information is based on the Company's books and records and, unless otherwise stated, no audit was performed.

The financial information contained in this Disclosure Statement has not been audited unless otherwise stated. In preparing this Disclosure Statement, the Company relied on financial data derived from its books and records that was available at the time of such preparation. Although the Company has used its reasonable business judgment to ensure the accuracy of the financial information provided in this Disclosure Statement, and while the Company believes that such financial information fairly reflects the financial condition of the Company, the Company is unable to warrant or represent that the financial information contained herein and attached hereto is without inaccuracies.

2. Financial projections and other forward looking statements are not assured, are subject to inherent uncertainty due to the numerous assumptions upon which they are based and, as a result, actual results may vary.

This Disclosure Statement contains various projections concerning the financial results of the Reorganized Debtors' operations, including the Projections, that are, by their nature, forward looking, and which projections are necessarily based on certain assumptions and estimates. Should any or all of these assumptions or estimates ultimately prove to be incorrect, the actual future experiences of the Reorganized Debtors may turn out to be different from the financial projections.

Specifically, the projected financial results contained in this Disclosure Statement reflect numerous assumptions concerning the anticipated future performance of the Reorganized Debtors, some of which may not materialize, including, without limitation, assumptions concerning: (a) the timing of Confirmation and Consummation of the Plan in accordance with its terms; (b) the anticipated future performance of the Reorganized Debtors, including, without limitation, the Company's ability to maintain or increase revenue and gross margins, control future operating expenses or make necessary capital expenditures; (c) general business and economic conditions; (d) overall industry performance and trends; and (e) the Company's ability to maintain market strength and receive vendor support by way of favorable purchasing terms.

Due to the inherent uncertainties associated with projecting financial results generally, the projections contained in this Disclosure Statement will not be considered assurances or guarantees. While the Company believes that the financial projections contained in this Disclosure Statement are reasonable, there can be no assurance that they will be realized.

D. RISK FACTORS THAT MAY AFFECT THE VALUE OF SECURITIES TO BE ISSUED UNDER THE PLAN.

1. The Reorganized Debtors may not be able to achieve projected financial results or meet post-reorganization debt obligations and finance all operating expenses, working capital needs and capital expenditures.

The Reorganized Debtors may not be able to meet their projected financial results or achieve projected revenues and cash flows that they have assumed in projecting future business prospects. To the extent the Reorganized Debtors do not meet their projected financial results or achieve projected revenues and cash flows, the Reorganized Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date, may be unable to service their debt obligations as they come due or may not be able to meet their operational needs. Any one of these failures may preclude the Reorganized Debtors from, among other things: (a) enhancing their current customer offerings; (b) taking advantage of future opportunities; (c) growing their business; or (d) responding to competitive pressures. Further, a failure of the Reorganized Debtors to meet their projected financial results or achieve projected revenues and cash flows could lead to cash flow and working capital constraints, which constraints may require the Reorganized Debtors to seek additional working capital. The Reorganized Debtors may not be able to obtain such working capital when it is required. Further, even if the Reorganized Debtors were able to

obtain additional working capital, it may only be available on unreasonable terms. For example, the Reorganized Debtors may be required to take on additional debt, the interest costs of which could adversely affect the results of the operations and financial condition of the Reorganized Debtors. If any such required capital is obtained in the form of equity, the equity interests of the holders of then-existing Reorganized BMHC Equity Interests could be diluted. While the Company's projections represent management's view based on current known facts and assumptions about the future operations of the Reorganized Debtors, there is no guarantee that the Financial Projections will be realized.

2. The Reorganized BMHC Equity Interests are speculative.

The Reorganized BMHC Equity Interests are not secured by collateral or any guarantees. If the Company's performance does not improve, the value of the Reorganized BMHC Equity Interests could be worthless and holders thereof will lose their investment.

3. The consideration being provided for the Funded Lender Claims and the L/C Lender Claims in the Plan does not reflect any independent valuation of such Claims.

The Company has not obtained or requested a fairness opinion from any banking or other firm as to the fairness of the consideration being provided for Funded Lender Claims and the L/C Lender Claims in the Plan.

4. The Reorganized BMHC Equity Interests are a new issue of securities for which there is no prior market and the trading market for the Reorganized BMHC Equity Interests may be limited.

The Reorganized BMHC Equity Interests will be a new security for which there currently is no, and on issuance there will not be any, established trading market. The Company does not intend to apply for listing of the Reorganized BMHC Equity Interests on any securities exchange or for quotation in any automated dealer quotation system. Trading of Reorganized BMHC Equity Interests may be further limited by securities law restrictions on transfer.

E. DISCLOSURE STATEMENT DISCLAIMER.

1. Information Contained Herein Is for Soliciting Votes.

The information contained in this Disclosure Statement is for purposes of soliciting acceptances of the Plan and may not be relied upon for any other purposes.

2. No Legal or Tax Advice Is Provided to You by this Disclosure Statement.

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each Holder of a Claim or an Interest should consult his, her or its own legal counsel and accountant with regard to any legal, tax and other matters concerning his or her Claim or Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

3. No Admissions Made.

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any Person (including, without limitation, the Company) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Company, the Reorganized Debtors, Holders of Allowed Claims or Interests or any other parties in interest.

4. Failure to Identify Litigation Claims or Projected Objections.

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Interest is, or is not, identified in this Disclosure Statement or Plan. The Company or the Reorganized Debtors may seek to investigate, file and prosecute litigation claims and may object to Claims after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such litigation claims or Objections to Claims.

5. Nothing Herein Constitutes a Waiver of Any Right to Object to Claims or Recover Transfers and Assets.

The vote by a Holder of an Allowed Claim for or against the Plan does not constitute a waiver or release of any Claims or rights of the Company or the Reorganized Debtors (or any party in interest, as the case may be) to object to that Holder's Allowed Claim , or recover any preferential, fraudulent or other voidable transfer or assets, regardless of whether any Claims or Cause of Action of the Company or its Estate are specifically or generally identified herein.

6. Information Was Provided by the Company and Was Relied Upon by the Company's Professionals.

Counsel to and other Professionals retained by the Company have relied upon information provided by the Company in connection with the preparation of this Disclosure Statement. Although counsel to and other Professionals retained by the Company have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not verified independently the information contained herein.

7. Potential Exists for Inaccuracies, and the Company Has No Duty to Update.

The statements contained in this Disclosure Statement are made by the Company as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has not been a change in the information set forth herein since that date. While the Company has used its reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Company nonetheless cannot, and does not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Company may subsequently update the information in this Disclosure Statement, the Company has no affirmative duty to do so unless ordered to do so by the Bankruptcy Court.

8. No Representations Outside this Disclosure Statement Are Authorized.

No representations concerning or relating to the Company, the Chapter 11 Cases or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to the counsel to the Company, the counsel to the Committee and the U.S. Trustee.

F. LIQUIDATION UNDER CHAPTER 7.

If no plan can be Confirmed, the Company's Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the assets of the Company for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on the recoveries of Holders of Claims and the Company's liquidation analysis is set forth in Section XVII herein, "Confirmation Procedures" and the Liquidation Analysis attached hereto as Exhibit E.

XIX. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to BMHC and each of its subsidiaries, all of which are Debtors under the Plan, and certain Holders of Claims against a Debtor. The following summary is based on the Tax Code, the U.S. Treasury Regulations promulgated thereunder (the "Treasury Regulations"), judicial decisions and published administrative rules, rulings, and pronouncements of the U.S. Internal Revenue Service (the "IRS") as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the federal income tax consequences described below.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors have not requested and will not request a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt. This discussion addresses only those Holders that hold Claims as capital assets within the meaning of Section 1221 of the Code. In addition, this summary does not address, state, local, estate or gift tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as Persons who are related to a Debtor within the meaning of the Tax Code, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, investors in pass-through entities, subchapter S corporations, persons who hold Claims, or who will hold the Term Notes, interests in the Exit Revolver, Beneficial Interests in the Liquidating Trust, and/or Reorganized BMHC Equity Interests as part of a straddle, hedge, conversion transaction or other integrated investment, persons using a mark to market method of accounting, and Holders of Claims who are themselves in bankruptcy). Furthermore, this discussion assumes that Holders of Claims hold only Claims in a single Class. Holders of Claims in more than a single Class should consult their own tax advisors as to the effect such ownership may have on the federal income tax consequences described below.

For purposes of this discussion, the term "U.S. Holder" means a Holder of a Claim (or Exit Revolver Lender) that is for United States federal income tax purposes (i) an individual citizen or resident of the United States, (ii) a corporation, or entity treated as a corporation, organized in or under the laws of the United States or any state thereof or the District of Columbia, (iii) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) such trust has made a valid election to be treated as a U.S. person for U.S. federal income tax purposes or (iv) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source.

A "non-U.S. Holder" means any Holder of a Claim (or Exit Revolver Lender) that is not a U.S. Holder.

The United States federal income tax consequences to a partner in an entity or arrangement treated as a partnership for United States federal income tax purposes that holds a Claim generally will depend on the status of the partner and the activities of the partnership. Partners in a partnership holding a Claim should consult their own tax advisors.

This summary is not intended to constitute a complete analysis of all tax considerations relevant to a particular Holder of a Claim. Each Holder of a Claim should seek advice from its own independent tax advisors concerning the United States federal, state, local, foreign income and other tax consequences of the Plan to them in light of its particular circumstances.

This discussion assumes that the various debt and other arrangements to which any Debtor is a party will be respected for federal income tax purposes in accordance with their form.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF AN ALLOWED CLAIM. ALL HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL AND NON-UNITED STATES TAX CONSEQUENCES OF THE PLAN.

IRS CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, ANY TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (AND ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE TAX CODE. TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (AND ANY ATTACHMENTS) IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THE DISCLOSURE STATEMENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO THE DEBTORS.

As of December 31, 2008, BMHC had consolidated net operating loss ("NOL") carryforwards for U.S. federal income tax purposes in excess of $60 million, and it has incurred additional loss in 2009. However, as discussed below, the amount of BMHC's NOL carryforwards and current losses will likely be significantly reduced or even eliminated completely upon implementation of the Plan. In addition, the Debtors' subsequent utilization of any losses and NOL carryforwards remaining and possibly certain other tax attributes may be restricted as a result of and upon the implementation of the Plan.

1. Cancellation of Debt Income and Reduction of Tax Attributes.

As a result of the Plan, the Debtors' aggregate outstanding indebtedness will be substantially reduced. In general, absent an exception, a debtor will recognize cancellation of debt income ("COD") upon discharge of its outstanding indebtedness for an amount less than its adjusted issue price. The amount of COD, in general, is the excess of (a) the adjusted issue price of the indebtedness discharged, over (b) the sum of the issue price of any new indebtedness of the taxpayer, the amount of cash paid and the fair market value of any other consideration given in exchange for such indebtedness at the time of the exchange. The issue price of such new indebtedness issued to the creditor is determined under either Section 1273 or 1274 of the Tax Code. Generally, these provisions treat the fair market value of a publicly-traded debt instrument as its issue price and the stated principal amount of any other debt instrument as its issue price if its terms provide for adequate stated interest.

A debtor is not, however, required to include any amount of COD in gross income if such debtor is under the jurisdiction of a court in a chapter 11 bankruptcy proceeding and the discharge of debt occurs pursuant to that proceeding. Instead, as a price for the exclusion of COD under the foregoing rule, Section 108 of the Tax Code requires the debtor to reduce (as of the first day of the taxable year following the year of the debt discharge) its tax attributes by the amount of COD which it excluded from gross income. As a general rule, tax attributes will be reduced in the following order: (a) NOLs, (b) most tax credits, (c) capital loss carryovers, (d) tax basis in assets (but not below the amount of liabilities to which the debtor remains subject), (e) passive activity loss and credit carryovers and (f) foreign tax credits. A debtor with COD may elect first to reduce the basis of its depreciable assets under Section 108(b)(5) of the Tax Code, though it has not been determined whether the Debtors would make this election.

As a result of the consummation of the Plan, and in particular the exchange of certain Claims for a portion of the Term Notes, Beneficial Interests in the Liquidating Trust and/or Reorganized BMHC Equity Interests, BMHC expects to realize substantial COD. The extent of such COD and resulting tax attribute reduction will depend significantly on the issue price of the Term Notes (determined in the manner described below) and the fair market value of the Liquidating Trust Share of Excess Cash Flow and Reorganized BMHC Equity Interests. The issue price of the Term Notes and the fair market value of the Liquidating Trust Share of Excess Cash Flow and Reorganized BMHC Equity Interests cannot be known with certainty until after the Effective Date. Thus, although it is expected that a reduction of tax attributes will be required, the exact amount of such reduction cannot be predicted with certainty. Indeed, it is likely that the amount of COD will exceed the amount of the NOLs thereby eliminating the NOLs and also reducing the Debtors' tax basis in their assets.

Any required reduction in tax attributes of a member of a consolidated group applies first to any tax attributes attributable to the debtor realizing the COD at issue. To the extent the debtor reduces its tax basis in the

stock of another member of the consolidated group (which basis may not be reduced below zero), such other member is required to reduce its tax attributes by an equivalent amount.

2. Accrued Interest.

To the extent that there exists accrued but unpaid interest on the indebtedness owing to holders of Allowed Claims and to the extent that such accrued but unpaid interest has not been deducted previously by a Debtor, portions of payments made in consideration for the indebtedness underlying such Allowed Claims that are allocable to such accrued but unpaid interest should be deductible by such Debtor. Any such interest that is not paid will not be deductible by such Debtor and will not give rise to COD income.

To the extent that a Debtor has previously taken a deduction for accrued but unpaid interest, any amounts so deducted that are paid will not give rise to any tax consequences to such Debtor. If such amounts are not paid, they will give rise to COD income that would be excluded from gross income pursuant to the bankruptcy exclusion discussed above. As a result, the Debtor would be required to reduce its tax attributes to the extent of such interest previously deducted and not paid.

3. NOL Carryback.

Under current law, a corporation can generally carry back NOLs up to two years to offset taxable income in such years. There is a special exception, recently enacted, that allows certain eligible small businesses to carry back NOLs up to five years. The President's recently released Fiscal Year 2010 budget proposals have suggested that Congress make the lengthened NOL carryback period available to more taxpayers. If such legislation is passed, the Debtors may be able to carry back NOLs to offset income in prior years that would not otherwise be possible under the current two-year period. It is uncertain whether such legislation will be passed, and the availability to the Debtors of any benefit resulting from carrying back NOLs is therefore purely speculative.

4. Limitation on NOL Carryforwards and Other Tax Attributes.

Following the implementation of the Plan, the Debtors currently believe it is unlikely that they will have any NOL carryforwards. However, any NOLs that do remain, as well as any remaining tax credit carryforwards, built-in losses (to the extent recognized within the five-year period following the Effective Date or treated as recognized pursuant to the safe harbors provided by IRS Notice 2003-65), and, possibly, certain other tax attributes of the Debtors allocable to periods prior to the Effective Date (collectively, "Pre-Change Losses") may be subject to limitation under Section 382 of the Tax Code as a result of an "ownership change" of the Debtors by reason of the transactions pursuant to the Plan. This discussion describes the limitation determined under Section 382 of the Tax Code in the case of an "ownership change" as the "Section 382 Limitation." The annual Section 382 Limitation on the use of Pre-Change Losses in any "post change year" is generally equal to the product of the fair market value of the loss corporation's outstanding stock immediately before the ownership change multiplied by the long term tax-exempt rate in effect for the month in which the ownership change occurs. The long-term tax-exempt rate (currently 4.61%) is published monthly by the IRS and is intended to reflect current interest rates on long-term tax-exempt debt obligations. The Section 382 Limitation may be increased to the extent that the Debtors recognize certain built-in gains in its assets during the five-year period following the ownership change, or are treated as recognizing built-in gains pursuant to the safe harbors provided in IRS Notice 2003-65. Section 383 of the Tax Code applies a similar limitation to capital loss carryforwards and tax credits. As discussed below, however, special rules may apply in the case of a corporation which experiences an ownership change as the result of a bankruptcy proceeding.

In general, an ownership change occurs when the percentage of the corporation's stock owned by certain "5 percent shareholders" increases by more than 50 percentage points in the aggregate over the lowest percentage owned by those shareholders at any time during the applicable "testing period" (generally, the shorter of (a) the 36-month period preceding the testing date or (b) the period of time since the most recent ownership change of the corporation). A "5 percent shareholder" for this purpose includes, generally, an individual or entity that directly or indirectly owns 5% or more of a corporation's stock at any time during the testing period and one or more "public groups" of shareholders that individually own less than 5% of the value of the corporation's stock. Under applicable Treasury Regulations, an ownership change with respect to an affiliated group of corporations filing a consolidated

return that has consolidated NOLs is generally measured by changes in stock ownership of the parent corporation of the group. Also under applicable Treasury Regulations, stock of a lower-tier corporation is generally treated as owned proportionately by the shareholders of a higher-tier corporation, and, accordingly, an ownership change of BMHC will result in an ownership change of the other Debtors as well.

The issuance of the Reorganized BMHC Equity Interests, along with the cancellation of existing BMHC Equity Interests, under the Plan is expected to cause an ownership change to occur with respect to BMHC and, thus, the Debtors on the Effective Date. As a result, Section 382 of the Tax Code will apply to limit the Debtors' use of any remaining consolidated NOLs after the Effective Date. This limitation is independent of, and in addition to, the reduction of tax attributes described in the preceding section resulting from the exclusion of COD. Similarly, the ability of the Debtors' consolidated group to use any remaining capital loss carryforwards and tax credits will also be limited.

5. Special Bankruptcy Exceptions.

Section 382(l)(5) of the Tax Code provides a special rule applicable in the case of a bankruptcy reorganization (the "Section 382(l)(5) Rule"). If a corporation qualifies for the Section 382(l)(5) Rule, the annual Section 382 Limitation will not apply to the corporation's NOLs on account of an ownership change occurring as a result of the bankruptcy reorganization. The Section 382(l)(5) Rule does, however, require that the corporation's NOLs and credit carryovers be computed without taking into account the aggregate amount of all interest deductions during the three prior taxable years and the portion of the current taxable year ending on the date of the ownership change in respect of debt exchanged for the corporation's stock (such interest hereinafter called "Disqualified Interest"). The corporation will qualify under the Section 382(l)(5) Rule if the corporation's pre-bankruptcy shareholders and holders of certain debt (the "Qualifying Debt") own at least 50% of the stock of the corporation after the bankruptcy reorganization, and the corporation does not elect not to apply the Section 382(l)(5) Rule. Qualifying Debt is a claim which (i) was held by the same creditor for at least 18 months prior to the bankruptcy filing or (ii) arose in the ordinary course of a corporation's trade or business and has been owned, at all times, by the same creditor. Indebtedness will be treated as arising in the ordinary course of a corporation's trade or business if such indebtedness is incurred by the corporation in connection with the normal, usual or customary conduct of the corporation's business. For the purpose of determining whether a claim constitutes Qualifying Debt, special rules may in some cases apply to treat a subsequent transferee as the transferor creditor.

If the exchanges contemplated by the Plan qualify for tax treatment under the Section 382(l)(5) Rule and the Debtors do not elect out of the Section 382(l)(5) Rule, the Debtors' NOL carryover (if any) will be available for future use without any Section 382 Limitation (after reduction of the Debtors' NOLs by Disqualified Interest). However, under the Section 382(l)(5) Rule, if there is a second ownership change during the two-year period immediately following consummation of the Plan, the Section 382 Limitation after the second ownership change shall be zero. If the Debtors do qualify for tax treatment under the Section 382(l)(5) Rule, there is a substantial likelihood that the Debtors would elect out due to this risk.

If the exchanges do not qualify or the Debtors elect not to apply the Section 382(l)(5) Rule, the Debtors' use of any remaining NOLs to offset taxable income earned after an ownership change will be subject to the annual Section 382 Limitation. Since the Debtors are in bankruptcy, however, Section 382(l)(6) of the Tax Code will apply. Section 382(l)(6) of the Tax Code provides that, in the case of an ownership change resulting from a bankruptcy proceeding of a debtor, the value of the debtor's stock for the purpose of computing the Section 382 Limitation will generally be calculated by reference to the net equity value of the debtor's stock taking into account the increase in the value of the corporation as a result of the surrender or cancellation of creditors' claims in the transaction (rather than the value without taking into account such increases, as is the case under the general rule for non-bankruptcy ownership changes). Accordingly, under this rule the Section 382 Limitation would generally reflect the increase in the value of a debtor's stock resulting from the conversion of debt to equity in the proceeding. Although it is difficult to predict what the net equity value of the Debtors will be immediately after the exchanges contemplated by the Plan, the Debtors' use of any Pre-Change Losses is expected to be substantially limited after those exchanges.

Application of Sections 382(l)(5) and 382(l)(6) of the Tax Code depend on whether the consummation of the Plan results in the elimination of the Debtors' consolidated NOL. If the Debtors retain any NOL carryforward

after the consummation of the Plan, the special rules of Sections 382(l(5) and 382(l)(6) of the Tax Code could then be applicable to the Debtors.

6. Alternative Minimum Tax.

In general, an alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income ("AMTI") at a 20% rate to the extent such tax exceeds the corporation's regular U. S. federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. For example, except for alternative tax NOLs generated in or deducted as carryforwards in taxable years ending in 2001 and 2002 which can offset 100% of a corporation's AMTI, only 90% of a corporation's AMTI may be offset by available alternative tax NOL carryforwards. Additionally, under Section 56(g)(4)(G) of the Tax Code, an ownership change (as discussed above) that occurs with respect to a corporation having a net unrealized built-in loss in its assets will cause, for AMT purposes, the adjusted basis of each asset of the corporation immediately after the ownership change to be equal to its proportionate share (determined on the basis of respective fair market values) of the fair market value of the assets of the corporation, as determined under Section 382(h) of the Tax Code, immediately before the ownership change.

B. U.S. HOLDERS.

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to U.S. Holders.

1. Certain U.S. Federal Income Tax Consequences to the Exit Revolver Lenders.

The Exit Revolver Lenders will not be subject to U.S. federal income tax upon entering into the Exit Revolver.

The Exit Revolver will likely be treated as a contingent payment debt instrument ("CPDI"), based upon certain mandatory prepayments which are contingent upon net proceeds from certain asset sales, net proceeds from any equity issued, and excess cash flow pursuant to a formula and based on audited financial statements. The Exit Revolver will be issued for money and will therefore be treated for U.S. federal income tax purposes under the "noncontingent bond method" described under the Treasury Regulations.

Under the noncontingent bond method, a holder of the Exit Revolver must account for interest for U.S. federal income tax purposes based on a "comparable yield" and the differences between actual payments on the instrument and the instrument's "projected payment schedule" as described below. The comparable yield will be determined by Reorganized BMHC and will take into account the yield at which Reorganized BMHC could issue a fixed rate debt instrument with no contingent payments, but with terms and conditions otherwise similar to those of the Exit Revolver. The comparable yield may be greater than or less than the stated interest with respect to the Exit Revolver.

Solely for the purpose of determining the amount of interest income that holders of the Exit Revolver are required to accrue on the instrument, Reorganized BMHC is required to construct a "projected payment schedule" that represents a series of payments the amount and timing of which would produce a yield to maturity on the instrument equal to the comparable yield used. Neither the comparable yield nor the projected payment schedule will constitute a representation by Reorganized BMHC regarding the actual amount that the Exit Revolver will pay.

Reorganized BMHC will be required to use the comparable yield and projected payment schedule established by Reorganized BMHC in determining interest accruals and adjustments in respect of the instrument, unless a holder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A holder of the Exit Revolver, regardless of its method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on the CPDI at the comparable yield, adjusted upward or downward to

reflect the difference, if any, between the actual and the projected amount of any contingent payments on the instrument (as set forth below).

A holder of the Exit Revolver will be required to recognize interest income equal to the amount of any net positive adjustment, which will equal the excess of actual payments over projected payments, in respect of the Exit Revolver for a taxable year. A net negative adjustment, which will equal the excess of projected payments over actual payments, in respect of the Exit Revolver for a taxable year will first reduce the amount of interest in respect of the Exit Revolver that a holder would otherwise be required to include in income in the taxable year, and any excess will give rise to an ordinary loss to the extent that the amount of all previous interest inclusions under the instrument exceeds the total amount of the holder's net negative adjustments treated as ordinary loss on the instrument in prior taxable years. A net negative adjustment is not subject to the two percent floor limitation imposed on miscellaneous deductions. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the Exit Revolver or to reduce the amount realized on a sale, exchange or retirement of the instrument.

Upon a sale, exchange or retirement of an interest in the Exit Revolver (including a delivery of property pursuant to the terms of the instrument), a holder will generally recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the holder's adjusted basis in the instrument. If Reorganized BMHC delivers property, other than cash, to a holder in retirement of the Exit Revolver, the amount realized will equal the fair market value of the property, determined at the time of retirement, plus the amount of cash, if any, received in lieu of property. A holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations. In addition, if a holder recognizes loss above certain thresholds, the holder may be required to file a disclosure statement with the IRS.

2. Certain U.S. Federal Income Tax Consequences to the U.S. Holders of Allowed Claims that are Paid Solely in Cash.

Pursuant to the Plan, certain Holders of Allowed Claims will receive Cash in satisfaction of their Claims. This includes Holders of Administrative Claims, Professional Compensation Claims, Priority Tax Claims, Other Priority Claims, L/C General Unsecured Claims and Small Unsecured Claims, as well as the DIP Lenders.

A Holder who receives solely Cash in exchange for its Allowed Claim pursuant to the Plan will generally recognize income, gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (i) the amount of cash received in exchange for its Allowed Claim, and (ii) the Holder's adjusted tax basis in its Allowed Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, the nature of the Allowed Claim in such Holder's hands, whether the Allowed Claim constitutes a capital asset in the hands of the Holder, whether the Allowed Claim was purchased at a discount, and whether and to what extent the Holder has previously claimed a bad debt deduction with respect to its Allowed Claim. To the extent that any amount received by a Holder of an Allowed Claim is attributable to accrued interest, such amount should be taxable to the holder as interest income. Conversely, a Holder of an Allowed Claim may be able to recognize a deductible loss (or, possibly, a write-off against a reserve for worthless debts) to the extent that any accrued interest on the Allowed Claim was previously included in the Holder's gross income but was not paid in full by the Debtors. Such loss should be ordinary.

3. Certain U.S. Federal Income Tax Consequences to U.S. Holders of Allowed Claims that are Paid Using Consideration other than Solely Cash.

Pursuant to the Plan, the following Holders of Allowed Claims will receive consideration other than solely cash in satisfaction of their claims, including but not limited to Term Notes, Reorganized BMHC Equity Interests, and Beneficial Interests in the Liquidating Trust: (a) Holders of Funded Lender Claims will receive Term Notes and their Pro Rata share of the Reorganized BMHC Equity Interests, (b) to the extent an L/C Lender Claim is liquidated on or after the Petition Date, Holders of such Claims will receive Term Notes and Reorganized BMHC Equity Interests, (c) Holders of BMHC General Unsecured Claims who do not make the Small Unsecured Claims Class Election will receive Pro Rata shares of the BMHC Beneficial Interests in the Liquidating Trust, and (d) Holders of

BMC West General Unsecured Claims and SelectBuild General Unsecured Claims who do not make the Small Unsecured Claims Class Election will receive Pro Rata shares of the BMC West Beneficial Interests and SelectBuild Beneficial Interests, as the case may be, in the Liquidating Trust.

a. In General

The U.S. federal income tax consequences to Holders of Allowed Claims that are not paid solely in Cash under the Plan may vary depending upon, among other things: (i) the type of consideration received by the Holder in exchange for its Allowed Claim; (ii) the nature of the indebtedness owing to the Holder; (iii) whether the Holder has previously claimed a bad debt deduction in respect of such holder's Allowed Claim; and (iv) whether such Allowed Claim constitutes a "security" for purposes of the reorganization provisions of the Tax Code (as described below).

b. Consequences to U.S. Holders of Funded Lender Claims and L/C Lender Claims upon Exchange

The federal income tax consequences of the receipt by Holders of Funded Lender Claims and L/C Lender Claims of the Term Notes and shares of Reorganized BMHC Equity Interests and the Sale Cash Collateral Excess Proceeds Account Effective Date Amount will depend on whether the Funded Lender Claims, L/C Lender Claims, and the Term Notes are treated as "securities" (as described below) for tax purposes.

The Tax Code does not contain a definition for the term "securities" for purposes of the reorganization provisions. Whether the Funded Lender Claims, L/C Lender Claims, and the Term Notes constitute "securities" will depend on case law, which provides that the determination of whether an indebtedness or obligation constitutes a "security" depends upon the nature of the indebtedness or obligation. Important factors to be considered include, among other things, the length of time to maturity, the degree of continuing interest in the issuer, and the purpose of the borrowing. Generally, corporate debt instruments that mature within five years of issuance are not considered "securities" and corporate debt instruments that mature ten years or more from the time of issuance are considered "securities". Whether a debt instrument with a term of five or more, but less than ten, years is a security is unclear. Allowed Claims for accrued interest generally are not considered "securities". Holders of Funded Lender Claims and L/C Lender Claims should consult their own tax advisors regarding whether such Claims, and the Term Notes received in exchange therefor, constitute "securities" for these purposes.

If the Funded Lender Claims and L/C Lender Claims, as the case may be, are treated as "securities", the exchange of such Claims for Term Notes and shares of Reorganized BMHC Equity Interests and the Sale Cash Collateral Excess Proceeds Account Effective Date Amount should be treated as a recapitalization. Assuming the Term Notes are also treated as "securities", then a Holder of such Claims will recognize gain, but not loss, equal to the lesser of (i) the excess (if any) of (A) the issue price of the Term Notes, the fair market value of the Reorganized BMHC Equity Interests, and the Sale Cash Collateral Excess Proceeds Account Effective Date Amount received in exchange over (B) such Holder's adjusted tax basis in the Funded Lender Claim or L/C Lender Claim exchanged therefor, and (ii) the Sale Cash Collateral Excess Proceeds Account Effective Date Amount (plus the issue price of the Term Notes if the Term Notes are, in fact, not treated as "securities") received in the exchange. Any such gain should be capital in nature. In addition, a Holder will recognize income on account of any portion of the Term Notes, Reorganized BMHC Equity Interests, or Sale Cash Collateral Excess Proceeds Account Effective Date Amount that is treated as issued on account of accrued and unpaid interest that has not been included in income by the Holder. Except for the portion of any consideration that may be allocated to such interest and assuming the Term Notes constitute "securities," a Holder should obtain a tax basis in such Term Notes and Reorganized BMHC Equity Interests equal to the tax basis of the Funded Letter Claims or L/C Lender Claims exchanged therefor and a Holder should have a holding period for the Term Notes and Reorganized BMHC Equity Interests that includes the holding period for the Funded Letter Claims or L/C Lender Claims exchanged therefor. If the Term Notes do not constitute "securities," then a Holder should obtain a tax basis in such Term Notes equal to their issue price and should have a holding period for the Term Notes that begins on the day following the Effective Date.

If the Funded Lender Claims or L/C Lender Claims, as the case may be, are not treated as "securities," a Holder should be treated as exchanging its Funded Lender Claim or L/C Lender Claim in a fully taxable exchange. In that case, the Holder should recognize gain or loss equal to the difference between (i) the issue price of the Term Notes, the fair market value of the Reorganized BMHC Equity Interests, and the Sale Cash Collateral Excess

Proceeds Account Effective Date Amount received as of the Effective Date that is not allocable to accrued interest, and (ii) the Holder's tax basis in the Funded Letter Claim or L/C Lender Claim surrendered by the Holder. Such gain or loss should be capital in nature and should be long-term capital gain or loss if the Funded Lender Claim or L/C Lender Claim, as the case may be, was a capital asset and held for more than one year by the Holder. To the extent that a portion of the consideration is allocable to accrued interest, the Holder may recognize ordinary income. A Holder's holding period for the Term Notes and Reorganized BMHC Equity Interests should begin on the day following the Effective Date.

c. Consequences to Ownership of Term Notes

The Term Notes will likely be treated as a CPDI, because the Term Notes provide for certain mandatory prepayments as described above under "*Certain U.S. Federal Income Tax Consequences to the Exit Revolver Lenders.*" As the Term Notes will be issued for the Funded Lender Claims and L/C Lender Claims, which constitute non-publicly traded property, such Term Notes should be subject to the "bifurcation method" rather than the "noncontingent bond method", each as described under the Treasury Regulations. In general, if the bifurcation method applies to a debt instrument (the "overall debt instrument"), the debt is broken down into two pieces, each of which is subject to a different rule.

The contingent portion is includible in gross income by the holder and deductible by the issuer in their respective taxable years in which the payment is made. To determine the principal and interest component of each contingent payment, each contingent payment is discounted back to the issue date upon receipt using the Applicable Federal Rate as of the issue date. The discounted amount represents principal while the remainder is interest.

The noncontingent payments are treated as a separate debt instrument, the issue price of which is the issue price of the overall debt instrument, which equals the lesser of the instrument's noncontingent principal payments and the sum of the present values of the noncontingent payments. This separate instrument is taxed under the general rules relating to instruments with original issue discount ("OID"), with certain exceptions. In general, OID will be equal to the excess of the stated redemption price at maturity of the notes over their issue price. A note's stated redemption price at maturity is generally defined as the sum of all payments provided by the note other than "qualified stated interest," except that under the bifurcation method none of the payments will constitute qualified stated interest. A holder will be required to include in gross income all OID as it accrues on a constant yield to maturity basis, before the receipt of cash payments attributable to this income. The amount of OID includible in gross income by a holder of a note for a taxable year will be the sum of the daily portions of OID with respect to the note for each day during that taxable year on which the holder holds the note. The daily portion is determined by allocating to each day in an "accrual period" a pro rata portion of the OID allocable to that accrual period. The OID allocable to any accrual period will equal the product of the adjusted issue price of the note as of the beginning of such period and the note's yield to maturity. The adjusted issue price of a note as of the beginning of any accrual period will equal its issue price, increased by previously accrued OID, and decreased by the amount of any payments made on the note. A holder's tax basis in a note will be increased by the amount of OID that is includible in the holder's gross income. A holder will not be required to recognize any additional income upon the receipt of any payment on the notes that is attributable to previously accrued OID, but will be required to reduce its tax basis in the notes by the amount of such payment.

Upon the sale, exchange or retirement of the Term Notes under the bifurcation method, the holder must allocate that amount received first to the noncontingent component in an amount up to the adjusted issue price of the noncontingent component. Any remaining amount then is allocated to the contingent component. The amount allocated to the noncontingent component is treated as realized from the sale or exchange of this component. Gain or loss would equal the excess of the amount realized in exchange therefor and the adjusted basis of the noncontingent component, which would generally equal the adjusted issue price. Such gain or loss should be capital in nature and should be long-term capital gain or loss if the Term Notes were capital assets and held for more than one year by the holder. The amount allocated to the contingent component is treated as a contingent payment made on the date of the sale, exchange or retirement of the CPDI, and is characterized as principal and interest under the general rules for the treatment of contingent payments.

d. Consequences to U.S. Holders of BMHC General Unsecured Claims, BMC West General Unsecured Claims, and SelectBuild General Unsecured Claims

If a Holder of BMHC General Unsecured Claims, BMC West Unsecured Claims, or SelectBuild General Unsecured Claims makes a Small Unsecured Claims Class Election, or such Classes do not vote to accept the Plan such that the Holders in such Classes receive their Pro Rata share of the BMHC Rejection Distribution, BMC West Rejection Distribution, or SelectBuild Rejection Distribution, as the case may be, such Holder will be treated as described above under "*Certain U.S. Federal Income Tax Consequences to the U.S. Holders of Allowed Claims that are Paid Solely in Cash.*" If they do not make such election, or such Classes do not vote to accept the Plan, such Holders will receive BMHC Beneficial Interests, BMC West Beneficial Interests, or SelectBuild Beneficial Interests, as the case may be, in the Liquidating Trust.

It is expected that the Liquidating Trust will be treated as a grantor trust for U.S. federal income tax purposes. To the extent they receive beneficial interests in the Liquidating Trust, the BMHC, BMC West and SelectBuild General Unsecured Claim Holders will be treated as receiving a distribution from the Debtors of the Liquidating Trust Assets and then contributing those assets to the Liquidating Trust. Such Claim Holders will be treated as the grantors and deemed owners of the Liquidating Trust and will each therefore be treated as owning its Pro Rata share of the Liquidating Trust Assets. The trustee and the holders of Beneficial Interests in the Liquidating Trust will agree to consistent valuations of all property deemed distributed to holders and contributed by them to the trust and will use such valuations for all U.S. federal income tax purposes.

A grantor trust taxes the grantor on trust income as though the grantor had retained the property instead of creating the trust. As holders of Liquidating Trust interests, the applicable holders will be required to include any income, gains, losses, deductions, and other items reported to them on the Schedule K-1 with their federal and state income tax returns, as applicable. The trust is required to file Form 1041, *US. Income Tax Return for Estates and Trusts* with the IRS, reporting its income, gains, losses, deductions, and credits, as applicable, as well as the allocation of each beneficiary's share of the reported trust items (Schedule K-1). There may also be state, local, or foreign tax issues and/or filings required.

A Holder of BMHC, BMC West and SelectBuild General Unsecured Claims who receives a deemed distribution of an interest in the Unsecured Cash Fund will generally be treated in the manner described above under "*Certain U.S. Federal Income Tax Consequences to the U.S. Holders of Allowed Claims that are Paid Solely in Cash.*"

A Holder of BMHC, BMC West, or SelectBuild General Unsecured Claims who receives a deemed distribution of an interest in the Liquidating Trust Share of Excess Cash Flow will recognize gain or loss in an amount equal to the difference between (i) the fair market value of the interest in the Liquidating Trust Share of Excess Cash Flow deemed distributed to the Holder and (ii) the Holder's adjusted tax basis in the Claim exchanged therefor. To the extent that the Holder has realized gain on the exchange, it can either recognize the gain in the taxable year of the distribution, or it can defer the gain based on the application of the installment method (provided that none of the exceptions for installment sale treatment apply) or the open transaction doctrine. Reporting under either the installment method or the open transaction doctrine would generally result in deferral of tax on such gain until such amounts are actually or constructively received. However, the open transaction method of reporting is available only if the fair market value of the Holder's share of the Liquidating Trust Share of Excess Cash Flow distributed or deemed distributed to the Holder in satisfaction of its Claim is not reasonably ascertainable as of the Effective Date. The IRS has taken the position that the open transaction method is available only in rare and extraordinary circumstances and, accordingly, could assert that the open transaction treatment is not available. The rules relating to the availability and the application of the installment method and open transaction doctrine are complex. Holders should consult with their tax advisors regarding the availability of either of these methods and the application of such methods to their specific situations, including the basis recovery rules and the potential application of an interest charge under the installment sale method. To the extent that the Holder has realized a loss on the exchange, such Holder may not be allowed to recognize such loss until the fair market value of the Holder's share of the Liquidating Trust Share of Excess Cash Flow distributed or deemed distributed to the Holder in satisfaction of its Claim becomes reasonably ascertainable.

4. Certain U.S. Federal Income Tax Consequences to U.S. Holders of Interests in BMHC.

Pursuant to the Plan, Holders of Interests in BMHC will have such Interests cancelled without any distribution. A Holder of Interests in BMHC will generally be entitled to a loss equal to the Holder's adjusted basis in such Interests. Such loss will generally be capital in nature. The deductibility of capital losses is subject to limitations.

5. Certain U.S. Federal Income Tax Consequences to U.S. Holders of Other Secured Claims, L/C General Unsecured Claims, and Intercompany Interests.

Pursuant to the Plan, Other Secured Claims, L/C General Unsecured Claims, and Intercompany Interests shall be reinstated. If any such Claim is reinstated, the Holder of such Claim should not recognize gain or loss except to the extent collateral securing such Claim is changed, and the change in collateral constitutes a "significant modification" of the Claim within the meaning of Regulations promulgated under Section 1001 of the Tax Code.

6. Certain U.S. Federal Income Tax Consequences to U.S. Holders of Section 510(b) Claims and Intercompany Claims.

Pursuant to the Plan, each Section 510(b) Claim and Intercompany Claim shall be cancelled without any distribution. A Holder may be entitled in the year of cancellation (or in an earlier year) to a bad debt deduction in some amount under Section 166(a) of the Tax Code to the extent of such Holder's tax basis in the Section 510(b) Claim or Intercompany Claim. The rules governing the timing and amount of bad debt deductions place considerable emphasis on the facts and circumstances of the holder, the obligor and the instrument with respect to which a deduction is claimed. Holders of Section 510(b) Claims and Intercompany Claims therefore are urged to consult their tax advisors with respect to their ability to take such a deduction.

7. Market Discount.

If a Holder of an Allowed Claim purchased the underlying security or debt obligation at a price less than its issue price, the difference would constitute "market discount'' for U.S. federal income tax purposes. Any gain recognized by a holder on the exchange of its Allowed Claim on the Effective Date should be treated as ordinary income to the extent of any market discount accrued on the underlying securities or debt obligation by the holder on or prior to the date of the exchange. Any additional accrued but unrecognized market discount should carry over to any "securities" (as described above) or debt obligation received in a tax-free exchange pursuant to the Plan, and should be allocated among such securities or debt obligation based upon their relative fair market values as of the Effective Date. Any gain recognized by such Holder on a subsequent disposition of such securities or debt obligation received under the Plan may be treated as ordinary income to the extent of such accrued but unrecognized market discount.

8. Certain U.S. Federal Income Tax Consequences of Ownership by U.S. Holders of Reorganized BMHC Equity Interests Issued Pursuant to the Plan.

a. Distributions

The gross amount of any distribution of Cash or property made to a holder with respect to the Reorganized BMHC Equity Interests generally will be includible in gross income by such holder as dividend income to the extent such distributions are paid out of the current or accumulated earnings and profits of Reorganized BMHC as determined under U.S. federal income tax principles. Dividends received by corporations may qualify for a dividends-received-deduction if certain holding period and taxable income requirements are satisfied, but such corporate holders may be subject to "extraordinary dividend" provisions of the Tax Code. Dividends received by non-corporate holders in taxable years beginning before January 1, 2011 may qualify for a reduced rate of taxation if certain holding period and other requirements are met.

A distribution in excess of Reorganized BMHC's current and accumulated earnings and profits will first be treated as a return of capital to the extent of the holder's adjusted basis in the Reorganized BMHC Equity Interests

and will be applied against and reduce such basis. To the extent that such distribution exceeds the holder's adjusted basis in its Reorganized BMHC Equity Interest, the distribution will be treated as capital gain, which will be treated as long-term capital gain if such holder's holding period in its Reorganized BMHC Equity Interests exceeds one year as of the date of the distribution. Long term capital gains may be eligible for reduced rates of taxation.

b. Sale or Exchange of Reorganized BMHC Equity Interests

For U.S. federal income tax purposes, a holder generally will recognize capital gain or loss on the sale, exchange, or other taxable disposition of any of its Reorganized BMHC Equity Interests in an amount equal to the difference, if any, between the amount realized for the Reorganized BMHC Equity Interests and the holder's adjusted tax basis in such interests. Capital gains of non-corporate holders derived with respect to a sale, exchange, or other disposition of Reorganized BMHC Equity Interests held for more than one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

9. Backup Withholding Tax and Information Reporting Requirements.

U.S. federal backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders of the Reorganized BMHC Equity Interests or debt obligations of the Debtors regardless of whether such interests or debt obligations existed prior to the Plan or were issued pursuant to the Plan. Information reporting generally will apply to payments under the Plan and to payments of dividends on, interest on, and proceeds from the sale or redemption of the Reorganized BMHC Equity Interests or debt obligations made within the United States to a holder of the Reorganized BMHC Equity Interests or debt obligations. A payor will be required to withhold backup withholding tax from any payments made under the Plan, and payments of dividends on, interest on or the proceeds from the sale or redemption of, the Reorganized BMHC Equity Interests or debt obligations within the United States to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate is currently 28 percent.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's United States federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS.

C. NON-U.S. HOLDERS.

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to non-U.S. Holders. This summary does not address all aspects of U.S. federal income taxes that may be relevant to non-U.S. Holders in light of their personal circumstances and does not deal with federal taxes other than the federal income tax or with foreign, state, local or other tax considerations. Special rules, not discussed here, may apply to certain non-U.S. Holders, including:

--U.S. expatriates;

--controlled foreign corporations;

--passive foreign investment companies; and

--corporations that accumulate earnings to avoid U.S. federal income tax.

Such non-U.S. Holders should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

1. Exchange and Subsequent Dispositions.

A non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain or loss recognized in the Plan or in a subsequent disposition of interests in the Exit Revolver, Term Notes, Reorganized BMHC Equity Interests, or Beneficial Interests in the Liquidating Trusts received in the exchange, unless:

--the gain or loss is effectively connected with the conduct of a U.S. trade or business carried on by the holder (and, under the terms of an applicable income tax treaty, the gain is attributable to a U.S. permanent establishment),

--in the case of an individual holder, the holder is present in the United States for 183 days or more during the taxable year (or otherwise has a "tax home" in the United States) and certain other conditions are met, or

--BMHC or Reorganized BMHC, as the case may be, was or will be a United States real property holding corporation ("USRPHC") at any time within the shorter of the five-year period preceding such disposition or such holder's holding period.

2. Interest on the Exit Revolver and Term Notes.

Generally any interest paid to a non-U.S. Holder of the Exit Revolver or Term Notes will not be subject to U.S. federal income tax if the interest qualifies as "portfolio interest." Interest on the Exit Revolver and Term Notes generally will qualify as portfolio interest if:

--the non-U.S. Holder does not actually or constructively own 10% or more of the total voting power of any of the Reorganized Debtors' voting stock;

--such Holder is not a "controlled foreign corporation" with respect to which any of the Reorganized Debtors is a "related person" within the meaning of the Code;

--either the beneficial owner, under penalties of perjury, certifies that the beneficial owner is not a United States person and such certificate provides the beneficial owner's name and address, or a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business and holds the Exit Revolver or Term Notes certifies, under penalties of perjury, that such a statement has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner; and

--the non-U.S. Holder is not a bank receiving interest on the extension of credit made pursuant to a loan agreement made in the ordinary course of its trade or business.

The gross amount of payments to a non-U.S. Holder of interest that does not qualify for the portfolio interest exemption will be subject to U.S. withholding tax at the rate of 30%, unless a U.S. income tax treaty applies to reduce or eliminate such withholding tax. To claim the benefit of a tax treaty, a non-U.S. Holder must provide a properly executed IRS Form W-8BEN (or such successor form as the IRS designates) prior to the payment of interest. The non-U.S. Holder must provide the form to the Reorganized Debtors or their paying agent, or in the case of a note held through a securities clearing organization, bank or other financial institution holding customers' securities in the ordinary course of its trade or business, to such organization, bank or other financial institution, which must in turn provide to the Reorganized Debtors or their paying agent a statement that it has received the form and furnish a copy thereof; provided, that a foreign financial institution will fulfill this requirement by filing IRS Form W-8IMY if it has entered into an agreement with the IRS to be treated as a qualified intermediary. These forms must be periodically updated. A non-U.S. Holder who is claiming the benefits of a treaty may be required in certain instances to obtain a U.S. taxpayer identification number and to provide certain documentary evidence issued by foreign governmental authorities to prove residence in the foreign country.

3. Dividends.

Dividends paid to a non-U.S. Holder (to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes) generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

If you wish to claim the benefit of an applicable treaty rate and to avoid backup withholding tax, as discussed below, for dividends, then you must (a) provide the withholding agent with a properly completed IRS Form W-8BEN (or other applicable form), and certify under penalties of perjury that you are not a U.S. person and are eligible for treaty benefits or (b) if our common stock is held through certain foreign intermediaries, satisfy the relevant certification requirements of applicable U.S. Treasury regulations. Special certification and other requirements apply to certain non-U.S. Holders other than corporations or individuals.

If you are eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty, then you may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

4. Withholding, Backup Withholding and Information Reporting.

The Reorganized Debtors will be required to report annually to the IRS and to you the amount of interest and dividends paid to you and the amount of tax, if any, withheld with respect to such interest and dividends. The IRS may make the information returns reporting such interest and dividends and withholding available to the tax authorities in the country in which you are resident.

In addition, you may be subject to information reporting requirements and backup withholding tax with respect to interest and dividends paid on, and the proceeds of disposition of, the Exit Revolver, Term Notes and Reorganized BMHC Equity Interests unless, generally, you certify under penalties of perjury (usually on IRS Form W-8BEN) that you are not a U.S. person or you otherwise establish an exemption.

Any amounts withheld under the backup withholding tax rules may be allowed as a refund or a credit against your U.S. federal income tax liability, provided the required information is timely furnished by you to the IRS.

The U.S. federal income tax consequences of the Plan are complex. The foregoing summary does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular Holder in light of such Holder's circumstances and income tax situation. All Holders of Claims should consult with their tax advisors as to the particular tax consequences to them of the transaction contemplated by the Plan, including the applicability and effect of any state, local, or foreign tax laws and of any change in applicable tax laws.

XX. CONCLUSION AND RECOMMENDATION

The Company believes the Plan is in the best interest of all creditors and urge the Holders of Claims entitled to vote to accept the Plan and to evidence such acceptance by returning their Ballots so they will be received by the Company's Voting Agent no later than **5:00 p.m. (Prevailing Eastern Time) on [_____], 2009.**

Respectfully submitted,

Dated: Wilmington, Delaware
June 16, 2009

BUILDING MATERIALS HOLDING CORPORATION, on behalf of itself and all the other Debtors

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

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PROPOSED ATTORNEYS FOR DEBTORS AND DEBTORS IN POSSESSION

EXHIBIT A
Glossary

PLAN APPENDIX A

Uniform Glossary of Defined Terms for Plan Documents

Unless the context otherwise requires, the following terms, when used in initially capitalized form in the Disclosure Statement, related exhibits, and Plan Documents, shall have the following meanings. Such meanings shall be equally applicable to both the singular and plural forms of such terms. Any term used in capitalized form that is not defined herein but that is defined in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning ascribed to such term by the Bankruptcy Code or the Bankruptcy Rules (with the Bankruptcy Code controlling in the event of a conflict or ambiguity). Certain defined terms used in only one Section of the Disclosure Statement are defined in such Section. The rules of construction set forth herein and in section 102 of the Bankruptcy Code shall apply. All references to the "***Plan***" shall be construed, where applicable, to include references to the Plan and all its exhibits, appendices, schedules, and annexes (and any amendments made in accordance with their terms or applicable law).

1. ***A-1 Building Components*** means A-1 Building Components, LLC, a Debtor.

2. ***Administrative Expense*** means any cost or expense of administration of the Chapter 11 Cases incurred before the Effective Date and allowable under section 503(b) of the Bankruptcy Code and entitled to priority under section 507(a)(2) of the Bankruptcy Code including: (i) any actual and necessary postpetition cost or expense of preserving the Estates or operating the businesses of the Debtors; (ii) any payment required to cure a default on an assumed executory contract or unexpired lease; (iii) any postpetition cost, indebtedness, or contractual obligation duly and validly incurred or assumed by a Debtor in the ordinary course of its business; and (iv) compensation or reimbursement of expenses of Professionals to the extent allowed by the Bankruptcy Court under sections 330(a) or 331 of the Bankruptcy Code.

3. ***Administrative Expense Claim*** means any Claim for the payment of an Administrative Expense.

4. ***Affiliate*** has the meaning set forth in section 101(2) of the Bankruptcy Code.

5. ***Allowed*** means with respect to any Claim, except as otherwise provided herein: (i) a Claim that is scheduled by the Debtors on their Schedules as neither disputed, contingent, nor unliquidated, and as to which the Debtors or other party in interest have not Filed an objection by the Claims Objection Bar Date; (ii) a Claim that either is not a Disputed Claim or has been Allowed by a Final Order; (iii) a Claim that is Allowed (a) pursuant to the Plan, (b) in any stipulation that is approved by the Bankruptcy Court, or (c) pursuant to any contract, instrument, indenture, or other agreement entered into or assumed in connection with the Plan; (iv) a Claim relating to a rejected Executory Contract or Unexpired Lease that either (a) is not a Disputed Claim or (b) has been Allowed by Final Order; (v) a Claim that is Allowed pursuant to the terms of the Plan; or (vi) a Claim as to which a Proof of Claim has been timely Filed and as to which no objection has been filed by the Claims Objection Bar Date.

6. ***Allowed Amount*** of any Claim or Interest means the amount at which that Claim or Interest is Allowed.

7. ***Allowed Claim; Allowed Interest*** means any Claim or Interest in any of the Debtors or their respective Estates, (i) proof of which was filed on or before the Bar Date, (ii) if no such proof of Claim or Interest has been timely filed, which has been or hereafter is listed by such

Debtor in its Schedules as liquidated in amount and not disputed or contingent, or (iii) any Interest registered in the stock or membership register, as the case may be, maintained by or on behalf of the Debtor as of the Record Date, in each such case in clauses (i), (ii) and (iii) above, a Claim or Interest as to which no objection to the allowance thereof, or action to equitably subordinate or otherwise seek recovery from the Holder of the Claim or Interest, has been interposed within the applicable period of limitation fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or a Final Order, or as to which an objection has been interposed and such Claim has been allowed in whole or in part by a Final Order.

8. ***Assets*** means all property in which the Debtors hold a legal or equitable interest, including all property described in section 541 of the Bankruptcy Code and all property disclosed in Debtors' respective Schedules and the Disclosure Statement.

9. ***Available Cash*** shall have the meaning assigned to such term in the Liquidating Trust Agreement.

10. ***Avoidance Actions*** means any and all actual or potential Claims to avoid a transfer of property or an obligation incurred by the Debtors pursuant to any applicable section of the Bankruptcy Code, including, without limitation, sections 544, 545, 547, 548, 549, 550, 551, 553(b), and 724(a) of the Bankruptcy Code.

11. ***Ballot*** means each of the ballot forms for voting to accept or reject the Plan distributed to all Holders of Impaired Claims entitled to vote on the Plan.

12. ***Balloting and Claims Agent*** means The Garden City Group, Inc., retained by the Debtors in the Chapter 11 Cases.

13. ***Bankruptcy Code*** means title 11 of the United States Code, 11 U.S.C. sections 101-1532, as in effect on the Petition Date, together with all amendments and modifications thereto subsequently made, to the extent applicable to the Chapter 11 Cases.

14. ***Bankruptcy Court*** means the United States Bankruptcy Court for the District of Delaware or any other court having jurisdiction over the Chapter 11 Cases.

15. ***Bankruptcy Rules*** means the Federal Rules of Bankruptcy Procedure and the local rules and general orders of the Bankruptcy Court, as in effect on the Petition Date, together with all amendments and modifications thereto subsequently made applicable to the Chapter 11 Cases.

16. ***Bar Date*** means the date(s) by which any Entity asserting certain Claims against the Debtors must have filed a Proof of Claim or be forever barred from asserting such Claims against the Debtors or their Estates, as established by any order(s) of the Bankruptcy Court or the Plan.

17. ***Bar Date Order*** means the Final Order entered by the Bankruptcy Court on [_____], 2009 establishing [_____], 2009 as the general Bar Date and [_____], 2009 as the Bar Date applicable to Governmental Units, and any subsequent order by the Bankruptcy Court amending, revising, rescinding, or superseding the same.

18. ***Beneficial Interests*** means the beneficial interests in the Liquidating Trust.

19. ***Beneficiaries*** means the Holders of Allowed General Unsecured Claims in Class 6 Classes that have voted to accept the Plan.

20. ***BMC West*** means BMC West Corporation, a Debtor.

21. ***BMC West Beneficial Interests*** means a Distribution of the Beneficial Interests equal to the ratio (expressed as a percentage) that the amount of Allowed BMC West General Unsecured Claims bears to the aggregate amount of all Allowed General Unsecured Claims.

22. ***BMC West Debtors*** means BMC West and Illinois Framing.

23. ***BMC West General Unsecured Claim*** means a General Unsecured Claim asserted against any of the BMC West Debtors.

24. ***BMC West Rejection Distribution*** means, as to an Allowed BMC West General Unsecured Claim, an amount of Cash equal to four percent of the amount of such Allowed BMC West General Unsecured Claim.

25. ***BMHC*** means Building Materials Holding Corporation, a Debtor.

26. ***BMHC Beneficial Interests*** means a Distribution of the Beneficial Interests equal to the ratio (expressed as a percentage) that the amount of Allowed BMHC General Unsecured Claims bears to the aggregate amount of all Allowed General Unsecured Claims.

27. ***BMHC General Unsecured Claim*** means a General Unsecured Claim asserted against BMHC.

28. ***BMHC Rejection Distribution*** means, as to an Allowed BMHC General Unsecured Claim, an amount of Cash equal to four percent of the amount of such Allowed BMHC General Unsecured Claim.

29. ***Business Day*** means any day other than a Saturday, Sunday, or legal holiday (as such term is defined in Bankruptcy Rule 9006(a)).

30. ***C Construction*** means C Construction, Inc., a Debtor.

31. ***Cash*** means the legal tender of the United States of America.

32. ***Cash Claims*** means Administrative Claims, Cure Claims, Priority Tax Claims, Professional Compensation Claims, Other Priority Claims, and Other Secured Claims.

33. ***Cash Claims Reserve*** means an amount of Cash equal to the sum of (i) the Maximum Amount of each Disputed Cash Claim, *plus* (ii) an amount determined by the Debtors sufficient to pay the unpaid estimated Administrative Claims that accrue on or after the Petition Date through the Confirmation Date.

34. ***Cash Collateral Account*** shall have the meaning assigned to such term in the DIP Facility.

35. ***Causes of Action*** means all actions, causes of action, liabilities, obligations, rights, suits, damages, judgments, remedies, demands, setoffs, defenses, recoupments, crossclaims, counterclaims, third-party claims, indemnity claims, contribution claims, or any other claims whatsoever, in each case held by the Debtors, whether known or unknown, matured or unmatured, fixed or contingent, liquidated or unliquidated, disputed or undisputed, suspected or unsuspected,

foreseen or unforeseen, direct or indirect, choate or inchoate, existing or hereafter arising, in law, equity, or otherwise, based in whole or in part upon any act or omission or other event occurring prior to the Petition Date or during the course of the Chapter 11 Cases, including through the Effective Date.

36. ***Certificate*** means any instrument evidencing a Claim or an Interest.

37. ***Chapter 11 Cases*** means (i) when used with reference to a particular Debtor, the chapter 11 case pending for that Debtor under chapter 11 of the Bankruptcy Code in the Bankruptcy Court, and (ii) when used with reference to all Debtors, the procedurally consolidated chapter 11 cases pending for the Debtors in Bankruptcy Court.

38. ***Claim*** has the meaning set forth in section 101(5) of the Bankruptcy Code, against any Debtor or any Estate whether or not asserted.

39. ***Claimant*** means the Holder of a Claim.

40. ***Claims Objection Bar Date*** means, with respect to any Claim, the 90th day following the latest of the Effective Date, the date such Claim is Filed, and such later date as may be established from time to time by the Bankruptcy Court as the last date for filing objections to such Claims.

41. ***Class*** means a category of Holders of Claims or Interests, as set forth in Article III of the Plan, pursuant to section 1122 of the Bankruptcy Code.

42. ***Class Action Claims*** means any General Unsecured Claim or Cash Claim arising from those certain lawsuits styled as follows: (i) *Eduardo Acevedo, et al. v. Building Materials Holding Corporation, et al., Case No. CV 08-06227 SJO (Cwx)* pending in the District Court for the Central District of California and (ii) *Pedro Alvarado, an individual, on behalf of himself and all others similarly situated v. Building Materials Holding Corporation, a Delaware Corporation, SelectBuild Construction, Inc., a Delaware Corporation, SelectBuild Southern California, Inc., a Delaware Corporation, H.N.R. Framing Systems, Inc.., a California Corporation, and Does 1 through 50, inclusive, Case No. BC391029* pending in the Superior Court of the State of California for the County of Los Angeles.

43. ***Collateral*** means any property or interest in property of an Estate that is subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject to avoidance or otherwise invalid under the Bankruptcy Code or applicable state law.

44. ***Collective Bargaining Agreements*** means those certain collective bargaining agreements entered into by certain of the Debtors from time to time to with the following Persons: (i) Chicago Regional Council of Carpenters and Residential Construction Employers Council; (ii) U.B.C. Industrial Local Union No. 2218; (iii) Lumber, Production & Industrial Workers Union Local No. 2633; (iv) General Teamsters Local Union No. 174; (v) General Teamsters Local Union No. 313; (vi) General Teamsters Local Union No. 431; and (vii) Western Council of Industrial Workers Union Local No. 2633.

45. ***Committee*** means the official committee of unsecured creditors for the Debtors appointed by the U.S. Trustee on [_____], 2009, as presently constituted.

46. ***Confirmation***, ***Confirmation of the Plan***, or ***Plan Confirmation*** means the approval of the Plan by the Bankruptcy Court at the Confirmation Hearing.

47. ***Confirmation Date*** means the date on which the Confirmation Order is entered on the docket of the Bankruptcy Court.

48. ***Confirmation Hearing*** means the hearing held by the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code to consider Confirmation of the Plan, as such hearing may be adjourned or continued from time to time.

49. ***Confirmation Order*** means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 and other applicable sections of the Bankruptcy Code.

50. ***Creditor*** means any Person holding a Claim against a Debtor's Estate or pursuant to section 102(5) of the Bankruptcy Code against property of the Debtor that arose or is deemed to have arisen on or prior to the Petition Date.

51. ***Cure Claim*** means a Claim based upon the Debtors' defaults on an Executory Contract or Unexpired Lease at the time such contract or lease is assumed by the Debtors pursuant to section 365 of the Bankruptcy Code.

52. ***Debtor*** means any of the Debtors.

53. ***Debtors*** has the meaning ascribed to such term in the "Introduction" of the Plan.

54. ***DIP Facility*** means the Senior Secured Super-Priority Debtor-in-Possession Credit Agreement, dated as of [_____], 2009, which was approved by the DIP Order.

55. ***DIP Lenders*** means those Persons committed to fund the DIP Facility.

56. ***DIP Order*** means the Final Order dated [_____], 2009 entered by the Bankruptcy Court authorizing the Debtors to enter into the DIP Facility.

57. ***Disbursing Agent*** means, as to distributions to be made (i) (a) on the Effective Date or (b) on account of Cash Claims that become Allowed after the Effective Date, the Reorganized Debtors, and (ii) after the Effective Date in respect of General Unsecured Claims, the Liquidating Trust or its designee.

58. ***Disclosure Statement*** means the Disclosure Statement in Support of the Joint Plan of Reorganization for the Debtors Under Chapter 11 of the Bankruptcy Code, dated [_____], 2009, including all exhibits attached thereto or referenced therein, as submitted by the Debtors pursuant to section 1125 of the Bankruptcy Code and approved by the Bankruptcy Court in the Disclosure Statement Approval Order, as such Disclosure Statement may be further amended, supplemented, or modified from time to time with the further approval of the Bankruptcy Court.

59. ***Disclosure Statement Approval Order*** means the order of the Bankruptcy Court, dated [_____], 2009, approving the Disclosure Statement.

60. ***Disputed Cash Claim*** means any Cash Claim that is not yet Allowed.

61. ***Disputed Claim*** means any Claim that is not yet Allowed.

62. ***Disputed General Unsecured Claims*** means any General Unsecured Claim that is a Disputed Claim.

63. ***Distribution*** means any distribution by the Disbursing Agent to the Holders of Allowed Claims pursuant to Article VIII of the Plan.

64. ***Distribution Date***, when used with respect to each Claim and Interest, means the date that shall take place as soon as practicable after the later of: (i) the Effective Date, (ii) the date a Claim becomes payable pursuant to any agreement with the Disbursing Agent, or (iii) solely with respect to Disputed Claims as of the Effective Date, no later than 30 days after the date upon which the Claim or Interest becomes an Allowed Claim.

65. ***Distribution Record Date*** means the record date for purposes of making distributions under the Plan on account of Allowed Claims, which date shall be five Business Days after the Confirmation Date.

66. ***Effective Date*** means the date specified by the Debtors in a notice filed with the Bankruptcy Court as the date on which this Plan shall take effect, which date shall be not more than 10 Business Days after the later of (i) the date on which the Confirmation Order shall have been entered and is no longer subject to any stay; and (ii) the date on which the conditions to the Effective Date provided for in Section 10.1.2 of the Plan have been satisfied or waived.

67. ***Equity Security*** means any equity security as defined in section 101(16) of the Bankruptcy Code in a Debtor.

68. ***Estate*** means, as to each Debtor, the estate created for such Debtor in its Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

69. ***Excess Cash Flow*** shall have the meaning assigned to such term in, and be calculated in accordance with, the Term Loan Credit Agreement.

70. ***Exculpated Parties*** means (i) each of the Debtors' respective officers, directors, employees, Professionals, and agents, (ii) the Committee, its members, and Professionals, (iii) WFB and its officers, directors, employees, professionals, and agents, (iii) the Prepetition Lenders and each of their respective officers, directors, employees, professionals, and agents, and (iv) the DIP Lenders and each of their respective officers, directors, employees, professionals, and agents.

71. ***Executory Contracts*** means a contract to which one or more of the Debtors is a party and that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

72. ***Exit Revolver*** means that certain term revolving loan effectuated pursuant to the Revolving Credit Agreement, substantially in the form contained in the Plan Supplement.

73. ***Exit Revolver Lenders*** means the Person(s) who have committed to providing the Exit Revolver.

74. ***Federal Judgment Rate*** means the federal judgment rate of [__]%, which was in effect as of the Petition Date.

75. ***File*** or ***Filed*** means file, filed, or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

76. ***Final Order*** means, as applicable, an order or judgment of the Bankruptcy Court or other court of competent jurisdiction with respect to the relevant subject matter, which has not been reversed, stayed, modified, or amended, and as to which the time to appeal, seek certiorari, or move for a new trial, reargument, or rehearing has expired and no appeal, petition for certiorari, or motion for a new trial, reargument, or rehearing has been timely filed, or as to which any appeal that has been taken, any petition for certiorari, or motion for a new trial, reargument, or rehearing that has been or may be Filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought.

77. ***Funded Lender Claim*** means a Claim arising under the Prepetition Revolving Credit Facility and the Prepetition Term Loan that are held by the Prepetition Revolving Lenders and the Prepetition Term Loan Lenders, respectively, including, without limitation, any claims of the Prepetition L/C Lenders under the Prepetition Letters of Credit that have been liquidated prior to the Petition Date, all accrued and unpaid interest, fees, and expenses, claims arising from swap agreements contemplated by the Prepetition Credit Agreement, accrued and unpaid interest payable in kind under the Prepetition Term Loan as of the Petition Date, and other liquidated Obligations (as such term is defined in the Prepetition Credit Agreement) arising as of the Petition Date under the Prepetition Revolving Credit Facility and the Prepetition Term Loan.

78. ***Funded Lender's Share of Sale Cash Collateral Excess Proceeds Account Effective Date Amount*** means, as to each Funded Lender Claim, that amount equal to the Excess Cash Collateral Account Effective Date Proceeds multiplied by that ratio (expressed as a percentage) that such Funded Lender Claim on the Effective Date bears to the aggregate of all Liquidated L/C Amounts of L/C Lender Claims and Funded Lender Claims on the Effective Date.

79. ***General Unsecured Claim*** means any Unsecured Claim that is not an L/C General Unsecured Claim, an Intercompany Claim, or a Section 510(b) Claim.

80. ***Governmental Unit*** has the meaning ascribed to such term in section 101(27) of the Bankruptcy Code.

81. ***H.N.R. Framing Systems*** means H.N.R. Framing Systems, Inc., a Debtor.

82. ***Holder*** means any Person holding an Interest or Claim.

83. ***Illinois Framing*** means Illinois Framing, Inc., a Debtor.

84. ***Impaired*** means a Claim or a Class of Claims that is impaired within the meaning of section 1124 of the Bankruptcy Code.

85. ***Initial Distribution Date*** means the date that is on or before 30 days after the Effective Date, which date shall be the initial date for distribution of Available Cash by the Liquidating Trust.

86. ***Intercompany Claim*** means any Claim held by a Debtor against another Debtor or any Claim held by an Affiliate against a Debtor.

87. ***Intercompany Contracts*** means any Executory Contract by or between or among any of the Debtors.

88. ***Intercompany Interest*** means an Interest in a Debtor held by another Debtor or an Interest in a Debtor held by an Affiliate of a Debtor.

89. ***Interim Compensation Order*** means the order entered by the Bankruptcy Court on [_____], 2009 establishing procedures for interim compensation and reimbursement of expenses of Professionals of the Debtors and the Committee.

90. ***Interest*** means any: (i) Equity Security, including all issued, unissued, authorized, or outstanding shares of capital stock of the Debtors, together with any warrants, options, or contractual rights to purchase or acquire such Equity Securities at any time and all rights arising with respect thereto; and (b) partnership, limited liability company, or similar interest in a Debtor.

91. ***L/C General Unsecured Claim*** means a General Unsecured Claim for which the Holder thereof has issued in its favor, or in favor of an insurance provider of the Debtors with respect to a self-insured retention applicable to the Holder, including, without limitation, a Holder of a General Unsecured Claim for worker's compensation, construction defects, general casualty liabilities, and performance bonds that are subject to insurance policies secured by the Prepetition Letters of Credit.

92. ***L/C Lender Claim*** means the Claim held by a Prepetition L/C Lender pursuant to the Prepetition Letters of Credit, which Claim has not been liquidated prior to the Petition Date and which shall be estimated and Allowed solely for purposes of voting and Distribution under the Plan, and subject to the provisions of section 4.3.2 of the Plan, at the face amount of a Prepetition L/C Lender's Pro Rata share of the outstanding Prepetition Letters of Credit as of the Petition Date.

93. ***L/C Lender's Share of Sale Cash Collateral Excess Proceeds Account Effective Date Amount*** means, as to any Liquidated L/C Amount of a L/C Lender Claim on the Effective Date, that amount equal to the Excess Cash Collateral Account Effective Date Proceeds multiplied by that ratio (expressed as a percentage) that such Liquidated L/C Amount on the Effective Date bears to all Liquidated L/C Amounts of L/C Lender Claims and Funded Lender Claims on the Effective Date.

94. ***L/C Lender Fee*** means that certain standby letter of credit fee equal to 5% per annum, which fee shall accrue quarterly [in arrears] and shall, at Reorganized BMHC's option, be paid in kind for the first eight quarters after the Effective Date and, thereafter, be paid quarterly [in arrears] in Cash.

95. ***Lien*** has the meaning set forth in section 101(37) of the Bankruptcy Code.

96. ***Liquidated L/C Amount*** means that amount, if any, paid with respect to a draw on a Prepetition Letter of Credit whether by WFB, as the letter of credit issuer under the Prepetition Credit Agreement, or by the Prepetition Revolving Lenders in respect of their several reimbursement obligations to WFB arising under the Prepetition Credit Agreement; if and to the extent that WFB is reimbursed by a Prepetition Revolving Lender in respect of its several reimbursement obligation to WFB arising under the Prepetition Credit Agreement, the Liquidate L/C Amount paid shall be deemed to have been paid by such Prepetition Revolving Lender and not by WFB.

97. ***Liquidating Trust*** means the trust contemplated by the Liquidating Trust Agreement.

98. ***Liquidating Trustee*** means the Person designated 20 days prior to the Confirmation Hearing by the Committee and, after the Effective Date, by the Liquidating Trust Oversight Committee, to administer the Liquidating Trust.

99. ***Liquidating Trust Agreement*** means an agreement substantially in the form contained in the Plan Supplement, as amended from time to time prior to the Effective Date, with such amendments to be Filed, and after the Effective Date, as amended from time to time in accordance with the terms thereof.

100. ***Liquidating Trust Assets*** means the Unsecured Cash Fund and the Liquidating Trust Share of Excess Cash Flow.

101. ***Liquidating Trust Oversight Committee*** means the board established pursuant to the Liquidating Trust Agreement and Section 7.4.4 of the Plan to advise, assist, and supervise the Liquidating Trustee in the administration of the Liquidating Trust.

102. ***Liquidating Trust Existence Condition Precedent*** means if one or more of Classes 6(a), 6(b), or 6(c) votes to accept the Plan.

103. ***Liquidating Trust Share of Excess Cash Flow*** means (i) if each of Classes 6(a), 6(b), and 6(c) vote to accept the Plan, 20% of the Excess Cash Flow, determined on an annual basis based on the delivery of audited financial statements, in any fiscal year in which the EBITDA of Reorganized BMHC equals or exceeds $50 million; and (ii) if one or more of Classes 6(a), 6(b), or 6(c) votes to reject the Plan, the Liquidating Trust Share of Excess Cash Flow described in clause (i) of this definition shall be reduced by the percentage that the aggregate amount of Allowed General Unsecured Claims in such rejecting Class or Classes bears to the aggregate amount of Allowed General Unsecured Claims in Classes 6(a), 6(b), and 6(c); *provided, however*, that the aggregate Liquidating Trust Share of Excess Cash Flow shall not exceed the difference between (a) the aggregate amount of all Allowed General Unsecured Claims in any Class 6 Class that votes to accept the Plan and (b) the Unsecured Cash Fund.

104. ***Liquidating Trust Share of Excess Cash Flow Maturity Date*** shall mean the earlier to occur of (i) December 31, 2015 or (ii) the date that the Liquidating Trust Share of Excess Cash Flow is paid in full.

105. ***Liquidation Analysis*** means the liquidation analysis attached as **Exhibit E** to the Disclosure Statement.

106. ***Long Term Incentive Plan*** means that certain post-Effective Date management equity incentive plan, the form of which shall be included in the Plan Supplement, and shall be implemented by the New Board of Reorganized BMHC as soon after the Effective Date as reasonably practicable, and shall consist of restricted stock units, stock options, and/or stock appreciation rights in an amount up to 10% of the Reorganized BMHC Equity Interests, some portion of which shall be allocated to management by the New Board of Reorganized BMHC within [__] days of the Effective Date.

107. ***Maximum Amount*** means, with respect to any Disputed General Unsecured Claim: (i) the amount agreed to by the Liquidating Trust and the Holder of such Claim; (ii) the amount, if any, estimated or determined by the Bankruptcy Court in accordance with section 502(c) of the Bankruptcy Code; or (iii) absent any such agreement, estimation, or determination, the liquidated

amount set forth in the proof of claim Filed by the Holder of such Claim or, if no amount is so set forth, the amount estimated by the Liquidating Trustee.

108. ***Maximum L/C Lenders Term Note Cap*** means, as to the Liquidated L/C Amount of each Allowed L/C Lender Claim, that amount equal to the Peak Prepetition Letters of Credit Exposure Prior to the Confirmation Date multiplied by that ratio (expressed as a percentage) that $135,000,000 bears to the aggregate Allowed Funded Lender Claims.

109. ***New Boards*** means the initial boards of directors of the Reorganized Debtors.

110. ***New Bylaws*** means the form of the bylaws of each of Reorganized BMHC and the other Reorganized Debtors, which form shall be included in the Plan Supplement.

111. ***New Certificate of Incorporation*** means the form of the certificates of incorporation of each of Reorganized BMHC and the other Reorganized Debtors, which form shall be included in the Plan Supplement.

112. ***Other Priority Claim*** means any Claim, other than an Administrative Claim or a Priority Tax Claim, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

113. ***Other Secured Claim*** means any Secured Claim that is not a Funded Lender Claim or an L/C Lender Claim.

114. ***Peak Prepetition Letters of Credit Exposure Prior to the Confirmation Date*** means the highest exposure under the Prepetition Letters of Credit occurring prior to the Confirmation Date.

115. ***Person*** means any person, including without limitation, any individual, entity, corporation, partnership, limited liability company, limited liability partnership, joint venture, association, joint stock company, estate, trust, unincorporated association or organization, official committee, *ad hoc* committee or group, governmental agency or political subdivision thereof, the U.S. Trustee, and any successors or assigns of any of the foregoing.

116. ***Petition Date*** means June 16, 2009, the date on which the Chapter 11 Cases were commenced with the filing of voluntary petitions for relief under chapter 11 of the Bankruptcy Code.

117. ***Plan*** means the Joint Plan of Reorganization for the Debtors under Chapter 11 of the Bankruptcy Code proposed by the Debtors, dated June 16, 2009, and all exhibits attached thereto or referenced therein including, without limitation, the Plan Supplement, as the same may be amended, modified, or supplemented from time to time.

118. ***Plan Documents*** means the Plan, the Plan Supplement, the Disclosure Statement, and all documents, attachments, and exhibits attached to the Plan or the Disclosure Statement that aid in effectuating the Plan, as the same may be amended, modified, or supplemented, in accordance with their terms.

119. ***Plan Supplement*** means the supplement to the Plan in form and substance satisfactory to the Debtors to be filed with the Bankruptcy Court not later than 10 days prior to the Voting Deadline, which shall contain forms of final documents described in the Plan.

120. ***Postpetition Period*** means the period of time following the Petition Date through the Confirmation Date.

121. ***Prepetition Credit Agreement*** means that certain Second Amended and Restated Credit Agreement, dated as of November 10, 2006 (as amended from time to time) by and among BMHC, as borrower, the Subsidiary Debtors, as guarantors, WFB, as administrative agent, and the lenders party thereto.

122. ***Prepetition L/C Lenders*** means those Persons responsible to make payments in respect of draws on the Prepetition Letters of Credit.

123. ***Prepetition Lenders*** means the Prepetition Revolving Lenders, the Prepetition Term Loan Lenders, and the Prepetition L/C Lenders.

124. ***Prepetition Letters of Credit*** means those certain letters of credit in favor of certain of the Debtors' creditors issued by WFB under the terms of the Prepetition Credit Agreement.

125. ***Prepetition Revolving Credit Facility*** means that $200,000,000 revolving credit facility under the Prepetition Credit Agreement maturing November 2011.

126. ***Prepetition Revolving Lenders*** means those Persons who have committed to fund the Prepetition Revolving Credit Facility.

127. ***Prepetition Term Loan*** means that $350,000,000 term loan facility under the Prepetition Credit Agreement maturing November 2011.

128. ***Prepetition Term Loan Lenders*** means those Persons who hold the Prepetition Term Loan.

129. ***Priority Tax Claim*** means a Claim of a kind specified in section 507(a)(8) of the Bankruptcy Code.

130. ***Pro Rata*** means, with reference to any Distribution on account of any Allowed Claim or Allowed Interest in a Class, a Distribution equal in amount to the ratio (expressed as a percentage) that the amount of such claims bears to the aggregate amount of all Allowed Claims in the same Class.

131. ***Professional Compensation Claim*** means all Administrative Claims for compensation, indemnification, or reimbursement of expenses incurred by Professionals through the Confirmation Date pursuant to section 327, 328, 330, 331, 363, or 503(b) of the Bankruptcy Code in connection with the Chapter 11 Cases.

132. ***Professionals*** means those Persons (a) employed pursuant to an order of the Bankruptcy Court in accordance with sections 327, 328, 363, or 1103 of the Bankruptcy Code and to be compensated for services pursuant to sections 327, 328, 329, 330, 331, and 363 of the Bankruptcy Code, for which compensation and reimbursement has been allowed by the Bankruptcy Court pursuant to section 503(b)(1) of the Bankruptcy Code and/or (b) for which compensation and reimbursement has been allowed by the Bankruptcy Court or is sought pursuant to section 503(b)(4) of the Bankruptcy Code.

133. ***Proof of Claim*** means any proof of claim filed with the Bankruptcy Court or the Balloting and Claims Agent with respect to a Debtor pursuant to section 501 of the Bankruptcy Code and Bankruptcy Rules 3001 or 3002.

134. ***Record Date*** means the date of entry of the Disclosure Statement Approval Order.

135. ***Rejected Executory Contract and Unexpired Lease List*** means the list (as may be amended from time to time), as determined by the Debtors or the Reorganized Debtors, of Executory Contracts and Unexpired Leases (including any amendments or modifications thereto) that will be rejected by the Debtors pursuant to Article VI of this Plan.

136. ***Rejection Distribution*** means any of the BMHC Rejection Distribution, the BMC West Rejection Distribution, and the SelectBuild Rejection Distribution.

137. ***Rejection Distributions*** means the aggregate of the BMHC Rejection Distribution, the BMC West Rejection Distribution, and the SelectBuild Rejection Distribution.

138. ***Released Parties*** means (i) each of the Debtors' respective officers, directors, Professionals, agents, and employees, (ii) WFB and its officers, directors, employees, professionals, and agents, and (iii) the Prepetition Lenders and each of their respective officers, directors, employees, professionals, and agents, and (iv) the DIP Lenders and each of their respective officers, directors, employees, professionals, and agents.

139. ***Reorganized*** means, when used with reference to the Debtor, such Debtor on and after the Effective Date.

140. ***Reorganized BMHC*** means a newly formed corporation or the Reorganized Debtors used to implement the Restructuring Transaction.

141. ***Reorganized BMHC Equity Interests*** means up to 200 million of common voting stock of Reorganized BMHC authorized pursuant to the Plan, the par value of which shall be $.01 per share, which Equity Interests shall initially be issued to Holders of Allowed Claims in Classes 2 and 3 in accordance with the provisions of the Plan, subject to dilution by the Long Term Incentive Plan.

142. ***Reorganized BMHC Equity Interest L/C Lender Cap*** means an amount of the Reorganized BMHC Equity Interests on an undiluted basis not to exceed that amount equal to the ratio (expressed as a percentage) of the Peak Prepetition Letters of Credit Exposure Prior to the Confirmation Date divided by the sum of the Allowed Funded Claims and the Peak Prepetition Letters of Credit Exposure Prior to the Confirmation Date.

143. ***Reorganized Debtors Operating Cash Minimum*** shall mean the sum of $[6],000,0000.

144. ***Restructuring Transactions*** means those mergers, amalgamations, consolidations, arrangements, continuances, restructurings, transfers, conversions, dispositions, liquidations, dissolutions, or other corporate transactions that the Debtors or the Reorganized Debtors determine to be necessary or appropriate to effect a restructuring of a Debtor's business or a restructuring of the overall corporate structure of the Reorganized Debtors, including those described in the Restructuring Transactions Memorandum.

145. ***Restructuring Transactions Memorandum*** means the memorandum describing the Restructuring Transactions, which will be included in the Plan Supplement.

146. ***Revolving Credit Agreement*** means the revolving credit agreement to be entered into by the Reorganized BMHC and certain lenders, the provisions of which shall give effect to the Exit Revolver.

147. ***Sale Cash Collateral Excess Proceeds Account*** shall have the meaning assigned to such term in the DIP Facility.

148. ***Sale Cash Collateral Excess Proceeds Account Effective Date Amount*** means the amount of Cash in the Sale Cash Collateral Excess Proceeds Account, less (i) amounts required to repay the DIP Facility in full and (ii) amounts required to fund the Reorganized Debtors Operating Cash Minimum.

149. ***Schedules*** means the schedules, statements, and lists filed by the Debtors with the Bankruptcy Court pursuant to Bankruptcy Rule 1007, as may be amended or supplemented from time to time.

150. ***Section 510(b) Claims*** means any Claim against the Debtors arising from rescission of a purchase or sale of a security of the Debtors or an Affiliate of the Debtors, for damages arising from the purchase or sale of such a security, or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such a Claim.

151. ***Secured*** mean when referring to a Claim: (i) secured by a Lien on property in which an Estate has an interest, which Lien is valid, perfect, and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to section 553 of the Bankruptcy Code, to the extent of the value of the creditor's interest in the Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code or (ii) Allowed as such pursuant to the Plan.

152. ***Securities Act*** means the Securities Act of 1933, 15 U.S.C. §§ 77a-77m, as in effect on the Petition Date, together with all amendments and modifications thereto subsequently made applicable to the Chapter 11 Cases.

153. ***SelectBuild Arizona*** means SelectBuild Arizona, LLC, a Debtor.

154. ***SelectBuild Beneficial Interest*** means a Distribution of the Beneficial Interests equal to the ratio (expressed as a percentage) that the amount of Allowed SelectBuild General Unsecured Claims bears to the aggregate amount of all Allowed General Unsecured Claims.

155. ***SelectBuild Construction*** means SelectBuild Construction, Inc., a Debtor.

156. ***SelectBuild Debtors*** means C Construction, H.N.R. Framing Systems, SelectBuild Arizona, SelectBuild Construction, SelectBuild Illinois, SelectBuild Nevada, SelectBuild Northern California, SelectBuild Southern California, and TWF Construction.

157. ***SelectBuild General Unsecured Claim*** means a General Unsecured Claim asserted against any of the SelectBuild Debtors.

158. ***SelectBuild Illinois*** means SelectBuild Illinois, LLC, a Debtor.

159. ***SelectBuild Nevada*** means SelectBuild Nevada, Inc., a Debtor.

160. ***SelectBuild Northern California*** means SelectBuild Northern California, Inc., a Debtor.

161. ***SelectBuild Rejection Distribution*** means, as to an Allowed SelectBuild General Unsecured Claim, an amount of Cash equal to two percent of the amount of such Allowed SelectBuild General Unsecured Claim.

162. ***SelectBuild Southern California*** means SelectBuild Southern California, Inc., a Debtor.

163. ***Shareholder Agreement*** means that certain agreement, if any, by and among Reorganized BMHC and certain holders of Reorganized BMHC Equity Interests, to be entered into on the Effective Date, substantially in the form to be included in the Plan Supplement.

164. ***Small Unsecured Claims*** means (i) a General Unsecured Claim if the Allowed Amount of such Claim is less than or equal to $5,000 and (ii) a General Unsecured Claim if the Allowed Amount of such Claim is greater than $5,000 and the Holder of such Claim elects to reduce the Allowed Amount of its General Unsecured Claim to $5,000 or less and made the Small Unsecured Claims Class Election on the Ballot within the time fixed by the Bankruptcy Court.

165. ***Small Unsecured Claims Class Election*** means an election by a Holder of a General Unsecured Claim on its Ballot to reduce its Claim to $5,000 or less and have such Claim treated as a Small Unsecured Claim.

166. ***Subsidiary Debtors*** means the BMC West Debtors and the SelectBuild Debtors.

167. ***Term Loan Credit Agreement*** means the term loan credit agreement, substantially in the form contained in the Plan Supplement, to be entered into by the Reorganized BMHC and certain lenders, the provisions of which shall give effect to the Term Loan.

168. ***Term Notes*** means those certain term notes issued pursuant to the Term Loan Credit Agreement.

169. ***TWF Construction*** means TWF Construction, Inc., a Debtor.

170. ***Unexpired Lease*** means a lease to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

171. ***Unimpaired*** means, with respect to a Class of Claims or Interests, a Class of Claims or Interests that is unimpaired within the meaning of section 1124 of the Bankruptcy Code.

172. ***Unsecured Cash Fund*** means (i) if each of Classes 6(a), 6(b), and 6(c) vote to accept the Plan, $10,000,000; and (ii) if one or more of Classes 6(a), 6(b), or 6(c) vote to reject the Plan, $10,000,000 less the percentage of such $10,000,000 that the aggregate amount of Allowed General Unsecured Claims in such rejecting Class or Classes bears to the aggregate amount of Allowed General Unsecured Claims in Classes 6(a), 6(b), and 6(c).

173. ***Unsecured Claim*** means any Claim that is neither Secured nor entitled to priority under the Bankruptcy Code or any order of the Bankruptcy Court, including any Claim arising from

the rejection of an Executory Contract or Unexpired Lease under section 365 of the Bankruptcy Code.

174. ***U.S. Trustee*** means the United States Trustee for the District of Delaware.

175. ***U.S. Trustee Fees*** means all fees and charges assessed against the Estates under section 1930 of title 28 of the United States Code, and interest, if any, for delinquent quarterly fees pursuant to section 3717 of title 31 of the United States Code.

176. ***Voting Deadline*** means the deadline set by the Bankruptcy Court for submitting Ballots.

177. ***WFB*** means Wells Fargo Bank, N.A.

EXHIBIT B

Joint Plan of Reorganization

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-_____ ( )**
Debtors.	)	**Joint Administration Requested**

JOINT PLAN OF REORGANIZATION FOR THE DEBTORS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

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PROPOSED COUNSEL FOR THE DEBTORS AND DEBTORS IN POSSESSION

Dated: Wilmington, Delaware
June 16, 2009

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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.

INTRODUCTION

Building Materials Holding Corporation, BMC West Corporation, SelectBuild Construction, Inc., SelectBuild Northern California, Inc., Illinois Framing, Inc., C Construction, Inc., TWF Construction, Inc., H.N.R. Framing Systems, Inc., SelectBuild Southern California, Inc., SelectBuild Nevada, Inc., SelectBuild Arizona, LLC, and SelectBuild Illinois, LLC, as debtors and debtors in possession (collectively, the "***Debtors***"), respectfully propose the following Joint Plan of Reorganization pursuant to section 1121(a) of the Bankruptcy Code for the resolution of outstanding Claims against and Interests in each of the Debtors (the "***Plan***").

Reference is made to the Disclosure Statement with respect to the Plan, distributed contemporaneously herewith, for a discussion of the Debtors' history, businesses, properties, operations, risk factors, a summary and analysis of the Plan, and certain related matters including the securities to be issued under the Plan. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, the Debtors respectfully reserve the right to alter, amend, modify, revoke, or withdraw the Plan prior to consummation of the Plan. The Debtors are the proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code.

NO SOLICITATION MATERIALS, OTHER THAN THE DISCLOSURE STATEMENT AND RELATED MATERIALS TRANSMITTED THEREWITH AND APPROVED BY THE BANKRUPTCY COURT, HAVE BEEN AUTHORIZED BY THE BANKRUPTCY COURT FOR USE IN SOLICITING ACCEPTANCE OR REJECTION OF THE PLAN.

I.
DEFINED TERMS, RULES OF INTERPRETATION, AND COMPUTATION OF TIME

1.1. ***Definitions***. As used in the Plan, capitalized terms not otherwise defined herein shall have the meanings specified in Appendix A. Unless the context otherwise requires, any capitalized term used and not defined in the Plan, but that is defined in the Bankruptcy Code, shall have the meaning assigned to that term in the Bankruptcy Code. Unless otherwise specified, all section, article, schedule, or exhibit references in the Plan are to the respective section in, article of, or schedule or exhibit to, the Plan, as the same may be amended, waived, or modified from time to time.

1.2. ***Rules of Construction***. For purposes of the Plan, unless otherwise provided herein: (i) any reference in the Plan to a contract, instrument, release, indenture, or other agreement, whether existing or contemplated, or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions, (ii) unless otherwise specified, all references in the Plan to the Introduction, Articles, and Sections are references to the Introduction, Articles, and Sections of or to the Plan, (iii) captions and headings to Articles and Sections are intended for convenience of reference only and are not intended to be part of or to affect interpretation of the Plan, (iv) the words "herein," "hereof," "hereunder," "hereto," and other words of similar import refer to the Plan in its entirety rather than to a particular portion of the Plan, (v) whenever it appears appropriate from the context, each pronoun stated in the masculine, feminine, or neuter includes the masculine, feminine, and neuter, and (vi) the rules of construction set forth in section 102 of the Bankruptcy Code and in the Bankruptcy Rules shall apply.

1.3. ***Computation of Time***. In computing time prescribed or allowed by the Plan, unless otherwise expressly provided, Bankruptcy Rule 9006(a) shall apply.

II.
TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS, PRIORITY TAX CLAIMS AND PROFESSIONAL COMPENSATION CLAIMS AGAINST THE DEBTORS

2.1. ***Administrative Expense Claims***. On the later of (i) the Effective Date or (ii) if the Administrative Expense Claim is not Allowed as of the Effective Date, 30 days after the date on which an Administrative Expense Claim becomes Allowed, the Disbursing Agent shall either (x) pay to each Holder of an Allowed Administrative Expense Claim, in Cash, the full amount of such Allowed Administrative Expense Claim, or (y) satisfy and discharge such Administrative Expense Claim in accordance with such other terms that the Debtors and such Holder shall have agreed upon; *provided, however*, that such agreed-upon treatment shall not be more favorable than the treatment provided in clause (x). Notwithstanding the foregoing, if the Allowed Administrative Expense Claims are based on liabilities incurred in the ordinary course of business during the Postpetition Period, such Holders of an Allowed Administrative Expense Claim shall receive Cash pursuant to the terms and conditions of the particular transaction giving rise to such Allowed Administrative Expense Claims without any further action by the Holders of such Allowed Administrative Expense Claims.

2.2. ***Professional Compensation Claims***. Notwithstanding any other provision of the Plan dealing with Administrative Expense Claims, any Person seeking a Professional Compensation Claim shall, no later than thirty (30) days after the Confirmation Date, file a final application for allowance of compensation for services rendered and reimbursement of expenses incurred through the Confirmation Date. To the extent that such an award is granted by the Bankruptcy Court, the requesting Person shall receive: (i) payment of Cash in an amount equal to the amount Allowed by the Bankruptcy Court less all interim compensation paid to such Professional during the Chapter 11 Cases, such payment to be made within the later of (a) the Effective Date or (b) three (3) business days after the Order granting such Person's final fee application becomes a Final Order; (ii) payment on such other terms as may be mutually agreed upon by the Holder of the Professional Compensation Claim and BMHC or Reorganized BMHC, as applicable (but in no event shall the payment exceed the amount Allowed by the Bankruptcy Court); or (iii) payment in accordance with the terms of any applicable administrative procedures orders entered by the Bankruptcy Court, including the Interim Compensation Order, dated [_____], 2009. All Professional Compensation Claims for services rendered after the Confirmation Date shall be paid by Reorganized BMHC (or the Debtors prior to the Effective Date) upon receipt of an invoice therefor, or on such other terms as Reorganized BMHC (or the Debtors prior to the Effective Date) and the Professional may agree, without the requirement of any order of the Bankruptcy Court.

2.3. ***Priority Tax Claims***. Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each Holder of such Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code.

2.4. ***DIP Facility***. Notwithstanding any other provision of the Plan dealing with Administrative Expense Claims, Administrative Expense Claims arising under the DIP Facility shall be Allowed Administrative Expense Claims on the Effective Date and shall be paid in full in Cash on the Effective Date, and all excess Cash in the Cash Collateral Account shall remain with Reorganized BMHC.

2.5. ***U.S. Trustee Fees***. U.S. Trustee Fees incurred by the U.S. Trustee prior to the Effective Date shall be paid on the Distribution Date in accordance with the applicable schedule for payment of such fees. Until each of the Chapter 11 Cases is closed by entry of a final decree of the Bankruptcy Court, the Liquidating Trust shall pay additional U.S. Trustee Fees incurred in accordance with the

applicable schedule for the payment of such fees if the Liquidating Trust Existence Condition Precedent occurs; otherwise, such additional U.S. Trustee Fees shall be paid by the Reorganized Debtors.

III.
CLASSIFICATION OF CLAIMS AGAINST AND INTERESTS IN DEBTORS

3.1. ***Classification of Claims.*** Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims against and Interests in the Debtors. A Claim or Interest is placed in a particular Class for the purposes of voting on the Plan and receiving Distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and such Claim or Interest has not been paid, released, withdrawn, or otherwise settled prior to the Effective Date. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims of the kinds specified in sections 507(a)(2) and 507(a)(8), respectively, of the Bankruptcy Code have not been classified and their treatment is set forth in Article II.

The Plan constitutes a separate chapter 11 plan of reorganization for BMHC. The Plan also constitutes a single chapter 11 plan of reorganization for each of (i) the BMC West Debtors and (ii) the SelectBuild Debtors, which, respectively, shall be substantively consolidated for the purposes of voting, Distribution, and Confirmation, but not for corporate organizational or operational purposes except to the extent described in the Restructuring Transactions Memorandum. In the event that the Bankruptcy Court does not authorize substantive consolidation of the BMC West Debtors and/or the SelectBuild Debtors, the Plan shall constitute a separate plan of reorganization for each of the BMC West Debtors and/or the SelectBuild Debtors, as applicable. Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims against and Interests in the Debtors.

3.2. ***Classes.*** The Claims against and Interests in the Debtors are classified as follows:

3.2.1. ***Classes 1(a)-(c): Priority Non-Tax Claims.***

Class	Claims and Interests	Status	Voting Rights
Class 1(a)	Priority Non-Tax Claims against BMHC	Unimpaired	Not entitled to vote (Deemed to accept)
Class 1(b)	Priority Non-Tax Claims against the BMC West Debtors	Unimpaired	Not entitled to vote (Deemed to accept)
Class 1(c)	Priority Non-Tax Claims against the SelectBuild Debtors	Unimpaired	Not entitled to vote (Deemed to accept)

3.2.2. ***Classes 2(a)-(c): Funded Lender Claims.***

Class	Claims and Interests	Status	Voting Rights
Class 2(a)	Funded Lender Claims against BMHC	Impaired	Entitled to vote
Class 2(b)	Funded Lender Claims against the BMC West Debtors	Impaired	Entitled to vote
Class 2(c)	Funded Lender Claims against the SelectBuild Debtors	Impaired	Entitled to vote

3.2.3. ***Classes 3(a)-(c): L/C Lender Claims.***

Class	Claims and Interests	Status	Voting Rights
Class 3(a)	Funded Lender Claims against BMHC	Impaired	Entitled to vote
Class 3(b)	Funded Lender Claims against the BMC West Debtors	Impaired	Entitled to vote
Class 3(c)	Funded Lender Claims against the SelectBuild Debtors	Impaired	Entitled to vote

3.2.4. ***Classes 4(a)-(c): Other Secured Claims.***

Class	Claims and Interests	Status	Voting Rights
Class 4(a)	Other Secured Claims against BMHC	Unimpaired	Not entitled to vote (Deemed to accept)
Class 4(b)	Other Secured Claims against the BMC West Debtors	Unimpaired	Not entitled to vote (Deemed to accept)
Class 4(c)	Other Secured Claims against the SelectBuild Debtors	Unimpaired	Not entitled to vote (Deemed to accept)

3.2.5. ***Classes 5(a)-(c): L/C General Unsecured Claims.***

Class	Claims and Interests	Status	Voting Rights
Class 5(a)	L/C General Unsecured Claims against BMHC	Unimpaired	Not entitled to vote (Deemed to accept)
Class 5(b)	L/C General Unsecured Claims against the BMC West Debtors	Unimpaired	Not entitled to vote (Deemed to accept)
Class 5(c)	L/C General Unsecured Claims against the SelectBuild Debtors	Unimpaired	Not entitled to vote (Deemed to accept)

3.2.6. ***Classes 6(a)-(c): General Unsecured Claims.***

Class	Claims and Interests	Status	Voting Rights
Class 6(a)	BMHC General Unsecured Claims	Impaired	Entitled to vote
Class 6(b)	BMC West General Unsecured Claims	Impaired	Entitled to vote
Class 6(c)	SelectBuild General Unsecured Claims	Impaired	Entitled to vote

3.2.7. ***Classes 7(a)-(c): Intercompany Claims.***

Class	Claims and Interests	Status	Voting Rights
Class 7(a)	Intercompany Claims against BMHC	Unimpaired	Not entitled to vote (Deemed to accept)
Class 7(b)	Intercompany Claims against the BMC West Debtors	Unimpaired	Not entitled to vote (Deemed to accept)
Class 7(c)	Intercompany Claims against the SelectBuild Debtors	Unimpaired	Not entitled to vote (Deemed to accept)

3.2.8. ***Classes 8(a)-(c): Small Unsecured Claims.***

Class	Claims and Interests	Status	Voting Rights
Class 8(a)	Small Unsecured Claims against BMHC	Impaired	Entitled to vote
Class 8(b)	Small Unsecured Claims against the BMC West Debtors	Impaired	Entitled to vote
Class 8(c)	Small Unsecured Claims against the SelectBuild Debtors	Impaired	Entitled to vote

3.2.9. ***Classes 9(a)-(c): Interests.***

Class	Claims and Interests	Status	Voting Rights
Class 9(a)	Interests in BMHC	Impaired	Not entitled to vote (Deemed to reject)
Class 9(b)	Intercompany Interests in BMC West Debtors	Unimpaired	Not entitled to vote (Deemed to accept)
Class 9(c)	Intercompany Interests in the SelectBuild Debtors	Unimpaired	Not entitled to vote (Deemed to accept)

3.2.10. ***Class 10(a)-(c): Section 510(b) Claims.***

Class	Claims and Interests	Status	Voting Rights
Class 10(a)	Section 510(b) Claims against BMHC	Impaired	Not entitled to vote (Deemed to reject)
Class 10(b)	Section 510(b) Claims against BMC West Debtors	Impaired	Not entitled to vote (Deemed to reject)
Class 10(c)	Section 510(b) Claims against the SelectBuild Debtors	Impaired	Not entitled to vote (Deemed to reject)

3.3. ***Effect of Non-Voting; Modifications.*** At the Confirmation Hearing, the Debtors will seek a ruling that if no Holder of a Claim or Interest eligible to vote in a particular Class timely votes to accept or reject the Plan, the Plan will be deemed accepted by the Holders of such Claims or Interests in such Class for the purposes of section 1129(b) of the Bankruptcy Code. Subject to section 1127 of the

Bankruptcy Code and Bankruptcy Rule 3019, the Debtors reserve the right to modify the Plan to the extent that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification, *provided* such modifications are consistent with Section 12.5 of the Plan.

IV.
TREATMENT OF CLAIMS AND INTERESTS AND DESIGNATION WITH RESPECT TO IMPAIRMENT

4.1. Treatment of Classes 1(a)-(c): Other Priority Claims.

4.1.1. ***Impairment and Voting.*** Classes 1(a)-(c) are Unimpaired by the Plan. Each Holder of an Allowed Other Priority Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

4.1.2. ***Treatment.*** On the Distribution Date, each Holder of an Allowed Other Priority Claim shall receive in full satisfaction, release, and discharge of and in exchange for such Claim: (i) payment of Cash in an amount equal to the unpaid portion of such Allowed Other Priority Claim, or (ii) such other treatment that the Debtors and such Holder shall have agreed upon in writing; *provided, however*, that such agreed-upon treatment shall not be more favorable than the treatment provided in clause (i).

4.2. Treatment of Classes 2(a)-(c): Funded Lender Claims.

4.2.1. ***Impairment and Voting.*** Classes 2(a)-(c) are Impaired by the Plan. Each Holder of an Allowed Funded Lender Claim as of the Record Date is entitled to vote to accept or reject the Plan.

4.2.2. ***Treatment.*** Each Holder of an Allowed Funded Lender Claim shall, in full satisfaction, release, and discharge of and in exchange for such Claim, receive (i) the Funded Lender's Share of Sale Cash Collateral Excess Proceeds Account Effective Date Amount, (ii) a Term Note issued by the Reorganized BMHC under the Term Loan Credit Agreement in an original aggregate principal amount equal to $135,000,000 (less the Sale Cash Collateral Excess Proceeds Account Effective Date Amount) multiplied by such Holder's Pro Rata share of Allowed Funded Lender Claims; and (iii) its Pro Rata share of the Reorganized BMHC Equity Interests, subject to dilution by (a) any Reorganized BMHC Equity Interests issued from time to time to the Holders of L/C Lender Claims up to the Reorganized BMHC Equity Interest L/C Lender Cap and (b) any Reorganized BMHC Equity Interests issued after the Effective Date in respect of the Long Term Incentive Plan.

4.3. Treatment of Classes 3(a)-(c): L/C Lender Claims.

4.3.1. ***Impairment and Voting.*** Classes 3(a)-(c) are Impaired by the Plan. Each Holder of an Allowed L/C Lender Claim as of the Record Date is entitled to vote to accept or reject the Plan.

4.3.2. ***Treatment.*** Allowed L/C Lender Claims shall be treated as follows:

4.3.2.1. From and after the Effective Date, obligations of the Prepetition L/C Lenders (whether WFB, as the letter of credit issuer under the Prepetition Credit Agreement, or the Prepetition Revolving Lenders in respect of their several reimbursement obligations to WFB arising under the Prepetition Credit Agreement) shall continue to be governed by the lender reimbursement provisions of the Prepetition Credit Agreement. Reorganized BMHC shall have no obligations whatsoever in respect of the letter of credit reimbursement obligations arising in respect of the Prepetition Letters of

Credit, except (a) the Holders of Allowed L/C Lender Claims shall be entitled to the L/C Lender Fee and (b) as expressly set forth in the following Section 4.3.2.2, and all Liens with respect to the Prepetition Credit Agreement shall be released, discharged, and extinguished.

4.3.2.2. To the extent any Allowed L/C Lender Claim is liquidated on or after the Petition Date, each Holder of an Allowed L/C Lender Claim shall, in full satisfaction, release, and discharge of and in exchange for the Liquidated L/C Amount of such Claim, receive the following:

(A) a Term Note issued by Reorganized BMHC under the Term Loan Credit Agreement in an original aggregate principal amount equal to 50% of the Liquidated L/C Amount of the Allowed L/C Lender Claim; *provided, however*, that the maximum amount of the Term Notes issued in connection with Allowed L/C Lender Claims shall not exceed the Maximum L/C Lenders Term Notes Cap; *provided, however*, that the principal amount of any Term Note issued by Reorganized BMHC on the Effective Date to the Holder of an Allowed L/C Lender Claims in respect of the Liquidated L/C Amount of such Claim shall be reduced by the L/C Lender's Share of the Sale Cash Collateral Excess Proceeds Account Effective Date Amount; and

(B) Reorganized BMHC Equity Interests, rounded to the nearest whole number, equal to such L/C Lender's Pro Rata share of the aggregate Reorganized BMHC Equity Interest L/C Lender Cap multiplied by the ratio (expressed as a percentage) of the Liquidated L/C Amount to the Maximum L/C Lenders Term Note Cap, subject to dilution by any Reorganized BMHC Equity Interests issued after the Effective Date in respect of the Long Term Incentive Plan. The total Reorganized BMHC Equity Interests that shall be issued with respect to Allowed L/C Lender Claims shall not exceed the Reorganized BMHC Equity Interest L/C Lender Cap; and

(C) The L/C Lender's Share of the Sale Cash Collateral Excess Proceeds Account Effective Date Amount.

4.3.2.3. If, and only to the extent, a Prepetition L/C Lender fails to reimburse in full WFB in respect of its reimbursement obligation to WFB arising under the Prepetition Credit Agreement, WFB shall be entitled to receive the distribution described in the preceding Section 4.3.2.2 which would otherwise be payable to such defaulting Prepetition L/C Lender.

4.3.2.4. Prepetition Letters of Credit shall not be used by the Reorganized Debtors to collateralize obligations that do not exist as of the Effective Date, notwithstanding any provision of the Prepetition Letters of Credit to the contrary; *provided, however*, that obligations under insurance policies and/or performance bonds incurred prior to the Effective Date shall (i) survive the Effective Date and (ii) be collateralized by the Prepetition Letters of Credit until the earlier to occur of (a) the termination of such obligations or (b) the Maturity Date under the Term Loan Credit Agreement (as such term is defined therein).

4.3.2.5. Allowed L/C Lender Claims or any portions thereof that are not liquidated prior to the occurrence of the Maturity Date of the Term Loan Credit

Agreement (as such term is defined in the Term Loan Credit Agreement), shall be extinguished, and any outstanding Prepetition Letters of Credit at that time shall be cancelled and replaced by the Reorganized Debtors as and to the extent necessary in accordance with their business judgment.

4.4. **Treatment of Classes 4(a)-(c) – Other Secured Claims.**

4.4.1. ***Impairment and Voting.*** Classes 4(a)-(c) are Unimpaired by the Plan. Each Holder of an Allowed Other Secured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

4.4.2. ***Treatment.*** Except to the extent that a Holder of an Other Secured Claim agrees to a less favorable treatment, in full satisfaction, settlement, release, and discharge of and in exchange for each Other Secured Claim, each Allowed Other Secured Claim shall be reinstated or otherwise rendered Unimpaired.

4.5. **Treatment of Classes 5(a)-(c): L/C General Unsecured Claims.**

4.5.1. ***Impairment and Voting.*** Classes 5(a)-(c) are Unimpaired by the Plan. Each Holder of an Allowed L/C General Unsecured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

4.5.2. ***Treatment.*** Except to the extent that a Holder of an L/C General Unsecured Claim agrees to a less favorable treatment, in full satisfaction, settlement, release, and discharge of an in exchange for each L/C General Unsecured Claim, each Allowed L/C General Unsecured Claim shall be reinstated, paid in full, or otherwise rendered Unimpaired.

4.6. **Treatment of Classes 6(a)-(c): General Unsecured Claims.**

4.6.1. ***Impairment and Voting.*** Classes 6(a)-(c) are Impaired by the Plan. Each Holder of an Allowed General Unsecured Claim as of the Record Date is entitled to vote to accept or reject the Plan.

4.6.2. ***Treatment.***

4.6.2.1. ***Class 6(a) if Such Class Votes to Accept the Plan.*** On the Distribution Date, each Holder of an Allowed BMHC General Unsecured Claim shall, in full satisfaction, release, and discharge of and in exchange for such Claim, receive its Pro Rata share of the BMHC Beneficial Interests in the Liquidating Trust, which shall entitle such Holder to distributions from the Liquidating Trust of the Liquidating Trust Assets as and to the extent set forth in the Plan and the Liquidating Trust Agreement. Notwithstanding the foregoing, each Holder of an Allowed BMHC General Unsecured Claim shall be entitled, by exercise of the election set forth on the Ballot with respect to such General Unsecured Claim, to make the Small Unsecured Claims Class Election.

4.6.2.2. ***Class 6(a) if Such Class Votes to Reject the Plan.*** On the Distribution Date, each Holder of an Allowed BMHC General Unsecured Claim shall, in full satisfaction, release, and discharge of and in exchange for such Claim, receive its Pro Rata share of the BMHC Rejection Distribution.

4.6.2.3. ***Class 6(b) if Such Class Votes to Accept the Plan.*** On the Distribution Date, each Holder of an Allowed BMC West General Unsecured Claim shall, in full satisfaction, release, and discharge of and in exchange for such Claim, receive its Pro Rata share of the BMC West Beneficial Interests in the Liquidating Trust, which shall entitle such Holder to distributions from the Liquidating Trust of the Liquidating Trust Assets as and to the extent set forth in the Plan and the Liquidating Trust Agreement. Notwithstanding the foregoing, each Holder of an Allowed BMC West General Unsecured Claim shall be entitled, by exercise of the election set forth on the Ballot with respect to such Allowed General Unsecured Claim, to make the Small Unsecured Claims Class Election.

4.6.2.4. ***Class 6(b) if such Class Votes to Reject the Plan.*** On the Distribution Date, each Holder of an Allowed BMC West General Unsecured Claim shall, in full satisfaction, release, and discharge of and in exchange for such Claim, receive its Pro Rata share of the BMC West Rejection Distribution.

4.6.2.5. ***Class 6(c) if Such Class Votes to Accept the Plan.*** On the Distribution Date, each Holder of an Allowed SelectBuild General Unsecured Claim shall, in full satisfaction, release, and discharge of and in exchange for such Claim, receive its Pro Rata share of the SelectBuild Beneficial Interests in the Liquidating Trust, which shall entitle such Holder to distributions from the Liquidating Trust of the Liquidating Trust Assets as and to the extent set forth in the Plan and the Liquidating Trust Agreement. Notwithstanding the foregoing, each Holder of an Allowed SelectBuild General Unsecured Claim shall be entitled, by exercise of the election set forth on the Ballot with respect to such Allowed General Unsecured Claim, to make the Small Unsecured Claims Class Election.

4.6.2.6. ***Class 6(c) if Such Class Votes to Reject the Plan.*** On the Distribution Date, each Holder of an Allowed SelectBuild General Unsecured Claim shall, in full satisfaction, release, and discharge of and in exchange for such Claim, receive its Pro Rata share of the SelectBuild Rejection Distribution.

4.7. **Treatment of Classes 7(a)-(c): Intercompany Claims.**

4.7.1. ***Impairment and Voting.*** Classes 7(a)-(c) are Unimpaired by the Plan. Each Holder of an Allowed Intercompany Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

4.7.2. ***Treatment.*** To preserve the Debtors' corporate structure, Intercompany Claims may be reinstated as of the Effective Date or, at the Debtors' or Reorganized Debtors' option, be cancelled, and no distributions shall be made on account of such Claims.

4.8. **Treatment of Classes 8(a)-(c) – Small Unsecured Claims.**

4.8.1. ***Impairment and Voting.*** Classes 8(a)-(c) are Impaired by the Plan. Each Holder of a Small Unsecured Claim as of the Record Date is entitled to vote to accept or reject the Plan.

4.8.2. ***Treatment.*** On the Distribution Date, each Holder of a Small Unsecured Claim shall receive, in full satisfaction, release, and discharge of and in exchange for such Claim, Cash equal to the lesser of (i) 100% of the Allowed Amount of such Claim (excluding any interest) or (ii) $5,000 in

Cash; *provided, however*, that the Small Unsecured Claims Class Election shall only be effective upon entry of the Confirmation Order and the occurrence of the Effective Date.

4.9. **Treatment of Classes 9(a)-(c): Interests.**

4.9.1. ***Impairment and Voting.***

4.9.1.1. ***Class 9(a).*** Class 9(a) is Impaired by the Plan. Each Holder of an Interest in BMHC is conclusively presumed to have rejected the Plan and is not entitled to vote to accept or reject the Plan.

4.9.1.2. ***Classes 9(b)-(c).*** Classes 9(b)-(c) are Unimpaired by the Plan. Each Holder of an Intercompany Interest in any BMC West Debtor or SelectBuild Debtor is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

4.9.2. ***Treatment.***

4.9.2.1. ***Class 9(a).*** On the Effective Date, all Interests in BMHC shall be cancelled without further distribution.

4.9.2.2. ***Classes 9(b)-(c).*** In full and final satisfaction, settlement, release, and discharge of and in exchange for each Intercompany Interest, Intercompany Interests in each of the BMC West Debtors and the SelectBuild Debtors shall be reinstated for the benefit of the Holders thereof.

4.10. **Treatment of Classes 10(a)-(c): Section 510(b) Claims.**

4.10.1. ***Impairment and Voting.*** Classes 10(a)-(c) are Impaired by the Plan. Each Holder of a Section 510(b) claim is conclusively presumed to have rejected the Plan and is not entitled to vote to accept or reject the Plan.

4.10.2. ***Treatment.*** On the Effective Date, all Section 510(b) Claims shall be cancelled and discharged without any distribution.

V.
PROVISIONS REGARDING VOTING, EFFECT OF REJECTION BY IMPAIRED CLASSES, AND CONSEQUENCES OF NON-CONFIRMABILITY

5.1. ***Voting Rights.*** Each Holder of an Allowed Claim as of the Voting Deadline in an Impaired Class of Claims or Interests that is not deemed to have rejected the Plan shall be entitled to vote separately to accept or reject the Plan as provided in the order entered by the Bankruptcy Court establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan.

5.2. ***Acceptance Requirements.*** An Impaired Class of Claims shall have accepted the Plan if votes in favor of the Plan have been cast by at least two-thirds in amount and more than one-half in number of the Allowed Claims in such Class that have voted on the Plan. An Impaired Class of Interests shall have accepted the Plan if votes in favor of the Plan have been cast by at least two-thirds in amount of the Interests in such Class that have voted on the Plan.

5.3. ***Cramdown***. If all applicable requirements for Confirmation of the Plan are met as set forth in section 1129(a)(1) through (13) of the Bankruptcy Code, except subsection (8) thereof, the Plan shall be treated as a request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code, notwithstanding the failure to satisfy the requirements of section 1129(a)(8), on the basis that the Plan is fair and equitable and does not discriminate unfairly with respect to each Class of Claims that is Impaired under, and has not accepted, the Plan.

5.4. ***Tabulation of the Votes***. BMHC shall tabulate all votes on its Plan on a non-consolidated basis for the purpose of determining whether the Plan satisfies sections 11298(a)(8) and/or (10) of the Bankruptcy Code. The BMC West Debtors shall tabulate all votes on the Plan on a consolidated basis by Class for the purpose of determining whether the Plan has satisfied sections 1129(a)(8) and/or (10) of the Bankruptcy Code. The SelectBuild Debtors shall tabulate all votes on the Plan on a consolidated basis by Class for the purpose of determining whether the Plan has satisfied sections 1129(a)(8) and/or (10) of the Bankruptcy Code. If no Impaired Classes accept the Plan, the Debtors may modify the Plan to appropriately address the rights of the Holders of Allowed Claims.

5.5. ***Non-Confirmability***. If the Plan has not been accepted by the requisite majorities and the Debtors determine that the Plan cannot be confirmed under section 1129(b) of the Bankruptcy Code, or if the Bankruptcy Court, upon consideration, declines to approve Confirmation of the Plan, the Debtors may in their sole discretion seek to either (i) propose a new plan or plans of reorganization, (ii) seek to amend the current Plan to satisfy all objections, if any, or (iii) seek to convert or dismiss the Chapter 11 Cases.

VI.
EXECUTORY CONTRACTS AND UNEXPIRED LEASES

6.1. ***Assumption and Rejection of Contracts and Unexpired Leases***. Except as otherwise provided herein or pursuant to the Confirmation Order, all Executory Contracts and Unexpired Leases that exist between the Debtors and any person, including, but not limited to, all Intercompany Contracts, shall be assumed pursuant to section 365(a) of the Bankruptcy Code as of the Effective Date, except for any such contract or lease (i) that has been assumed or rejected, or renegotiated and either assumed or rejected on renegotiated terms, pursuant to an order of the Bankruptcy Court entered prior to the Effective Date, (ii) that has been entered into by the Debtors during the pendency of the Chapter 11 Cases in the ordinary course of business or pursuant to an order of the Bankruptcy Court, (iii) that is the subject of a motion to reject, or a motion to approve renegotiated terms and to assume or reject on such renegotiated terms, that has been filed and served prior to the Effective Date, or (iv) that is identified on the Rejected Executory Contract and Unexpired Lease List; *provided, however*, that the Debtors shall assume the Collective Bargaining Agreements on the Effective Date. Entry of the Confirmation Order shall constitute approval, pursuant to section 365(a) of the Bankruptcy Code, of the assumption of Executory Contracts and Unexpired Leases provided for herein. Each Executory Contract and Unexpired Lease assumed pursuant to this Section 6.1 or by any order of the Bankruptcy Court, which has not been assigned to a third party prior to the Confirmation Date, shall revest in and be fully enforceable by the Reorganized Debtors in accordance with its terms, except as such terms are modified by the provisions of the Plan or any order of the Bankruptcy Court authorizing and providing for its assumption under applicable federal law.

6.2. ***Claims Based on Rejection of Executory Contracts or Unexpired Leases***. All Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, pursuant to the Plan or the Confirmation Order, if any, must be filed with the Bankruptcy Court within 30 days after the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not filed with the Bankruptcy Court within such time will be automatically disallowed, forever

barred from assertion, and shall not be enforceable against the Debtors or the Reorganized Debtors, the Estates, or their property without the need for any objection by the Reorganized Debtors or further notice to, or action, order, or approval of the Bankruptcy Court. All Allowed Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases shall be classified as General Unsecured Claims and shall be treated in accordance with Section 4.5 or 4.6 of the Plan, whichever may be applicable.

6.3. ***Cure of Defaults***. Any monetary defaults under each Executory Contract and Unexpired Lease to be assumed pursuant to the Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the Cure Claim in Cash on the Effective Date, subject to the limitation described below, or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree. In the event of a dispute regarding (i) the Cure Claim, (ii) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or (iii) any other matter pertaining to assumption, the payments required by section 365(b)(1) of the Bankruptcy Code in respect of Cure Claims shall be made following the entry of a Final Order or orders resolving the dispute and approving the assumption. At least [20 days] prior to the Confirmation Hearing, the Debtors shall provide for notices of proposed assumption and proposed Cure Claims to be sent to applicable third parties. Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assumption or related Cure Claim must be filed and served in accordance with, and otherwise comply with, the provisions of the Disclosure Statement Approval Order related to assumption of Executory Contracts and Unexpired Leases. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or Cure Claim will be deemed to have assented to such assumption or Cure Claim.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption. Any Proofs of Claim filed with respect to an Executory Contract or Unexpired Lease that has been assumed shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court.

6.4. ***Contracts and Leases Entered into after the Petition Date***. Contracts and leases entered into during the Postpetition Period by any Debtor, including any Executory Contracts and Unexpired Leases assumed by such Debtor, will be performed by the Debtor or Reorganized Debtor liable thereunder in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts and Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

6.5. ***Modifications, Amendments, Supplements, Restatements, or Other Agreements***. Unless otherwise provided in the Plan, each Executory Contract or Unexpired Lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements, and restatements to any prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

6.6. ***Reservation of Rights***. Neither the exclusion nor inclusion of any Executory Contract or Unexpired Lease on the Rejected Executory Contract and Unexpired Lease List, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or Reorganized Debtors, as applicable, shall have 30 days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease.

VII.
MEANS OF IMPLEMENTATION OF THE PLAN

7.1. ***Substantive Consolidation***. The BMC West Debtors and the SelectBuild Debtors are, respectively, substantively consolidated for all purposes and actions associated with consummation of the Plan, including, without limitation, for purposes of voting, Distribution and Confirmation, but not for corporate organizational or operational purposes except to the extent described in the Restructuring Transactions Memorandum. Without limiting the generality of the foregoing, (i) all Assets and liabilities of the BMC West Debtors and the SelectBuild Debtors shall, respectively, be treated as though they were merged into one Estate solely for purposes of the Plan, (ii) for all purposes associated with Confirmation, including, without limitation, for purposes of tallying acceptances and rejections of the Plan, the Estates of the BMC West Debtors and the SelectBuild Debtors shall, respectively, be deemed to be one consolidated Estate, and (iii) each and every Claim filed or to be filed in the Chapter 11 Cases of the BMC West Debtors and the SelectBuild Debtors shall, respectively, be deemed filed against all the BMC West Debtors or all of the SelectBuild Debtors, respectively, and shall be Claims against and obligations of all of the BMC West Debtors or the SelectBuild Debtors, as applicable. As a result of the consolidation, any guaranty by one or more of (i) the BMC West Debtors of the obligations of another BMC West Debtor, and all intercompany claims of the BMC West Debtors, and (ii) the SelectBuild Debtors of the obligations of another SelectBuild Debtor, shall be eliminated.

Substantive consolidation shall not affect distributions from any insurance policies or proceeds of such policies. The Restructuring Transactions Memorandum describes the legal and organizational structure of the Reorganized Debtors from and after the Effective Date.

In the event that the Bankruptcy Court does not order substantive consolidation of the BMC West Debtors or the SelectBuild Debtors or both, then: (i) nothing in the Plan or the Disclosure Statement shall constitute or be deemed to constitute an admission that one of BMC West Debtors or SelectBuild Debtors, respectively, is subject to or liable for any Claim against any other BMC West Debtor or SelectBuild Debtor, respectively; (ii) Claims against multiple BMC West Debtors or SelectBuild Debtors shall be treated as separate Claims with respect to each BMC West Debtor's or SelectBuild Debtor's Estate, as applicable, for all purposes (including, without limitation, Distributions and voting), and such Claims shall be administered as provided in the Plan; and (c) the BMC West Debtors and the SelectBuild Debtors shall not, nor shall they be required to, resolicit votes with respect to the Plan, nor will the failure of the Bankruptcy Court to approve substantive consolidation of the BMC West Debtors and/or the SelectBuild Debtors materially alter the economics of the Distributions set forth in the Plan. In the event that the Bankruptcy Court does not order substantive consolidation of the BMC West Debtors or the SelectBuild Debtors or both, the Plan shall be deemed to provide for 12 subplans of reorganization. A vote to accept the Plan by the Holder of a Claim shall also be deemed a vote to accept a separate plan for each of the BMC West Debtors and/or the SelectBuild Debtors against whom such Holder has a Claim in the event that the Bankruptcy Court denies approval of the substantive consolidation of the BMC West Debtors and/or the SelectBuild Debtors, *provided* that the treatment of the Claim being voted would not be materially different in the absence of substantive consolidation.

7.2. ***General Settlement of Claims.*** As discussed in detail in the Disclosure Statement and as otherwise provided herein, pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, Distribution, releases, and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and Interests and controversies resolved pursuant to the Plan. Subject to [Article VIII], all Distributions made to Holders of Allowed Claims in any Class are intended to be and shall be final.

7.3. ***Sources of Consideration for Plan Distributions.***

7.3.1. ***The Exit Revolver.*** On the Effective Date, the Reorganized Debtors shall enter the Exit Revolver. Confirmation shall be deemed approval of the Exit Revolver (including the transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith) and authorization for the Reorganized Debtors to enter into and execute the Exit Revolver documents, subject to such modifications as the Reorganized Debtors and the Exit Revolver Lenders may deem to be reasonably necessary to consummate such Exit Revolver. Proceeds from the Exit Revolver shall be used by the Reorganized Debtors to (i) pay in full in Cash all non-contingent obligations under the DIP Facility, (ii) fund exit costs, including, without limitation, the funding of (a) the Cash Claims Reserve, (b) the Allowed Professional Compensation Claims, and (c) the Unsecured Cash Fund, and (iii) fund ongoing operating expenses of the Reorganized Debtors.

7.3.2. ***The Term Loan.*** On the Effective Date, the Reorganized Debtors shall enter into the Term Loan. Confirmation shall be deemed approval of the Term Loan (including the transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith) and authorization for the Reorganized Debtors to enter into and execute the Term Loan documents, subject to such modifications as the Reorganized Debtors and the Term Loan Lenders may deem to be reasonably necessary to consummate such Term Loan. The Term Notes shall be issued to the Holders of Allowed Funded Lender Claims and L/C Lender Claims as provided in Sections 4.2 and 4.3 of the Plan. Holders of the Term Notes shall be entitled to receive, among other things, an amount equal to (i) 100% of the Excess Cash Flow, determined on an annual basis based upon delivery of audited financial statements by Reorganized BMHC, in any fiscal year in which the EBITDA of Reorganized BMHC does not exceed $50,000,000, and (ii) 100% of Excess Cash Flow, determined on an annual basis based upon delivery of audited financial statements by Reorganized BMHC, less the Liquidating Trust Share of Excess Cash Flow, in any fiscal year in which the EBITDA of Reorganized BMHC equals or exceeds $50,000,000.

7.3.3. ***Issuance of Reorganized BMHC Equity Interests.***

7.3.3.1. The issuance of the Reorganized BMHC Equity Interests, including options, or other equity awards, if any, reserved for the Long Term Incentive Plan, by Reorganized BMHC is authorized without the need for any further corporate action or without any further action by the Holders of Claims or Interests. An unlimited number of common shares shall be authorized under the New Certificate of Incorporation of Reorganized BMHC. On the Effective Date, the Reorganized BMHC Equity Interests will be issued to Holders of Allowed Funded Lender Claims and, if applicable and as and to the extent provided in Section 4.3 of the Plan, Holders of Allowed L/C Lender Claims.

7.3.3.2. All of the shares of Reorganized BMHC Equity Interests issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable. Each distribution and issuance referred to in Article VIII hereof shall be

governed by the terms and conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Person receiving such distributions or issuance.

7.3.3.3. [Upon the Effective Date, in the event that Reorganized BMHC determines that a Shareholder Agreement is advisable, then Reorganized BMHC shall enter into such agreement with each Person that is to be a counter-party thereto and such agreement shall be deemed to be valid, binding, and enforceable in accordance with its terms.]

7.3.4. **Avoidance Actions.** Avoidance Actions are hereby expressly preserved and shall vest in Reorganized BMHC on the Effective Date.

7.3.5. ***Unsecured Cash Fund.*** On the Effective Date, or as soon thereafter as reasonably practicable, the Reorganized Debtors shall transfer, from the proceeds of the Exit Revolver, Cash sufficient to fund the Unsecured Cash Fund to the Liquidating Trust. The Reorganized Debtors shall not be required to make any payments under this Section 7.3.6 unless the Liquidating Trust Existence Condition Precedent occurs.

7.3.6. ***Liquidating Trust Share of Excess Cash Flow.*** On the first anniversary of the Effective Date through the Liquidating Trust Share of Excess Cash Flow Maturity Date, Reorganized BMHC shall pay to the Liquidating Trust for distribution to the Beneficiaries Cash in amount equal to the Liquidating Trust Share of Excess Cash Flow, if any. Reorganized BMHC shall not be required to make any payments under this Section 7.3.6 unless the Liquidating Trust Existence Condition Precedent occurs.

7.4. ***Liquidating Trust.*** This Section 7.4 of the Plan, and all of its related subsections set forth below, shall only be operative upon the occurrence of the Liquidating Trust Existence Condition Precedent. If the Liquidating Trust Existence Condition Precedent does not occur, Section 7.4 shall not be operative upon the Effective Date of the Plan, and no Liquidating Trust shall be created, or shall be deemed to have been created, hereunder.

7.4.1. ***Establishment of the Liquidating Trust.*** On the Effective Date, the Reorganized Debtors shall and, in any event, shall be deemed to: (i) enter into the Liquidating Trust Agreement, (ii) take all other steps necessary or appropriate to establish the Liquidating Trust, and (iii) transfer, assign, and deliver to the Liquidating Trust all of the Debtors' right, title, and interest in, to, under, and in connection with the Liquidating Trust Assets for the benefit of the Beneficiaries, in each case free and clear of any Lien in such property of any other Person. On the Effective Date, the Liquidating Trust shall be deemed created and effective pursuant to the terms of the Liquidating Trust Agreement without any further action by the Bankruptcy Court or any other Person, and the Liquidating Trustee will begin serving in accordance with the Liquidating Trust Agreement. Each of the foregoing transfers and releases shall be deemed to have occurred without any further action.

For federal income tax purposes, it is intended that the Liquidating Trust be classified as a liquidating trust under Section 301.77014-4 of the Treasury regulations and that the Liquidating Trust be owned by the Beneficiaries. Accordingly, for federal income tax purposes, the Debtors, the Liquidating Trustee, and the Beneficiaries agree to treat the Beneficiaries as grantors of the Liquidating Trust, and the transfer of such Liquidating Trust Assets to the Liquidating Trust shall be treated as a deemed distribution by the Debtors to the Beneficiaries of an undivided interest in each of the Liquidating Trust Assets followed by a deemed transfer of such Liquidating Trust Assets by the Beneficiaries to the Liquidating Trust.

7.4.2. ***Purpose of the Liquidating Trust.*** The Liquidating Trust will be organized for the sole purpose of distributing the Liquidating Trust Assets and resolving Disputed General Unsecured Claims in the manner set forth in Article VIII hereof, with no objective or authority to continue or engage in the conduct of trade or business. In particular, the Liquidating Trust shall (i) issue the Beneficial Interests to Holders of Allowed Claims in the Class 6 Classes that, because those Classes have voted to accept the Plan, are Beneficiaries of the Liquidating Trust, (ii) receive and distribute the Liquidating Trust Assets, and (iii) take such steps as are necessary or appropriate to accomplish these purposes, in each case as more fully provided in, and subject to the terms and conditions of, the Liquidating Trust Agreement.

7.4.3. ***Powers and Obligations of the Liquidating Trust.*** As provided in the Liquidating Trust Agreement, from and after the Effective Date, the Liquidating Trust shall protect, conserve, and distribute the Liquidating Trust Assets and resolve the Disputed General Unsecured Claims in the manner contemplated in Article VIII herein as quickly as reasonably practicable. As of the Effective Date, the Liquidating Trust shall be the successor to the Debtors in all proceedings then pending or thereafter commenced regarding any Disputed General Unsecured Claim, and shall have the exclusive power, as successor to and on behalf and in the name of the Debtors, to investigate, enforce, abandon, prosecute, resolve, defend against, compromise, and settle all Disputed General Unsecured Claims. The expenses of the Liquidating Trust shall be paid out of the Liquidating Trust Assets, as and to the extent provided in the Liquidating Trust Agreement.

7.4.4. ***Liquidating Trustee; Liquidating Trustee Oversight Committee.*** The Liquidating Trustee shall be designated by the Committee in accordance with the Plan and the Liquidating Trust Agreement. The Committee shall designate the initial three members of the Liquidating Trustee Oversight Committee on or before the 10th day prior to the Voting Deadline. The Liquidating Trustee shall administer the Liquidating Trust from and after the Effective Date in accordance with the Liquidating Trust Agreement and subject to the oversight of the Liquidating Trust Oversight Committee, as provided therein. For the avoidance of doubt, neither the Debtors nor the Reorganized Debtors shall have any authority concerning or relating to the administration of the Liquidating Trust or the distribution of the Liquidating Trust Assets.

7.4.5. ***Issuance of Beneficial Interests.*** On or before the Effective Date, the Debtors shall deliver to the Liquidating Trust a list of each Person to receive Beneficial Interests as of the Effective Date pursuant to the Plan and the Liquidating Trust Agreement, including the Allowed amounts of the General Unsecured Claims of, and the address of, each such Person. On the Effective Date, the Reorganized Debtors shall also deliver to the Liquidating Trust a list of each Holder, as of the Effective Date, of a Disputed General Unsecured Claim in a Class 6 Class that, because such Class has voted to accept the Plan, is a Beneficiary of the Liquidating Trust, including the Maximum Amount of each such Claim, and the address of the Holder thereof. The Liquidating Trustee shall maintain a record of the Holders of Beneficial Interests, and shall adjust the record of Holders of Beneficial Interests from time to time as such Disputed General Unsecured Claims become Allowed. Beneficial Interests shall be accounted for by amount of such General Unsecured Claims that become Allowed. The Liquidating Trust shall not issue to any Holder of Beneficial Interests any certificate of evidence of ownership of Beneficial Interests. Except as otherwise provided herein or in the Liquidating Trust Agreement, after the Effective Date, neither the Debtors nor the Reorganized Debtors shall have any further responsibilities concerning or relating to the administration of the Liquidating Trust. No Beneficial Interests shall be issued to any Holder in a Class 6 Class that has voted to reject the Plan.

7.4.6. ***Reserve for Disputed General Unsecured Claims.*** On the date of any Distribution, the Liquidating Trust shall establish, and maintain thereafter, a reserve from Cash for the benefit of Holders of General Unsecured Claims in Class 6 Classes that, because those Classes have voted to accept the Plan, are Beneficiaries of the Liquidating Trust. Such reserve shall consist of an amount of

Cash equal to the amount that would be distributable to all Holders of such Disputed General Unsecured Claims, in respect of all distributions made to that date, if those Claims were Allowed in the Maximum Amount. The Maximum Amount of such Disputed General Unsecured Claims for which the Liquidating Trust shall reserve according to this provision shall be set forth in the Confirmation Order. In the event any such Disputed General Unsecured Claim becomes an Allowed Claim, the amount of such Allowed Claim shall never exceed the Maximum Amount of such Disputed General Unsecured Claim, and the Liquidating Trust shall distribute to the Holder of such Allowed Claim from the reserve the aggregate amount of Cash and Beneficial Interests that such Holder would have received as of the date of such distribution in respect of such Allowed Claim had such Claim been an Allowed Claim as of the Effective Date.

7.4.7. ***Distributions of Liquidating Trust Assets***. On or as soon as reasonably practicable after the Effective Date, but no later than the Initial Distribution Date, and after establishing appropriate expense and claim reserves in accordance with the Liquidating Trust Agreement and the Plan, the Liquidating Trust shall distribute all Available Cash in the Liquidating Trust to the Holders of the Beneficial Interests. The Liquidating Trust will make subsequent distributions to the Holders of the Beneficial Interests from time to time after the Effective Date, as and to the extent provided herein and in the Liquidating Trust Agreement.

7.4.8. ***Vesting of Liquidating Trust Assets***. On the Effective Date, all Liquidating Trust Assets shall be deemed to vest in the Liquidating Trust, free and clear of all Liens, claims, and interests of any Person. Without limiting the foregoing, the Cash held in reserve pursuant to the Plan and the Liquidating Trust Agreement shall be maintained by the Liquidating Trust in a segregated, interest-bearing account.

7.4.9. ***Authority to Settle Liquidating Trust Share of Excess Cash Flow***. On and after the Effective Date, in accordance with the authorization procedures set forth in the Liquidating Trust Agreement, the Liquidating Trust shall have the authority, without authorization from the Bankruptcy Court, to settle, resolve, or otherwise renegotiate the Liquidating Trust Share of Excess Cash Flow with Reorganized BMHC.

7.4.10. ***Implementation of Plan***. The Liquidating Trust is hereby authorized and directed to take all necessary or desirable steps and execute any documents and perform all necessary or desirable acts to consummate the terms and conditions of the Plan on and after the Effective Date. On or after the Effective Date, the Liquidating Trust may file such agreements and other documents as may be necessary or desirable to effectuate or further evidence the terms and conditions of the Plan and the other agreements referred to herein.

7.5. ***Rule 2004 Examinations***. The power of the Debtors to conduct examinations pursuant to Bankruptcy Rule 2004 shall be expressly preserved following the Effective Date, and, to the extent relating to the Disputed General Unsecured Claims in the Class 6 Classes that, because those Classes have voted to accept the Plan, are Beneficiaries of the Liquidating Trust, conferred upon the Liquidating Trust.

7.6. ***Continued Corporate Existence***. Except as provided herein, each Debtor will continue to exist on or after the Effective Date as a separate corporate entity, with all the powers of a corporation or limited liability company, as the case may be, under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger, dissolution, or otherwise) under applicable law.

7.7. ***Revesting of Assets***. Except as expressly provided herein, the Assets of each Debtor's Estate shall revest with the respective Reorganized Debtor on the Effective Date. The Bankruptcy Court shall retain jurisdiction to determine disputes as to property interests created or vested by the Plan. From

and after the Effective Date, the Reorganized Debtors may operate their businesses, and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code, except as provided herein. As of the Effective Date, all property of the Reorganized Debtors shall be free and clear of all Claims and Interests, except as, and to the extent, provided in the Plan.

7.8. ***Merger***. On the Effective Date, the Reorganized Debtors may (i) effectuate the transactions described in the Restructuring Transactions Memorandum, (ii) merge, dissolve, transfer assets, or otherwise consolidate any of the Debtors in furtherance of the Plan or (iii) engage in any other transaction in furtherance of the Plan. Any such transaction may be effected on or subsequent to the Effective Date without any further action by Holders of Interests or the directors of any of the Debtors.

7.9. ***Cancellation of Securities and Agreements***. On the Effective Date, except as otherwise specifically provided for in the Plan: (i) the obligations of the Debtors under the Prepetition Credit Agreement, DIP Facility, and any other Certificate, Interest, Equity Security, share, note, bond, indenture, purchase right, option, warrant, or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any Claim, Interest, or Equity Security (except such Certificates, notes, or other instruments or document evidencing indebtedness or obligation of or ownership interest in the Debtors that are Reinstated pursuant to the Plan) shall be cancelled solely as to the Debtors and their affiliates, and the Reorganized Debtors shall not have any continuing obligations thereunder; and (ii) the obligations of the Debtors pursuant, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing the shares, Certificates, notes, bonds, indentures, purchase rights, options, warrants, or other instruments or documents evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors (except such agreements, Certificates, notes, or other instruments evidencing indebtedness or obligations of or ownership interest in the Debtors that are specifically reinstated pursuant to the Plan) shall be released and discharged; *provided, however*, that notwithstanding Confirmation or consummation, any such agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of allowing Holders to receive distributions under the Plan; *provided, further, however*, that the preceding proviso shall not affect the discharge of Claims or Interests pursuant to the Bankruptcy Code, the Confirmation Order, or the Plan, or result in any expense or liability to the Reorganized Debtors; and *provided, further, however*, that the foregoing shall not effect the cancellation of the Reorganized BMHC Equity Interests issued pursuant to the Plan in Reorganized BMHC, nor the Beneficial Interests in the Liquidating Trust issued pursuant to the Plan and the Liquidating Trust Agreement, nor any other shares held by one Debtor in another Debtor, except in connection with any Restructuring Transaction implemented by the Reorganized Debtors.

7.10. ***Reorganized BMHC***. On the Effective Date, the New Board of Reorganized BMHC shall be established and Reorganized BMHC shall adopt its New Bylaws. As soon after the Effective Date as reasonably practicable, Reorganized BMHC shall adopt the Long Term Incentive Plan. Reorganized BMHC shall be authorized to adopt any other agreements, documents, and instruments and to take any other action contemplated by the Plan as necessary and desirable to consummate the Plan.

7.11. ***Post Effective Date Management***. Except as expressly provided in the Plan and the Debtors' certificate of incorporation and the Reorganized BMHC Certificates of Incorporation, which may be amended from time to time, the operation, management, and control of the Reorganized Debtors shall be the general responsibility of its board of directors or managers and senior officers, which shall thereafter have the responsibility for the management, control, and operation of the Reorganized Debtors. Entry of the Confirmation Order shall ratify and approve all actions taken by each of the Debtors from the Petition Date through and until the Effective Date.

7.12. ***Directors and Officers of the Reorganized Debtors.*** On and after the Effective Date, the business and affairs of the Reorganized Debtors will be managed by the New Boards and the officers, directors or managers identified in the Plan Supplement. Biographical information regarding these proposed officers, directors, and managers will be set forth in the Plan Supplement. A schedule of the annual compensation to be paid to persons serving as executives, officers, and directors or managers as of the Effective Date will be set forth in the Plan Supplement.

7.13. ***New Certificates of Incorporation and New Bylaws of the Reorganized Debtors.*** As of the Effective Date, the New Certificates of Incorporation and the New Bylaws shall be substantially in the forms included in the Plan Supplement, with such changes as may be necessary to conform to the applicable laws of the state of incorporation. The New Certificates of Incorporation and New Bylaws, among other things, shall prohibit the issuance of nonvoting equity securities to the extent required by section 1123(a) of the Bankruptcy Code. After the Effective Date, the Reorganized Debtors may amend and restate their New Certificates of Incorporation and New Bylaws, as permitted under applicable state laws, subject to the terms and conditions of such documents.

7.14. ***New Employment, Retirement, Indemnification, and Other Related Agreements.*** As of the Effective Date, the Reorganized Debtors shall have the authority, as determined by its governing Persons, to: (i) maintain, amend, or revise existing employment, retirement, welfare, incentive, severance, indemnification, and other agreements with its active and retired directors or managers, officers, and employees, subject to the terms and conditions of any such agreement; and (ii) enter into new employment, retirement, welfare, incentive, severance, indemnification, and other agreements for active and retired employees.

7.15. ***Effectuating Documents; Further Transactions.*** On and after the Effective Date, Reorganized BMHC and the other Reorganized Debtors, and the officers and members of the New Boards, are authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of Reorganized BMHC and the other Reorganized Debtors, without the need for any approvals, authorization, or consents except for those expressly required pursuant to the Plan.

7.16. ***Corporate Action.*** Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including: (i) the adoption or assumption, as applicable, of the agreements with existing management; (ii) the selection of the directors and officers for the Reorganized Debtors; (iii) the distribution of the Reorganized BMHC Equity Interests in accordance with the Plan; (iv) the execution and entry into the Revolving Credit Agreement and the Term Loan Credit Agreement; (v) the establishment of the Liquidating Trust and the appointment of the Liquidating Trustee in accordance with the Plan and the Liquidating Trust Agreement; (vi) the establishment of the Long Term Incentive Plan and the issuance of any Reorganized BMHC Equity Interests thereunder; and (vii) all other actions contemplated by the Plan (whether to occur before, on, or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan shall be deemed to have occurred and shall be in effect without any requirement of further action by the security holders, directors, or officers of the Debtors or the Reorganized Debtors. On or (as applicable) prior to the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors, as applicable, shall be authorized and (as applicable) directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including the Revolving Credit Agreement, the Term Loan Credit Agreement, and the

Liquidating Trust Agreement, and any and all other agreements, documents, securities, and instruments relating to the foregoing. The authorizations and approvals contemplated herein shall be effective notwithstanding any requirements under non-bankruptcy law. The issuance of the Reorganized BMHC Equity Interests shall be exempt from the requirements of section 16(b) of the Securities Exchange Act of 1934 (pursuant to Rule 16b-3 promulgated thereunder) with respect to any acquisition of securities by an officer or director (or a director deputized for purposes thereof) as of the new Effective Date.

7.17. ***Section 1146 Exemption***. Pursuant to section 1146 of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forgo the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax, recordation fee, or governmental assessment.

7.18. ***Preservation of Causes of Action***. In accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. No Person may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against them. The Debtors or Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Person, except as otherwise expressly provided in the Plan. Unless any Causes of Action against any Person are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or consummation.

The Reorganized Debtors reserve and shall retain the Causes of Action notwithstanding the rejection or repudiation of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Person shall vest in the Reorganized Debtors, as the case may be. The applicable Reorganized Debtor, through its authorized agents or representatives, shall retain and may exclusively enforce any and all such Causes of Action. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

7.19. ***Insurance Policies***. All of the Debtors' insurance policies and any agreements, documents, or instruments relating thereto, are treated as Executory Contracts under the Plan. On the Effective Date, the Debtors shall be deemed to have assumed all insurance policies and any agreements, documents, and instruments relating to coverage of all Insured Claims.

7.20. ***Nonoccurrence of Effective Date.*** In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any request to extend the deadline for assuming or rejecting unexpired leases pursuant to section 365(d)(4) of the Bankruptcy Code.

7.21. ***Collective Bargaining Agreements.*** On the Effective Date, the Debtors intend to assume all of their Collective Bargaining Agreements.

VIII.
METHOD OF DISTRIBUTIONS UNDER THE PLAN AND CLAIMS RECONCILIATION

8.1. ***Occurrence of Liquidating Trust Existence Condition Precedent.*** Notwithstanding anything in this Article VIII of the Plan to the contrary, if the Liquidating Trust Condition Precedent does not occur, then the Liquidating Trust shall (i) not be a Disbursing Agent under Article VIII of the Plan, (ii) shall have no standing or right to object to any Disputed Claim, and (iii) not make any Distributions hereunder. If the Liquidating Trust Condition Precedent does not occur, then on the Effective Date, the Reorganized Debtors shall have the rights of the Liquidating Trust in Sections 8.9-8.11 in the Plan to object to Disputed General Unsecured Claims or to settle such Claims.

8.2. ***Disbursing Agent.*** The Debtors shall act as the Disbursing Agent under the Plan with respect to distributions of Cash made on the Effective Date, the Reorganized Debtors shall act as the Disbursing Agent after the Effective Date under the Plan with respect to distributions of Cash with respect to Allowed Cash Claims and Rejection Distributions (if any), and the Liquidating Trustee shall act as Disbursing Agent after the Effective Date under the Plan with respect to Distributions to Allowed General Unsecured Claims and allocations of Beneficial Interests pursuant to Section 7.4 of the Plan and the Liquidating Trust Agreement. The Disbursing Agent shall make all Distributions of Cash and Beneficial Interests (if any) required to be distributed under the applicable provisions of the Plan and, if applicable, the Liquidating Trust Agreement.

8.3. ***Distribution Record Date.*** For purposes of the Plan, as of the close of business on the Distribution Record Date, the records of ownership of Claims against the Debtors (including the claims register in the Chapter 11 Cases) will be closed. For purposes of the Plan, the Debtors, the Estates, the Reorganized Debtors, and the Liquidating Trust shall have no obligation to recognize the transfer of any of the Claims against the Debtors occurring after the Distribution Record Date, and shall be entitled for all purposes relating to the Plan to recognize and deal only with those Holders of record as of the close of business on the Distribution Record Date.

8.4. ***Cash Payments.*** Any Cash payments made pursuant to the Plan will be made in U.S. dollars. Cash payments made pursuant to the Plan in the form of a check shall be null and void if not cashed within 180 days of the date of issuance thereof.

8.5. ***Delivery of Distributions.*** If the Distribution to any Holder of an Allowed Claim is returned as undeliverable, the Disbursing Agent shall use commercially reasonable efforts to determine the current address of such Holder. Undeliverable Distributions shall be held, subject to Section 8.7.

8.6. ***Minimum Cash Distributions.*** No Cash payment less than fifty dollars shall be made to any Holder of a Claim unless a request therefor is made in writing to the Debtors.

8.7. ***Withholding Taxes.***

8.7.1. The Disbursing Agent shall comply with all withholding, reporting, certification, and information requirements imposed by any federal, state, local, or foreign taxing authority and all

distributions hereunder shall, to the extent applicable, be subject to any such withholding, reporting, certification, and information requirements.

8.7.2. Persons entitled to receive distributions hereunder shall, as a condition to receiving such distributions, provide such information and take such steps as the Disbursing Agent may reasonably require to ensure compliance with such withholding and reporting requirements, and to enable the Disbursing Agent to obtain the certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law.

8.7.3. Any Person that does not provide the Disbursing Agent with requisite information after the Disbursing Agent has made at least three attempts (by written notice or request for such information, including on the ballots in these Chapter 11 Cases) to obtain such information, may be deemed to have forfeited such Person's right to such distributions, which shall be treated as unclaimed property under Section 8.7.

8.8. ***Unclaimed Property***. Any Person that fails to claim any Distribution to be distributed hereunder within one year from the initial date for such distribution shall forfeit all rights to any such distributions under the Plan. Upon such forfeiture of Cash or other property, such Cash or property shall be the property of the applicable Disbursing Agent. Nothing herein shall require the Disbursing Agent to attempt to locate or notify any Person with respect to any forfeited property. Persons that fail to claim Cash or other property to be distributed under the Plan within such one-year period shall forfeit their rights thereto and shall have no claim whatsoever with respect thereto against the Debtors, their Estates, the Disbursing Agent, the Liquidating Trust, the Liquidating Trustee, the Liquidating Trust Oversight Committee, the Liquidating Trust Assets, or any Holder of an Allowed Claim to which distributions are made.

8.9. ***Disputed Claims***. If the Debtors or any other party in interest disputes any Claim against the Debtors, such dispute shall be determined, resolved, or adjudicated, as the case may be, under applicable law by the Bankruptcy Court. Among other things, (i) the Debtors (on or before the Effective Date), (ii) the Reorganized Debtors (after the Effective Date) with respect to Disputed Cash Claims, Disputed Class Action Claims, and Disputed General Unsecured Claims, and (iii) if the Liquidating Trust Existence Condition Precedent occurs, the Liquidating Trust (after the Effective Date) with respect to Disputed General Unsecured Claims, other than the Disputed Class Action Claims, in Class 6 Classes that, because they have voted to accept the Plan, are Beneficiaries of the Liquidating Trust, may each elect, at their respective sole option, to object to or seek estimation under section 502 of the Bankruptcy Code with respect to any Proof of Claim filed by or on behalf of a Holder of a Claim against the Debtors.

8.10. ***Objections to Claims***. Unless a later or different time is set by Final Order or otherwise established by other provisions of the Plan, all objections to Claims must be filed by the Claims Objection Bar Date; *provided, however*, that no such objection may be filed against any Claim after the Bankruptcy Court has determined by entry of a Final Order that such Claim is an Allowed Claim. The failure by any party in interest, including the Debtors and the Committee, to object to any Claim, whether or not unpaid, for purposes of voting shall not be deemed a waiver of such party's or the Disbursing Agent's rights to object to, or re-examine, any such Claim in whole or in part. After the Effective Date, no party in interest shall have the right to object to Claims against the Debtors or their Estates other than (i) the Reorganized Debtors with respect to Cash Claims, Class Action Claims, and General Unsecured Claims and (ii) if the Liquidating Trust Existence Condition Precedent occurs, the Liquidating Trust with respect to General Unsecured Claims, other than Class Action Claims, in Class 6 Classes that, because they have voted to accept the Plan, are Beneficiaries of the Liquidating Trust, each of which shall be deemed to have standing to object all such Claims, respectively.

8.11. ***Compromises and Settlements***. From and after the Effective Date, and without any further approval by the Bankruptcy Court, the Reorganized Debtors or the Liquidating Trustee, as applicable, may compromise and settle Claims, as follows:

8.11.1. if the Reorganized Debtors, (i) Claims against the Debtors or their respective Estates, (ii) Causes of Action that the Reorganized Debtors have against other Persons, including, without limitation, any Avoidance Action, (iii) Disputed Cash Claims, (iv) Disputed Class Action Claims, and (v) Disputed General Unsecured Claims; *provided, however*, that if the Liquidating Trust Existence Condition Precedent is satisfied prior to the Effective Date, then the Reorganized Debtors shall only be able to compromise and settle a Disputed General Unsecured Claim in a Class 6 Class that, because it has voted to accept the Plan, is a beneficiary of the Liquidating Trust, if the Reorganized Debtors obtain (x) the prior written consent of the Liquidating Trustee or (y) an order of the Bankruptcy Court approving such compromise and settlement of such Disputed Unsecured Claim; *provided further, however*, that the Reorganized Debtors may settle any Disputed Cash Claims that are Class Action Claims without any further approval by the Bankruptcy Court or the Liquidating Trustee;

8.11.2. if the Liquidating Trust, Disputed General Unsecured Claims, other than a Disputed Class Action Claim, in the Class 6 Classes that, because they have voted to accept the Plan, are Beneficiaries of the Liquidating Trust; *provided, however*, that the Liquidating Trust shall only be able to compromise and settle such a Disputed General Unsecured Claim, other than a Disputed Class Action Claim, if the Liquidating Trust obtains either (x) the prior written consent of Reorganized BMHC or (y) an order of the Bankruptcy Court approving such compromise and settlement of such Disputed General Unsecured Claim.

8.12. ***Reservation of Debtors' Rights***. Prior to the Effective Date, the Debtors expressly reserve the right to compromise and settle (subject to the approval of the Bankruptcy Court) Claims against them or other claims they may have against other Persons.

8.13. ***No Distributions Pending Allowance***. If a Claim or any portion of a Claim is disputed, no payment or Distribution will be made on account of the disputed portion of such Claim (or the entire Claim, if the entire Claim is disputed), unless such Disputed Claim or portion thereof becomes an Allowed Claim.

8.14. ***No Postpetition Interest on Claims***. Unless otherwise specifically provided for in the Plan, the Confirmation Order, or other Final Order of the Bankruptcy Court, or required by applicable bankruptcy law, postpetition interest shall not accrue or be paid on any Claims against the Debtors, and no Holder of a Claim against the Debtors shall be entitled to interest accruing on or after the Petition Date on any such Claim.

8.15. ***Claims Paid or Payable by Third Parties***.

8.15.1. ***Claims Paid by Third Parties***. The Debtors or the Disbursing Agent, as applicable, shall reduce in full a Claim, and such Claim shall be disallowed without a Claims objection having to be Filed and without further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or the Disbursing Agent. Subject to the last sentence of this paragraph, to the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or the Disbursing Agent on account of such Claim, such Holder shall, within two weeks of receipt thereof, repay or return the distribution to the applicable Disbursing Agent, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such Distribution under the Plan. The failure of such Holder

to timely repay or return such Distribution shall result in the Holder owing the applicable Disbursing Agent annualized interest at the Federal Judgment Rate on such amount owed for each Business Day after the two-week grace period specified above until the amount is repaid.

8.15.2. ***Claims Payable by Third Parties.*** Except with respect to Allowed Claims for the Debtors' portion of self-insured retention under insurance policies that are secured by Prepetition Letters of Credit, no Distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such an Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, the applicable portion of the Claim may be expunged without a Claims objection having to be Filed and without further notice to or action, order, or approval of the Bankruptcy Court.

8.15.3. ***Applicability of Insurance Policies.*** Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Person may hold against any other Person, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver of such insurers of any defenses, including coverage defenses, held by such insurers.

IX.
EFFECT OF CONFIRMATION OF PLAN

9.1. ***Discharge.***

9.1.1. ***Discharge of Claims Against the Debtors and the Reorganized Debtors.*** Except as otherwise expressly provided in the Plan or the Confirmation Order, the Confirmation of the Plan shall, as of the Effective Date: (i) discharge the Debtors, the Reorganized Debtors or any of its or their Assets from all Claims, demands, liabilities, other debts and Interests that arose on or before the Effective Date, including all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (a) a Proof of Claim based on such debt is filed or deemed filed pursuant to section 501 of the Bankruptcy Code, (b) a Claim based on such debt is Allowed pursuant to section 502 of the Bankruptcy Code or (c) the Holder of a Claim based on such debt has accepted the Plan; and (ii) preclude all Persons from asserting against the Debtors, the Reorganized Debtors, the Liquidating Trust (if the Liquidating Trust Existence Condition Precedent has occurred), or any of its or their Assets, any other or further Claims or Interests based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, all pursuant to sections 524 and 1141 of the Bankruptcy Code. The discharge provided in this provision shall void any judgment obtained against any of the Debtors at any time, to the extent that such judgment relates to a discharged Claim or cancelled Interest.

9.1.2. ***Injunction Related to the Discharge.*** Except as otherwise provided in the Plan or the Confirmation Order, all entities that have held, currently hold, or may hold Claims or other debts or liabilities against the Debtors, or an Interest or other right of an Equity Security Holder in any or all of the Debtors, that are discharged pursuant to the terms of the Plan, are permanently enjoined, on and after the Effective Date, from taking any of the following actions on account of any such Claims, debts, liabilities or Interests or rights: (i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim, debt, liability, Interest, or right, other than to enforce any right to a Distribution pursuant to the Plan; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree or order against the Debtors, the Reorganized Debtors, the Liquidating Trust (if the Liquidating Trust Existence Condition Precedent has occurred) or any of its or their Assets on account

of any such Claim, debt, liability, Interest, or right; (iii) creating, perfecting, or enforcing any Lien or encumbrance against the Debtors, the Reorganized Debtors, the Liquidating Trust (if the Liquidating Trust Existence Condition Precedent has occurred) or any of its or their Assets on account of any such Claim, debt, liability, Interest or right; (iv) asserting any right of setoff, subrogation, or recoupment of any kind against any debt, liability, or obligation due to the Debtors, the Reorganized Debtors, the Liquidating Trust (if the Liquidating Trust Existence Condition Precedent has occurred) or any of its or their Assets on account of any such Claim, debt, liability, Interest, or right; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order. Such injunction shall extend to any successor of the Debtors, the Reorganized Debtors, the Liquidating Trust (if the Liquidating Trust Existence Condition Precedent has occurred), or any of its or their Assets. Any Person injured by any willful violation of such injunction shall recover actual damages, including costs and attorneys' and experts' fees and disbursements, and, in appropriate circumstances, may recover punitive damages, from the willful violator.

9.2. ***Releases.***

9.2.1. ***Releases by the Debtors.*** **As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Debtors in their individual capacity and as debtors in possession will be deemed to release and forever waive and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date (including prior to the Petition Date) in any way relating to the Debtors, the Chapter 11 Cases, the Plan, or the Disclosure Statement, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between and Debtor and any Released Party, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the Plan, the Plan Supplement, the Disclosure Statement, or related agreements, instruments, or other documents, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place before the Effective Date and that could have been asserted by or on behalf of the Debtors or their Estates at any time up to immediately prior to the Effective Date against the Released Parties, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or gross negligence. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.**

9.2.2. ***Certain Waivers.*** **Although the Debtors do not believe that California law is applicable to the Plan, nevertheless, in an abundance of caution, each Debtor hereby understands and waives the effect of Section 1542 of the California Civil Code to the extent that such section is applicable to the Debtors. Section 1542 of the California Civil Code provides:**

> **§1542. A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.**

EACH DEBTOR AGREES TO ASSUME THE RISK OF ANY AND ALL UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES, INDEBTEDNESS AND OBLIGATIONS WHICH ARE RELEASED BY THE PLAN AND EACH DEBTOR HEREBY WAIVES AND RELEASES ALL RIGHTS AND BENEFITS WHICH IT MIGHT OTHERWISE HAVE UNDER THE AFOREMENTIONED SECTION 1542 OF THE CALIFORNIA CIVIL CODE WITH REGARD TO THE RELEASE OF SUCH UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES, INDEBTEDNESS AND OBLIGATIONS. TO THE EXTENT (IF ANY) ANY OTHER LAWS SIMILAR TO SECTION 1542 OF THE CALIFORNIA CIVIL CODE MAY BE APPLICABLE, EACH DEBTOR WAIVES AND RELEASES ANY BENEFIT, RIGHT OR DEFENSE WHICH IT MIGHT OTHERWISE HAVE UNDER ANY SUCH LAW WITH REGARD TO THE RELEASE OF UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES, INDEBTEDNESS AND OBLIGATIONS.

9.2.3. ***Releases by Holders of Claims and Interests.*** **As of the Effective Date of the Plan, each Holder of a Claim or an Interest, shall be deemed to have to released and forever waived and discharged all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity, or otherwise that are based in whole or part on any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date (including prior to the Petition Date) in any way relating to in any way relating to the Debtors, the Chapter 11 Cases, the Plan, or the Disclosure Statement, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiations, formulation, or preparation of the Plan, the related Disclosure Statement, the related Plan Supplement, or related agreements, instruments, or other documents, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place before the Effective Date and that could have been asserted by or on behalf of the Debtors or their Estates at any time up to immediately prior to the Effective Date against the Released Parties, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or gross negligence. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.**

9.2.4. ***Exculpation.*** **The Exculpated Parties shall not be liable, other than for gross negligence or willful misconduct, to any Holder of a Claim or Interest or any other Person with respect to any action, omission, forbearance from action, decision, or exercise of discretion taken at any time prior to the Effective Date in connection with:**

- **the management or operation of the Debtors or the discharge of their duties under the Bankruptcy Code;**
- **the implementation of any of the transactions provided for, or contemplated in the Plan or the other Plan Documents;**

- **any action taken in connection with either the enforcement of the rights of any Debtor against any Persons or the defense of Claims asserted against any such Debtor with regard to the Chapter 11 Cases;**

- **any action taken in the negotiation, formulation, development, proposal, solicitation, disclosure, Confirmation, or implementation of the Plan or the other Plan Documents; or**

- **the administration of the Plan or the assets and property to be distributed pursuant to the Plan.**

In connection with this provision, the Exculpated Parties are entitled to reasonably rely upon the opinions of their respective counsel, accountants, and other experts or professionals and such reliance, if reasonable, will conclusively establish the absence of gross negligence or willful misconduct; *provided, however*, that a determination that such reliance is unreasonable will not, by itself, constitute a determination regarding the existence of willful misconduct or gross negligence.

If the Holder of a Claim or Interest or other Person brings an action, suit, or proceeding covered by this Section and does not prevail, such Holder or other Person must pay the reasonable attorneys' fees and costs of the Exculpated Party. Moreover, as a condition to going forward with such action, suit, or proceeding, the Holder of a Claim or Interest or other Person must, at the outset, provide appropriate proof and assurances of its capacity to pay the Exculpated Party's reasonable attorneys' fees and costs in the event the Holder or other Person fails to prevail. The Exculpated Party shall have no obligation to pay, or provide appropriate proof and financial assurance of its capacity to pay, reasonable attorneys' fees and costs in the event that the Holder of a Claim or Interest or other Person prevails in any such action, suit, or proceeding against such Exculpated Party.

9.2.5. ***Injunction Related to Releases.*** **To the fullest extent allowed by law, and except as otherwise provided in the Plan or the Confirmation Order, all Persons that have held, currently hold, or may hold claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities that are released or exculpated pursuant to Section 9.2.1, 9.2.2, 9.2.3, and 9.2.4 are permanently enjoined, on and after the Effective Date, from taking any of the following actions on account of any such claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities: (i) commencing or continuing in any manner any action or other proceeding of any kind against a Released Party or Exculpated Party with respect to any such claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against any Released Party or any Exculpated Party or any of its or their Assets on account of any such claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities; (iii) creating, perfecting, or enforcing any Lien or encumbrance against any Released Party or any Exculpated Party or any of its or their assets on account of any such claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities; (iv) asserting any right of setoff, subrogation, or recoupment of any kind against any debt, liability, or obligation due to any Released Party or any Exculpated Party or any of its or their Assets on account of any such claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order. Such injunction shall extend to any successor of any Released Party or any Exculpated Party or any of its or their assets. Any Person injured by any willful violation of such injunction shall recover actual damages, including costs and attorneys' and experts' fees and**

disbursements, and, in appropriate circumstances, may recover punitive damages, from the willful violator.

9.3. ***No Successor Liability***. Except as otherwise expressly provided herein, none of the Released Parties shall be determined to be successors to any of the Debtors or to any Person for which the Debtors may be held legally responsible, by reason of any theory of law or equity, and none can be responsible for any successor or transferee liability of any kind or character. The Released Parties do not agree to perform, pay, or indemnify creditors or otherwise have any responsibilities for any liabilities or obligations of the Debtors or the Reorganized Debtors, whether arising before, on, or after the Confirmation Date, except as otherwise expressly provided in the Plan.

9.4. ***Release of Liens***. Except as otherwise expressly provided in the Plan or in any contract, instrument, indenture, or other agreement or document expressly incorporated by reference in the Plan, the Confirmation Order will release any and all prepetition Liens.

9.5. ***Term of Injunctions***. All injunctions or stays provided in, or in connection with, the Chapter 11 Cases, whether pursuant to section 105, section 362, or any other provision of the Bankruptcy Code, other applicable law or court order, in effect immediately prior to Confirmation will remain in full force and effect until such injunctions or stays become effective and shall remain in full force and effect thereafter if so provided in the Plan, the Confirmation Order or by their own terms. In addition, on and after Confirmation Date, the Debtors may seek further orders to preserve the status quo during the time between the Confirmation Date and the Effective Date.

9.6. ***Binding Effect***. The Plan shall be binding upon, and inure to the benefit of, the Debtors and all Holders of Claims and Interests, and their respective successors and assigns, whether or not the Claims and Interests of such Holders are Impaired under the Plan and whether or not such Holders have accepted the Plan.

9.7. ***Dissolution of the Committee***. The Committee shall be dissolved on the Effective Date and shall not continue to exist thereafter except for the limited purposes of filing any remaining fee applications, and the Professionals retained by the Committee shall be entitled to compensation for services performed and reimbursement of expenses incurred in connection therewith. Upon dissolution of the Committee, the members of the Committee shall be released and discharged of and from all duties, responsibilities and obligations related to and arising from and in connection with the Debtors' Chapter 11 Cases.

9.8. ***Post-Confirmation Date Retention of Professionals***. After the Confirmation Date, any requirement that Professionals employed by the Debtors comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date will terminate, and the Reorganized Debtors will be authorized to employ and compensate Professionals in the ordinary course of business and without the need for Bankruptcy Court approval.

X.
EFFECTIVENESS OF THE PLAN

10.1. ***Conditions Precedent***. The Plan shall not become effective unless and until the following conditions have been satisfied:

10.1.1. ***Conditions to Confirmation.***

10.1.1.1. ***Disclosure Statement.*** The Bankruptcy Court shall have approved a Disclosure Statement with respect to the Plan as containing adequate information within the meaning of section 1125 of the Bankruptcy Code.

10.1.1.2. ***Plan Supplement.*** The Plan Documents to be provided in the Plan Supplement are in a form that is reasonably satisfactory to the Debtors and the Exit Revolver Lenders.

10.1.1.3. ***Confirmation Order.*** The Confirmation Order must be in form and substance reasonably acceptable to the Debtors and the Exit Revolver Lenders.

10.1.2. ***Conditions to Effective Date.***

10.1.2.1. ***Confirmation Order.*** At least 10 days shall have passed after the Bankruptcy Court shall have entered the Confirmation Order in form and substance reasonably acceptable to the Debtors and the Exit Revolver Lenders.

10.1.2.2. ***No Stay of Confirmation.*** There shall not be in force any order, decree, or ruling of any court or governmental body having jurisdiction, restraining, enjoining, or staying the consummation of, or rendering illegal the transactions contemplated by, the Plan.

10.1.2.3. ***Receipt of Required Authorization.*** All authorizations, consents, and regulatory approvals (if any) necessary to effectuate the Plan shall have been obtained.

10.1.2.4. ***Exit Facility.*** The documents evidencing the Revolving Credit Agreement shall be in form and substance acceptable to the Debtors and the Exit Revolving Lenders, shall have been executed and delivered by the respective parties thereto, and all conditions precedent to the effectiveness of such document shall have been satisfied or waived.

10.1.2.5. ***Term Loan.*** The documents evidencing the Term Loan Credit Agreement shall be in form and substance reasonable acceptable to the Debtors and the Exit Revolving Lenders, shall have been executed and delivered by the respective parties thereto, and all conditions precedent to the effectiveness of each such document shall have been satisfied or waived.

10.1.2.6. ***Liquidating Trust Agreement.*** If the Liquidating Trust Existence Condition Precedent occurs, the Liquidating Trust Agreement must be in form and substance reasonably acceptable to the Debtors and the Exit Revolving Lenders and shall have been executed and delivered by the respective parties thereto.

10.1.2.7. ***Liquidating Trust Oversight Committee.*** If the Liquidating Trust Existence Condition Precedent occurs, the Liquidating Trust Oversight Committee shall have been appointed.

10.1.2.8. ***Liquidating Trustee.*** If the Liquidating Trust Existence Condition Precedent occurs, the Liquidating Trustee shall have been appointed.

10.1.2.9. ***Plan Supplement.*** All documents to be contained in the Plan Supplement shall be completed and in final form and, to the extent necessary, shall have been executed and delivered by the respective parties thereto.

10.1.2.10. ***Required Transactions.*** All transactions required by the Plan have been completed to the reasonable satisfaction of the Debtors and the Exit Facility Lenders.

10.1.2.11. ***Restructuring Transactions.*** At the discretion of the Debtors and with the consent of the Exit Facility Lenders (which consent shall not be unreasonably withheld), the Restructuring Transactions described in the Restructuring Transactions Memorandum have been completed to the reasonable satisfaction of the Debtors and the Exit Revolving Lenders.

10.1.3. ***Waiver.*** Any of the conditions set forth in Sections 10.1.1 and 10.1.2 hereof may be waived by the Debtors to the extent that such waiver does not affect the distributions hereunder.

10.2. ***Effect of Failure of Conditions.*** In the event that the conditions specified in Section 10.1. have not been satisfied or waived on or before 120 days after the Confirmation Date, then the Debtors may seek an order from the Bankruptcy Court vacating the Confirmation Order. Such request shall be served upon counsel for the administrative agent under the Prepetition Credit Agreement, the administrative agent under the DIP Facility, the proposed administrative agent under the Revolving Credit Agreement, the Committee, and the U.S. Trustee. If the Confirmation Order is vacated, (i) the Plan shall be null and void in all respects; (ii) any settlement of Claims or Interests provided for hereby shall be null and void without further order of the Bankruptcy Court; and (iii) the time within which the Debtors may assume and assign or reject all Executory Contracts and Unexpired Leases shall be extended for a period of 60 days after the date the Confirmation Order is vacated.

XI.
RETENTION OF JURISDICTION

11.1. ***Bankruptcy Court.*** Pursuant to sections 105(c) and 1142 of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

11.1.1. allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim or Interest, including, without limitation, the resolution of any request for payment of any Administrative Expense Claim or Priority Tax Claim and the resolution of any objections to the allowance or priority of Claims or Interests;

11.1.2. hear and rule upon all Causes of Action retained by the Debtors and commenced and/or pursued by the Debtors or the Reorganized Debtors;

11.1.3. resolve any matters related to the rejection, assumption, or assumption and assignment of any Executory Contract or Unexpired Lease to which any Debtor is a party or with respect to which the Debtors may be liable and to hear, determine, and, if necessary, liquidate any Claims arising therefrom;

11.1.4. ensure that Distributions on account of Allowed Claims are accomplished pursuant to the provisions of the Plan;

11.1.5. decide or resolve any motions, adversary proceedings, contested, or litigated matters and any other matters and grant or deny any applications involving the Debtors that may be pending on the Effective Date;

11.1.6. enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan, the Plan Supplement, the Disclosure Statement, or the Confirmation Order;

11.1.7. resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of the Plan or any contract, instrument, release, or other agreement or document that is executed or created pursuant to the Plan, or any Person's rights arising from or obligations incurred in connection with the Plan or such documents;

11.1.8. approve any modification of the Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code or approve any modification of the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan;

11.1.9. hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under sections 330, 331, 363, 503(b), 1103, and 1129(a)(9) of the Bankruptcy Code, which shall be payable by the Debtors, or the Reorganized Debtors, as applicable, only upon allowance thereof pursuant to the order of the Bankruptcy Court; *provided, however*, that the fees and expenses of the Debtors incurred after the Confirmation Date, including attorneys' fees, may be paid by the Reorganized Debtors in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

11.1.10. issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person with consummation of the Plan, implementation, or enforcement of the Plan or the Confirmation Order;

11.1.11. hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

11.1.12. enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked, or vacated, or if Distributions pursuant to the Plan are enjoined or stayed;

11.1.13. determine any other matters that may arise in connection with or relate to the Plan, the Plan Supplement, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement, or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order;

11.1.14. enforce all orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Cases;

11.1.15. hear and determine all matters related to (i) the property of the Debtors and the Estates from and after the Confirmation Date and (ii) the activities of the Debtors or the Reorganized Debtors; and

11.1.16. hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code.

XII.
MISCELLANEOUS PROVISIONS

12.1. ***Plan Supplement.*** No later than 10 days prior to the Voting Deadline, the Debtors shall File with the Bankruptcy Court the Plan Supplement, which shall contain such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. Holders of Claims or Interests may obtain a copy of the Plan Supplement upon written request to the Debtors' counsel.

12.2. ***Exemption for Registration Requirements.*** Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance and Distribution of any securities contemplated by the Plan shall be exempt from, among other things, the registration requirements of Section 5 of the Securities Act and any state or local law requiring registration prior to the offering, issuance, distribution or sale of securities. In addition, any securities contemplated by the Plan will be tradable by the recipients thereof, subject to (i) the provisions of section 1145(b)(1) of the Bankruptcy Code; and (ii) the restrictions, if any, on the transferability of such securities and instruments.

12.3. ***Statutory Fees.*** All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid by the Debtors on or before the Effective Date.

12.4. ***Third Party Agreements.*** The Distributions to the various Classes of Claims and Interests hereunder shall not affect the right of any Person to levy, garnish, attach, or employ any other legal process with respect to such Distributions by reason of any claimed subordination rights or otherwise. All of such rights and any agreements relating thereto shall remain in full force and effect, except as compromised and settled pursuant to the Plan. Distributions shall be subject to and modified by any Final Order directing distributions other than as provided in the Plan.

12.5. ***Amendment or Modification of Plan.*** As provided in section 1127 of the Bankruptcy Code, modification of the Plan may be proposed in writing by the Debtors at any time before Confirmation, *provided* that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code, and the Debtors shall have complied with section 1125 of the Bankruptcy Code. The Debtors may modify the Plan at any time after Confirmation and before consummation of the Plan, *provided* that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan as modified, under section 1129 of the Bankruptcy Code, and the circumstances warrant such modifications. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted such Plan as modified if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim or Interest of such Holder.

12.6. ***Severability***. In the event that the Bankruptcy Court determines, prior to the Confirmation Date, that any provision in the Plan is invalid, void or unenforceable, the Reorganized Debtors may, at their option, (a) treat such provision as invalid, void or unenforceable with respect to the Holder or Holders of such Claims or Interests that the provision is determined to be invalid, void or unenforceable, in which case such provision shall in no way limit or affect the enforceability and operative effect of any other provision of the Plan, or (b) alter, amend, revoke, or withdraw the Plan.

12.7. ***Revocation or Withdrawal of Plan***. The Debtors reserve the right to revoke and withdraw the Plan or to adjourn the Confirmation Hearing at any time prior to the occurrence of the Effective Date. If the Debtors revoke or withdraw the Plan, or if Confirmation or consummation does not occur, then (i) the Plan shall be null and void in all respects, (ii) any settlement or compromise embodied in the Plan, assumption or rejection of Executory Contracts or Unexpired Leases under the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void, and (iii) nothing contained in the Plan shall (A) constitute a waiver or release of any Claims by or against, or Interests in, such Debtors or any other Person, (B) prejudice in any manner the rights of such Debtors or any other Person, or (C) constitute an admission of any sort by the Debtors or any other Person.

For the avoidance of doubt, if the Confirmation Hearing is adjourned, the Debtors reserve the right to amend, modify, revoke or withdraw the Plan and/or submit any new plan of reorganization at such times and in such manner as they consider appropriate, subject to the provisions of the Bankruptcy Code.

12.8. ***Rules Governing Conflicts Between Documents***. In the event of a conflict between the terms or provisions of the Plan and the Plan Documents, the terms of the Plan shall control over the Plan Documents. In the event of a conflict between the terms of the Plan or the Plan Documents, on the one hand, and the terms of the Confirmation Order, on the other hand, the terms of the Confirmation Order shall control. In the event of a conflict between the information contained in the Disclosure Statement and the Plan or any other Plan Document, the Plan or other Plan Document (as the case may be) will control.

12.9. ***Governing Law***. Except to the extent that federal law (including, but not limited to, the Bankruptcy Code and the Bankruptcy Rules) is applicable or the Plan provides otherwise, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York without giving effect to its conflicts of law principles.

12.10. ***Notices***. Any notice required or permitted to be provided under the Plan shall be in writing and served by either (a) certified mail, return receipt requested, postage prepaid, (b) hand delivery, or (c) reputable overnight delivery service, freight prepaid. If to the Debtors, any such notice shall be directed to the following at the addresses set forth below:

Building Materials Holding Corporation
720 Park Boulevard
Boise, Idaho 83712
Attention: Paul Street

-- with copies to --

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, New York 10166-0193
Attention: Michael A. Rosenthal and Matthew K. Kelsey

-- and --

Young Conaway Stargatt & Taylor, LLP
The Brandywine Building
1000 West Street
17th Floor
Wilmington, Delaware 19801
Attention: Sean M. Beach and Robert F. Poppiti

12.11. ***Interest and Attorneys' Fees.*** Interest accrued after the Petition Date will accrue and be paid on Claims only to the extent specifically provided for in the Plan, the Confirmation Order or as otherwise required by the Bankruptcy Court or by applicable law. No award or reimbursement of attorneys' fees or related expenses or disbursements shall be allowed on, or in connection with, any Claim, except as set forth in the Plan or as ordered by the Bankruptcy Court.

12.12. ***Binding Effect.*** The Plan shall be binding upon the Debtors, the Reorganized Debtors, the Holders of all Claims and Interests, parties in interest, Persons, and Governmental Units and their respective successors and assigns. To the extent any provision of the Disclosure Statement or any other solicitation document may be inconsistent with the terms of the Plan, the terms of the Plan shall be binding and conclusive.

12.13. ***No Admissions.*** As to contested matters, adversary proceedings and other Causes of Action or threatened Causes of Action, nothing in the Plan, the Plan Supplement, the Disclosure Statement, or other Plan Documents shall constitute or be construed as an admission of any fact or liability, stipulation, or waiver, but rather as a statement made in settlement negotiations. The Plan shall not be construed to be conclusive advice on the tax, securities, and other legal effects of the Plan as to Holders of Claims against, or Interests in, the Debtors or any of their subsidiaries and affiliates, as debtors and debtors in possession in the Chapter 11 Cases.

12.14. ***Exhibits.*** All Exhibits and Schedules to the Plan are incorporated into and are a part of the Plan as if set forth in full herein.

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The undersigned have executed this Joint Plan of Reorganization as of the 16th day of June, 2009.

Respectfully submitted,

Dated: Wilmington, Delaware
June 16, 2009

BUILDING MATERIALS HOLDING CORPORATION, on behalf of itself and all the other Debtors

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

COUNSEL:

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Donald J. Bowman Jr. (No. 4383)
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Facsimile: 302.571.1253

---- and ----

GIBSON, DUNN & CRUTCHER LLP
Michael A. Rosenthal (*pro hac vice* pending)
Matthew K. Kelsey (*pro hac vice* pending)
Aaron G. York (*pro hac vice* pending)
200 Park Ave, 47th Floor
New York, NY 10166-0193
Telephone: 212.351.4000
Facsimile: 212.351.4035

PROPOSED ATTORNEYS FOR DEBTORS
AND DEBTORS IN POSSESSION

EXHIBIT C

Disclosure Statement Approval Order

[To be Attached upon Entry]

EXHIBIT D

Voting Procedures Order

[To be Attached upon Entry]

EXHIBIT E

Liquidation Analysis

Disclosure Statement Exhibit E

OVERVIEW OF LIQUIDATION ANALYSIS

Peter J Solomon Company ("PJSC") prepared the Liquidation Analysis, in conjunction with the Debtors, based on the Debtors' consolidated balance sheet as of the end of March 2009. The Liquidation Analysis represents the Debtors' current estimates for asset recoveries, assuming a Chapter 7 liquidation commencing on or about June 30, 2009. While the Debtors would expect certain additional changes in BMHC's consolidated balance sheet during the 90-day period between the end of March and the end of June (which have not been reflected herein), the ultimate inclusion of such additional Assets and Claims is not expected to change materially the result of the Liquidation Analysis.

The Liquidation Analysis omits consideration of the Income Tax Refund Receivable Asset of $50 million reflected on the Debtors' consolidated balance sheet as of March 31, 2009 because a tax refund of $57 million was actually received by the Debtors on May 26, 2009, and the proceeds thereof were used to repay amounts outstanding on the Pre-petition Revolving Credit Facility and Pre-petition Term Loan. On the other hand, the Liquidation Analysis includes consideration of a $7 million tax liability to the IRS related to an ongoing tax audit, which liability was booked in May 2009. This tax liability is included in the Liquidation Analysis as a Priority Tax claim.

The Liquidation Analysis considers the liquidation value of the Debtors on a consolidated basis and on the basis of a separate analysis of each of BMHC, the BMC West Debtors and the SelectBuild Debtors.

The Debtors assisted PJSC in completing the Liquidation Analysis. PJSC received information on estimated asset recovery proceeds and liquidation costs from various operating personnel who have relevant market knowledge to determine potential recoveries and costs. PJSC and the Debtors do not provide any assurance to such recoveries but have given their best estimates in this scenario. Additionally PJSC and the Debtors referenced appraisals completed by third party professionals as noted throughout the analysis.

The Liquidation Analysis assumes an expedited but orderly wind-down of the businesses to maximize recovery values. While the Debtors assume that the majority of the operational wind-down would be done in approximately 6 months, complete liquidation, especially of real estate assets, would be expected to take at least 12 months.

The Liquidation Analysis, through the table and associated notes below, summarizes the recovery estimates for the various classes of the Debtors' creditors in a hypothetical chapter 7 bankruptcy liquidation and under the Plan. The Liquidation Analysis demonstrates that every creditor of the Debtors will receive a greater recovery under the Plan than in such chapter 7 liquidation.

Liquidation Analysis - Net Proceeds Available to Creditors

(Dollars in Millions, Rounded)

	3/31/2009 Net Book Value					Estimated Liquidation Value Range							
	BMC West	Select Build	BMHC Parent	Total Co.	Estimated Recovery Rate Ranges	BMC West Low	BMC West High	SelectBuild Low	SelectBuild High	BMHC Parent Low	BMHC Parent High	Total Company Low	Total Company High
Current Assets													
Cash	$3	$0	$3	$6	100% - 100%	$3	$3	$0	$0	$3	$3	$6 -	$6
Trade Receivables	58	28	0	87	18% - 26% (a)	11	15	5	7	0	0	16 -	22
Other Receivables (b)	0	2	1	3	0% - 0%	0	0	0	0	0	0	0 -	0
Inventory	58	12	0	71	25% - 34% (a), (c)	15	20	3	4	0	0	18 -	24
Cost in Excess of Billings	1	9	0	11	15% - 25%	0	0	1	2	0	0	2 -	3
Prepaid Expenses	1	1	3	5	0% - 5%	0	0	0	0	0	0	0 -	0
Assets of Discontinued Operations	0	5	0	5	0% - 5%	0	0	0	0	0	0	0 -	0
Total Current Assets	$122	$58	$7	$187		$28	$38	$10	$14	$3	$4	$42	$55
Non Current Assets													
Real Property (d)	$151	$48	$0	$200	50% - 60%	$76	$91	$24	$29	$0	$0	$100 -	$120
Unencumbered Real Property (d)	21	0	0	21	50% - 60%	11	13	0	0	0	0	11 -	13
Mechanical & Equipment, Net (e)	17	12	(0)	29	60% - 79%	10	13	7	9	(0)	(0)	17 -	23
Other Long Term Assets (f)	0	0	19	19	89% - 89%	0	0	0	0	17	17	17 -	17
Deferred Loan Costs	0	0	4	4	0% - 0%	0	0	0	0	0	0	0 -	0
Other Intangibles, Net	0	18	0	18	0% - 0%	0	0	0	0	0	0	0 -	0
Total Non Current Assets / Proceeds	$190	$79	$24	$292		$96	$117	$31	$38	$17	$17	$145	$173
Total Assets	$312	$137	$30	$479		$125	$155	$41	$52	$21	$21	$187	$228
Less: Liquidation Costs													
Real Estate Commission (g)						(4)	(4)	(2)	(2)	(0)	(0)	(6) -	(6)
Liquidation Costs (h)						(13)	(13)	(6)	(6)	(1)	(1)	(20) -	(20)
Operational Wind Down Costs (i)						(38)	(38)	(17)	(17)	(4)	(4)	(59) -	(59)
NET LIQUIDATION PROCEEDS AVAILABLE TO CREDITORS						$69	$99	$17	$28	$15	$16	$101 -	$143

(a) Consistent with Evergreen Analysis for Wells Fargo dated February 2008 and Great American Analysis dated October 2007.
(b) Represent receivables on JVs with customers and vendor rebates. No recovery assumed.
(c) Estimated recovery rates include consideration for estimated 503(b)(9) vendor payments
(d) Net Book Value represents Appraisal value as per April 2009 Borrowing Base Calculation (Cushman & Wakefield estimates).
Recovery rate estimates based on sales that have closed since Jan 2009 and sales occurring over a 12 month period.
(e) Recovery rates based upon Liquidation Value per Hilco Appraisal Services analysis conducted on 9/08, less allowance for items sold since.
(f) The largest Other Long Term Asset is the cash surrender value of the SERP which has a value of $16.1 million.
(g) Estimated 5.0% Commission Fees
(h) Includes Real Estate property tax and security costs ($5mm), Trustee fees and expenses ($5.2mm) and professional fees ($10.0mm). Trustee fees are 3.0% of net proceeds available and expenses are $1.5 mm.
(i) Estimate per Company Management. Allocated based on percent of total assets. Consists primarily of expenses related to Payroll and SG&A to operate business during liquidation time frame.

Liquidation Recovery Analysis - Consolidated and by Division

(Dollars in Millions)

Net Liquidation Proceeds Available to Creditors		Low	High
		$101.4	$142.9

		Recovery $		Recovery %	
Distribution of Total Company Liquidation Proceeds	Claim	Low	High	Low	High
Priority Tax Claim (a)	$7.0	$7.0	$7.0	100.0%	100.0%
Pre-petition Secured Lender Claims (b)	397.1	92.2	133.3	23.2%	33.6%
Pre-petition Other Long-Term Secured Debt (d)	1.0	0.5	0.6	50.0%	60.0%
BMHC Parent General Unsecured Claims (c)	27.8	0.6	0.6	2.0%	2.0%
BMC West General Unsecured Claims	41.8	1.2	1.5	2.8%	3.6%
SelectBuild General Unsecured Claims	21.6	0.0	0.0	0.0%	0.0%
Small Unsecured Claims - BMHC Parent	0.1	0.0	0.0	2.0%	2.0%
Small Unsecured Claims - BMC West	0.7	0.0	0.0	2.8%	3.6%
Small Unsecured Claims - SelectBuild	0.3	0.0	0.0	0.0%	0.0%
510(b) Claims	0.0	0.0	0.0	0.0%	0.0%
		$101.4	$142.9		

BMHC Parent Liquidation Proceeds	Low	High
	$15.4	$15.6

		Recovery $		Recovery %	
Distribution of BMHC Parent Proceeds	Claim	Low	High	Low	High
Priority Tax Claim (a)	$7.0	$7.0	$7.0	100.0%	100.0%
Pre-petition Secured Lender Claims (b)	397.1	7.9	8.0	2.0%	2.0%
BMHC Parent General Unsecured Claims (c)	27.8	0.6	0.6	2.0%	2.0%
Small Unsecured Claims - BMHC Parent	0.1	0.0	0.0	2.0%	2.0%
510(b) Claims	0.0	0.0	0.0	0.0%	0.0%

BMC West Liquidation Proceeds	Low	High
	$69.4	$99.4

		Recovery $		Recovery %	
Distribution of BMC West Proceeds	Claim	Low	High	Low	High
Pre-petition Secured Lender Claims (b)	$397.1	$67.8	$97.3	17.1%	24.5%
Pre-petition Other Long-Term Secured Debt (d)	1.0	0.5	0.6	50.0%	60.0%
Priority Tax Claim (a)	7.0	0.0	0.0	0.0%	0.0%
BMC West General Unsecured Claims (e)	41.8	1.2	1.5	2.8%	3.6%
Small Unsecured Claims - BMC West	0.7	0.0	0.0	2.8%	3.6%
510(b) Claims	0.0	0.0	0.0	0.0%	0.0%

SelectBuild Liquidation Proceeds	Low	High
	$16.5	$28.0

		Recovery $		Recovery %	
Distribution of SelectBuild Proceeds	Claim	Low	High	Low	High
Pre-petition Secured Lender Claims (b)	$397.1	$16.5	$28.0	4.2%	7.0%
Priority Tax Claim (a)	7.0	0.0	0.0	0.0%	0.0%
SelectBuild General Unsecured Claims (e)	21.6	0.0	0.0	0.0%	0.0%
Small Unsecured Claims - SelectBuild	0.3	0.0	0.0	0.0%	0.0%
510(b) Claims	0.0	0.0	0.0	0.0%	0.0%

(a) Pre-petition Secured Lender Claim is an unsecured claim at BMHC level and pari passu with BMHC Parent General Unsecured Claims.
(b) Pre-petition Secured Lender Claims consist of Term Loan of $273 mm, Revolver of $0 mm, Accrued Interest of $5 mm, Long-Term Swap liability of $6 mm and $113 mm in LCs. All amounts are per 3/31/09 balance sheet, net of tax refund proceeds. Recovery percentage includes amount received on deficiency claims asserted on unencumbered real estate.
(c) BMHC Parent General Unsecured Claims consist of SERP liability of $21 mm, Deferred Compensation of $1 mm and other claims.
(d) Represents secured claims associated with a Secured Real Estate Note. Recovery amount estimated by comparing liquidation value to estimated book value. (Estimated book value assumed equal to claim amount.)
(e) Total General Unsecured Claims of $91 mm per 3/31/09 balance sheet. Does not reflect other potential unsecured liabilities, which if asserted, would further dilute recovery. Recovery percentage represents pro rata share of unencumbered real estate proceeds shared with pre-petition Secured Lender Deficiency Claim.

Recovery Comparison - Liquidation vs. Restructuring Plan

(Dollars in Millions)

	Claim Amount	Liquidation Recovery Amount (a)	Liquidation Recovery Percentage	Restructuring Plan Recovery Amount	Restructuring Plan Recovery Percentage
DIP Facility Claim	$3.7	NA	NA	$3.7	100.0%
Professional Compensation Claims (b)	10.0 / 3.4	10.0	100.0%	3.4	100.0%
Priority Tax Claim	7.0	7.0	100.0%	7.0	100.0%
Pre-petition Secured Lender Claims	284.4 (c)	80.7	28.4%	189.2 (d)	66.5%
Pre-petition Secured Lender Claims - LCs (e)	112.7	32.0	28.4%	NA	
Pre-petition Other Long-Term Secured Debt	1.0	0.5	55.0%	1.0	100.0%
BMHC Parent General Unsecured Claims	27.8 / 22.4 (f)	0.6	2.0%	12.4 (g)	55.2% (h)
BMC West General Unsecured Claims	41.8 / 16.7 (f)	1.3	3.2%	9.2 (g)	55.2% (i)
SelectBuild General Unsecured Claims	21.6 / 7.3 (f)	0.0	0.0%	4.0 (g)	55.2% (i)
Small Unsecured Claims - BMHC Parent	0.1	0.0	2.0%	0.1	100.0%
Small Unsecured Claims - BMC West	0.7	0.0	3.2%	0.7	100.0%
Small Unsecured Claims - SelectBuild	0.3	0.0	0.0%	0.3	100.0%
Section 510(b) Claims	0.0	0.0	0.0%	0.0	0.0%

(a) Represents mid-point of Liquidation Range shown under "Liquidation Recovery Analysis."
(b) Professional claims of $10 mm in liquidation and $3.4 mm under restructuring plan.
(c) Based on 3/31/09 balance sheet, pro forma for tax refund proceeds. On Filing Date, Pre-petition Revolver is aproximately $13 mm. Using this Revolver balance would further reduce percentage recovery to Secured Lender Claims from 28.4% to 27.5%.
(d) See supplemental Pre-petition Secured Lender Recovery schedule.
(e) If LCs become funded, would receive pro rata consideration along with Pre-petition Secured Lender Claims.
(f) General Unsecured Claims in Liquidation / General Unsecured Claims under restructuring plan.
(g) Consists of pro rata share of $10 mm cash payment to Liquidating Trust. Also includes pro rata share of the present value of $16 mm of excess cash flow, gross value of $36 mm.
(h) Assumes such class votes to accept the Plan. If the class accepts the Plan, the principal amount of Allowed Claims will be paid in full; the 55% projected recovery reflects the present value of the payments that will be made over time. If the class votes to reject the Plan, the projected percentage recovery is 4%.
(i) Assumes such class votes to accept the Plan. If the class accepts the Plan, the principal amount of Allowed Claims will be paid in full; the 55% projected recovery reflects the present value of the payments that will be made over time. If the class votes to reject the Plan, the projected percentage recovery is 4% for BMC West and 2% for SelectBuild.

Pre-Petition Secured Lender Recovery Schedule

Midpoint of Estimated Enterprise Value Range (j)	$222.5
Less: New Term Loan	(135.0)
Less: Average 2010 Revolver Balance	(23.7)
Less: Present Value of General Unsecured Creditor cash payments	(15.6)
Plus: Balance Sheet Cash	6.0
Implied Equity Value	$54.2

Recovery to Secured Lender Claims

New Term Loan	$135.0
Implied Equity Value	54.2
Total Recovery	$189.2

(j) Per valuation prepared by Peter J. Solomon Company.

Notes to Liquidation Analysis

Accounts Receivable

Estimates of Accounts Receivable recovery rates were derived through discussions with Management, Alvarez & Marsal and by referencing appraisal reports prepared by Evergreen and Great American. Gross Trade Receivable amounts were reduced on a dollar for dollar basis by Billings in Excess of Costs. The highest recovery rates were assessed to Trade Receivables less than 60 days old. Receivables greater than 60 days old as well as various other accounts including the Allowance for Doubtful Accounts were deemed to have negligible recovery value.

Inventory

Net Book values of Inventory accounts were reduced by anticipated vendor 503(b)(9) claims. 503(b)(9) claim estimates were derived by Alvarez & Marsal by reviewing Inventory records for actual receipts in May. The Debtors maintain thousands of product sku's in inventory which can broadly be classified into one of two categories: Truss & Millwork or Other. Other inventory consists primarily of commodity lumber and building materials which are assumed to store well and be easily resalable. As such, Other inventory has a comparatively high recovery rate. Truss and Millwork inventory consists of more customized products that are deemed to be more challenging to dispose of and therefore carries comparatively lower estimated recovery rates. Work In Process, Non-Stock Merchandise, Inventory in Transit and Parts were all deemed to have slightly lower recovery rates than Truss & Millwork.

Real Property

The BMC West Debtors and the SelectBuild Debtors own a significant portfolio of Real Estate properties throughout the United States that constitute their principal places of business. These sites in general are relatively large stock yards of up to 90 acres in size. Cushman and Wakefield conducted an appraisal of these assets for benefit of the Lender Group; the results of which were used as a starting point for estimating liquidation recovery rates. Despite sales efforts, the Debtors have been able to sell only a few of these properties so far in 2009 at various discounts to Appraised Value. PJSC assumed sales of the Real Estate properties in a Chapter 7 liquidation would occur over at least 12 months. Estimates of associated real estate sales commissions, property taxes and other expenses are contained in the estimates of liquidation costs.

Mechanical and Equipment

As a starting point for estimating the Liquidation value for the Mechanical and Equipment assets of the Debtors, PJSC made reference to an Appraisal completed by Hilco Appraisal Services in September of 2008. The Debtors have disposed of equipment since the time of the appraisal receiving approximately $4 million of proceeds. Therefore, estimated liquidation proceeds for Mechanical and Equipment assets have been reduced versus the Hilco estimate. An Implied Liquidation Recovery Percentage was derived by comparing the estimated liquidation proceeds (net of assets sold to date) to the current net book value of Mechanical & Equipment assets. The upper and lower estimates of Liquidation Value are assessed by considering Hilco's Orderly (6 month timeline) and Forced (3 month timeline) Liquidation scenarios.

Other Long Term Assets

Other Long Term Assets consist primarily of the Cash Surrender Value of the SERP and Executive Deferred Comp plan.

EXHIBIT F

Feasibility Analysis

Disclosure Statement Exhibit F

Projected Financial Information

The following financial projections were prepared by BMHC management and include restructuring assumptions per the plan of reorganization. Emergence from Chapter 11 is assumed to occur on December 31, 2009.

Reorganized BMHC Summary Projections

(Dollars in Millions)

Income Statement	Q1 10	Q2 10	Q3 10	Q4 10	FY 2010	Q1 11	Q2 11	Q3 11	Q4 11	FY 2011	FY 2012
Sales (a)	$182.9	$241.4	$260.1	$239.2	$943.6	$252.1	$333.3	$392.1	$332.0	$1,309.5	$1,830.3
% Growth	19.1%	25.1%	27.8%	30.8%	26.1%	37.8%	38.1%	40.0%	38.8%	38.8%	39.8%
EBITDA (a)	($8.7)	$7.1	$15.8	$7.0	$21.2	($4.7)	$18.4	$32.5	$20.4	$66.6	$126.4
% Margin	(4.7%)	2.9%	5.6%	2.9%	2.2%	(1.8%)	5.5%	8.3%	6.2%	5.1%	6.9%
Balance Sheet											
Revolver (b)	$24.8	$35.2	$24.9	$8.9		$24.7	$23.5	$0.0	$0.0		$0.0
Term Loan (c)	132.5	129.9	127.4	124.7		122.1	111.3	108.5	105.6		53.9
Total Debt	$157.3	$165.1	$152.3	$133.7		$146.8	$134.8	$108.5	$105.6		$53.9
Cash	$6.0	$9.0	$9.0	$9.0		$9.0	$9.0	$20.8	$30.0		$54.1
Net Debt	$151.3	$156.1	$143.3	$124.7		$137.8	$125.8	$87.7	$75.6		($0.3)
Total Debt / EBITDA	(13.1 x)	(91.4 x)	14.3 x	6.3 x		5.8 x	3.7 x	2.0 x	1.6 x		0.4 x
Net Debt / EBITDA	(12.6 x)	(86.4 x)	13.5 x	5.9 x		5.5 x	3.5 x	1.7 x	1.1 x		(0.0 x)
Unsecured Creditor Bankruptcy Settlement (d)	$36.4	$36.4	$36.4	$36.4		$36.4	$36.4	$36.4	$36.4		$28.8
Letters of Credit											
NewCo (e)	$25.9	$31.8	$37.6	$43.5		$47.1	$50.8	$54.4	$58.0		$68.5
OldCo (f)	106.0	100.7	95.5	90.2		83.4	76.6	69.8	63.0		38.8
Total	$131.9	$132.5	$133.1	$133.7		$130.5	$127.3	$124.1	$121.0		$107.3

(a) Per management forecast dated April 2009.
(b) $100 mm exit revolver.
(c) $135 mm Term Loan issued at exit per Plan of Reorganization. Paid down by 100% of Excess Cash Flow if EBITDA < $50 mm, 80% of Excess Cash Flow if EBITDA > $50.0 mm. Paid down by Excess Real Estate sale proceeds.
(d) $36 mm obligation to pay pre-petition General Unsecured Creditors per Plan of Reorganization. Paid down by 20% of Excess Cash Flow if EBITDA > $50.0 mm.
(e) LCs issued in connection with DIP Facility or Exit Revolver. These reduce availability under Exit Revolver.
(f) LCs issued pursuant to Pre-petition Credit Agreement. These do not reduce availability under Exit Revolver.

Reorganized BMHC Projected Availability Analysis

(Dollars in Millions)

	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	FY 2012
Gross Trade AR	$91.6	$117.3	$126.0	$105.1	$122.9	$157.0	$170.5	$141.0	$192.8
Available AR	32.1	46.9	50.4	36.8	43.0	62.8	68.2	49.4	67.5
Gross Inventory	$62.6	$85.5	$82.7	$70.2	$78.8	$105.8	$105.4	$89.0	$119.6
Available Inventory	21.5	29.3	28.4	24.1	27.0	36.3	36.2	30.6	41.1
Property & Equipment Appraised (a)	$201.9	$196.9	$191.9	$186.9	$181.9	$176.9	$171.9	$166.9	$141.9
Property & Equipment Available	101.0	98.5	96.0	93.5	91.0	88.5	86.0	83.5	71.0
OLV of Equipment	$27.3	$27.3	$27.3	$27.3	$27.3	$27.3	$27.3	$27.3	$27.3
Available Equipment	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5
Reserves	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)
Borrowing Base	$172.3	$192.5	$192.5	$172.1	$178.8	$205.4	$208.1	$181.2	$197.3
Estimated Commitment Amount	$100.0	$100.0	$100.0	$100.0	$100.0	$100.0	$100.0	$100.0	$100.0
Less: Letters of Credit - NewCo	(25.9)	(31.8)	(37.6)	(43.5)	(47.1)	(50.8)	(54.4)	(58.0)	(68.5)
Less: Revolver Balance	(24.8)	(35.2)	(24.9)	(8.9)	(24.7)	(23.5)	0.0	0.0	0.0
Total Availability	**$49.3**	**$33.1**	**$37.5**	**$47.6**	**$28.1**	**$25.8**	**$45.6**	**$42.0**	**$31.5**

Note: Approximate advance rates of : AR - 35%-40%, Inventory - 35%, Property and Equipment - 50% of appraisal value, 75% of the OLV of Equipment.
(a) $17 mm, $17 mm and $22 mm in Excess Real Estate Asset sales in 2010, 2011 and 2012 respectively (amounts net of tax and 6% real estate commission, Gross Proceeds of $20 mm, $20 mm and $25 mm respectively). Applied 100% to Term Loan.

Income Statement

Revenue
Revenue is forecast to grow from $750 million to $1,830 million over the forecast period due to an anticipated recovery in single family home construction from current historically low levels. Management's expectation for such a recovery is supported by its view that 2009 housing starts have fallen to roughly 30% of a more normalized run rate (calculated as an average of the last 15 years excluding the top three years in each market).

Gross Profit Margin
Gross Profit Margin on a consolidated basis improves by 60 bps over the forecast period. This is driven in part by operating leverage in the Company's millwork, truss and construction services operations as volumes increase. On a market by market review of the businesses Management took a conservative view and in most cases assumed a very modest increase in margin over the forecast period driven by improved competitive dynamics. The Debtors are the largest custom millwork operator in the country giving the Debtors significant advantages in purchasing power, expertise and technology which will generate increased gross margin levels as sales volumes recover. Return to a stronger balance sheet position will return the ability to more effectively negotiate price discounts with major suppliers and provide the flexibility to buy ahead of major commodity price movements. Recent technology implementations continue to improve efficiencies (dispatch and delivery systems, centralization of truss engineering and take-offs, etc.)

EBITDA Margin
Following the recently completed detailed business by business review of Alvarez and Marsal, Management believes it has rationalized and stabilized its SG&A expenses to the point where top line sales improvement will result in gradual EBITDA margin expansion back to a level consistent with the long run average EBITDA margin of the business.

Excess Real Estate Asset Sales
The BMC West and SelectBuild Debtors own a large portfolio of real estate assets and have identified $65 million of excess real estate that is no longer required to support the business. The Projections assume this excess real estate will be sold in an orderly process realizing net after tax and commission proceeds of $17 million, $17 million and $22 million in 2010, 2011 and 2012 respectively. The Revenue, EBITDA and EBIT numbers as shown in the exhibits exclude the impact of these sales. Under terms of the Plan, 100% of the net real estate sales proceeds are used to pay down amounts outstanding on the Term Loan.

Tax
Management assumed a 40% tax rate and the loss of the benefit of any pre petition Normal Operating Loss ("NOL") pending further analysis of the restructuring plan by its auditors. Depending on the results of the auditor's findings significant revisions may be required.

Incentive Plans
The Projections include sales commissions and bonuses for field personnel however, excludes any provision for a corporate level management incentive plan.

Balance Sheet and Cash Flow Statement

Restructuring Adjustments
Various Balance Sheet adjustments are assumed to occur upon emergence at December 31, 2009 to implement the Plan and have the effect of reducing or cancelling certain pre petition assets and liabilities. These adjustments include among others, the creation of a new Term Loan ($135 million) in satisfaction of various pre petition Secured Lender claims and a liability to the Liquidating Trust ($36.4 million) in satisfaction of pre petition Unsecured Creditor claims. The Balance Sheet does not include Fresh Start accounting adjustments; therefore additional adjustments especially to the Shareholder's Equity account will be required pending completion of work by the Debtors' auditors.

Working Capital
The Debtors anticipate that over the forecast period there will be a gradual return to more normalized trade terms (consistent with historical averages) for both vendors and customers as their level of concern over the Reorganized Debtors' viability subsides and overall market conditions return to normal levels. This includes among other impacts a return to more normalized bad debt levels as the financial status of the customer base stabilizes.

Term Loan
The $135 million Term Loan bears interest at L+500. The Libor portion is cash pay for the life of the loan while the 500 bps margin is PIK for the first 2 years then cash pay thereafter. The Term Loan is entitled to receive various mandatory prepayments including 80% of Excess Cash Flow ("Excess Cash Flow") which is defined as EBITDA less capital expenditures, less increase in working capital, less cash taxes and less cash interest. Term Loan will be paid down with 100% of Excess Cash Flow if EBITDA is less than $50.0 million. Any Excess Cash payments as required under the Plan are paid annually in arrears during the second quarter of each year.

Exit Revolver
Under terms of the Plan, the Reorganized Debtors anticipate having access to a $100 million revolving credit facility with borrowing base terms equivalent to those in the pre petition revolving credit facility. The projected Exit Revolver Balance of $13.0 million at year end 2009 includes the cash effects of all transactions necessary to complete the exit from bankruptcy including among other things repayment of estimated borrowings under the DIP Revolver, payment of accrued and unpaid bankruptcy related professional, payment of exit financing fees, payment of an outstanding priority tax claim, and cash payments to the Liquidation Trust as specified in the Plan. The Exit Revolver outstanding balance will be subject to an interest rate of L+300 and unused commitments will carry a fee of 50bps.

General Unsecured Creditor Settlement
Under terms of the Plan, pre petition General Unsecured Creditors of the Debtors receive the right to 20% of the Excess Cash flow of the Reorganized Debtors if EBITDA is greater than $50.0 million, up to $36.4 million. Payments are made through the Liquidating Trust. This amount is included as a non-interest bearing Balance Sheet liability and not included in any calculation of Total or Net Debt.

Letters of Credit
Under terms of the Plan, pre petition Letters of Credit ("OldCo LC's") in the amount of $112 million remain outstanding as liabilities of certain pre petition secured lenders. The Projections assume that the Reorganized Debtors continue to meet their obligations under the terms of various lease, insurance and other agreements governing the OldCo LC's and therefore the OldCo LC's should remain undrawn and expire in due course. OldCo LC's accrue a 5% PIK fee for the first two years then pay 5% cash fees thereafter. The Projections assume that the Reorganized Debtors will require new Letters of Credit ("NewCo LC's") which are issued under terms of the Exit Revolver and incur cash pay fees of 5%. Only NewCo LC's reduce the amount of available unused Revolver capacity.

Capital Expenditures
Gradually increase over the forecast period from 0.4% to 0.5% of sales to support the anticipated return to higher sales levels. Through the business unit review process Management has been very focused on ensuring that the go forward business maintains an appropriate footprint in terms of people, machines and real estate to support the return to a more normalized level of business.

Unaudited Pro Forma Reorganized BMHC Summary Financial Statements

Reorganized BMHC Income Statement

(Dollars in Millions)

	2009	2010	2011	2012
Revenue	$748.5	$943.6	$1,309.5	$1,830.3
% Growth	--	*26.1%*	*38.8%*	*39.8%*
Gross Profit	$158.5	$209.5	$289.7	$399.9
% Margin	*21.2%*	*22.2%*	*22.1%*	*21.8%*
EBITDA	($20.0)	$21.2	$66.6	$126.4
% Margin	*(2.7%)*	*2.2%*	*5.1%*	*6.9%*
EBIT	($43.0)	($1.2)	$44.3	$104.0
% Margin	*(5.8%)*	*(0.1%)*	*3.4%*	*5.7%*
Total Interest Expense	$20.9	$20.7	$17.9	$11.0

Reorganized BMHC Balance Sheet

(Dollars in Millions)

	Pro Forma 2009	2010	2011	2012
Assets				
Cash	$6.0	$9.0	$30.0	$54.1
Accounts Receivable -Net	77.8	98.2	130.9	178.0
Inventory	60.9	70.2	89.0	119.6
Non Go Forward	56.2	41.2	26.2	6.2
Costs in Excess of Billings	8.9	13.6	18.8	26.3
Prepaid Expenses and Other	3.7	4.3	6.6	9.2
Total Current Assets	$213.5	$236.5	$301.6	$393.4
Property, Plant & Equipment, net	139.7	125.6	113.9	104.8
Goodwill and Other Intangibles	16.0	12.8	9.6	6.4
Other Long-Term Assets	8.6	6.9	5.2	3.4
Total Assets	$377.9	$381.8	$430.3	$508.1
Liabilities and Shareholders' Equity				
Accounts Payable - Trade	$26.7	$45.4	$65.9	$96.3
Insurance Deductible Reserves	16.8	18.5	20.5	22.5
Billings in Excess of Costs	17.2	26.1	36.2	50.6
Other	31.2	37.9	52.0	75.5
Total Current Liabilities	$91.8	$127.9	$174.6	$244.9
Revolver - Exit	13.0	8.9	0.0	0.0
Term Loan - Exit	135.0	124.7	105.6	53.9
General Unsecured Creditor Settlement	36.4	36.4	36.4	28.8
Accrued LC Interest	0.0	4.9	8.6	8.6
Other Long-Term Liabilities	28.8	28.8	28.8	28.8
Shareholder's Equity	72.9	50.2	76.4	143.1
Total Liabilities and Equity	$377.9	$381.8	$430.3	$508.1

Reorganized BMHC Cash Flow Statement

(Dollars in Millions)

	2010	2011	2012
Net Income Before Restructuring Expenses	($21.5)	$27.4	$68.2
Restructuring Expenses	0.0	0.0	0.0
Depreciation & Amortization	22.3	22.3	22.3
Loan Cost Amortization	1.7	1.7	1.7
Changes in Other Long Term Assets and Liabilities	0.0	0.0	0.0
Changes in Working Capital	1.1	(12.4)	(17.3)
Cash Flow From Operations	3.6	39.1	75.0
Asset Sales (a)	15.0	15.0	20.0
Real Estate Commissions Paid	(1.2)	(1.2)	(1.5)
Capital Expenditures	(5.0)	(7.5)	(10.0)
Cash Flow from Investing Activities	8.8	6.3	8.5
PIK Interest	11.4	9.3	0.0
Exit Loan Costs	0.0	0.0	0.0
Debt Repayment	(16.8)	(24.7)	(59.3)
Revolver Borrowings / (Payments)	(4.0)	(8.9)	0.0
Bankruptcy Related Adjustments	0.0	0.0	0.0
Cash Low from Financing	(9.4)	(24.4)	(59.3)
Beginning Cash Balance	6.0	9.0	30.0
Change in Cash	3.0	21.0	24.2
Ending Cash Balance	9.0	30.0	54.1

(a) After-tax gain on Real Estate sales of $3 mm included in Net Income Before Restructuring Expenses in 2010, 2011 and 2012 .

EXHIBIT G

10-K



Form 10-K

BUILDING MATERIALS HOLDING CORP - BLGM

Filed: April 15, 2009 (period: December 31, 2008)

Annual report which provides a comprehensive overview of the company for the past year

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

FORM 10-K

☑·ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

OR

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

For the transition period from _____ to _____

Commission file number **001-33192**

BMHC

www.bmhc.com

Building Materials Holding Corporation

Delaware	**91-1834269**
(State of incorporation)	(IRS Employer Identification No.)

720 Park Boulevard, Suite 200, Boise, Idaho 83712

(208) 331-4300

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Name of each exchange on which registered
None	

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $0.001 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐	Non-accelerated filer ☐
Accelerated filer ☐	Smaller reporting company ☑

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

Yes ☐ No ☑

The aggregate market value of common shares held by non-affiliates of the registrant as of June 30, 2008 was $43,457,242 . The market value computation excludes 4,921,246 shares held by affiliates such as directors, officers and holders of more than 5% of the common shares outstanding as of June 30, 2008.

The number of common shares outstanding as of April 10, 2009 was 29,732,742.

Documents Incorporated by Reference

None

Building Materials Holding Corporation

FORM 10-K

For the Fiscal Year Ended December 31, 2008

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Introduction – Risk Factors and Forward-Looking Statements

There are a number of business risks and uncertainties that affect our operations and therefore could cause future results to differ from past financial performance or expected results and ultimately affect the trading price of our common shares. Information regarding these risks and uncertainties is contained in Item 1A of Form 10-K under the caption Risk Factors.

Certain statements in this Form 10-K including those related to expectations about homebuilding activity in our markets, demographic trends supporting homebuilding, competition trends, anticipated sales and operating income and negotiations with our lenders are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical or current facts, including statements about our expectations, anticipated financial results and future business prospects are forward-looking statements. While these statements represent our current judgment on what the future may hold and we believe these judgments are reasonable, these statements involve risks and uncertainties that are important factors that could cause our actual results to differ materially from those in forward-looking statements. These factors include, but are not limited to, the risks and uncertainties cited in Item 1A of this Form 10-K under the caption Risk Factors. Undue reliance should not be placed on such forward-looking statements, as such statements speak only as of the date of the filing of our 2008 Annual Report on Form 10-K. We undertake no obligation to update forward-looking statements.

PART I

ITEM 1. Business

General

Building Materials Holding Corporation is one of the largest providers of residential building products and construction services in the United States, with a focus in the western and southern states. We distribute building materials, manufacture building components (millwork, floor and roof trusses and wall panels) and provide construction services to professional builders and contractors through a network of 43 distribution facilities, 29 manufacturing facilities and 5 regional construction services facilities. Based on National Association of Home Builders building permit activity, we provide building products and construction services in 10 of the top 25 single-family construction markets.

Incorporated in the state of Delaware in 1987, Building Materials Holding Corporation trades on the OTC Bulletin Board (OTCBB) under the ticker symbol BLGM and is headquartered in Boise, Idaho.

Our periodic and current reports are filed with the Securities and Exchange Commission at www.sec.gov and are also available on our website at www.bmhc.com . Additionally, our reports filed with the Securities Exchange Commission may be read or copied at the Security Exchange Commission's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information regarding the operation of the Public Reference Room may be obtained by calling 1 (800) SEC-0330.

Industry Overview

The residential building products and construction services industry is dependent on demand for single-family homes. Housing demand is influenced by many factors including the overall condition of the U.S. economy, mortgage and other interest rates, consumer confidence, job formation and demographic trends as well as other factors. The production of single-family homes is therefore variable and cyclical in nature.

Already under contraction, single-family housing starts declined further in the fourth quarter of 2008 as home foreclosures increased, lending standards tightened and rising unemployment sapped consumer confidence. According to the U.S Census Bureau as of November 2008, single-family housing starts for the U.S. as a whole fell below an annualized rate of 0.5 million. Excluding the boom years of 2006 through 2003, single-family housing starts for the U.S. as a whole averaged 1.1 million starts per year since 1990.

Similarly, as of November 2008 annualized single-family permits in our markets fell 46% to 0.2 million from the prior year. Accordingly, we implemented the following significant changes to our operations for 2008:

- closure of 42 and consolidation of 15 business units in underperforming markets,
- centralized administrative functions of information systems, reporting, accounts payable and human resources to our existing administrative support operation and
- reduced employees 42% in our operations and 12% in our administrative support operation.

According to the U.S. Census Bureau as of February 2009, single-family housing starts for the U.S. as a whole fell to an annualized rate below 0.4 million and single-family permits in our markets fell to an annualized rate below 0.2 million. This suggests 2009 will be more challenging than 2008 as the decline in housing starts will cause competition to sharpen. As a result, we continue to assess the operating performance of business units and eliminate cost inefficiencies. We continue to believe our employees' efforts to maintain our preferred supplier status with our customers and focus on cost efficiencies are distinguishing factors in our ability to weather this unprecedented downturn in the basic necessity of housing.



Under our **BMC West** brand, we 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. We serve our customers based on a regional market management approach where our business units offer our entire breadth of building products, manufactured building components and construction services to a market area. We currently offer these products and services in major metropolitan markets in Texas, Washington, Colorado, Idaho, Utah, Montana, California and Oregon.



Under our **SelectBuild** brand, we offer integrated construction services to production homebuilders as well as commercial and multi-family builders. These builders generally outsource framing and other construction services. Our services include wood framing, concrete services, plumbing and other services. Construction services include managing labor and construction schedules as well as sourcing materials. We currently offer these services in major metropolitan markets in California, Arizona, Nevada and Illinois.

Restructuring

In response to challenging economic and industry conditions, in May 2008 we initiated a comprehensive analysis of our businesses operations to improve cash flow and profitability as well as rationalize our operations for the current conditions of the homebuilding industry. The plan places a priority on positive cash flow, efficient use of capital and higher returns and focuses on closing or consolidating underperforming business units as well as improving business processes. As a result, we implemented the following changes:

Fourth Quarter

- closure of our concrete business and lumber distribution facility in Southern California,
- closure of a concrete business in Northern California,
- relocation of building materials distribution operation in Kent, Washington to our existing operations in the Puget Sound area of Washington,
- relocation of millwork operation in Fort Collins, Colorado to our existing operation in Greeley, Colorado,
- closure of building materials distribution, millwork and truss operations in Sparks, Nevada and
- exit of operating leases for various operating facilities.

Third Quarter

- closure of truss operation in Minden, Nevada,
- relocation of millwork operation in Boise, Idaho to our existing building distribution and truss operation in Boise, Idaho,
- relocation of millwork operation in Salt Lake City, Utah to our existing operation in Orem, Utah and
- exit of operating leases for various operating facilities.

Second Quarter

- streamlining of our organizational structure by reducing the previous 13 regions to 6 as well as realigning management functions,
- integration and centralization of administrative functions at construction services operations to our existing administrative support operations,
- closure of the following business units in underperforming markets:
  - millwork and building materials distribution operations in Merced and Bakersfield, California,
  - concrete and framing services in Tucson, Arizona,
  - block masonry, concrete services and truss manufacturing in Florida and
  - various underperforming trades within our operating regions and
- exit of operating leases for various operating facilities.

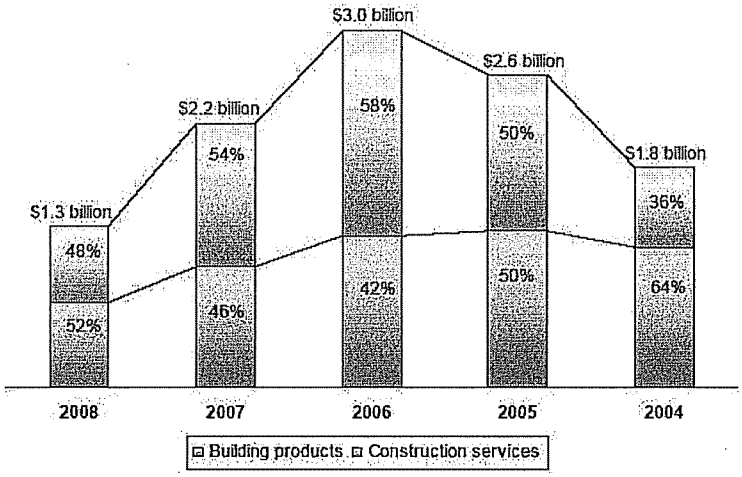
First Quarter

- appointment of a chief operating officer to assume responsibility for the operation of our building product and construction service offerings and
- discontinued framing services in Virginia.

During 2008 we reduced the number of employees 42% for operations and 12% for administrative support compared to a year ago.

We customize our mix of building products and construction services to meet customer needs in each of our markets. The significant housing downturn has changed our sales mix as follows:

Sales Mix



Competitive Strengths

Strategically located in growing and diverse markets. Our strategy focuses on offering building products and construction services in large, rapidly growing markets. According to single-family housing permit data from the U.S. Census Bureau, in 2008 we had operations in 10 of the top 25 U.S. metropolitan statistical areas. Our operations are geographically diverse and principally located in the western and south central states. According to the U.S. Census Bureau, housing starts have favored the western and southern regions, averaging 75% of annual starts over the past three years.

Full offering of manufactured products and other services. We believe we are well known and respected in our markets for the superior quality and breadth of our products and services. We have increased our sales of manufactured products, which provide us with higher margins and increased opportunities to cross-sell other products to our customers. By supplying professional builders and contractors with manufactured products and other services as well as key building materials, we are able to help them reduce costs and cycle time.

Superior quality turnkey construction services. We provide superior quality, cost effective and reliable construction service solutions to production homebuilders and other builders in key markets. Certifications from the National Association of Home Builders demonstrate our professional credibility, competence, business integrity and solid record of customer satisfaction.

Long-term vendor relationships. We have established strong relationships with our suppliers. These strong relationships provide us purchasing advantages, including volume rebate programs and preferred customer status when supplies or liquidity are limited.

Experienced management team. We have a dedicated and experienced management team that combines extensive industry experience, local knowledge in the market areas we serve and experience managing a large, sophisticated enterprise. Our senior management team averages approximately 22 years of industry experience.

Focus on service. Our focus on service is a key factor that distinguishes us from our competitors. We employ experienced, service-oriented individuals. Our product knowledge and construction service skills enable customers to rely on our expertise for project implementation and product recommendations. Our quality assurance initiatives limit callbacks on the services and products we provide. Our dedication to providing superior customer service to builders allows our employees to develop consistent relationships and generate repeat and referral business.

Our Customers

Our customers are national, regional and local professional homebuilders engaged in single-family residential construction. We also offer construction services to commercial and multi-family builders. These builders require materials procurement, manufactured building components, construction services and on-time job-site delivery. Our products and services are not typically offered by retailers selling to do-it-yourselfers, home improvement contractors and trades people.

On a consolidated basis, our largest customer accounted for 5% of sales in 2008, while the top five customers represented approximately 18% of consolidated sales. The loss of one or more of our significant customers or changes in customer mix may adversely affect our financial condition, results of operations or cash flows.

Competition

Our products and construction services compete with similar offerings in the marketplace and our competitors vary in size, management expertise and financial capabilities. Additionally, the markets in each of our business segments are fragmented and highly competitive.

We compete with local, regional and national building products distributors. Builders generally select suppliers based on competitive pricing, product availability, reliable delivery, service, trade credit and knowledgeable personnel. Competitors providing construction services range from single-crew operations to large well-managed organizations spanning multiple markets. Some production homebuilders also perform their own framing and other construction services.

Sales and Marketing

Our operations are located in many of the largest markets for single-family home construction. Economic strength as well as historical population and migration trends have generally supported the growth of residential construction in our markets. According to the U.S. Census Bureau, housing starts have favored the western and southern regions, averaging 75% of annual starts over the past three years.

We attract customers by consistently providing quality building products and dependable customer service. We also rely on the value and solid reputation of our construction services to secure and maintain national and regional relationships with production homebuilders. Our sales personnel are dedicated to sourcing new business and maintaining customer relationships. Marketing consists of industry-wide brand communications along with an array of regional marketing events and activities to enhance customer relationships.

Cyclicality and Seasonality
Our business is dependent on demand for and supply of single-family homes, which are influenced by changes in the overall condition of the U.S. economy, including interest rates, consumer confidence, job formation and other important factors. The production of single-family homes is therefore variable and cyclical in nature.

Because of weather conditions in some of our markets, our financial condition, results of operations or cash flows may be adversely affected by slower construction activity during the first and fourth quarters of the year.

Operating Strategy
Sales to customers for building products and construction services are as follows (thousands):

	2008	2007	2006
Building products	$ 693,664	$ 997,035	$ 1,254,056
Construction services	631,015	1,182,038	1,697,106
	$ 1,324,679	$ 2,179,073	$ 2,951,162

Our business units operate in specific markets and are organized under the brands of BMC West and SelectBuild. Each regional manager has substantial autonomy and responsibility to address customer needs specific to their markets. The reputation of a building products distributor or construction services provider is often determined locally, where service, product suitability and knowledgeable customer service are critical. Managers are responsible for optimizing business activities in their markets, including the efficient use of personnel, assessing and maintaining working capital, procuring construction labor and material requirements, identifying potential customers and developing appropriate service and product offerings. Incentive compensation is based on successful growth and operating results tied to specific market areas and regions.

We focus on improving efficiency and productivity at our business units while giving special attention and support to units that are not meeting strategic objectives. When a business unit fails to meet performance criteria, remedies include adjusting the mix of products and services, restructuring management, closure and consolidation.

Purchasing
We purchase building products from numerous manufacturers and suppliers. Our largest supplier accounted for approximately 6% of purchases in 2008.

We have preferred suppliers for certain building products. We maintain an open dialogue with our suppliers to avoid supply disruptions. Suppliers may experience liquidity problems due to the decline in the homebuilding industry and tightened credit availability. Also, our suppliers may have concerns about our financial viability and address their own liquidity needs by requesting faster payment of invoices or other assurances. If this were to happen, our need for cash may intensify and we may be unable to make payments to our suppliers as they become due.

To meet market specific needs and maintain appropriate inventory levels, purchasing decisions are made at the business unit level within the framework of corporate negotiated programs. Large volume purchases are made under company-wide guidelines. In addition, we participate in volume discount and cooperative advertising programs with suppliers. We have established strong relationships with our suppliers. These strong relationships provide us purchasing advantages, including volume rebate programs and preferred customer status when supplies or liquidity are limited.

The prices of commodity wood products, concrete, steel and other building products are volatile and may adversely impact financial condition, results of operations and cash flows when prices rapidly rise or fall. Our information systems allow business unit managers to closely monitor sales and inventory. With this supply and demand information, we generally avoid overstocking commodity wood products. As a result, we turn our commodity wood product inventory on average 10 times per year. Such rapid inventory turnover limits our potential exposure to inventory loss from commodity price fluctuations.

Management Information Systems
We continue to standardize software and infrastructure platforms that support the information needs of our organization. Our standardization effort includes job cost and construction information, estimating, accounts receivable management, inventory management, reporting, project scheduling and human resource management.

We use a project methodology that allows us to efficiently maintain and enhance these information systems for our business units. To eliminate redundant activities and reduce administrative costs, we transferred payroll, accounts payable and general ledger processes to our existing administrative support operations during 2008. As we focus on reducing costs, future implementations will be limited, however we will continue to maintain the effectiveness and stability of our information processes and systems.

We continue to research and recommend new technology solutions to improve information for decision-making, however new technology solutions must have a short-term and positive return to be implemented. Remote information technology functions have been consolidated and moved to Boise, Idaho to lower costs and improve efficiencies. We are also pursuing negotiations with our technology vendors to achieve economies on pricing.

Our network infrastructure consists of data centers in Boise, Idaho and Las Vegas, Nevada. This network infrastructure provides redundant services between data centers and allows for a more seamless disaster recovery capability.

Safety and Risk Management
The construction services industry incurs a higher number of accidents and subsequent costs for workers' compensation claims than typically experienced at building materials distribution facilities. Consequently, we have several programs to enhance safety and reduce the risks encountered by our employees. These programs include instruction and training for truck drivers, construction safety, behavioral safety as well as on-line and instructor led training programs relating to OSHA compliance matters and safety hazards in the workplace.

We maintain comprehensive insurance coverage to mitigate the potential cost of claims. Our estimated cost for automobile, general liability and workers' compensation claims is determined by actuarial methods. Claims in excess of certain amounts are insured with third-party insurance carriers. Reserves for claims are recognized based on the estimated costs of these claims as limited by the deductible of the applicable insurance policies.

Employees

Our success is highly dependent on the quality of our employees. Due to competition in attracting and retaining qualified employees, we maintain competitive compensation and benefit programs to attract, motivate and retain top-performers. We also provide extensive product knowledge, customer service and other supervisory or management training programs to achieve our goal of being both the employer and supplier of choice.

As of December 2008, we employed approximately 8,200 people of which 98% were in our operations and 2% were in our administrative support functions. Unions represent approximately 400 or less than 5% of our employees. We have not experienced any strikes or other work interruptions and have maintained generally favorable relations with our employees. However, recently there have been attempts by a union to organize our construction workers principally in our Arizona and Nevada operations. We will continue to balance shareholder value with competitive compensation and benefits, safe jobsites and quality construction skills for our employees.

Executive Officers

Name	Age	Position and Business Experience
Robert E. Mellor	65	Chairman of the Board and Chief Executive Officer Mr. Mellor became Chairman of the Board of Directors in 2002 and has been Chief Executive Officer since 1997. He has been a director since 1991. He was previously Of Counsel with the law firm of Gibson, Dunn & Crutcher LLP from 1990 to 1997. He is on the boards of directors of Coeur d'Alene Mines Corporation and The Ryland Group. He is also on the board of councilors of Save-the-Redwoods League. He does not serve on the audit committee of any of these boards. He serves on the compensation committee of the board of directors of Coeur d'Alene Mines.
William M. Smartt	66	Senior Vice President and Chief Financial Officer Mr. Smartt has been a Senior Vice President and Chief Financial Officer since April 2004. Prior to joining the Company, he was an independent consultant from August 2001 to March 2004. From 1992 to 2001, he was Executive Vice President, Chief Financial and Administrative Officer of DHL Express, a leader in international air express services. His previous experience as a Chief Financial Officer included 10 years with Di Giorgio Corporation, a Fortune 500 Company, whose product lines included the distribution of building materials, prefabricated components and framing services.

Stanley M. Wilson	64	President and Chief Operating Officer Mr. Wilson was appointed President and Chief Operating Officer of Building Materials Holding Corporation in February 2008. Mr. Wilson was appointed President and CEO of BMC West in 2004 and was appointed Senior Vice President in 2003. He was appointed Vice President in 2000 and was General Manager of the Pacific Division of BMC West from 1993 to 2003. Mr. Wilson has been with the company since its beginning in 1987. His previous experience includes 20 years with the building materials distribution business of Boise Cascade Corporation.
Eric R. Beem	39	Vice President and Controller Mr. Beem was appointed Vice President in January 2006 and Controller in April 2005. He joined the Company as Accounting Manager in 1996. Mr. Beem is a Certified Public Accountant and his experience includes 3 years with an international public accounting firm.
Mark R. Kailer	55	Vice President, Treasurer and Investor Relations Mr. Kailer has been Vice President and Treasurer since 2003. He joined the Company in 2000 as Assistant Treasurer. He was previously Senior Manager of Treasury Services at Circle International Group, a publicly-traded global logistics company based in San Francisco, from 1997 to 2000.
Paul S. Street	61	Senior Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary Mr. Street joined the Company in 1999 as Senior Vice President, General Counsel and Corporate Secretary and has been Chief Administrative Officer since 2001. He previously served as our outside General Counsel & Secretary while a partner of the law firm of Moffatt, Thomas, Barrett, Rock & Fields.

Item 1A. Risk Factors

Risks Related to Our Business
We face a number of significant risks and uncertainties in connection with our operations. The factors described below may adversely affect our business, financial position, results of operations or cash flows and could cause future results to differ from past performance or expected results.

While we describe each risk separately, some of these risks are interrelated and certain risks could trigger other risks described below. Also, the risks and uncertainties described below are not the only risks and uncertainties we may face:

There is substantial doubt about our ability to continue as a going concern.
Our consolidated financial statements were prepared assuming we will continue as a going concern. We may not be able to meet near-term working capital and scheduled interest and debt payment requirements if cash flows are inadequate from our suppressed operating activities or if our access to the revolver portion of our credit facility is restricted due to lack of compliance with financial covenants or revolver borrowing base limitations. Absent any waiver, forbearance or modification to our current credit agreement or other financing options, we believe our recurring losses from operations, interest and debt burden amid declining sales and potential inability to generate sufficient cash flow to meet our obligations and sustain our operations raise substantial doubt about our ability to continue near-term as a going concern.

Additionally, our long-term future is dependent on more normal levels of single-family housing starts and our ability to implement and maintain cost structures, including reduced interest and debt, that align with single-family housing trends. If this fails to transpire or if we cannot obtain a waiver, forbearance or modification to our current credit agreement or other financing options, we may not be able to continue as a going concern and may potentially be forced to seek relief through a bankruptcy filing. Such actions may have an adverse impact on the holders of our common shares.

Our business is dependent on demand for and supply of single-family homes that are influenced by changes in the overall condition of the U.S. economy, including interest rates, consumer confidence, job formation, availability of credit and other important factors.
The residential building products and construction services industry is highly dependent on demand for single-family homes, which is influenced by several factors. These factors include economic changes nationally and locally, mortgage and other interest rates, consumer confidence, job formation, demographic trends, tax incentives and availability of credit as well as other factors. The construction of new homes may experience decline due to excess unsold home inventory levels, lack of availability of credit for lenders, builders and homebuyers, lack of available and affordable land in attractive metropolitan areas, shortages of qualified tradespeople, shortages of materials and regulations that impose restrictive zoning and density requirements. Also, changes to housing patterns may occur, such as an increase in consumer demand for urban living rather than single-family suburban neighborhoods.

All of these factors could limit demand for home construction and may result in lower sales of our building products and construction services as well as lower operating results due to our inability to align our cost structure with these sales trends.

Our ability to maintain adequate liquidity, reduce operating costs and increase market share in an industry experiencing a 55% reduction in average annual housing starts may not be fully realized or may take longer to realize than expected. Excluding the boom years of 2006 through 2003, single-family housing starts for the U.S. as a whole averaged 1.1 million starts per year since 1990. For 2008, annualized single-family housing starts for the U.S. as a whole were 55% lower or 0.5 million starts. Housing starts have been negatively impacted by an excess inventory of unsold homes and home foreclosures as lending standards tightened and recent growing economic hardships of rising unemployment have sapped consumer confidence. These trends may not substantially improve for some time.

Single-family permits in our markets declined 46% for 2008 and 31% for 2007. The decline was widespread across all our markets for both building products and construction services. Lower sales from weakening buyer demand and increased competition for fewer contracts led to declines in our margins, particularly for construction services. As of February 2009, single-family housing starts for the U.S. as a whole fell to an annualized rate below 0.4 million and single-family permits in our markets fell to an annualized rate below 0.2 million. We expect market conditions to be challenging and may apply further pressure to our sales, margins and operating results.

- *Our liquidity is dependent on operating performance, an efficient cash conversion cycle and compliance with financial covenants.*

Liquidity is essential to our business. We fund working capital requirements and necessary capital expenditures with cash flow from operations and seasonal borrowings under our credit facility. A substantial deterioration in operating performance as well as inefficient conversion of business activities to cash may adversely affect our ability to obtain funding from operations or our credit facility.

We may not be able to meet near-term working capital and scheduled interest and debt payment requirements if cash flows are inadequate from our suppressed operating activities or if our access to the revolver portion of our credit facility is restricted due to lack of compliance with financial covenants or revolver borrowing base limitations. Absent any waiver, forbearance or modification to our current credit agreement or other financing options, we believe our recurring losses from operations, interest and debt burden amid declining sales and potential inability to generate sufficient cash flow to meet our obligations and sustain our operations raise substantial doubt about our ability to continue near-term as a going concern.

Additionally, our credit agreement requires monthly compliance with financial covenants including minimum liquidity and adjusted earnings before interest, taxes, depreciation and amortization (monthly Adjusted EBITDA) at least through 2010. Operating results, particularly income from continuing operations, are a primary factor for these covenants and our ability to comply with these covenants depends on our operating performance. At December 31, 2008, we were in compliance with the financial covenants of the credit agreement.

Based on financial information for February 2009, we were not in compliance with the monthly Adjusted EBITDA requirement of our credit agreement. In March 2009, we obtained a limited waiver through April 15, 2009 for lack of compliance with the monthly Adjusted EBITDA requirement and we preserved access to limited liquidity as we may borrow up to $20 million on the revolver portion of our credit facility. Each lender approving the limited waiver was paid a fee of 0.10% of their revolver commitment and their portion of the outstanding principal amount of the term note.

Previously, we obtained waivers for financial covenants related to our credit agreement due to lower than planned operating performance as of both June 2008 and December 2007. In September 2008, we entered into an amendment to our credit agreement with our lenders. The amended credit facility continues to provide a $200 million revolver subject to borrowing base limitations and a $340 million term note maturing in November 2011. As of December 31, 2008, no borrowings were outstanding under the revolver and $325.8 million was outstanding under the term note. As of March 31, 2009, there were $2.3 million borrowings outstanding under the revolver and $313.8 million was outstanding under the term note.

Due to the difficulty of reliably projecting our operating results within the suppressed business conditions of the homebuilding industry, there is significant uncertainty as to our ability to meet the financial covenants of our current credit agreement during 2009. Also, our independent registered public accounting firm included a going concern explanatory paragraph in their report on our financial statements for the year ended December 31, 2008 citing among other things, the uncertainty we will remain in compliance with these financial covenants. The going concern explanatory paragraph would constitute a default under our credit agreement. In April 2009, we obtained a waiver for the going concern explanatory paragraph.

Lack of compliance with these covenants constitutes an event of default under the credit agreement. As a result and absent any waiver, forbearance or modification, the lenders under our credit agreement would have the right to cause all amounts borrowed to become due and payable immediately and cease further borrowings by us under the credit facility.

In April 2009, we and our lenders agreed to extend the limited waiver through June 1, 2009. This waiver continues to waive the monthly Adjusted EBITDA, forecast and projection requirements of our credit agreement. The limited waiver limits borrowings under the revolver to $20 million subject to borrowing base limitations and limits capital expenditures to $0.5 million. This limited waiver also requires we complete timely tax filings for tax refunds as a result of net operating losses and provide a revised business plan. The satisfaction of the conditions of timely tax filings and revised business plan are subject to the discretion of our lenders. Each lender approving the waiver for the going concern explanatory paragraph and extending the limited waiver was paid a fee of 0.10% of their revolver commitment and their portion of the outstanding principal amount of the term note.

We are currently negotiating with our lenders to modify our credit agreement. These negotiations may provide us additional time and flexibility to develop a capital structure to support our long-term strategic plan and business objectives.

There is no assurance these negotiations will result in a credit agreement acceptable to us and the lenders or an agreement that will achieve our desired goals. We continue to pursue alternative financing arrangements as well as evaluate all other financing options.

If our operating performance, particularly cash flows from operations, is inadequate, we could suffer unfavorable consequences, such as payment delays to our suppliers or failure to honor contractual commitments including financial obligations.

Changes in or perceptions of our liquidity or the liquidity of our suppliers and customers may adversely affect our cash flows and compound other risks. Our suppliers of building products as well as customers of our building products and construction services may experience or perceive uncertain liquidity and cause changes in our liquidity. For example, vendors may disrupt supply with changes in terms such as credit and quantity limitations, pricing or payment. Similarly, customers may disrupt demand with changes in purchasing habits.

Increases in interest rates and the credit risk premium assigned to us as well as changes in the amount of debt will increase our interest expense. Higher interest expense may adversely impact our financial position, results of operations or cash flows for operating needs.

- *An inability to implement and maintain cost structures that align with sales trends may have an adverse impact on our operating results or the anticipated benefits of restructuring may not be fully realized or may take longer to realize than expected.*

When we experience slower periods of homebuilding activity, we may experience inefficiencies in our cost structures. In response to the current challenging economic and industry conditions, we have implemented restructuring plans that include closure or consolidation of underperforming business units, reductions in the number of employees and consolidation of certain administrative functions. These actions are designed to align our cost structures with anticipated sales. Our evaluation of and changes to expenses in response to declining sales may not be sufficient, timely or realized, leading to costs that are too high relative to sales and to lower returns on sales.

- *Loss of customers as well as changes in the business models of customers may have an adverse impact on our operating results.*

We are exposed to the risk of loss arising from the failure or financial distress of customers. Although amounts due from our customers are typically secured by liens on their construction projects, in the event a customer cannot meet its payment obligations to us, there is a risk that lender evaluations of customer creditworthiness may limit amounts paid to us or the value of their underlying project will not be sufficient to recover the amounts owed to us. Estimated credit losses are considered in the valuation of amounts due from our customers, however the entire carrying amount is generally at risk.

While market and regulatory changes seek to reduce excess unsold home inventory and stabilize housing affordability, we may experience losses of and changes in customers. Many homebuilders are experiencing business and financial challenges in the current housing environment. Our 5 largest customers represent 18% of consolidated sales. Additionally, diversification of our sales to more products and services for multi-family and commercial projects may result in changes in our customer mix. The loss of one or more of our significant customers or changes in customer mix may adversely affect our financial condition, results of operations or cash flows.

As the business models of our customers evolve, our existing building products and construction service offerings may not meet the needs of certain homebuilders. Homebuilders may decide to no longer outsource construction services or may purchase construction services and building products from separate suppliers. If we do not timely assess shifts in customer expectations, preferences and demands, our financial condition, results of operations or cash flows may be adversely affected.

Due to the continuing downturn in the housing industry, we may incur additional impairment charges and costs to close or consolidate additional business units in underperforming markets.
If weakness in the housing industry continues, all or a portion of remaining intangible assets for customer relationships as well as operating assets of underperforming business units may be impaired. Our ongoing evaluation of business operations places a priority on positive cash flow, efficient use of capital and higher returns. As a result of these evaluations, we may incur additional costs to close or consolidate additional underperforming business units. These impairment charges and costs may adversely affect our financial condition, results of operations or cash flows.

Our business is subject to intense competition.
For 2008, annualized single-family housing starts for the U.S. as a whole were 55% lower or 0.5 million starts compared to an average of 1.1 million starts per year since 1990. Specifically, single-family building permits in our markets declined 46% for 2008 and 31% for 2007. There are numerous competitors providing building materials and construction services for these lower housing starts. These competitive factors have led to pricing pressures and caused reductions in sales or margins as well as increases in operating costs. Loss of significant market share due to competition could result in the closure of facilities. Additionally, the availability of our financial information as well as concerns about our financial viability may be utilized against us by our competitors. Intense competition may adversely affect our financial condition, results of operations or cash flows.

Our success is dependent upon the availability of and our ability to attract, train and retain qualified individuals.
Competition for employees is especially intense in both building products distribution and construction services. Weak operating results may limit our ability to offer competitive compensation and benefits and may result in shortages of qualified labor and key personnel and in turn, may limit our ability to complete contracts as well as obtain additional contracts with builders. Also, as a result of the downturn in the homebuilding industry, many qualified individuals have and may continue to seek employment in other industries. Additional employment and eligibility requirements as well as enhanced and perceived enforcement from state and federal authorities could also limit the availability of qualified labor. We cannot guarantee that we will be successful in recruiting and retaining qualified employees in the future.

Our success is also dependent on our ability to profitably implement evolving employment legislation. For example, potential legislation easing union organizing activities and limiting arbitration options may significantly increase costs and may reduce or eliminate our ability to provide goods or services in certain markets. Increases in health care and unemployment benefits, holidays and various job protections increase costs. Likewise, changes required to reasonably balance employment levels and profitability are difficult to obtain under binding arbitration provisions. There is no assurance we will be successful in balancing a changing sense of entitlement with shareholder value. Employment legislation may adversely affect our financial condition, results of operations or cash flows.

Our operating results are affected by fluctuations in our costs and the availability of sourcing channels for commodity wood products, concrete, steel and other building products.
Prices of commodity wood products, concrete, steel and other building products are historically volatile and are subject to fluctuations arising from changes in domestic and international supply and demand, labor costs, competition, market speculation, government regulations and periodic delays in delivery. Rapid and significant changes in product prices may affect sales as well as margins due to a limited ability to pass on short-term price changes. We do not use derivative financial instruments to hedge commodity price changes.

We may experience shortages of building products as a result of unexpected demand or production difficulties as well as transportation limitations. We have preferred suppliers for certain building products. We maintain an open dialogue with our suppliers to avoid supply disruptions. Suppliers may experience liquidity problems due to the decline in the homebuilding industry and tightened credit availability. Also, our suppliers may have concerns about our financial viability and address their own liquidity needs by requesting faster payment of invoices or other assurances. If this were to happen, our need for cash may intensify and we may be unable to make payments to our suppliers as they become due. Any disruption in our sources of supply for key building products could negatively impact our financial condition, results of operations or cash flows.

Weather conditions, including natural catastrophic events, may cause our operating results to fluctuate each quarter.
Our first and fourth quarters historically have been, and are expected to continue to be, adversely affected by weather conditions in some of our markets, causing decreases in operating results due to slower homebuilding activity. In addition, natural catastrophic events may cause our operating results to fluctuate.

The nature of our business exposes us to product liability and construction defect claims as well as other legal proceedings.
We are involved in product liability and construction defect claims relating to the products we distribute and manufacture and our various construction trades. We are also exposed to potential claims arising from the conduct of homebuilders and their subcontractors. We also operate a large fleet of trucks and other vehicles and therefore face some risk of accidents. Although we believe we maintain adequate insurance, we may not be able to maintain such insurance on acceptable terms or such insurance may not provide adequate protection against potential liabilities.

The nature of our business also exposes us to wage and hour claims. Accuracy of timekeeping methods may be difficult to defend and the extrapolation methods utilized may result in significant claims. Current or future claims may adversely affect our financial condition, results of operations or cash flows.

We may be adversely affected by disruptions in our information systems.
Our operations are dependent upon information for decision-making and the related information systems. A substantial disruption in our information systems for a prolonged period could delay the delivery of our products and services and adversely affect our ability to complete contracts and fulfill customer demands. Such delays, problems or costs may have an adverse effect on our financial condition, results of operations or cash flows.

Actual and perceived vulnerabilities as a result of widespread credit and liquidity concerns, terrorist activities and armed conflict may adversely impact consumer confidence and our business.
Instability in the economy and financial markets as a result of widespread credit and liquidity concerns, terrorism or war may impact consumer confidence and result in a decrease in homebuilding in our markets. Terrorist attacks may also directly impact our ability to maintain operations and services and may have an adverse effect on our business.

Federal, state and other regulations could impose substantial costs and/or restrictions on our business.
We are subject to various federal, state, local and other regulations, including among other things:

§ work safety regulations promulgated by the Department of Labor's Occupational Safety and Health Administration,

§ transportation regulations promulgated by the Department of Transportation,

§ employment regulations promulgated by the Department of Homeland Security and the United States Equal Employment Opportunity Commission as well as

§ state and local zoning restrictions and building codes.

More burdensome regulatory requirements in these or other areas may increase our costs and have an adverse effect on our financial condition, results of operations or cash flows.

Numerous other matters of a local and regional scale, including those of a political, economic, business, competitive or regulatory nature may have an adverse impact on our business.
Many factors shape the homebuilding industry and our business. In addition to the factors previously cited, there are other matters of a local and regional scale, including those of a political, economic, business, competitive or regulatory nature that may have an adverse effect on our business.

Risks Related to Our Shares
Risks related to our shares may include, however are not limited to:

§ *Our share price may fluctuate significantly, which may make it difficult for shareholders to trade our shares when desired or at attractive prices.*

The market price of our shares is subject to significant changes as a result of our operating performance and the other factors discussed above as well as perceptions and events that are beyond our control. Price and trading volume fluctuations for our shares may be unrelated or disproportionate to our operating performance. Additionally, our share price could fluctuate based on the expectations and performance of other publicly traded companies in the building products distribution and construction services industry.

§ *Our shares may be less attractive as they are not traded on a large, well-known exchange.*

Our shares trade on the OTC Bulletin Board. Our shares were suspended from trading on the New York Stock Exchange (NYSE) in October 2008 as our market capitalization was less than $25 million for a 30 trading-day period. The OTC Bulletin Board may be perceived by investors as less desirable than the larger, more well-known exchanges. As a result, there may be a reduction in the number of investors willing to acquire or hold our shares which could impact our ability to raise equity financing as well as reduce the liquidity and market price of our shares.

§ *Anti-takeover defenses in our governing documents and certain provisions under Delaware law could prevent an acquisition of our company or limit the price that investors might be willing to pay for our shares.*

Our governing documents and certain provisions of Delaware law that apply to us could make it difficult for another company to acquire control of our company. For example:

- our certificate of incorporation allows our Board of Directors to issue, at any time and without shareholder approval, preferred shares with such terms as they may determine;
- our bylaws provide that during certain types of transactions that could affect control, including the acquisition of 15% or more of our common shares, affiliates of any party to the transaction and persons having a material financial interest in the transaction may not be elected to the Board of Directors; and
- certain provisions of Delaware law generally prohibit us from engaging in any business combination with a person owning 15% or more of our common shares, or who is affiliated with us and owned 15% or more of our common shares at any time within three years prior to the proposed business combination, for a period of three years from the date the person became a 15% owner, unless specified conditions are met.

These provisions and others could delay, prevent or allow our Board of Directors to resist an acquisition of our company, even if a majority of our shareholders favored the proposed transaction.

ITEM 1B. Unresolved Staff Comments

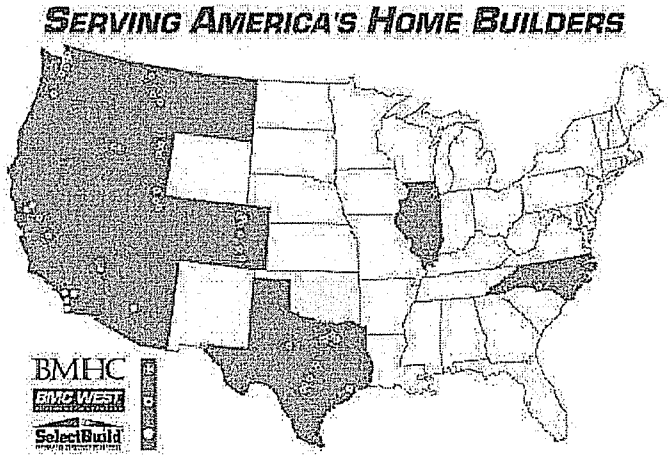
We have no unresolved comments from the Securities and Exchange Commission.

ITEM 2. Properties

We lease our headquarters in Boise, Idaho. Principal properties include distribution centers for building products, millwork fabrication and distribution sites, truss manufacturing plants and sales and administrative offices. Properties are located in growing metropolitan areas and emerging housing markets. Properties for our operations are 52% owned and 48% leased. Currently, 24% of these properties are vacant or subleased.

Our properties are in good operating condition and we believe they provide adequate capacity to meet the needs of our customers. Our locations operate under the brands of BMC West and SelectBuild as well as other brand names or trademarks within certain markets. Our properties are located as follows:

Operations		Administrative	
Location	**Properties**	**Location**	**Properties**
Arizona	12	California	1
California	21	Idaho	1
Colorado	13	Nevada	1
Florida	2		
Idaho	12		
Illinois	1		
Montana	7		
Nevada	13		
North Carolina	1		
Oregon	1		
Texas	28		
Utah	5		
Washington	5		



ITEM 3. Legal Proceedings

We are involved in litigation and other legal matters arising in the normal course of business. In the opinion of management, the recovery or liability, if any, under any of these matters will not have a material effect on our financial position, results of operations or cash flows.

ITEM 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Shares
Our common shares trade on the OTC Bulletin Board (OTCBB) under the symbol BLGM. Prior to October 2008, our common shares traded on the NYSE under the symbol BLG. The high and low share prices as well as cash dividends for each period were as follows:

	2008			2007			2006		
	High	Low	Cash Dividends Declared	High	Low	Cash Dividends Declared	High	Low	Cash Dividends Declared
First quarter	$7	$4	$—	$25	$18	$0.10	$40	$32	$0.10
Second quart	$5	$2	$—	$18	$13	$0.10	$38	$25	$0.10
Third quarter	$3	$0.47	$—	$15	$11	$0.10	$28	$21	$0.10
Fourth quarte	$1	$0.21	$—	$12	$5	$0.10	$28	$24	$0.10

Our credit facility amended in September 2008 prohibits the payment of cash dividends on our common shares. The determination of future dividend payments (cash or shares) will depend on many factors, including credit facility restrictions, financial position, results of operations and cash flows.

As of April 10, 2009, there were approximately 2,291 shareholders of record and the closing price of our shares on April 9, 2009 was $0.28.

Peer Companies
Our peers are composed of companies that provide building products and construction services as follows:

- Avatar Holdings Inc.
- Beazer Homes USA Inc.
- Brookfield Homes Corp.
- Builders FirstSource Inc.
- D.R. Horton Inc.
- KB Home
- Lennar Corp.
- Masco Corp.
- Meritage Homes Corp.
- MDC Holdings Inc.
- NVR Inc.
- Ryland Group Inc.
- Simpson Manufacturing Co. Inc.
- Standard Pacific Corp.
- Toll Brothers Inc.
- Universal Forest Products, Inc.
- USG Corp.

Securities Authorized for Issuance Under Equity Compensation Plans
The following table summarizes equity compensation information as of December 31, 2008 (thousands, except per share data):

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders	2,841	$13.11	1,901
Equity compensation plans not approved by security holders [1]	2,825	$0.47	—
Total	5,666	$6.81	1,901

(1) In connection with the amendment of our credit facility in September 2008, our Board of Directors authorized issuance of these warrants that entitle the lenders to purchase approximately 8.75% or 2.8 million of our common shares at a purchase price of $0.47 per common share, the closing price on the NYSE on September 30, 2008. These warrants may be exercised through September 2015.

ITEM 6. Selected Financial Data

The following selected financial data should be read in conjunction with Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations as well as Item 8 - Financial Statements and Supplementary Data. These items provide further information to understand the comparability of selected financial data.

Selected Financial Data
(thousands, except share and permit data)

	Year Ended December 31				
	2008	2007	2006	2005	2004
Sales (1) (3)					
Building products	$ 693,664	$ 997,035	$ 1,254,056	$ 1,291,899	$ 1,155,999
Construction services	631,015	1,182,038	1,697,106	1,285,940	656,697
Total sales	$ 1,324,679	$ 2,179,073	$ 2,951,162	$ 2,577,839	$ 1,812,696
Impairment of assets (2)	$ 53,015	$ 272,152	$ —	$ 508	$ 2,274
(Loss) income from continuing operations (3)	$ (192,456)	$ (265,767)	$ 81,545	$ 104,442	$ 44,988
(Loss) income from discontinued operations (1)	$ (22,353)	$ (46,946)	$ 20,529	$ 25,065	$ 8,922
Net (loss) income	$ (214,809)	$ (312,713)	$ 102,074	$ 129,507	$ 53,910
Net (loss) income per diluted share	$(7.39)	$(10.86)	$3.45	$4.41	$1.94
Annual cash dividends declared per share	$—	$0.40	$0.40	$0.24	$0.14
Working capital	$ 137,271	$ 262,741	$ 239,692	$ 295,220	$ 264,272
Total assets	$ 539,715	$ 874,844	$ 1,328,911	$ 1,150,525	$ 743,044
Long-term debt, net of current portion	$ 287,009	$ 343,937	$ 348,374	$ 276,987	$ 204,321
Shareholders' equity	$ 44,262	$ 253,742	$ 572,629	$ 470,061	$ 327,678
Cash flows (used) provided by operations	$ (23,126)	$ 67,279	$ 273,418	$ 198,294	$ 33,374
Annualized single-family building permits in our markets per US Census Bureau as of November	152,264	280,890	409,744	491,901	479,037

	2008	2007	2006	2005	2004
(1) Sales from discontinued operations:	$ 40,645	$ 135,604	$ 294,007	$ 334,321	$ 278,329
Income (loss) from discontinued operations:	$ (22,353)	$ (46,946)	$ 20,529	$ 25,065	$ 8,922

(2) As a result of changes in specific markets, the following impairments were recognized in 2008:

- $53.0 million for carrying amount of customer relationships, goodwill and certain property and equipment.

As a result of changes in specific markets, the following impairments were recognized in 2007:

- $272.2 million for the carrying amount of goodwill and certain customer relationships.

	2008	2007	2006	2005	2004
(3) Sales from acquisitions:	$ —	$ 82,088	$ 701,604	$ 387,819	$ 64,815
Income from acquisitions:	$ —	$ 7,595	$ 55,454	$ 30,588	$ 2,152

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Consolidated Financial Statements and related notes that appear in Item 8 of this Form 10-K as well as the caption under this item entitled Business Risks and Forward-Looking Statements.

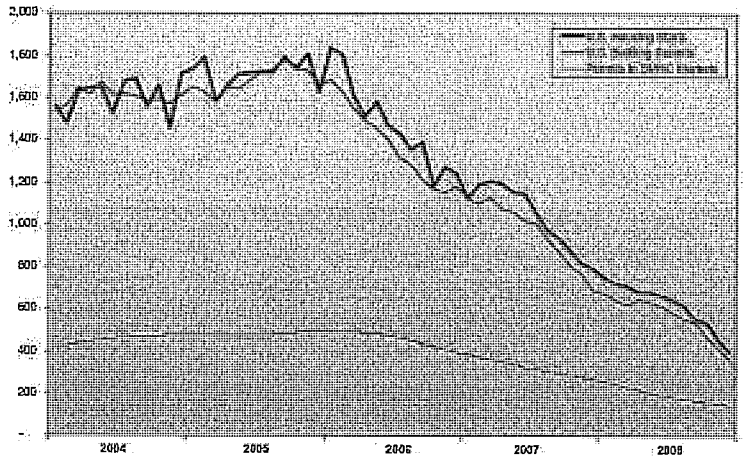
Our Business

We are one of the largest providers of residential building products and construction services in the United States. Under the brand names of BMC West and SelectBuild, we serve the homebuilding industry through six regional operations: Texas, California, Intermountain, Southwest, Northwest and Illinois. In each of these regions, we market and sell building products, manufacture building components and provide construction services to professional builders and contractors.

Our operations are located in metropolitan areas that have historically outpaced U.S. averages for residential building permit activity. We believe we are in homebuilding markets supported by positive long-term population growth, household formation and demographic trends.

Business Environment and Executive Overview

Annualized Single-Family Housing Starts and Permits
(000s)



Already under contraction, single-family housing starts declined further in the fourth quarter of 2008 as home foreclosures increased, lending standards tightened and rising unemployment sapped consumer confidence. According to the U.S. Census Bureau as of November 2008, single-family housing starts for the U.S. as a whole fell below an annualized rate of 0.5 million. Excluding the boom years of 2006 through 2003, single-family housing starts for the U.S. as a whole averaged 1.1 million starts per year since 1990.

Similarly, as of November 2008 annualized single-family permits in our markets fell 46% to 0.2 million from the prior year. Accordingly, we implemented the following significant changes to our operations for 2008:

- □ □□closure of 42 and consolidation of 15 business units in underperforming markets,

- □□□□centralized administrative functions of information systems, reporting, accounts payable and human resources to our existing administrative support operation and

- □□□□reduced employees 42% in our operations and 12% in our administrative support operation.

Single-family permits in our markets declined 46% for 2008 and 31% for 2007. The decline was widespread across all our markets for both building products and construction services. Lower sales from weakening buyer demand and increased competition for fewer contracts led to declines in our margins, particularly for construction services. As of February 2009, single-family housing starts for the U.S. as a whole fell to an annualized rate below 0.4 million and single-family permits in our markets fell to an annualized rate below 0.2 million.

This suggests 2009 will be more challenging than 2008 as the decline in housing starts will cause competition to sharpen. As a result, we continue to assess the operating performance of business units and eliminate cost inefficiencies. We continue to believe our employees' efforts to maintain our preferred supplier status with our customers and focus on cost efficiencies are distinguishing factors in our ability to weather this unprecedented downturn in the basic necessity of housing.

Uncertainty of Liquidity

We have incurred losses from operations and costs to restructure. We managed our liquidity during this time with closure and consolidation of underperforming business units and cost reduction initiatives as well as sales of assets. However, the downturn in the housing industry has been deepened by an increase in home foreclosures and sapped consumer confidence from tightened lending standards and rising unemployment and created a difficult business environment. Our operating performance and liquidity were negatively affected by these economic and industry conditions which are beyond our control.

These business conditions have not improved during the first quarter of 2009. As of February 2009, single-family housing starts for the U.S. as a whole fell to an annualized rate below 0.4 million and single-family permits in our markets fell to an annualized rate below 0.2 million. We do not believe these business conditions will improve significantly during 2009.

Our actions to align our cost structure with anticipated sales may not be sufficient, timely or realized and may create additional cash requirements for operations. We also have significant interest and debt service obligations consisting of cash payments for interest and principal. With insufficient funds from operations, our primary source for funding operating needs is the revolver portion of our credit facility. However, our revolver is subject to borrowing base limitations of certain accounts receivable, inventory, property and equipment and real estate and may not provide adequate liquidity.

We are anticipating tax refunds as a result of net operating losses. Our federal tax refund is approximately $56 million and will be used to pay down existing obligations and will help de-lever our capital structure. The timing of anticipated tax refunds for net operating losses is not known.

Additionally, our credit agreement requires monthly compliance with financial covenants including minimum liquidity and adjusted earnings before interest, taxes, depreciation and amortization (monthly Adjusted EBITDA) at least through 2010. Operating results, particularly income from continuing operations, are a primary factor for these covenants and our ability to comply with these covenants depends on our operating performance. At December 31, 2008, we were in compliance with the financial covenants of the credit agreement.

Based on financial information for February 2009, we were not in compliance with the monthly Adjusted EBITDA requirement of our credit agreement. In March 2009, we obtained a limited waiver through April 15, 2009 for lack of compliance with the monthly Adjusted EBITDA requirement and we preserved access to limited liquidity as we may borrow up to $20 million on the revolver portion of our credit facility. Each lender approving the limited waiver was paid a fee of 0.10% of their revolver commitment and their portion of the outstanding principal amount of the term note.

Previously, we obtained waivers for financial covenants related to our credit agreement due to lower than planned operating performance as of both June 2008 and December 2007. In September 2008, we entered into an amendment to our credit agreement with our lenders. Our amended credit facility provides a $200 million revolver subject to borrowing base limitations and a $340 million term note maturing in November 2011. As of December 31, 2008, no borrowings were outstanding under the revolver and $325.8 million was outstanding under the term note. As of March 31, 2009, there were $2.3 million borrowings outstanding under the revolver and $313.8 million was outstanding under the term note.

Due to the difficulty of reliably projecting our operating results within the suppressed business conditions of the homebuilding industry, there is significant uncertainty as to our ability to meet the financial covenants of our current credit agreement during 2009. Also, our independent registered public accounting firm included a going concern explanatory paragraph in their report on our financial statements for the year ended December 31, 2008 citing among other things, the uncertainty we will remain in compliance with these financial covenants. The going concern explanatory paragraph would constitute a default under our credit agreement. In April 2009, we obtained a waiver for the going concern explanatory paragraph.

Lack of compliance with these covenants constitutes an event of default under the credit agreement. As a result and absent any waiver, forbearance or modification, the lenders under our credit agreement would have the right to cause all amounts borrowed to become due and payable immediately and cease further borrowings by us under the credit facility.

In April 2009, we and our lenders agreed to extend the limited waiver through June 1, 2009. This waiver continues to waive the monthly Adjusted EBITDA, forecast and projection requirements of our credit agreement. The limited waiver limits borrowings under the revolver to $20 million subject to borrowing base limitations and limits capital expenditures to $0.5 million. This limited waiver also requires we complete timely tax filings for tax refunds as a result of net operating losses and provide a revised business plan. The satisfaction of the conditions of timely tax filings and revised business plan are subject to the discretion of our lenders. Each lender approving the waiver for the going concern explanatory paragraph and extending the limited waiver was paid a fee of 0.10% of their revolver commitment and their portion of the outstanding principal amount of the term note.

We are currently negotiating with our lenders to modify our credit agreement. These negotiations may provide us additional time and flexibility to develop a capital structure to support our long-term strategic plan and business objectives.

There is no assurance these negotiations will result in a credit agreement acceptable to us and the lenders or an agreement that will achieve our desired goals. We continue to pursue alternative financing arrangements as well as evaluate all other financing options.

We may not be able to meet near-term working capital and scheduled interest and debt payment requirements if cash flows are inadequate from our suppressed operating activities or if our access to the revolver portion of our credit facility is restricted due to lack of compliance with financial covenants or revolver borrowing base limitations. Absent any waiver, forbearance or modification to our current credit agreement, we believe our recurring losses from operations, interest and debt burden amid declining sales and potential inability to generate sufficient cash flow to meet our obligations and sustain our operations raise substantial doubt about our ability to continue near-term as a going concern.

Additionally, our long-term future is dependent on more normal levels of single-family housing starts and our ability to implement and maintain cost structures, including reduced interest and debt, that align with single-family housing trends. If this fails to transpire or if we cannot obtain a waiver, forbearance or modification to our current credit agreement or other financing options, we may not be able to continue as a going concern and may potentially be forced to seek relief through a bankruptcy filing.

Insurance Coverage
In connection with the amendment of our credit facility in September 2008, we were required to liquidate investments related to the statutory funding requirements of our captive insurance subsidiary. The marketable securities were liquidated in September 2008 and proceeds of $33.6 million were used to reduce net borrowings under the revolver and for operating needs.

Upon liquidation of investments held by our captive insurance subsidiary, insurance deductible reserves for claims will no longer be subject to statutory funding requirements. Claims for automobile, general liability and workers' compensation continue to be insured by third-party insurance carriers. Insurance deductible reserves for claims will be recognized based on the estimated cost of claims as limited by deductibles of the applicable insurance policies.

Performance Measurements

We measure our operating performance and financial condition based on several factors including:

- Sales
- Income from operations
- Cash flow
- Management of working capital
- Return on investment

The discussion of our results of operations and financial condition provides information to assist the reader in understanding our financial statements, changes in key items in those financial statements and the primary factors that accounted for those changes.

RESULTS OF OPERATIONS

2008 COMPARED TO 2007

The following table sets forth the amounts and percentage relationship to sales of certain costs, expenses and income items (millions, except per share data):

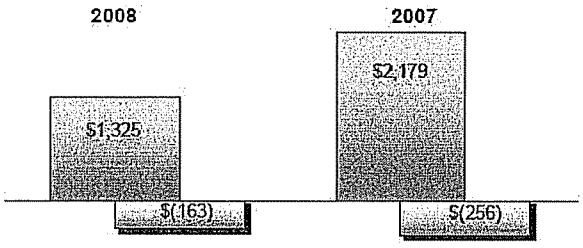
	Year Ended December 31			
	2008		2007	
Sales				
Building products	$ 694	52%	$ 997	46%
Construction services	631	48%	1,182	54%
Total sales	1,325	100%	2,179	100%
Costs and operating expenses				
Cost of goods sold				
Building products	514	74%	723	73%
Construction services	576	91%	1,028	87%
Impairment of assets	53	4%	272	13%
Selling, general and administrative expenses	349	26%	423	19%
Other income, net	(5)	—%	(10)	—%
Total costs and operating expenses	1,487	112%	2,435	112%
Loss from operations	(163)	(12)%	(256)	(12)%
Interest expense	53	4%	34	1%
Loss from continuing operations before income taxes and minority interests	(216)	(16)%	(290)	(13)%
Income tax benefit	23	2%	26	1%
Minority interests income, net of income taxes	—	—%	(1)	—%
Loss from continuing operations	(192)	(14)%	(266)	(12)%
Loss from discontinued operations prior to sale	(13)	(1)%	3	—%
Impairment of assets	(8)	—%	(65)	(3)%
Gain on sale of discontinued operations	—	—%	20	1%
Income tax expense	(2)	—%	(5)	—%
Loss from discontinued operations	(22)	(2)%	(47)	(2)%
Net loss	$ (215)	(16)%	$ (313)	(14)%

Note: *Certain amounts and percentages may not sum to totals due to rounding.*

Consolidated Financial Results

Selected financial results were as follows (millions):

Sales and Loss from Operations (millions)



	2008	2007	% Change
Sales			
Building products	$ 694	$ 997	(30)%
Construction services	631	1,182	(47)%
	$ 1,325	$ 2,179	(39)%
Loss from operations	$ (163)	$ (256)	(36)%

Sales decreased 39% to $1.3 billion from $2.2 billion a year ago. Sales were lower in all our regions, particularly sales of construction services. National trends in single-family home construction continue to be at depressed levels as annualized single-family housing starts for the U.S. as a whole were 55% lower or 0.5 million starts for 2008 compared to an average of 1.1 million starts per year since 1990 excluding the boom years of 2006 through 2003. Increased home foreclosures, tightening lending standards and rising unemployment have driven housing starts to their lowest level in the 50 years of available housing data. Similarly, single-family permits in our markets fell 46% for 2008 and 31% for 2007. The depth and duration of the current housing downturn remains uncertain.

Loss from operations was $163 million compared to a loss of $256 million a year ago and included the following:

- Gross margins declined to 18% from 20% a year ago. Margins declined 1.6% for building products and 4.3% for construction services. Lower margins resulted from intensified competition for building products and construction services for fewer housing starts.

- We recognized $53 million for the impairments of certain customer relationships and covenants not to compete, goodwill, certain property and equipment held for sale and certain leasehold improvements.

- Partially offsetting lower gross margins, selling and general administrative expenses decreased 17% or $73 million from a year ago. These expenses were lower due to employee reductions resulting in a decrease of $75 million or 42% in our operations and 12% in our administrative operation as well as $22 million of reductions in occupancy, shipping and handling, travel and other expenses. These reductions were partially offset by:

  - $14 million increase in the allowance for doubtful accounts receivable as our customers struggle with fewer construction projects and financing and

  - $9 million for exiting various operating leases associated with underperforming business units.

- Nonrecurring expenses associated with closure and consolidation of underperforming business units classified in selling, general and administrative expenses included $19 million of payroll and related expenses and other administrative operating expenses. As a percent of sales, selling, general and administrative expenses increased to 26% from 19%. In addition to the nonrecurring expenses, the increase was the result of:

  - a substantial decline in sales volume, particularly construction services and

§ a shift in sales mix to building products from construction services.

Interest Expense
Interest expense was 57% or $19 million more than a year ago. The increase was due to:

- $6.1 million for higher interest rates,
- $4.2 million for write-off of deferred loan costs,
- $3.2 million for fees associated with waivers and amendments of our credit facility in September and February 2008 and
- $3.0 million for the ineffective portion of interest rate swap contracts.

Income Taxes
Operating losses and impairments from continuing operations resulted in an income tax benefit of $23 million. Our effective income tax rate increased slightly to 10.8% and is lower than statutory federal and state tax rates due to uncertainty in our ability to realize deferred tax assets resulting from operating losses and impairments. To the extent taxable income is generated in future periods, these tax benefits may be realized and reduce our effective tax rate in future periods.

Discontinued Operations
In June 2008 and as a consequence of the significant and ongoing correction in single-family home construction, we discontinued our concrete block masonry and concrete services business as well as our truss manufacturing business in Florida. We incurred a loss from these operations of $12 million and recognized impairments of $8 million for customer relationships and assets held for sale. These operations represented approximately 6% of sales.

In March 2008, we discontinued framing services in Virginia. These operations represented less than 1% of sales.

RESULTS OF OPERATIONS

2007 COMPARED TO 2006

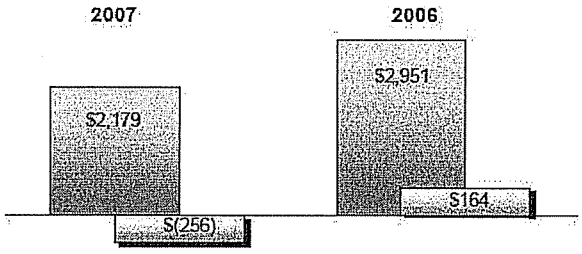
The following table sets forth the amounts and percentage relationship to sales of certain costs, expenses and income items (millions, except per share data):

	Year Ended December 31			
	2007		2006	
Sales				
Building products	$ 997	46%	$ 1,254	42%
Construction services	1,182	54%	1,697	58%
Total sales	2,179	100%	2,951	100%
Costs and operating expenses				
Cost of goods sold				
Building products	723	73%	913	73%
Construction services	1,028	87%	1,405	83%
Impairment of assets	272	13%	—	—%
Selling, general and administrative expenses	423	19%	473	16%
Other income, net	(10)	—%	(4)	—%
Total costs and operating expenses	2,435	112%	2,788	95%
(Loss) income from operations	(256)	(12)%	164	5%
Interest expense	34	1%	29	1%
(Loss) income from continuing operations before income taxes and minority interests	(290)	(13)%	135	4%
Income tax benefit (expense)	26	1%	(45)	(2)%
Minority interests income, net of income taxes	(1)	—%	(8)	—%
(Loss) income from continuing operations	(266)	(12)%	82	2%
Income from discontinued operations prior to sale	3	—%	35	1%
Impairment of assets	(65)	(3)%	(2)	—%
Gain on sale of discontinued operations	20	1%	—	—%
Income tax expense	(5)	—%	(12)	—%
(Loss) income from discontinued operations	(47)	(2)%	21	1%
Net (loss) income	$ (313)	(14)%	$ 102	3%

Note: *Certain amounts and percentages may not sum to totals due to rounding.*

Consolidated Financial Results
Selected financial results were as follows (millions):

Sales and (Loss) Income from Operations (millions)



	2007	2006	% Change
Sales			
Building products	$ 997	$ 1,254	(20)%
Construction services	1,182	1,697	(30)%
	$ 2,179	$ 2,951	(26)%
(Loss) income from operations	$ (256)	$ 164	n/m

Sales decreased 26% or $772 million to $2.2 billion. A sharp contraction in new home construction consistent with the national downturn in homebuilding was responsible for the decline. Single-family building permits in our markets were down 35% whereas the U.S. overall was down 29% compared to 2006. Weak buyer demand and an excess inventory of unsold homes curtailed new home starts by homebuilders. Sales of construction services were particularly lower since these sales are from production homebuilders who significantly reduced new home construction.

Gross margins declined to 20% of sales from 21% in 2006. Bidding for construction contracts was more competitive as fewer opportunities were available for builders. As a result, margins for construction services were sharply lower, while margins for building products improved due to a shift in sales mix to manufactured building components.

Intangibles and Goodwill Impairment
Consistent with the overall housing industry, our operations suffered from the effects of the sharp contraction in single-family home construction. The reporting units of our construction services operations and Colorado building distribution facilities demonstrated significant declines in operating performance in the later portion of the fourth quarter of 2007.

During the later portion of the fourth quarter of 2007, the leading sources of economic and housing data forecasted sharper reductions in housing starts. The rapid deterioration in housing forecasts and our operating performance resulted in significant revisions of our operating expectations underpinning the assumptions of recoverability of the carrying amount of customer relationships and goodwill. Additionally, our enterprise value reflected a significant reduction as investors considered overly negative perceptions of the future of the housing market and depressed the share values of housing related companies. For impairment testing, the fair values were determined based on estimates of enterprise value as well as the present value of estimated future operating cash flows. As a result, we determined the carrying amount of certain customer relationships and goodwill exceeded their respective estimated fair values and recognized the following impairments:

- $30.0 million for certain customer relationships,
- $242.0 million for goodwill and
- $0.2 million for certain equipment.

In addition, the related tax benefit for these impairments was limited to $26 million based on the estimated realization of tax benefits for current and prior periods. To the extent taxable income is generated in future periods, additional tax benefits related to these impairments may be realized and reduce our future effective tax rate.

Continued deterioration in our markets could result in additional impairments of the carrying amount of intangibles and goodwill.

Loss from operations was $256 million compared to income of $164 million in 2006. Excluding impairments, income from operations was $16 million. Our results from operations declined due to a sharp reduction in sales volume and lower gross margins for construction services.

Selling, general and administrative expenses decreased 11% or $51 million from 2006 due to reductions in the number of employees and related expenses as well as incentive compensation based on operating performance.

As a percent of sales, selling, general and administrative expenses increased to 19% from 16%. These expenses as a percent of sales were higher as a result of the decline in construction services sales volume as well as:

- a shift in sales mix to building products from construction services,
- decreases in commodity wood product prices and
- the relatively fixed portion of these expenses.

Interest Expense
Interest expense of $34 million increased $5 million from 2006. The increase was due to a rise in interest rates and higher average borrowings. Borrowings were higher to complete payments for acquisitions made in the prior year and fund seasonal working capital requirements.

Income Taxes
The impairment of goodwill and certain customer relationships for continuing operations resulted in a limited income tax benefit of $26 million. Our effective income tax rate was a benefit of 8.8% and was lower than statutory federal and state tax rates due to uncertainty in our ability to realize deferred tax assets resulting from these impairments. To the extent taxable income is generated in future periods, the tax benefit derived from the impairments may be realized and reduce our effective tax rate in future periods.

Discontinued Operations
In September 2007, we sold three building materials distribution businesses in Western Colorado. Gain on the sale of these discontinued operations was $20 million, principally from the December 2007 sale of remaining real estate in Aspen, Colorado. These business units represented approximately 1% of sales.

LIQUIDITY AND CAPITAL RESOURCES

Uncertainty of Liquidity

We have incurred losses from operations and costs to restructure. We managed our liquidity during this time with closure and consolidation of underperforming business units and cost reduction initiatives as well as sales of assets. However, the downturn in the housing industry has been deepened by an increase in home foreclosures and sapped consumer confidence from tightened lending standards and rising unemployment and created a difficult business environment. Our operating performance and liquidity were negatively affected by these economic and industry conditions which are beyond our control.

These business conditions have not improved during the first quarter of 2009. As of February 2009, single-family housing starts for the U.S. as a whole fell to an annualized rate below 0.4 million and single-family permits in our markets fell to an annualized rate below 0.2 million. We do not believe these business conditions will improve significantly during 2009.

Our actions to align our cost structure with anticipated sales may not be sufficient, timely or realized and may create additional cash requirements for operations. We also have significant interest and debt service obligations consisting of cash payments for interest and principal. With insufficient funds from operations, our primary source for funding operating needs is the revolver portion of our credit facility. However, our revolver is subject to borrowing base limitations of certain accounts receivable, inventory, property and equipment and real estate and may not provide adequate liquidity.

We are anticipating tax refunds as a result of net operating losses. Our federal tax refund is approximately $56 million and will be used to pay down existing obligations and will help de-lever our capital structure. The timing of anticipated tax refunds for net operating losses is not known.

Additionally, our credit agreement requires monthly compliance with financial covenants including minimum liquidity and adjusted earnings before interest, taxes, depreciation and amortization (monthly Adjusted EBITDA) at least through 2010. Operating results, particularly income from continuing operations, are a primary factor for these covenants and our ability to comply with these covenants depends on our operating performance. At December 31, 2008, we were in compliance with the financial covenants of the credit agreement.

Based on financial information for February 2009, we were not in compliance with the monthly Adjusted EBITDA requirement of our credit agreement. In March 2009, we obtained a limited waiver through April 15, 2009 for lack of compliance with the monthly Adjusted EBITDA requirement and we preserved access to limited liquidity as we may borrow up to $20 million on the revolver portion of our credit facility.

Previously, we obtained waivers for financial covenants related to our credit agreement due to lower than planned operating performance as of both June 2008 and December 2007. In September 2008, we entered into an amendment to our credit agreement with our lenders. Our amended credit facility provides a $200 million revolver subject to borrowing base limitations and a $340 million term note maturing in November 2011. As of December 31, 2008, no borrowings were outstanding under the revolver and $325.8 million was outstanding under the term note. As of March 31, 2009, there were $2.3 million borrowings outstanding under the revolver and $313.8 million was outstanding under the term note.

Due to the difficulty of reliably projecting our operating results within the suppressed business conditions of the homebuilding industry, there is significant uncertainty as to our ability to meet the financial covenants of our current credit agreement during 2009. Also, our independent registered public accounting firm included a going concern explanatory paragraph in their report on our financial statements for the year ended December 31, 2008 citing among other things, the uncertainty we will remain in compliance with these financial covenants. The going concern explanatory paragraph would constitute a default under our credit agreement. In April 2009, we obtained a waiver for the going concern explanatory paragraph.

Lack of compliance with these covenants constitutes an event of default under the credit agreement. As a result and absent any waiver, forbearance or modification, the lenders under our credit agreement would have the right to cause all amounts borrowed to become due and payable immediately and cease further borrowings by us under the credit facility.

In April 2009, we and our lenders agreed to extend the limited waiver through June 1, 2009. This waiver continues to waive the monthly Adjusted EBITDA, forecast and projection requirements of our credit agreement. The limited waiver limits borrowings under the revolver to $20 million subject to borrowing base limitations and limits capital expenditures to $0.5 million. This limited waiver also requires we complete timely tax filings for tax refunds as a result of net operating losses and provide a revised business plan. The satisfaction of the conditions of timely tax filings and revised business plan are subject to the discretion of our lenders. Each lender approving the waiver for the going concern explanatory paragraph and extending the limited waiver was paid a fee of 0.10% of their revolver commitment and their portion of the outstanding principal amount of the term note.

We are currently negotiating with our lenders to modify our credit agreement. These negotiations may provide us additional time and flexibility to develop a capital structure to support our long-term strategic plan and business objectives.

There is no assurance these negotiations will result in a credit agreement acceptable to us and the lenders or an agreement that will achieve our desired goals. We continue to pursue alternative financing arrangements as well as evaluate all other financing options.

We may not be able to meet near-term working capital and scheduled interest and debt payment requirements if cash flows are inadequate from our suppressed operating activities or if our access to the revolver portion of our credit facility is restricted due to lack of compliance with financial covenants or revolver borrowing base limitations. Absent any waiver, forbearance or modification to our current credit agreement or other financing options, we believe our recurring losses from operations, interest and debt burden amid declining sales and potential inability to generate sufficient cash flow to meet our obligations and sustain our operations raise substantial doubt about our ability to continue near-term as a going concern.

Additionally, our long-term future is dependent on more normal levels of single-family housing starts and our ability to implement and maintain cost structures, including reduced interest and debt, that align with single-family housing trends. If this fails to transpire or if we cannot obtain a waiver, forbearance or modification to our current credit agreement, we may not be able to continue as a going concern and may potentially be forced to seek relief through a bankruptcy filing.

Cash Flows

Historically, our primary needs for capital resources were to fund working capital and acquisitions as well as finance capital expenditures. In the future we expect to fund working capital requirements and necessary capital expenditures with cash flow from operations and seasonal borrowings under our credit facility.

If we are unable to implement and maintain cost structures, including debt and interest, that align with single-family housing trends or if we cannot obtain a waiver, forbearance or modification to our current credit agreement or other financing options, we may not be able to continue as a going concern and we may be forced to seek relief by altering our capital structure or through a bankruptcy filing.

Operations

Operating activities used $23 million of cash for 2008 compared to $67 million provided for 2007. Net loss adjusted for non-cash items increased $121 million from 2007 due to lower sales and reduced profitability as a result of the significant downturn in home construction. Our working capital requirements decreased $48 million in 2008. Cash provided by working capital requirements was $48 million for 2008 compared to cash provided of $36 million for 2007, as our working capital requirements decreased despite a significant increase in our cash conversion cycle as days payable outstanding decreased, inventory turns slowed slightly and there was no significant change in days sales outstanding.

In 2007, cash provided by operating activities was $67 million compared to $273 million for 2006. Net income adjusted for non-cash items decreased $126 million due to a significant contraction in construction activity as homebuilders curtailed production in an effort to align home inventory with demand. Consistent with the contraction of construction activity, our working capital requirements for 2007 were $36 million less than 2006. Inventory turns and days payable outstanding were consistent with the prior year whereas days sales outstanding increased slightly.

Cash provided by operating activities was $273 million for 2006 compared to $198 million for 2005. Net income adjusted for non-cash items decreased $15 million due to slower construction activity as homebuilders curtailed production. Changes in working capital were favorable as requirements were $104 million less than 2005 as the robust pace of housing starts began to deteriorate. Inventory turns and days payable outstanding improved whereas days sales outstanding increased slightly from 2005.

Capital Investment and Acquisitions

Cash provided by investing activities was $29 million for 2008 compared to $53 million used for 2007. Cash provided by investing activities reflected a $72 million reduction in expenditures for the acquisition of businesses. A remaining minority interest in a framing services operation was purchased for $8 million. Cash of $15 million was provided principally from the sale of building materials distribution facilities in Boulder, Colorado and Bakersfield, California as well as the sale of other equipment. Cash used for investing activities also included capital expenditures of $17 million or $16 million less than 2007. Capital expenditures were principally for relocation and expansion of materials distribution and component manufacturing facilities in Texas. Pursuant to our plans to terminate our captive insurance subsidiary, cash of $42 million, net was provided from the liquidation of marketable securities and proceeds were used to reduce net borrowings under the revolver and for operating needs.

In 2007, cash used in investing activities was $53 million or $227 million less than $280 million for 2006. Cash used for investing activities reflected a $121 million reduction in acquisition expenditures. Cash used for acquisitions of $81 million was principally for payments on acquisitions made in 2006. Cash of $27 million was provided by the sale of three building material distribution businesses in Western Colorado and relocation of a building materials distribution business in Texas. Cash used for investing activities also included capital expenditures of $33 million or $20 million less than 2006. Capital expenditures were principally for relocation and expansion of materials distribution and component manufacturing facilities as well as routine replacement of operating equipment. Cash of $17 million was provided from the sale of marketable securities pursuant to the statutory funding requirements of our captive insurance subsidiary.

Cash used in investing activities was $280 million for 2006 or $18 million more than $262 million used in investing activities for 2005. Cash use included $202 million for eight acquisitions and purchase of an additional 20% interest in a concrete block masonry and concrete services business. Cash used for investing activities also included capital expenditures for 2006 of $53 million or $6 million more than $47 million for 2005. Capital expenditures for 2006 were principally for centralization of a millwork facility in Colorado, expansion of distribution facilities in Texas and Idaho, expansion of construction service facilities in Arizona and expansion of our data center as well as construction and human resource information systems. Cash used for investing activities for 2006 also included $25 million for the net purchase of marketable securities pursuant to the statutory funding requirements of our captive insurance subsidiary.

Financing

Cash used by financing activities was $55 million for 2008 compared to $28 million used for 2007. Cash for operating needs, payments on the term note, capital expenditures and financing costs for our amended credit facility were funded by eliminations of the statutory funding requirements of our captive insurance subsidiary, reductions in working capital requirements, existing cash and proceeds from dispositions. In addition to scheduled principal payments, $16 million was paid on the term note as a result of reductions in the statutory funding requirements of our captive insurance subsidiary and proceeds from dispositions.

In 2007, cash used by financing activities was $28 million compared to $51 million provided by financing activities for 2006. Payments for acquisitions made in the prior year, capital expenditures and cash dividends for shareholders were funded with proceeds from the sale of three non-strategic building materials distribution businesses in Western Colorado, proceeds from other dispositions, cash from operations and lower working capital requirements. No additional borrowings were required.

Cash provided by financing activities was $51 million for 2006 compared to $74 million for 2005. After cash provided by operating activities, debt was incurred to complete eight acquisitions and purchase an additional 20% interest in a concrete block masonry and concrete services business as well as expand our facilities and information systems. In November 2006, we amended our revolver and entered into a new $350 million term note. This transaction resulted in proceeds from the $350 million term note which was used to repay our previous term notes and the amount outstanding under the revolver. Remaining borrowings were used to invest in cash equivalents and pay cash dividends for shareholders.

Financing Arrangements
Our debt structure consists of a revolver, term note and other borrowings.

We obtained waivers for financial covenants related to our credit agreement due to lower than planned operating performance as of both June 2008 and December 2007. In September 2008, we entered into an amendment to our credit agreement with our lenders. The amended credit facility continues to provide a $200 million revolver subject to borrowing base limitations and a $340 million term note maturing in November 2011.

• *Revolver*

The $200 million revolver is subject to borrowing base limitations and matures in November 2011. The revolver may consist of both LIBOR and Prime based borrowings. In the September 2008 amendment, the variable interest rate for the revolver was increased to LIBOR plus 5.25% or Prime plus 3.25%. Minimum LIBOR interest is 3.0%. Additionally, a commitment fee for the unused portion is 0.50%. LIBOR interest is paid quarterly and Prime interest is paid monthly. As of December 31, 2008, no borrowings were outstanding under the revolver.

The effective interest rate is based on interest rates for the period as well as the commitment fee for the unused portion of the revolver.

Letters of credit outstanding that guaranteed performance or payment to third parties were $110.6 million as of December 31, 2008. These letters of credit reduce the $200 million revolver commitment.

Total availability under the revolver is subject to a monthly borrowing base calculation that includes:

- 70% of certain accounts receivable,
- 50% of certain inventory,
- 25% of certain other inventory,
- approximately 75% of the appraised value of certain property and equipment and
- 50% of the appraised value of real estate.

As of December 31, 2008, the unused borrowing base available under the revolver was $66.7 million.

• *Term Note*

The term note matures in November 2011 and is payable in quarterly installments of $0.9 million with the remaining principal of $280.5 million payable in November 2011. In the September 2008 amendment, the variable interest rate for the term note was increased to LIBOR plus 5.25% or Prime plus 3.25%. Minimum LIBOR interest is 3.0%. LIBOR interest is paid quarterly and Prime interest is paid monthly. In addition to the LIBOR and Prime interest rates, the term note includes an additional annual payment-in-kind interest or fee of 2.75% that is payable on the earlier of payoff or maturity. As of December 31, 2008, $325.8 million was outstanding under this term note.

• *Other*
Other long-term debt consists of term notes, equipment notes and capital leases for equipment. Interest rates vary and dates of maturity are through March 2021. As of December 31, 2008, other long-term debt was $1.4 million.

Covenants and Maturities
Our amended credit facility requires monthly compliance with financial covenants including minimum liquidity and adjusted earnings before interest, taxes, depreciation and amortization (monthly Adjusted EBITDA) at least through 2010. At December 31, 2008, we were in compliance with the financial covenants of the credit agreement.

Based on financial information for February 2009, we were not in compliance with the monthly Adjusted EBITDA requirement of our credit agreement. In March 2009, we obtained a limited waiver through April 15, 2009 for lack of compliance with the monthly Adjusted EBITDA requirement and we preserved access to limited liquidity as we may borrow up to $20 million on the revolver portion of our credit facility.

Previously, we obtained waivers for financial covenants related to our credit agreement due to lower than planned operating performance as of both June 2008 and December 2007. In September 2008, we entered into an amendment to our credit agreement with our lenders. The amended credit facility continues to provide a $200 million revolver subject to borrowing base limitations and a $340 million term note maturing in November 2011.

Due to the difficulty of reliably projecting our operating results within the suppressed business conditions of the homebuilding industry, there is significant uncertainty as to our ability to meet the financial covenants of our current credit agreement during 2009. Also, our independent registered public accounting firm included a going concern explanatory paragraph in their report on our financial statements for the year ended December 31, 2008 citing among other things, the uncertainty we will remain in compliance with these financial covenants. The going concern explanatory paragraph would constitute a default under our credit agreement. In April 2009, we obtained a waiver for the going concern explanatory paragraph.

Lack of compliance with these covenants constitutes an event of default under the credit agreement. As a result and absent any waiver, forbearance or modification, the lenders under our credit agreement would have the right to cause all amounts borrowed to become due and payable immediately and cease further borrowings by us under the credit facility.

In April 2009, we and our lenders agreed to extend the limited waiver through June 1, 2009. This waiver continues to waive the monthly Adjusted EBITDA, forecast and projection requirements of our credit agreement. The limited waiver limits borrowings under the revolver to $20 million subject to borrowing base limitations and limits capital expenditures to $0.5 million. This limited waiver also requires we complete timely tax filings for tax refunds as a result of net operating losses and provide a revised business plan. The satisfaction of the conditions of timely tax filings and revised business plan are subject to the discretion of our lenders. Each lender approving the waiver for the going concern explanatory paragraph and extending the limited waiver was paid a fee of 0.10% of their revolver commitment and their portion of the outstanding principal amount of the term note.

We are currently negotiating with our lenders to modify our credit agreement. These negotiations may provide us additional time and flexibility to develop a capital structure to support our long-term strategic plan and business objectives.

There is no assurance these negotiations will result in a credit agreement acceptable to us and the lenders or an agreement that will achieve our desired goals. We continue to pursue alternative financing arrangements as well as evaluate all other financing options.

If our leverage ratio is at or above a certain maximum as of September 30, 2010, the monthly Adjusted EBITDA may be replaced with quarterly compliance with a leverage ratio and interest coverage ratio. Operating results, particularly income from continuing operations, are a primary factor for these covenants and our ability to comply with these covenants depends on our operating performance. The significant downturn in single-family housing starts has negatively impacted and may continue to negatively impact our operating performance.

The credit agreement requires certain proceeds and cash flows be applied to the credit facility as follows:

- Revolver
  - proceeds from the liquidation of statutory funding requirements of our captive insurance subsidiary,
  - 30% of tax refunds and
  - cash in excess of $25 million.
- Term Note
  - proceeds from certain dispositions,
  - 70% of tax refunds and
  - 75% of excess cash flow as defined beginning in 2010.

Due to requirements to apply tax refunds to the credit facility, 70% of the tax refund expected to be received in 2009 or $35.6 million has been classified as a current portion of long-term debt.

Proceeds from the liquidation of our captive insurance subsidiary, tax refunds and certain dispositions are retained in a separate cash account. Cash in excess of $25 million in this separate cash account is to be applied to the revolver or term note. Cash in this account was $9.2 million as of December 31, 2008. In the event of default, this cash is restricted and not available for our operating needs.

The amended credit facility continues to restrict our ability to incur additional indebtedness, pay dividends, repurchase shares, enter into mergers or acquisitions, use proceeds from equity offerings, make capital expenditures and sell assets. The amended credit facility is secured by all assets of our wholly-owned subsidiaries.

In connection with the September 2008 amendment, 100% or $2.8 million of unamortized deferred loan costs related to the term note were recognized as interest expense in the third quarter of 2008. We also incurred $3.8 million of costs in connection with the amendment and $2.0 million of these costs will be amortized over the remaining term of the credit facility whereas $1.8 million of these costs were recognized as interest expense in the third quarter of 2008.

In connection with the February 2008 amendment, 60% or $2.4 million of unamortized deferred loan costs related to the previous revolver were recognized as interest expense in the first quarter of 2008. We also incurred $4.9 million of fees in connection with the amendment and these costs were to be amortized over the remaining term of our credit facility. However, in connection with the September 2008 amendment, the remaining $2.6 million of these unamortized costs were recognized as interest expense in the third quarter of 2008.

Scheduled maturities of long-term debt are as follows (thousands):

2009	$ 39,443
2010	3,727
2011	283,189
2012	65
2013	70
Thereafter	677
	$ 327,171

Warrants

In connection with the amendment of our credit facility in September 2008, we issued warrants that entitle the lenders to purchase approximately 8.75% or 2.8 million of our common shares at a purchase price of $0.47 per common share, the closing price on the NYSE on September 30, 2008. These warrants may be exercised through September 2015.

The fair value of the warrants of $0.8 million was recorded as a discount on the term note. Amortization of the discount will be recognized ratably through November 2011, the remaining term of our credit facility.

Hedging Activities

In addition to the amendment to our credit facility in September 2008, we amended our interest rate swap contracts to lower amounts and a maturity matching the credit facility. As of December 2008, the interest rate swap contracts effectively converted $135.1 million of variable rate borrowings to a fixed interest rate of 10.6% plus any difference between minimum LIBOR interest of 3.0% and LIBOR, thus reducing the impact of increases in interest rates on future interest expense. Additionally, the notional amount of the interest rate swap contracts will be ratably reduced to zero through the maturity of November 2011.

Approximately 41% of the outstanding variable rate borrowings have been hedged through the designation of interest rate swap contracts accounted for as cash flow hedges through December 2008. After giving effect to the interest rate swap contracts, total borrowings were 58% variable and 42% fixed. Management may choose not to swap variable rates to fixed rates or may terminate a previously executed swap if the variable rate positions are more beneficial.

The fair value of the interest rate swap contracts was a liability of $7.5 million as of December 31, 2008. To the extent the hedge is effective, the corresponding unrealized loss for the interest rate swap contracts and unrealized tax benefit were recorded in accumulated other comprehensive (loss) income, net a separate component of shareholders' equity.

In December 2008, we determined the interest rate swap contracts were not an effective hedge of variable interest due to the recent significant reductions in LIBOR interest rates. As a result of the estimated difference between the LIBOR interest of the interest rate swap contracts and the minimum LIBOR interest of 3.0% of the term note, we recognized $3.0 million of interest expense for the ineffective portion of these interest rate swap contracts for 2008. The effective portion of the interest rate swap contracts of $4.5 million was recorded as an unrealized loss and an unrealized tax benefit of $1.7 million in accumulated other comprehensive (loss) income, net a separate component of shareholders' equity. A corresponding deferred tax asset for the unrealized tax benefit was eliminated with a valuation allowance as there may be an inability to utilize this deferred tax asset.

Hedge accounting was discontinued in January 2009, as it is not probable future LIBOR interest rates for the remaining term of the interest rate swap contracts will be at or above the minimum LIBOR interest of 3.0% of the term note. As a result, changes in the fair value of the interest rate swap contracts will be recognized as interest expense rather than recorded in accumulated other comprehensive (loss) income, net a separate component of shareholders' equity. The unrealized loss of $4.5 million in accumulated other comprehensive (loss) income, net as of December 31, 2008 will be subsequently amortized to interest expense over the remaining term of our term note.

In September 2008, we amended our interest rate swap contracts. Monthly settlements are made to ratably reduce the notional amount of the interest rate swap contracts through November 2011. Payments of $3.8 million have been made to settle a portion of the interest rate swap contracts liability and reduce the notional amount of the interest rate swap contracts. The related unrealized loss of $2.9 million and unrealized tax benefit of $1.1 million are recorded in accumulated other comprehensive (loss) income, net a separate component of shareholders' equity. A corresponding deferred tax asset for the unrealized tax benefit was eliminated with a valuation allowance as there may be an inability to utilize this deferred tax asset. The unrealized loss of $2.9 million will be subsequently amortized to interest expense over the remaining term of our term note. Amortization to interest expense for this unrealized loss was $0.9 million for 2008.

Equity
Repurchase Program
In March 2007, our Board of Directors authorized the repurchase of up to $25 million of our common shares through March 2008. The repurchase program expired in March 2008 with no shares repurchased.

Our credit facility amended in September 2008 prohibits the repurchase of our common shares. The determination of future share repurchases will depend on many factors, including credit facility restrictions, financial position, results of operations and cash flows.

Shelf Registration
In the third quarter of 1998, we filed a shelf registration with the Securities and Exchange Commission to register 4 million common shares. We may issue these shares in connection with future business acquisitions, combinations or mergers. Shares have been issued from this registration statement for a portion of the purchase price for acquisitions. There are approximately 3.7 million shares remaining and available under this shelf registration.

OFF-BALANCE SHEET ARRANGEMENTS

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships often referred to as structured finance or special purpose entities which might be established to facilitate off-balance sheet arrangements or other contractually narrow or limited purposes. As of December 31, 2008, we were not involved in any transactions with unconsolidated entities.

DISCLOSURES OF CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Contractual obligations as of December 31, 2008 (millions):

	Payments Due by Period					
Contractual Obligations	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**	**Total**	**Fair Value**
Long-term debt(1)	$39.4	$286.9	$0.2	$0.7	$327.2	$326.7
Capital lease obligations	—	—	—	—	—	—
Interest on long-term debt and capital leases(2)	24.8	63.4	0.1	0.2	88.5	88.5
Operating leases(3)	24.8	31.5	12.7	3.6	72.6	72.6
Unconditional purchase obligations	—	—	—	—	—	—
Other long-term commitments	—	—	—	—	—	—
	$89.0	$381.8	$13.0	$4.5	$488.3	$487.8
Interest rate swap contracts						
Notional principal amount of interest rate exchange agreements					$135.1	$7.5
Variable to fixed						
Average pay rate					5.3%	
Average receive rate					3.5%	
						$495.3

(1) Long-term debt obligations may differ due to future refinancing of debt.

(2) Interest obligations may differ due to future refinancing of debt. Interest on our variable rate debt was calculated for all years using the rates in effect as of December 31, 2008.

(3) Operating lease obligations may differ due to changes in operating plans and sublease arrangements. Operating lease obligations are net of sublease arrangements of $1.8 million for less than 1 year, $1.2 million for 1 – 3 years and $0.2 million for 3 – 5 years.

Our credit facility consists of the revolver and term note. Accelerated repayment of our revolver and term note may occur if certain financial conditions or warranties and representations are not met. The credit facility is secured by all the assets of our wholly-owned subsidiaries.

Our amended credit facility requires monthly compliance with financial covenants including minimum liquidity and adjusted earnings before interest, taxes, depreciation and amortization (monthly Adjusted EBITDA) at least through 2010. At December 31, 2008, we were in compliance with the covenants of the credit agreement.

If our leverage ratio is at or above a certain maximum as of September 30, 2010, the monthly Adjusted EBITDA may be replaced with quarterly compliance with a leverage ratio and interest coverage ratio. Lack of compliance with these covenants may accelerate the related scheduled maturities.

We have $110.6 million in letters of credit outstanding principally for the deductible portion of automobile, general liability and workers' compensation claims. These obligations are not required to be recorded as liabilities on our balance sheet and renew automatically on their various anniversary dates or until released by their respective beneficiaries.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Inventory Price Risk
Prices of commodity wood products, which are subject to significant volatility, may adversely impact operating income when prices rapidly rise or fall within a relatively short period of time. We do not use derivative financial instruments to hedge commodity wood product prices.

Interest Rate Risk
Changes in interest expense occur when market interest rates change. Changes in the amount of debt could also increase interest rate risks. We currently utilize interest rate swap contracts to hedge variable interest rates. As of December 2008, the interest rate swap contracts effectively converted $135.1 million of variable rate debt to a fixed interest rate of 10.6% plus any difference between minimum LIBOR interest of 3.0% and LIBOR. The notional amount of the interest rate swap contracts will be ratably reduced to zero through the maturity of November 2011.

Approximately 41% of the outstanding variable rate borrowings have been hedged with interest rate swap contracts. After giving effect to the interest rate swap contracts, total borrowings are 58% variable and 42% fixed. Based on debt outstanding as of December 31, 2008, a 0.25% increase in interest rates would result in approximately $0.5 million of additional interest expense annually.

Derivative financial instruments are not utilized to hedge other risks or for speculative or trading purposes.

CRITICAL ACCOUNTING ESTIMATES

Preparing financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions include critical accounting estimates which are defined by the Securities and Exchange Commission as those that are the most important to the portrayal of our financial condition, results of operations or cash flows. These estimates require our subjective and complex judgments often as a result of the need to estimate matters that are inherently uncertain. We review the development, selection and disclosure of these estimates with our Audit Committee. We believe the estimates utilized are reasonable under the circumstances, however actual results could differ from these estimates and may require adjustment in future periods. Our critical accounting estimates are:

- *Revenue Recognition for Construction Services*

The percentage-of-completion method is used to recognize revenue for construction services. Periodic estimates of our progress towards completion are made based on a comparison of labor costs incurred to date with total estimated contract costs for labor. The percentage-of-completion method requires the use of various estimates, including among others, the extent of progress towards completion, contract revenues and contract completion costs. Contract revenues and contract costs to be recognized are dependent on the accuracy of estimates, including quantities of materials, labor productivity and other cost estimates. We have a history of making reasonable estimates of the extent of progress towards completion, contract revenues and contract completion costs. However, due to uncertainties inherent in the estimation process, it is possible that actual contract revenues and completion costs may vary from estimates. Revisions of contract revenues and cost estimates as well as provisions for estimated losses on uncompleted contracts are recognized in the period such revisions are known.

- *Estimated Losses on Uncompleted Contracts and Changes in Contract Estimates*

Estimated losses on uncompleted contracts and changes in contract estimates are established by assessing estimated costs to complete, change orders and claims for uncompleted contracts. Revisions of estimated losses are recognized in the period such revisions are known.

At December 31, 2008, the reserve for these estimated losses was $0.2 million. These reserves are established by assessing estimated costs to complete, change orders and claims. Assumptions for estimated costs to complete include material prices, labor costs, labor productivity and contract claims. Such estimates are inherently uncertain and therefore it is possible that actual completion costs may vary from these estimates. We have a history of making reasonable estimates of the extent of progress towards completion, contract revenue and contract completion costs. However, due to uncertainties inherent in the estimation process, it is possible that actual completion costs may vary from estimates.

- *Realizability of Net Deferred Tax Asset*

Deferred tax assets and liabilities are recognized for tax credits and for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recognized to reduce the carrying amount of deferred tax assets to the amount that is more likely than not to be realized. If it is later determined it is more likely than not that deferred tax assets will be realized, the valuation allowance will be adjusted. Revisions of the valuation allowance are recognized in the period such revisions are known.

At December 31, 2008, the valuation allowance was $160.5 million. The valuation allowance was recognized due to the potential inability to realize these deferred tax assets. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The scheduled reversal of deferred tax liabilities, loss carryback and carryforward abilities, projected future taxable income, tax planning strategies, cumulative earnings and our industry are considered in making this assessment. Our ability to realize the deferred tax assets could change if estimates of future taxable income change. To the extent taxable income is generated in future periods, these tax benefits may be realized and reduce our effective tax rate in future periods.

• *Goodwill*

Goodwill represents the excess of purchase price over the fair values of net tangible and identifiable intangible assets of acquired businesses. An annual assessment for impairment is completed in the fourth quarter and whenever events and circumstances indicate the carrying amount may not be recoverable. An impairment is recognized if the carrying amount is more than the estimated future operating cash flows as measured by fair value techniques.

The impairment assessment includes determining the estimated fair value of reporting units based on discounting the future operating cash flows using a discount rate reflecting our estimated average cost of funds. Future operating cash flows are derived from our annual plan and forecast information, which includes assumptions of future volumes, pricing of commodity products and labor costs. Prices for commodity products are inherently volatile. Due to the variables associated with prices of commodity products and the effects of changes in circumstances, both the precision and reliability of the estimates of future operating cash flows are subject to uncertainty. As additional information becomes known, we may change our estimates.

• *Insurance Deductible Reserves*

The estimated cost of automobile liability, general liability and workers' compensation claims is determined by actuarial methods. Claims in excess of insurance deductibles are insured with third-party insurance carriers. Insurance deductible reserves for claims are recognized based on the estimated costs of these claims as limited by deductibles of the applicable insurance policies. Revisions to insurance deductible reserves for estimated claims are recognized in the period such revisions are known.

At December 31, 2008, the reserve for automobile, general liability and workers' compensation claims was $43.7 million. The estimated cost of claims is determined by actuarial methods. Actual loss experience may differ substantially from the actuarial assumptions. Future estimates of the cost of claims are subject to the nature and frequency of claims, medical cost inflation and changes in the insurance deductibles of the applicable insurance policies.

• *Warranties*

The estimated cost of warranties for certain construction services is based on the nature and frequency of claims, anticipated claims and cost per claim. Claims in excess of insurance deductibles are insured with third-party insurance carriers. Estimated costs for warranties are recognized when the revenue associated with the service is recognized. Revisions of estimated warranties are recognized in the period such revisions are known.

At December 31, 2008, the reserve for warranties was $5.7 million. Specific terms and conditions for warranties vary from one year to ten years and are based on geographic market and state regulations. The reserve for these claims is susceptible to change based on the estimated cost of the claim. We have a history of making reasonable estimates of warranties. However, due to uncertainties inherent in the estimation process, it is possible that actual warranty costs may vary from estimates.

• *Share-based Compensation*

Our estimates of the fair values of our share-based payment transactions are based on the modified Black-Scholes-Merton model. To meet the fair value measurement objective, we are required to develop estimates regarding expected exercise patterns, share price volatility, forfeiture rates, risk-free interest rate and dividend yield. These assumptions are based principally on historical experience. When circumstances indicate changes in forfeiture rates, revisions to forfeiture rates are recognized in the periods such revisions are known. Due to uncertainties inherent in these assumptions, it is possible that actual share-based compensation may vary from these estimates.

RECENT ACCOUNTING PRINCIPLES

In May 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 162, *The Hierarchy of Generally Accepted Accounting Principles* . This accounting principle identifies a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP) for nongovernmental entities. This accounting principle was adopted November 2008 and had no impact on our consolidated financial position, results of operations or cash flows.

In March 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* . This accounting principle enhances disclosure for derivative instruments and hedging activities and their effects on consolidated financial position, results of operations and cash flows. Specifically, enhanced disclosures include objectives and strategies for using derivatives, including underlying risk and accounting designation, as well as fair values, gains and losses. This accounting principle was adopted June 2008 and had no impact on our consolidated financial position, results of operations or cash flows.

In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements* . This accounting principle eliminates noncomparable accounting for minority interests. Specifically, minority interests are presented as a component of shareholders' equity; consolidated net income includes amounts attributable to both the parent and minority interest and is disclosed on the face of the income statement; changes in the ownership interest are accounted for as equity transactions if ownership remains controlling; purchase accounting for acquisitions of noncontrolling interests and acquisitions of additional interests is eliminated; and deconsolidated controlling interests are recognized based on fair value consistent with Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* . The accounting requirements were adopted January 2009 and had no impact on our consolidated financial position, results of operations or cash flows.

In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* . This accounting principle requires acquisition accounting (purchase accounting) be applied to all business combinations in which control is obtained regardless of consideration and for an acquirer to be identified for each business combination. Additionally, this accounting principle requires acquisition-related costs and restructuring costs at the date of acquisition to be expensed rather than allocated to the assets acquired and the liabilities assumed; noncontrolling interests, including goodwill, to be recorded at fair value at the acquisition date; recognition of the fair value of assets and liabilities arising from contractual contingencies and contingent consideration (payments conditioned on the outcome of future events) at the acquisition date; recognition of bargain purchase (acquisition-date fair value exceeds consideration plus any noncontrolling interest) as a gain; and recognition of changes in deferred taxes. This accounting principle was adopted January 2009 and had no impact on our consolidated financial position, results of operations or cash flows.

BUSINESS RISKS AND FORWARD-LOOKING STATEMENTS

There are a number of business risks and uncertainties that affect our operations and therefore could cause future results to differ from past performance or expected results. Additional information regarding business risks and uncertainties is contained in Part I Item 1A of Form 10-K. These risks and uncertainties may include, however are not limited to:

- substantial doubt about our ability to continue as a going concern;
- demand for and supply of single-family homes which are influenced by changes in the overall condition of the U.S. economy, including interest rates, consumer confidence, job formation, availability of credit and other important factors;
- our ability to maintain adequate liquidity, reduce operating costs and increase market share in an industry that has experienced and continues to experience a significant reduction in average annual housing starts;
- our liquidity is dependent on operating performance, an efficient cash conversion cycle and compliance with financial covenants;
- our ability to implement and maintain cost structures that align with sales trends and

loss of customers as well as changes in the business models of our customers may limit our ability to provide building products and construction services;

- additional impairment charges and costs to close or consolidate additional business units in underperforming markets;
- intense competition;
- availability of and our ability to attract, train and retain qualified individuals;
- fluctuations in our costs and availability of sourcing channels for commodity wood products, concrete, steel and other building materials;
- weather conditions including natural catastrophic events;
- exposure to product liability and construction defect claims as well as other legal proceedings;
- disruptions in our information systems;
- actual and perceived vulnerabilities as a result of widespread credit and liquidity concerns, terrorist activities and armed conflict;
- costs and/or restrictions associated with federal, state and other regulations; and
- numerous other matters of a local and regional scale, including those of a political, economic, business, competitive or regulatory nature.

Risks related to our shares may include, however are not limited to:

- price for our shares may fluctuate significantly;
- our shares may be less attractive as they are not traded on a large, more well-known exchange and
- anti-takeover defenses and certain provisions could prevent an acquisition of our company or limit share price.

Certain statements in this Form 10-K including those related to expectations about homebuilding activity in our markets, demographic trends supporting homebuilding, competition trends, anticipated sales and operating income and negotiations with lenders are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical or current facts, including statements about our expectations, anticipated financial results and future business prospects are forward-looking statements. While these statements represent our current judgment on what the future may hold and we believe these judgments are reasonable, these statements involve risks and uncertainties that are important factors that could cause our actual results to differ materially from those in forward-looking statements. These factors include, however are not limited to the risks and uncertainties cited in the above paragraph, as well as our ability to timely and successfully implement our restructuring program and achieve the benefits that the program is designed to provide, including preserving value, enhancing our liquidity, generating tax refunds, reducing expenses and generating cash proceeds. Undue reliance should not be placed on such forward-looking statements, as such statements speak only as of the date of the filing of this Form 10-K. We undertake no obligation to update forward-looking statements.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Inventory Price Risk
Prices of commodity wood products, which are subject to significant volatility, may adversely impact operating income when prices rapidly rise or fall within a relatively short period of time. We do not use derivative financial instruments to hedge commodity wood product prices.

Interest Rate Risk
Changes in interest expense occur when market interest rates change. Changes in the amount of debt could also increase interest rate risks. We currently utilize interest rate swap contracts to hedge variable interest rates. As of December 2008, the interest rate swap contracts effectively converted $135.1 million of variable rate debt to a fixed interest rate of 10.6% plus any difference between minimum LIBOR interest of 3.0% and LIBOR. The notional amount of the interest rate swap contracts will be ratably reduced to zero through the maturity of November 2011.

Approximately 41% of the outstanding variable rate borrowings have been hedged with interest rate swap contracts. After giving effect to the interest rate swap contracts, total borrowings are 58% variable and 42% fixed. Based on debt outstanding as of December 31, 2008, a 0.25% increase in interest rates would result in approximately $0.5 million of additional interest expense annually.

Derivative financial instruments are not utilized to hedge other risks or for speculative or trading purposes.

ITEM 8. Financial Statements and Supplementary Data

Building Materials Holding Corporation
Consolidated Statements of Operations
(thousands, except per share data)

	Year Ended December 31		
	2008	2007	2006
Sales			
Building products	$ 693,664	$ 997,035	$ 1,254,056
Construction services	631,015	1,182,038	1,697,106
Total sales	1,324,679	2,179,073	2,951,162
Costs and operating expenses			
Cost of goods sold			
Building products	514,222	722,786	913,468
Construction services	576,087	1,027,796	1,404,882
Impairment of assets	53,015	272,152	—
Selling, general and administrative expenses	349,417	422,694	473,374
Other expense (income), net	(5,059)	(9,971)	(4,159)
Total costs and operating expenses	1,487,682	2,435,457	2,787,565
(Loss) income from operations	(163,003)	(256,384)	163,597
Interest expense	52,925	33,800	29,082
(Loss) income from continuing operations before income taxes and minority interests	(215,928)	(290,184)	134,515
Income tax benefit (expense)	23,409	25,670	(44,893)
Minority interests loss (income)	63	(1,253)	(8,077)
(Loss) income from continuing operations	(192,456)	(265,767)	81,545
(Loss) income from discontinued operations prior to sale	(12,680)	2,937	34,680
Impairment of assets	(7,813)	(64,922)	(2,237)
Gain on sale of discontinued operations	—	20,029	—
Income tax expense	(1,860)	(4,990)	(11,914)
(Loss) income from discontinued operations	(22,353)	(46,946)	20,529
Net (loss) income	$ (214,809)	$ (312,713)	$ 102,074
Net (loss) income per share:			
Continuing operations	$ (6.62)	$ (9.23)	$ 2.85
Discontinued operations	(0.77)	(1.63)	0.72
Basic	$ (7.39)	$ (10.86)	$ 3.57
Continuing operations	$ (6.62)	$ (9.23)	$ 2.76
Discontinued operations	(0.77)	(1.63)	0.69
Diluted	$ (7.39)	$ (10.86)	$ 3.45

The accompanying notes are an integral part of these consolidated financial statements.

Building Materials Holding Corporation
Consolidated Balance Sheets
(thousands)

	December 31 2008	2007
Assets		
Cash and cash equivalents	$ 11,484	$ 60,587
Marketable securities	—	1,872
Receivables, net of allowances of $12,091 and $4,656	118,245	200,995
Inventory	78,676	115,524
Unbilled receivables	13,112	39,189
Income tax receivable	50,304	9,812
Deferred income taxes	—	11,470
Prepaid expenses and other	4,864	8,973
Assets of discontinued operations	5,659	10,492
Current assets	282,344	458,914
Property and equipment		
Land	33,996	60,052
Buildings and improvements	120,814	135,009
Equipment	153,843	185,958
Construction in progress	3,440	16,134
Accumulated depreciation	(148,032	(155,083
Assets held for sale	46,300	—
Marketable securities	—	40,039
Deferred income taxes	—	11,269
Deferred loan costs	4,485	4,358
Other long-term assets	23,303	30,956
Other intangibles, net	19,222	58,310
Goodwill	—	14,196
Assets of discontinued operations	—	14,732
	$ 539,715	$ 874,844

	December 31 2008	2007
Liabilities, Minority Interests and Shareholders' Equity		
Accounts payable	$ 19,021	$ 74,025
Accrued compensation	17,274	31,537
Insurance deductible reserves	17,527	27,189
Other accrued liabilities	26,981	28,989
Billings in excess of costs and estimated earnings	24,054	20,977
Current portion of long-term debt	39,443	4,923
Liabilities of discontinued operations	773	8,533
Current liabilities	145,073	196,173
Insurance deductible reserves	26,208	27,898
Long-term debt	287,009	343,937
Other long-term liabilities	37,163	44,503
Minority interests	—	8,591
Commitments and contingent liabilities	—	—
Shareholders' equity		
Common shares, $0.001 par value: authorized 50 million shares; issued and outstanding 29.7 and 29.4 million shares	29	29
Additional paid-in capital	169,146	164,043
Deferred compensation common shares obligation	878	1,427
Deferred compensation common shares	(878)	(1,427)
(Accumulated deficit) retained earnings	(120,327	94,482
Accumulated other comprehensive loss, net	(4,586)	(4,812)
Shareholders' equity	44,262	253,742
	$ 539,715	$ 874,844

The accompanying notes are an integral part of these consolidated financial statements.

Building Materials Holding Corporation
Consolidated Statements of Shareholders' Equity
(thousands)

	Year Ended December 31		
	2008	2007	2006
Common shares – beginning balance	$ 29	$ 29	$ 29
Shares issued from Incentive and Performance Plans	—	—	—
Shares issued upon exercise of warrants	—	—	—
Common shares	$ 29	$ 29	$ 29
Additional paid-in capital – beginning balance	$ 164,043	$ 154,405	$ 141,082
Shares issued from Incentive and Performance Plans			
Options exercised – Management	9	203	1,292
Tax benefit for share options exercised	—	29	1,457
Restricted shares – Management	(2,119)	2,614	5,220
Unearned compensation	2,119	(2,614)	(5,220)
Tax benefit for dividends on restricted shares	—	63	—
Shares – Directors	402	405	415
Earned compensation			
Options – Management	2,780	5,177	5,103
Restricted shares – Management	1,044	3,317	3,107
Tax benefit for vested restricted shares	—	167	—
Shares issued from Employee Stock Purchase Plan	86	277	1,949
Warrants			
Fair value of warrants issued	782	—	—
Warrants exercised	—	—	—
Additional paid-in capital	$ 169,146	$ 164,043	$ 154,405
Deferred compensation common shares obligation – beginning balance	$ 1,427	$ 1,200	$ 934
Deferred compensation	292	364	276
Dividends on common shares held	11	38	43
Distributions	(852)	(175)	(53)
Deferred compensation common shares obligation	$ 878	$ 1,427	$ 1,200
Deferred compensation common shares – beginning balance	$ (1,427)	$ (1,200)	$ (934)
Cost of shares purchased with deferred compensation and dividends	(303)	(402)	(319)
Cost of shares distributed	852	175	53
Deferred compensation common shares	$ (878)	$ (1,427)	$ (1,200)
Retained earnings – beginning balance	$ 94,482	$ 418,927	$ 328,463
Net (loss) income	(214,809)	(312,713)	102,074
Cash dividends on common shares	—	(11,732)	(11,610)
(Accumulated deficit) retained earnings	$ (120,327)	$ 94,482	$ 418,927
Accumulated other comprehensive (loss) income, net – beginning balance	$ (4,812)	$ (732)	$ 487
Interest rate swap contracts – active:			
Unrealized gain (loss)	226	(7,673)	(618)
Notional reduction settlement payments	3,835	—	—
(Taxes) tax benefit for unrealized gain (loss)	(1,556)	2,933	231
Interest rate swap contracts – terminated:			
Notional reduction settlement payments	(3,835)	—	—
Amortization of payments	926	—	—
Tax benefit for unamortized payments	1,106	—	—
Realized gain	—	—	(1,459)
Taxes for realized gain	—	—	562
Marketable securities:			
Unrealized (loss) gain	(721)	1,000	127
Tax benefit (taxes) for unrealized (loss) gain	245	(340)	(62)
Accumulated other comprehensive (loss) income, net	$ (4,586)	$ (4,812)	$ (732)
Shareholders' Equity	$ 44,262	$ 253,742	$ 572,629

The accompanying notes are an integral part of these consolidated financial statements.

Building Materials Holding Corporation
Consolidated Statements of Comprehensive (Loss) Income
(thousands)

	Year Ended December 31		
	2008	2007	2006
Net (loss) income	$ (214,809)	$ (312,713)	$ 102,074
Unrealized gain (loss) on interest rate swap contracts:			
Interest rate swap contracts – active:			
Unrealized gain (loss)	$ 226	$ (7,673)	$ (618)
Notional reduction settlement payments	3,835	—	—
(Taxes) tax benefit for unrealized gain (loss)	(1,556)	2,933	231
Interest rate swap contracts – terminated:			
Notional reduction settlement payments	(3,835)	—	—
Amortization of payments	926	—	—
Tax benefit for unamortized payments	1,106	—	—
Realized gain	—	—	(1,459)
Taxes for realized gain	—	—	562
	$ 702	$ (4,740)	$ (1,284)
Unrealized (loss) gain on marketable securities:			
Unrealized (loss) gain	$ (721)	$ 1,000	$ 127
Tax benefit (taxes) for unrealized (loss) gain	245	(340)	(62)
	$ (476)	$ 660	$ 65
Comprehensive (loss) income	$ (214,583)	$ (316,793)	$ 100,855

The accompanying notes are an integral part of these consolidated financial statements.

Building Materials Holding Corporation
Consolidated Statements of Cash Flows
(thousands)

	Year Ended December 31		
	2008	2007	2006
Operating Activities			
Net (loss) income	$ (214,809)	$ (312,713)	$ 102,074
Items in net (loss) income not using (providing) cash:			
Minority interests (loss) income, net	(63)	853	9,493
Depreciation and amortization	37,611	48,781	45,284
Deferred loan cost amortization	1,621	1,123	1,359
Deferred loan cost write off	7,099	—	—
Ineffective portion of interest rate swap contracts	3,022	—	—
Amortization of interest rate swap contracts notional reduction settlement payments	926	—	—
Amortization of warrant discount	62	—	—
Impairment of assets	60,828	337,074	2,237
Share-based compensation	4,276	8,944	8,917
Gain on sale of discontinued operations	—	(20,029)	—
(Gain) loss on sale of assets, net	(2,225)	(8,789)	207
Realized gain on interest rate swap contracts	—	—	(1,459)
Realized (gain) loss on marketable securities	(542)	(408)	206
Deferred income tax benefit (expense)	22,534	(19,452)	(1,125)
Accrued loss for acquisition purchase obligation	—	5,500	—
Changes in assets and liabilities, net of effects of acquisitions and divestitures of business units:			
Receivables, net	85,424	68,385	128,381
Inventory	38,190	24,599	43,873
Unbilled receivables	26,804	3,610	22,702
Income tax receivable	(40,492)	(7,304)	(2,508)
Prepaid expenses and other current assets	4,298	(454)	(1,407)
Accounts payable	(32,836)	(22,621)	(43,483)
Accrued compensation	(14,724)	(16,536)	(18,823)
Insurance deductible reserves	(10,961)	3,557	3,059
Other accrued liabilities	(8,028)	(13,033)	1,483
Billings in excess of costs and estimated earnings	275	(3,843)	(29,734)
Other long-term assets and liabilities	8,789	(12,560)	1,588
Other, net	(205)	2,595	1,094
Cash flows (used) provided by operating activities	(23,126)	67,279	273,418
Investing Activities			
Purchases of property and equipment	(16,509)	(32,995)	(52,873)
Acquisitions and investments in businesses, net of cash acquired	(8,575)	(80,961)	(201,754)
Proceeds from dispositions of property and equipment	14,871	16,905	2,944
Proceeds from sale of discontinued operations	—	27,176	—
Purchase of marketable securities	(28,589)	(35,239)	(54,700)
Proceeds from sales of marketable securities	70,221	52,650	29,270
Other, net	(2,123)	(628)	(3,150)
Cash flows provided (used) by investing activities	29,296	(53,092)	(280,263)
Financing Activities			
Net borrowings (payments) under revolver	—	—	(77,500)
Principal payments on term notes	(19,866)	(3,500)	(197,750)
Borrowings under term note	—	—	350,000
Interest rate swap contracts notional reduction settlement payments	(3,835)	—	—
Net payments on other notes	(2,261)	(4,505)	(6,109)
Decrease in book overdrafts	(17,616)	(7,609)	(2,902)
Proceeds from share options exercised	8	203	1,292
Income tax benefit for share-based compensation	—	259	1,457
Dividends paid	(2,938)	(11,709)	(10,853)
Deferred financing costs	(8,847)	—	(3,224)
Distributions to minority interests	—	(1,223)	(5,731)
Other, net	82	212	2,359
Cash flows (used) provided by financing activities	(55,273)	(27,872)	51,039
(Decrease) Increase in Cash and Cash Equivalents	(49,103)	(13,685)	44,194
Cash and cash equivalents, beginning of period	60,587	74,272	30,078
Cash and cash equivalents, end of period	$ 11,484	$ 60,587	$ 74,272
Supplemental Disclosure of Cash Flow Information			
Accrued but unpaid dividends	$ —	$ 2,938	$ 2,915
Cash paid for interest	$ 41,863	$ 32,827	$ 28,185
Cash paid for income taxes	$ 3,141	$ 7,233	$ 69,568

Supplemental Schedule of Investing Activities			
Fair value of assets acquired	$ —	$ 12,999	$ 265,105
Liabilities of acquisitions (extinguished)	$ (8,525)	$ (3,680)	$ 82,414
Cash paid for acquisitions made this period	$ 8,525	$ 16,679	$ 182,691
Cash paid for acquisitions made in prior period	$ 50	$ 64,282	$ 19,063
Supplemental Schedule of Financing Activities			
Fair value of warrants issued	$ 782	$ —	$ —
Discount on warrants issued	$ (782)	$ —	$ —

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Nature of Operations
Building Materials Holding Corporation (BMHC) provides building products and construction services to professional homebuilders and contractors in western and southern regions of the United States. We distribute building products, manufacture building components (millwork, floor and roof trusses and wall panels) and provide construction services to professional builders and contractors through a network of 43 distribution facilities, 29 manufacturing facilities and 5 regional construction services facilities. Based on National Association of Home Builders building permit activity, we provide building products and construction services in 10 of the top 25 single-family construction markets.

Principles of Consolidation
The consolidated financial statements include the accounts of BMHC and its subsidiaries. All significant intercompany balances and transactions are eliminated.

Basis of Presentation

- *Uncertainty regarding Liquidity and Going Concern*

Our consolidated financial statements were prepared assuming we will continue as a going concern which contemplates the realization of assets and the liquidation of liabilities in the normal course of business.

We have incurred losses from operations and costs to restructure. We managed our liquidity during this time with closure and consolidation of underperforming business units and cost reduction initiatives as well as sales of assets. However, the downturn in the housing industry has been deepened by an increase in home foreclosures and sapped consumer confidence from tightened lending standards and rising unemployment and created a difficult business environment. Our operating performance and liquidity were negatively affected by these economic and industry conditions which are beyond our control.

These business conditions have not improved during the first quarter of 2009. As of February 2009, single-family housing starts for the U.S. as a whole fell to an annualized rate below 0.4 million and single-family permits in our markets fell to an annualized rate below 0.2 million. We do not believe these business conditions will improve significantly during 2009.

Our actions to align our cost structure with anticipated sales may not be sufficient, timely or realized and may create additional cash requirements for operations. We also have significant interest and debt service obligations consisting of cash payments for interest and principal. With insufficient funds from operations, our primary source for funding operating needs is the revolver portion of our credit facility. However, our revolver is subject to borrowing base limitations of certain accounts receivable, inventory, property and equipment and real estate and may not provide adequate liquidity.

We are anticipating tax refunds as a result of net operating losses. Our federal tax refund is approximately $56 million and will be used to pay down existing obligations and will help de-lever our capital structure. The timing of anticipated tax refunds for net operating losses is not known.

Additionally, our credit agreement requires monthly compliance with financial covenants including minimum liquidity and adjusted earnings before interest, taxes, depreciation and amortization (monthly Adjusted EBITDA) at least through 2010. Operating results, particularly income from continuing operations, are a primary factor for these covenants and our ability to comply with these covenants depends on our operating performance. At December 31, 2008, we were in compliance with the financial covenants of the credit agreement.

Based on financial information for February 2009, we were not in compliance with the monthly Adjusted EBITDA requirement of our credit agreement. In March 2009, we obtained a limited waiver through April 15, 2009 for lack of compliance with the monthly Adjusted EBITDA requirement and we preserved access to limited liquidity as we may borrow up to $20 million on the revolver portion of our credit facility.

Previously, we obtained waivers for financial covenants related to our credit agreement due to lower than planned operating performance as of both June 2008 and December 2007. In September 2008, we entered into an amendment to our credit agreement with our lenders. Our amended credit facility provides a $200 million revolver subject to borrowing base limitations and a $340 million term note maturing in November 2011. As of December 31, 2008, no borrowings were outstanding under the revolver and $325.8 million was outstanding under the term note. As of March 31, 2009, there were $2.3 million borrowings outstanding under the revolver and $313.8 million was outstanding under the term note.

Due to the difficulty of reliably projecting our operating results within the suppressed business conditions of the homebuilding industry, there is significant uncertainty as to our ability to meet the financial covenants of our current credit agreement during 2009. Also, our independent registered public accounting firm included a going concern explanatory paragraph in their report on our financial statements for the year ended December 31, 2008 citing among other things, the uncertainty we will remain in compliance with these financial covenants. The going concern explanatory paragraph would constitute a default under our credit agreement. In April 2009, we obtained a waiver for the going concern explanatory paragraph.

Lack of compliance with these covenants constitutes an event of default under the credit agreement. As a result and absent any waiver, forbearance or modification, the lenders under our credit agreement would have the right to cause all amounts borrowed to become due and payable immediately and cease further borrowings by us under the credit facility.

In April 2009, we and our lenders agreed to extend the limited waiver through June 1, 2009. This waiver continues to waive the monthly Adjusted EBITDA, forecast and projection requirements of our credit agreement. The limited waiver limits borrowings under the revolver to $20 million subject to borrowing base limitations and limits capital expenditures to $0.5 million. This limited waiver also requires we complete timely tax filings for tax refunds as a result of net operating losses and provide a revised business plan. The satisfaction of the conditions of timely tax filings and revised business plan are subject to the discretion of our lenders. Each lender approving the waiver for the going concern explanatory paragraph and extending the limited waiver was paid a fee of 0.10% of their revolver commitment and their portion of the outstanding principal amount of the term note.

We are currently negotiating with our lenders to modify our credit agreement. These negotiations may provide us additional time and flexibility to develop a capital structure to support our long-term strategic plan and business objectives.

There is no assurance these negotiations will result in a credit agreement acceptable to us and the lenders or an agreement that will achieve our desired goals. We continue to pursue alternative financing arrangements as well as evaluate all other financing options.

We may not be able to meet near-term working capital and scheduled interest and debt payment requirements if cash flows are inadequate from our suppressed operating activities or if our access to the revolver portion of our credit facility is restricted due to lack of compliance with financial covenants or revolver borrowing base limitations. Absent any waiver, forbearance or modification to our current credit agreement or other financing options, we believe our recurring losses from operations, interest and debt burden amid declining sales and potential inability to generate sufficient cash flow to meet our obligations and sustain our operations raise substantial doubt about our ability to continue near-term as a going concern.

Additionally, our long-term future is dependent on more normal levels of single-family housing starts and our ability to implement and maintain cost structures, including reduced interest and debt, that align with single-family housing trends. If this fails to transpire or if we cannot obtain a waiver, forbearance or modification to our current credit agreement, we may not be able to continue as a going concern and may potentially be forced to seek relief through a bankruptcy filing.

•□□□□ *Discontinued operations*
These consolidated financial statements present separately the financial information for discontinued operations as follows:

- □□ □concrete block masonry, concrete services and truss manufacturing in Florida (June 2008),
- □□□□framing services in Virginia (March 2008) and
- □□□□three building materials distribution businesses in Western Colorado (September 2007).

As a result of these transactions:

- □□□□the operating results of these operations are presented separately from continuing operations within the caption of discontinued operations and
- □□□□related assets and liabilities are separately classified in the consolidated balance sheet.

Use of Estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as of the date of the financial statements as well as the reported amounts of sales and expenses during the reporting period. Actual amounts may differ materially from those estimates. The following critical accounting estimates often require our subjective and complex judgment as a result of the need to estimate matters that are inherently uncertain:

• *Revenue Recognition for Construction Services*
The percentage-of-completion method is used to recognize revenue for construction services. Periodic estimates of our progress towards completion are made based on a comparison of labor costs incurred to date with total estimated contract costs for labor. The percentage-of-completion method requires the use of various estimates, including among others, the extent of progress towards completion, contract revenues and contract completion costs. Contract revenues and contract costs to be recognized are dependent on the accuracy of estimates, including quantities of materials, labor productivity and other cost estimates. We have a history of making reasonable estimates of the extent of progress towards completion, contract revenues and contract completion costs. However, due to uncertainties inherent in the estimation process, it is possible that actual contract revenues and completion costs may vary from estimates. Revisions of contract revenues and cost estimates as well as provisions for estimated losses on uncompleted contracts are recognized in the period such revisions are known.

• *Estimated Losses on Uncompleted Contracts and Changes in Contract Estimates*
Estimated losses on uncompleted contracts and changes in contract estimates are established by assessing estimated costs to complete, change orders and claims for uncompleted contracts. Revisions of estimated losses are recognized in the period such revisions are known.

• *Realizability of Net Deferred Tax Asset*
Deferred tax assets and liabilities are recognized for tax credits and for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recognized to reduce the carrying amount of deferred tax assets to the amount that is more likely than not to be realized. If it is later determined it is more likely than not that deferred tax assets will be realized, the valuation allowance will be adjusted. Revisions of the valuation allowance are recognized in the period such revisions are known.

• *Goodwill*
Goodwill represents the excess of purchase price over the fair values of net tangible and identifiable intangible assets of acquired businesses. An annual assessment for impairment is completed in the fourth quarter and whenever events and circumstances indicate the carrying amount may not be recoverable. An impairment is recognized if the carrying amount is more than the estimated future operating cash flows as measured by fair value techniques.

• *Insurance Deductible Reserves*
The estimated cost of automobile, general liability and workers' compensation claims is determined by actuarial methods. Claims in excess of insurance deductibles are insured with third-party insurance carriers. Insurance deductible reserves for claims are recognized based on the estimated costs of these claims as limited by the deductibles of the applicable insurance policies. Revisions to insurance deductible reserves for estimated claims are recognized in the period such revisions are known.

• *Warranties*
The estimated cost of warranties for certain construction services is based on the nature and frequency of claims, anticipated claims and cost per claim. Claims in excess of insurance deductibles are insured with third-party insurance carriers. Estimated costs for warranties are recognized when the revenue associated with the service is recognized. Revisions of estimated warranties are recognized in the period such revisions are known.

• *Share-based Compensation*
Our estimates of the fair values of our share-based payment transactions are based on the modified Black-Scholes-Merton model. To meet the fair value measurement objective, we are required to develop estimates regarding expected exercise patterns, share price volatility, forfeiture rates, risk-free interest rate and dividend yield. These assumptions are based principally on historical experience. When circumstances indicate changes in forfeiture rates, revisions to forfeiture rates are recognized in the period such revisions are known. Due to uncertainties inherent in these assumptions, it is possible that actual share-based compensation may vary from these estimates.

Cash and Cash Equivalents
Cash and cash equivalents consist of short-term investments that have a maturity of three months or less at the date of purchase.

Receivables
Receivables consist primarily of amounts due from customers and are net of an allowance for doubtful accounts. The allowance for doubtful accounts reflects our best estimate of probable losses inherent in the accounts receivable balance. We determine the allowance based on known troubled accounts, historical experience and other available evidence.

Inventory Valuation
Inventory consists principally of building materials purchased for resale and is valued at the lower of average cost or market. We participate in vendor rebate programs under which rebates are earned by attaining certain purchase volumes. Volume rebates are accrued as earned. These volume rebates are recorded as a reduction in inventory and recognized in cost of goods sold when the related product is sold.

Unbilled Receivables and Billings in Excess of Costs and Estimated Earnings
The percentage-of-completion method results in recognizing costs incurred and estimated revenues on uncompleted contracts. Unbilled receivables represent revenues recognized for construction services performed, however not yet billed. Billings in excess of costs and estimated earnings represent billings made in excess of estimated revenues recognized. These billings are deferred until the actual progress towards completion indicates recognition is appropriate. Costs include labor and materials as well as equipment costs related to contract performance.

Property and Equipment
Property and equipment are recorded at cost. Cost includes expenditures for major improvements and replacements that extend useful life. Certain costs of software are capitalized provided those costs are not research and development and certain other criteria are met. Capitalized interest was $0.9 million for 2008, $0.3 million for 2007 and $0.1 million for 2006. Expenditures for other maintenance and repairs are expensed as incurred. Gains and losses from sales and retirements are included in Other expense (income), net as they occur. Depreciation is calculated using the straight-line method over the economic useful lives of the assets. The estimated useful lives of depreciable assets are generally:

- □□□ ten to thirty years for buildings and improvements,
- □□□ seven to ten years for machinery and fixtures,
- □□□ three to ten years for handling and delivery equipment and
- □□□ three to ten years for software development costs.

To improve financial returns, we periodically evaluate our investments in property and equipment. As a result, property and equipment may be consolidated, leased or sold. For continuing operations, we recognized a gain of $3.2 million for 2008, a gain of $8.4 million for 2007 and a loss of $0.3 million for 2006 from the sales of property and equipment.

Assets Held for Sale
Assets held for sale are measured at the lower of carrying amount or fair value less costs to sell and are no longer depreciated. These assets are being actively marketed for sale at a price that is reasonable in relation to their carrying amounts. Any gain or loss arising from the sale of these assets is included in Other expense (income), net. Assets held for sale are as follows (thousands):

	December 31 2008
Property and equipment	
Land	$ 26,211
Buildings and improvements	20,089
	$ 46,300

Long-lived Assets
Long-lived assets such as property, equipment and intangibles with useful lives are evaluated for impairment whenever events and circumstances indicate the carrying amount may not be recoverable. An impairment is recognized if the carrying amount exceeds its fair value and when the carrying amount is not recoverable based on the estimated future operating cash flows on an undiscounted basis.

Derivative Instruments and Hedging Activities
We are exposed to certain risks related to business operations, some of which we may seek to manage with derivative instruments and hedging activities. The primary risk managed with derivative instruments is interest rate risk. Interest rate swap contracts are entered into to manage interest rate risk associated with variable-rate borrowings. These interest rate swap contracts are accounted for as cash flow hedges unless effectiveness is not probable.

The fair value of derivative instruments is based on pricing models using current market rates. The fair value of interest rate swap contracts is recorded as an asset or liability and the effective portion of the gain or loss is recorded as a component of Accumulated other comprehensive (loss) income, net, a separate component of shareholders' equity, and is subsequently reclassified into Interest expense as interest expense is recognized on the term note. The ineffective portion, if any, of the change in the value of the interest rate swap contracts is immediately recognized as a component of interest expense.

Derivative financial instruments are not utilized to hedge other risks or for speculative or trading purposes.

Revenue Recognition
Revenues for building products are recognized when title to the goods and risk of loss pass to the buyer, which is at the time of delivery. The percentage-of-completion method is used to recognize revenue for construction services. Taxes assessed by governmental authorities that are directly imposed on our revenue-producing transactions are excluded from sales.

Shipping and Handling
Shipping and handling costs for manufactured building components and construction services are included as a component of cost of goods sold. Shipping and handling costs for building products are included as a component of selling, general and administrative expenses and were $58.1 million for 2008, $69.7 million for 2007 and $76.1 million for 2006.

Reclassifications
Certain reclassifications, none of which affected previously reported consolidated results of operations, cash flows or shareholders' equity, have been made to amounts reported in prior periods to conform to the current period presentation.

Recent Accounting Principles
In May 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 162, *The Hierarchy of Generally Accepted Accounting Principles* . This accounting principle identifies a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP) for nongovernmental entities. This accounting principle was adopted November 2008 and had no impact on our consolidated financial position, results of operations or cash flows.

In March 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* . This accounting principle enhances disclosure for derivative instruments and hedging activities and their effects on consolidated financial position, results of operations and cash flows. Specifically, enhanced disclosures include objectives and strategies for using derivatives, including underlying risk and accounting designation, as well as fair values, gains and losses. This accounting principle was adopted June 2008 and had no impact on our consolidated financial position, results of operations or cash flows.

In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements* . This accounting principle eliminates noncomparable accounting for minority interests. Specifically, minority interests are presented as a component of shareholders' equity; consolidated net income includes amounts attributable to both the parent and minority interest and is disclosed on the face of the income statement; changes in the ownership interest are accounted for as equity transactions if ownership remains controlling; purchase accounting for acquisitions of noncontrolling interests and acquisitions of additional interests is eliminated; and deconsolidated controlling interests are recognized based on fair value consistent with Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* . The accounting requirements were adopted January 2009 and had no impact on our consolidated financial position, results of operations or cash flows.

In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* . This accounting principle requires acquisition accounting (purchase accounting) be applied to all business combinations in which control is obtained regardless of consideration and for an acquirer to be identified for each business combination. Additionally, this accounting principle requires acquisition-related costs and restructuring costs at the date of acquisition to be expensed rather than allocated to the assets acquired and the liabilities assumed; noncontrolling interests, including goodwill, to be recorded at fair value at the acquisition date; recognition of the fair value of assets and liabilities arising from contractual contingencies and contingent consideration (payments conditioned on the outcome of future events) at the acquisition date; recognition of bargain purchase (acquisition-date fair value exceeds consideration plus any noncontrolling interest) as a gain; and recognition of changes in deferred taxes. This accounting principle was adopted January 2009 and had no impact on our consolidated financial position, results of operations or cash flows.

2. *Restructuring*

In May 2008, we initiated a comprehensive analysis of our businesses operations to improve cash flow and profitability as well as rationalize our operations for the current conditions of the homebuilding industry. The plan places a priority on positive cash flow, efficient use of capital and higher returns and focuses on closing or consolidating business units in underperforming markets as well as improving business processes. As a result of the plan, we:

- closed 42 business units,
- consolidated 15 business units with other business units and
- consolidated administrative functions of information systems, reporting, accounts payable and human resources.

Our restructuring plans do not include formal severance plans for employees affected by the closures and consolidations of business units or enhancements to administrative functions.

As of December 31, 2008, the estimated charges expected to be incurred and recognized in (loss) from continuing operations were as follows (thousands):

	Estimated Charges	Recognized Twelve Months Ended December 31 2008	Total Remaining
Impairment of assets	$ 8,602	$ 8,602	$ —
Operating lease obligations	11,387	11,387	—
	$ 19,989	$ 19,989	$ —

Impairments of assets were determined based on available market data and are recognized in Impairment of assets. Operating lease obligations represent the present value of contractual rental payments offset by estimated sublease income and are recognized in Selling, general and administrative expenses.

Activity related to restructuring plans for the period ended December 31, 2008 was as follows (thousands):

	Recognized Twelve Months December 31 2008	Cash Payments	Non-cash Charges	Liability Balance at December 31 2008
Impairment of assets	$ 8,602	$ —	$ 8,602	$ —
Operating lease obligations	11,387	390	1,353	9,644
	$ 19,989	$ 390	$ 9,955	$ 9,644

Due to uncertainties in the markets of certain business units and inherent in the estimation process, it is possible the actual costs of restructuring may vary from estimates. Revisions of these costs are recognized in the period such revisions are known.

3. *Impairment of Assets*

Long-lived assets such as property, equipment and intangibles are evaluated for impairment whenever events and circumstances indicate the carrying amount may not be recoverable. An impairment for these assets is recognized if the carrying amount exceeds its fair value and when the carrying amount is not recoverable based on the estimated future operating cash flows on an undiscounted basis.

Similarly, goodwill is evaluated for impairment in the fourth quarter and whenever events and circumstances indicate the carrying amount may not be recoverable. An impairment for goodwill is recognized if the carrying amount is more than the estimated future operating cash flows as measured by fair value techniques.

During the later portion of the fourth quarter of 2008, the leading sources of economic and housing data forecasted deeper reductions in estimated housing starts. Market factors as well as developing regulatory efforts to revive historically low housing starts have been further complicated by the weakening economic conditions of rising unemployment and pessimistic consumer confidence stemming from tightened lending standards and losses in home values and investments. Similarly, tightened lending conditions have impacted the liquidity of our customers.

For impairment testing of customer relationships and covenants not to compete, the carrying amounts exceeded the estimated future operating cash flows on an undiscounted basis. The impairment testing for goodwill indicated the carrying amount exceeded our estimate of enterprise value. Impairments recognized in (loss) from continuing operations for the fourth quarter of 2008 were:

- $23.3 million for certain customer relationships and covenants not to compete,
- $13.8 million for goodwill,
- $2.6 million for certain property and equipment held for sale and
- $1.0 million for leasehold improvements.

As a result of our ongoing evaluations of underperforming business units in prior quarterly periods, property and equipment, intangibles and goodwill specific to business units were identified as impaired. The following impairments were recognized in (loss) from continuing operations as follows:

- third quarter of 2008:
  - $0.7 million for covenants not to compete,
  - $3.0 million for certain property and equipment held for sale and
  - $0.1 million for goodwill.
- second quarter of 2008:
  - $6.2 million for certain customer relationships and covenants not to compete,
  - $1.3 million for leasehold improvements,
  - $0.7 million for certain property and equipment held for sale and
  - $0.3 million for goodwill.

During the later portion of the fourth quarter of 2007, the leading sources of economic and housing data forecasted sharper reductions in housing starts. The rapid deterioration in housing forecasts and our operating performance resulted in significant revisions of our operating expectations underpinning the assumptions of recoverability of the carrying amount of customer relationships and goodwill. Additionally, our enterprise value reflected a significant reduction as investors considered negative perceptions of the future of the housing market and depressed the share values of housing related companies.

For impairment testing, the fair values were determined based on estimates of enterprise value as well as the present value of estimated future operating cash flows. As a result, we determined the carrying amount of certain customer relationships and goodwill exceeded their respective estimated fair values and recognized the following impairments in (loss) from continuing operations for the fourth quarter of 2007:

- $30.0 million for certain customer relationships,
- $242.0 million for goodwill and
- $0.2 million for certain equipment.

4. *Discontinued Operations*

The results of operations and financial position of discontinued operations are separately reported for all periods presented as a result of the following transactions:

- In June 2008, we discontinued concrete block masonry, concrete services and truss manufacturing in Florida. These business units represented approximately 6% of sales.

- In March 2008, we discontinued framing services in Virginia. This business unit represented less than 1% of sales.

- In September 2007, we sold three building materials distribution businesses in Western Colorado. The businesses were sold for $11.4 million, consisting of $9.6 million cash and a $1.8 million note receivable and resulted in recognition of an initial gain of $3.7 million. In December 2007, the remaining real estate for one of these operations was sold for $17.6 million cash and resulted in recognition of a gain of $16.3 million. These business units represented approximately 1% of sales.

Assets, liabilities, sales and income (loss) after related income taxes (benefit) for these operations are separately reported from continuing operations and were as follows (thousands):

	December 31	
	2008	2007
Assets	$ 5,659	$ 25,224
Liabilities	$ 773	$ 8,533

	Year Ended December 31		
	2008	2007	2006
Sales			
Building products	$ 2,021	$ 33,955	$ 65,036
Construction services	$ 38,624	$ 101,649	$ 228,971
Income (loss) from discontinued operations	$ (22,353)	$ (46,946)	$ 20,529

5. *Net (Loss) Income Per Share*

Net (loss) income per share was determined using the following information (thousands, except per share data):

	Year Ended December 31		
	2008	2007	2006
(Loss) income from continuing operations	$ (192,456)	$ (265,767)	$ 81,545
Income (loss) from discontinued operations	(22,353)	(46,946)	20,529
Net (loss) income	$ (214,809)	$ (312,713)	$ 102,074
Weighted average shares - basic	29,081	28,807	28,603
Effect of dilutive:			
Share options	—	—	830
Restricted shares	—	—	156
Warrants	—	—	—
Weighted average shares - assuming dilution	29,081	28,807	29,589
Net (loss) income per share:			
Continuing operations	$(6.62)	$(9.23)	$2.85
Discontinued operations	(0.77)	(1.63)	0.72
Basic	$(7.39)	$(10.86)	$3.57
Continuing operations	$(6.62)	$(9.23)	$2.76
Discontinued operations	(0.77)	(1.63)	0.69
Diluted	$(7.39)	$(10.86)	$3.45
Cash dividends declared per share	—	$0.40	$0.40

Potential common shares for options, restricted shares and warrants are excluded from the computation of diluted net loss per share if there is a loss from continuing operations for the period. Additionally, certain share options, restricted shares and warrants are excluded from the computation of diluted net (loss) income per share:

- options and warrants with exercise prices greater than the average market value of the common shares (out-of-the-money) and

- unrecognized compensation expense for restricted shares with after-tax proceeds greater than the average market value of the common shares.

Options, restricted shares and warrants excluded from the computation of diluted net (loss) income per share will change based on additional grants as well as the average market value of the common shares for the period. These options, restricted shares and warrants that are not dilutive and therefore excluded from the computation of diluted net (loss) income per share were as follows (thousands, except share price data):

	Year Ended December 31		
	2008	2007	2006
Average market value of shares	$3	$14	$30
Share options:			
Exercise price range	$5 to $38	$5 to $38	$23 to $38
Not dilutive	2,627	2,978	819
Restricted shares:			
Grant price range	$15 to $38	$15 to $42	—
Not dilutive	214	410	—
Warrants:			
Exercise price	$0.47	—	—
Not dilutive	2,825	—	—

6. *Acquisitions and Minority Interests*

Acquisitions are accounted for under the purchase method of accounting. The purchase price is allocated to the assets acquired, including intangible assets, and liabilities assumed based on their estimated fair values at the date of acquisition. Subsequent to the initial allocation of purchase price, adjustments may be made to reflect the fair value of working capital and tangible assets. Any excess of the purchase price over the estimated fair value of the identifiable assets and liabilities acquired is recorded as goodwill. Operating results of acquired businesses are included in the consolidated statements of operations from the date of acquisition.

- In March 2007, we acquired a concrete services business in Fresno, California for approximately $0.7 million in cash.

- In December 2006, we acquired a distribution services business in Southern California for $1.6 million in cash.

- In August 2006, we acquired a window installation business in Arizona for $13.9 million in cash.

- In July 2006, we acquired a framing services business in Southern California for $78.6 million in cash. Additional consideration of $3.1 million was paid in the third quarter of 2007 for operating performance through June 2007. Additional cash payments may be required based on operating performance through June 2009.

- In June 2006, we acquired a building materials distribution and truss manufacturing business in Eastern Idaho for $5.1 million in cash.

- In April 2006, we acquired a concrete services business in Northern Arizona for $1.5 million in cash.

- In April 2006, we acquired a wall panel and truss manufacturing business in Palm Springs, California for $6.7 million in cash.

- In February 2006, we acquired 3 facilities providing building materials distribution and millwork services in Houston, Texas for $20.6 million in cash.

- In January 2006, we acquired framing businesses in Palm Springs, California and Reno, Nevada for $57.1 million in cash. Additional cash payments may be required based on operating performance through December 2009.

Minority interests reflects the other owners' proportionate share in the assets and liabilities of business ventures as of the date of purchase, adjusted by the proportionate share of post-acquisition income or loss. As the operating results of entities with minority interests are consolidated, minority interests income represents the income or loss attributable to the other owners.

- In June 2008, we acquired the remaining 40% interest in SelectBuild Mechanical for $0.2 million in cash. In October 2004, we formed this venture for an initial 60% interest for $0.3 million in cash. SelectBuild Mechanical provides heating, ventilation and air conditioning services in Las Vegas, Nevada.

- In January 2008, we were required to purchase the remaining 49% interest in SelectBuild Illinois (RCI Construction) for $8.3 million in cash of which $2.4 million was paid in January 2008 and $5.9 million was paid in July 2008. The fair value of SelectBuild Illinois did not exceed its net book value. As a result, the $5.5 million excess of the purchase price for the minority interest over the recorded amount for the minority interest in SelectBuild Illinois was recognized as an expense in Other income, net in December 2007. In January 2005, we acquired an initial 51% interest for $4.9 million in cash. SelectBuild Illinois provides framing services to production homebuilders in the greater Chicago area.

- In September 2007, we acquired the remaining 49% interest in SelectBuild Trim for $0.5 million in cash. In January 2007, we formed this venture for an initial 51% interest for $0.5 million in cash. SelectBuild Trim provides door and molding installation services in Las Vegas, Nevada.

- In September 2007, we acquired the remaining 49% interest in A-1 Building Components, LLC (A-1 Truss) for $5.0 million in cash. In September 2004, we acquired an initial 51% interest for $2.3 million in cash. A-1 Truss manufactured trusses in Fort Pierce, Florida. These operations were discontinued during 2008.

- In May 2007, we acquired the remaining 33% interest in SelectBuild Mid-Atlantic (WBC Mid-Atlantic) for no consideration pursuant to the operating agreement. In October 2003, we acquired an initial 67% interest for $5.1 million in cash and $0.2 million of our common shares. SelectBuild Mid-Atlantic provided framing services to production homebuilders in Delaware, Maryland and Virginia. These operations were discontinued during 2008.

- In April 2007, we acquired the remaining 27% interest in Riggs Plumbing for $10.5 million in cash. In July 2005, we acquired an additional 13% interest for $1.4 million in cash and in April 2005, acquired an initial 60% interest for $17.8 million in cash. Riggs Plumbing provides plumbing services to production homebuilders in the Phoenix and Tucson markets.

- In November 2006, we acquired the remaining 49% interest in BBP Companies for $22.8 million in cash. In July 2005, we acquired an initial 51% interest for $9.4 million in cash and $1.0 million of our common shares. BBP Companies provide concrete services to production homebuilders in Arizona.

- In January 2006, we acquired the remaining 20% interest in SelectBuild Florida (WBC Construction, LLC) for $36.0 million in cash. In August 2005, we acquired an additional 20% interest for $24.8 million in cash and in January 2003, acquired an initial 60% interest for $22.9 million in cash and $1.0 million of our common shares. SelectBuild Florida provided concrete block masonry and concrete services to production homebuilders in Florida. These operations were discontinued during 2008.

Assets and liabilities acquired in acquisitions made in 2008 and 2007, including payments of amounts retained for settlement periods, were as follows (thousands):

	December 31				December 31	
	2008	2007		2008	2007
Receivables	$ —	$ (21)	Other accrued liabilities	$ (47)	$ (60,787)
Prepaid expenses and other	—	18			
Current assets	—	(3)	**Current liabilities**	(47)	(60,787)
Property and equipment	—	216	Deferred income taxes	—	(917)
Other intangibles, net	—	2,287	Minority interests	(8,528)	(3,680)
Goodwill	—	13,077			
	$ —	$ 15,577		$ (8,575)	$ (65,384)

Had the SelectBuild Mechanical acquisition in June 2008 and the SelectBuild Illinois acquisition in January 2008 taken place as of the beginning of 2007, pro forma results of operations would not have been significantly different from reported amounts.

7. *Marketable Securities*

Investments in marketable securities consisted of debt securities held by our captive insurance subsidiary and were considered available-for-sale and recorded at fair value. Fair value was based on market quotes. Realized gains and losses were recognized in Other income, net based on specific identification. Unrealized gains and losses, net of deferred taxes, were recorded as a component of Accumulated other comprehensive loss, net, a component of shareholders' equity. There were no significant unrealized losses.

The fair values of these marketable securities were as follows (thousands):

	December 31	
	2008	2007
U.S. government and agencies	$ —	$ 18,380
Asset backed securities	—	9,798
Corporate securities	—	13,733
	$ —	$ 41,911

Contractual maturities were as follows (thousands):

	December 31	
	2008	2007
Less than 1 year	$ —	$ 1,872
Due in 1 to 2 years	—	12,683
Due in 2 to 5 years	—	27,356
	$ —	$ 41,911

Pursuant to our plans to terminate our captive insurance subsidiary, the marketable securities were liquidated in September 2008 and proceeds of $33.6 million were used to reduce net borrowings under the revolver and for operating needs.

8. *Intangible Assets and Goodwill*

Intangible assets represent the values assigned to customer relationships, covenants not to compete, trade names and favorable leases. Intangible assets are amortized on a straight-line basis over their expected useful lives. Customer relationships are amortized over 7 years and covenants not to compete over 3 years. Amortization expense for intangible assets was $8.9 million for 2008, $15.1 million for 2007 and $11.8 million for 2006. Intangible assets consist of the following (thousands):

	December 31, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 29,074	$ (10,802)	$ 18,272
Covenants not to compete	4,089	(3,139)	950
Favorable leases	382	(382)	—
	$ 33,545	$ (14,323)	$ 19,222

	December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 80,495	$ (27,271)	$ 53,224
Covenants not to compete	10,611	(6,057)	4,554
Favorable leases	780	(248)	532
	$ 91,886	$ (33,576)	$ 58,310

Estimated amortization expense for intangible assets is $3.2 million for 2009, $3.2 million for 2010, $3.0 million for 2011, $2.8 million for 2012, $2.8 million for 2013 and $4.2 million thereafter.

Goodwill represents the excess of the purchase price over the fair value of net tangible and identifiable intangible assets of acquired businesses. Adjustments to amounts previously reported as goodwill may occur as a result of completing the purchase price allocation to the assets acquired, including intangible assets, and liabilities assumed based on their estimated fair values at the date of acquisition.

An annual assessment for impairment is completed in the fourth quarter and whenever events and circumstances indicate the carrying amount may not be recoverable. An impairment is recognized at the reporting unit if the carrying amount is more than the estimated future operating cash flows as measured by fair value techniques.

Changes in the carrying amount of goodwill were as follows:

	December 31	
	2008	2007
Beginning balance	$ 14,196	$ 248,464
Goodwill acquired	—	7,690
Impairment	(14,196)	(241,958)
	$ —	$ 14,196

While goodwill is tested for impairment annually and not amortized for financial statement purposes, goodwill may be deductible for income tax purposes. Certain goodwill is non-deductible. Changes to non-deductible goodwill were as follows (thousands):

	December 31	
	2008	2007
Beginning balance	$ 3,460	$ 41,362
Goodwill acquired	—	(4,656)
Impairment	(3,460)	(33,246)
	$ —	$ 3,460

9. *Debt*

Long-term debt consists of the following (thousands):

As of December 31, 2008	Balance	Stated Interest Rate	Notional Amount of Interest Rate Swaps	Effective Interest Rate: Average for Year	Effective Interest Rate: As of December 31
Revolver	$ —	LIBOR (minimum of 3%) plus 5.25% OR Prime plus 3.25% and 0.50%	$ —	12.9%	n/a
Term note	325,759	LIBOR (minimum of 3%) plus 5.25% OR Prime plus	135,124	9.6%	11.5%
Other	1,412	Various	—	—	—
	327,171		$ 135,124		
Less: Current portion	39,443				
Less: Unamortized discount	719				
	$ 287,009				

As of December 31, 2007	Balance	Stated Interest Rate	Notional Amount of Interest Rate Swaps	Effective Interest Rate: Average for Year	Effective Interest Rate: As of December 31
Revolver	$ —	LIBOR plus 1.50% OR Prime plus 0.25% and 0.25% commitment fee	$ —	8.8%	n/a
Term note	345,625	LIBOR plus 2.50% OR Prime plus 1.25%	200,000	7.7%	7.5%
Other	3,235	Various	—	—	—
	348,860		$ 200,000		
Less: Current portion	4,923				
	$ 343,937				

We obtained waivers for financial covenants related to our credit agreement due to lower than planned operating performance as of both June 2008 and December 2007. In September 2008, we entered into an amendment to our credit agreement with our lenders. The amended credit facility continues to provide a $200 million revolver subject to borrowing base limitations and a $340 million term note maturing in November 2011.

• *Revolver*

The $200 million revolver is subject to borrowing base limitations and matures in November 2011. The revolver may consist of both LIBOR and Prime based borrowings. In the September 2008 amendment, the variable interest rate for the revolver was increased to LIBOR plus 5.25% or Prime plus 3.25%. Minimum LIBOR interest is 3.0%. Additionally, a commitment fee for the unused portion is 0.50%. LIBOR interest is paid quarterly and Prime interest is paid monthly. As of December 31, 2008, no borrowings were outstanding under the revolver.

The effective interest rate is based on interest rates for the period as well as the commitment fee for the unused portion of the revolver.

Letters of credit outstanding that guaranteed performance or payment to third parties were $110.6 million as of December 31, 2008. These letters of credit reduce the $200 million revolver commitment.

Total availability under the revolver is subject to a monthly borrowing base calculation that includes:

- 70% of certain accounts receivable,
- 50% of certain inventory,
- 25% of certain other inventory,
- approximately 75% of the appraised value of certain property and equipment and
- 50% of the appraised value of real estate.

As of December 31, 2008, the unused borrowing base available under the revolver was $66.7 million.

• *Term Note*

The term note matures in November 2011 and is payable in quarterly installments of $0.9 million with the remaining principal of $280.5 million payable in November 2011. In the September 2008 amendment, the variable interest rate for the term note was increased to LIBOR plus 5.25% or Prime plus 3.25%. Minimum LIBOR interest is 3.0%. LIBOR interest is paid quarterly and Prime interest is paid monthly. In addition to the LIBOR and Prime interest rates, the term note includes an additional annual payment-in-kind interest or fee of 2.75% that is payable on the earlier of payoff or maturity. As of December 31, 2008, $325.8 million was outstanding under this term note.

• *Other*

Other long-term debt consists of term notes, equipment notes and capital leases for equipment. Interest rates vary and dates of maturity are through March 2021. As of December 31, 2008, other long-term debt was $1.4 million.

Covenants and Maturities

Our amended credit facility requires monthly compliance with financial covenants including minimum liquidity and adjusted earnings before interest, taxes, depreciation and amortization (monthly Adjusted EBITDA) at least through 2010. At December 31, 2008, we were in compliance with the financial covenants of the credit agreement.

Based on financial information for February 2009, we were not in compliance with the monthly Adjusted EBITDA requirement of our credit agreement. In March 2009, we obtained a limited waiver through April 15, 2009 for lack of compliance with the monthly Adjusted EBITDA requirement and we preserved access to limited liquidity as we may borrow up to $20 million on the revolver portion of our credit facility.

Previously, we obtained waivers for financial covenants related to our credit agreement due to lower than planned operating performance as of both June 2008 and December 2007. In September 2008, we entered into an amendment to our credit agreement with our lenders. The amended credit facility continues to provide a $200 million revolver subject to borrowing base limitations and a $340 million term note maturing in November 2011.

Due to the difficulty of reliably projecting our operating results within the suppressed business conditions of the homebuilding industry, there is significant uncertainty as to our ability to meet the financial covenants of our current credit agreement during 2009. Also, our independent registered public accounting firm included a going concern explanatory paragraph in their report on our financial statements for the year ended December 31, 2008 citing among other things, the uncertainty we will remain in compliance with these financial covenants. The going concern explanatory paragraph would constitute a default under our credit agreement. In April 2009, we obtained a waiver for the going concern explanatory paragraph.

Lack of compliance with these covenants constitutes an event of default under the credit agreement. As a result and absent any waiver, forbearance or modification, the lenders under our credit agreement would have the right to cause all amounts borrowed to become due and payable immediately and cease further borrowings by us under the credit facility.

In April 2009, we and our lenders agreed to extend the limited waiver through June 1, 2009. This waiver continues to waive the monthly Adjusted EBITDA, forecast and projection requirements of our credit agreement. The limited waiver limits borrowings under the revolver to $20 million subject to borrowing base limitations and limits capital expenditures to $0.5 million. This limited waiver also requires we complete timely tax filings for tax refunds as a result of net operating losses and provide a revised business plan. The satisfaction of the conditions of timely tax filings and revised business plan are subject to the discretion of our lenders. Each lender approving the waiver for the going concern explanatory paragraph and extending the limited waiver was paid a fee of 0.10% of their revolver commitment and their portion of the outstanding principal amount of the term note.

We are currently negotiating with our lenders to modify our credit agreement. These negotiations may provide us additional time and flexibility to develop a capital structure to support our long-term strategic plan and business objectives.

There is no assurance these negotiations will result in a credit agreement acceptable to us and the lenders or an agreement that will achieve our desired goals. We continue to pursue alternative financing arrangements as well as evaluate all other financing options.

If our leverage ratio is at or above a certain maximum as of September 30, 2010, the monthly Adjusted EBITDA may be replaced with quarterly compliance with a leverage ratio and interest coverage ratio. Operating results, particularly income from continuing operations, are a primary factor for these covenants and our ability to comply with these covenants depends on our operating performance. The significant downturn in single-family housing starts has negatively impacted and may continue to negatively impact our operating performance.

The credit agreement requires certain proceeds and cash flows be applied to the credit facility as follows:

- Revolver
  - proceeds from the liquidation of statutory funding requirements of our captive insurance subsidiary,
  - § 30% of tax refunds and
  - § cash in excess of $25 million.

- Term Note
  - § proceeds from certain dispositions,
  - § 70% of tax refunds and
  - § 75% of excess cash flow as defined beginning in 2010.

Due to requirements to apply tax refunds to the credit facility, 70% of the tax refund expected to be received in 2009 or $35.6 million has been classified as a current portion of long-term debt.

Proceeds from the liquidation of our captive insurance subsidiary, tax refunds and certain dispositions are retained in a separate cash account. Cash in excess of $25 million in this separate cash account is to be applied to the revolver or term note. Cash in this account was $9.2 million as of December 31, 2008. In the event of default, this cash is restricted and not available for our operating needs.

The amended credit facility continues to restrict our ability to incur additional indebtedness, pay dividends, repurchase shares, enter into mergers or acquisitions, use proceeds from equity offerings, make capital expenditures and sell assets. The amended credit facility is secured by all assets of our wholly-owned subsidiaries.

In connection with the September 2008 amendment, 100% or $2.8 million of unamortized deferred loan costs related to the term note were recognized as interest expense in the third quarter of 2008. We also incurred $3.8 million of costs in connection with the amendment and $2.0 million of these costs will be amortized over the remaining term of the credit facility whereas $1.8 million of these costs were recognized as interest expense in the third quarter of 2008.

In connection with the February 2008 amendment, 60% or $2.4 million of unamortized deferred loan costs related to the previous revolver were recognized as interest expense in the first quarter of 2008. We also incurred $4.9 million of fees in connection with the amendment and these costs were to be amortized over the remaining term of our credit facility. However, in connection with the September 2008 amendment, the remaining $2.6 million of these unamortized costs were recognized as interest expense in the third quarter of 2008.

Scheduled maturities of long-term debt are as follows (thousands):

2009	$ 39,443
2010	3,727
2011	283,189
2012	65
2013	70
Thereafter	677
	$ 327,171

Warrants

In connection with the amendment of our credit facility in September 2008, we issued warrants that entitle the lenders to purchase approximately 8.75% or 2.8 million of our common shares at a purchase price of $0.47 per common share, the closing price on the NYSE on September 30, 2008. These warrants may be exercised through September 2015.

The fair value of the warrants of $0.8 million was recorded as a discount on the term note. Amortization of the discount will be recognized ratably through November 2011, the remaining term of our credit facility.

Hedging Activities

In addition to the amendment to our credit facility in September 2008, we amended our interest rate swap contracts to lower amounts and a maturity matching the credit facility. As of December 2008, the interest rate swap contracts effectively converted $135.1 million of variable rate borrowings to a fixed interest rate of 10.6% plus any difference between minimum LIBOR interest of 3.0% and LIBOR, thus reducing the impact of increases in interest rates on future interest expense. Additionally, the notional amount of the interest rate swap contracts will be ratably reduced to zero through the maturity of November 2011.

Approximately 41% of the outstanding variable rate borrowings have been hedged through the designation of interest rate swap contracts accounted for as cash flow hedges through December 2008. After giving effect to the interest rate swap contracts, total borrowings were 58% variable and 42% fixed. Management may choose not to swap variable rates to fixed rates or may terminate a previously executed swap if the variable rate positions are more beneficial.

The fair value of the interest rate swap contracts was a liability of $7.5 million as of December 31, 2008. To the extent the hedge is effective, the corresponding unrealized loss for the interest rate swap contracts and unrealized tax benefit were recorded in accumulated other comprehensive (loss) income, net a separate component of shareholders' equity.

In December 2008, we determined the interest rate swap contracts were not an effective hedge of variable interest due to the recent significant reductions in LIBOR interest rates. As a result of the estimated difference between the LIBOR interest of the interest rate swap contracts and the minimum LIBOR interest of 3.0% of the term note, we recognized $3.0 million of interest expense for the ineffective portion of these interest rate swap contracts for 2008. The effective portion of the interest rate swap contracts of $4.5 million was recorded as an unrealized loss and an unrealized tax benefit of $1.7 million in accumulated other comprehensive (loss) income, net a separate component of shareholders' equity. A corresponding deferred tax asset for the unrealized tax benefit was eliminated with a valuation allowance as there may be an inability to utilize this deferred tax asset.

Hedge accounting was discontinued in January 2009, as it is not probable future LIBOR interest rates for the remaining term of the interest rate swap contracts will be at or above the minimum LIBOR interest of 3.0% of the term note. As a result, changes in the fair value of the interest rate swap contracts will be recognized as interest expense rather than recorded in accumulated other comprehensive (loss) income, net a separate component of shareholders' equity. The unrealized loss of $4.5 million in accumulated other comprehensive (loss) income, net as of December 31, 2008 will be subsequently amortized to interest expense over the remaining term of our term note.

In September 2008, we amended our interest rate swap contracts. Monthly settlements are made to ratably reduce the notional amount of the interest rate swap contracts through November 2011. Payments of $3.8 million have been made to settle a portion of the interest rate swap contracts liability and reduce the notional amount of the interest rate swap contracts. The related unrealized loss of $2.9 million and unrealized tax benefit of $1.1 million are recorded in accumulated other comprehensive (loss) income, net a separate component of shareholders' equity. A corresponding deferred tax asset for the unrealized tax benefit was eliminated with a valuation allowance as there may be an inability to utilize this deferred tax asset. The unrealized loss of $2.9 million will be subsequently amortized to interest expense over the remaining term of our term note. Amortization to interest expense for this unrealized loss was $0.9 million for 2008.

The fair value and gains and losses on interest rate swap contracts are as follows (thousands):

	December 31,			
	2008		2007	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
Interest rate swap contracts	Other long-term liabilities	$ 7,514	Other long-term liabilities	$ 8,553

The effect of interest rate swap contracts on the consolidated statement of operations is as follows (thousands):

	Gain (Loss) Recognized in Accumulated Other Comprehensive (Loss) Income, Net		
	Year Ended December 31		
	2008	2007	2006
Cash Flow Hedging Relationships:			
Interest rate swap contracts	$ 226	$ (7,673)	$ (2,077)

	Loss (Gain) Reclassified from Accumulated Other Comprehensive (Loss) Income, Net		
	Year Ended December 31		
	2008	2007	2006
Statement of Operations Location:			
Interest expense	$ 3,723	$ (465)	$ (648)

10. Shareholders' Equity

Preferred Shares
We are authorized to issue 2 million preferred shares, however none of these shares are issued. Under the terms of our Restated Certificate of Incorporation, the Board of Directors is authorized to determine or alter the rights, preferences, privileges and restrictions of the preferred shares.

Common Shares
Our common shares have a par value of $0.001. We have 50 million shares authorized, of which 29.7 million are issued and outstanding as of December 31, 2008.

Of the unissued shares, 6.1 million shares were reserved for the following:

Employee Stock Purchase Plan	**1.4 million**
2008 Stock Incentive Plan	**1.9 million**
Warrants	**2.8 million**

Warrants
In connection with the amendment of our credit facility in September 2008, we issued warrants that entitle the lenders to purchase approximately 8.75% or 2.8 million of our common shares at a purchase price of $0.47 per common share, the closing price on the NYSE on September 30, 2008. These warrants may be exercised through September 2015.

The fair value of these warrants was estimated on the date of grant using the modified Black-Scholes-Merton model. The following table presents the assumptions used in the valuation and the resulting fair value:

Expected term (years)	**5.5**
Expected volatility	**64.6%**
Expected dividend yield	**0.0%**
Risk-free interest rate	**3.0%**
Exercise price	**$0.47**
Weighted average fair value	**$0.28**

These assumptions are based principally on historical experience. Due to uncertainties inherent in these assumptions, it is possible that actual value received may vary from the estimate of the fair value of these warrants.

The fair value of the warrants of $0.8 million was recorded as a discount on our term note. Amortization of the discount will be recognized ratably through November 2011, the remaining term of our credit facility.

No warrants have been exercised and all 2.8 million warrants are outstanding and exercisable as of December 31, 2008. Warrants exercised are settled with newly issued common shares. The common shares for warrants are not included in the calculation of basic income per share until exercised, however the common shares for warrants may be included in the calculation of diluted income per share.

Dividends
Cash dividends per common share were as follows:

	2008	2007	2006
First quarter	$—	$0.10	$0.10
Second quarter	—	0.10	0.10
Third quarter	—	0.10	0.10
Fourth quarter	—	0.10	0.10
	$—	$0.40	$0.40

Our credit facility, amended in September 2008, prohibits the payment of cash dividends on our common shares. The determination of future dividend payments (cash or shares) will depend on many factors, including credit facility restrictions, financial position, results of operations and cash flows.

Repurchase Program
In March 2007, our Board of Directors authorized the repurchase of up to $25 million of our common shares through March 2008. The repurchase program expired in March 2008 with no shares repurchased.

Our credit facility, amended in September 2008, prohibits the repurchase of our common shares. The determination of future share repurchases will depend on many factors, including credit facility restrictions, financial position, results of operations and cash flows.

11. *Employee Benefit Plans*

Retirement Plans

- *Savings and Retirement Plan*

We provide a savings and retirement plan for salaried and certain hourly employees whereby eligible employees may contribute a percentage of their earnings to a trust. Participants may defer up to 75% of their eligible compensation (base salary, annual incentive and long-term incentives) subject to the limitations imposed under the Internal Revenue Code.

Prior to 2009, our matching contributions range from 25% of the first 4% to 50% of the first 6% of the participant's contribution. Matching contributions are established at the discretion of the Compensation Committee of our Board of Directors in the first quarter. Vesting in matching contributions occurs at the rate of 20% per year of service, upon reaching normal or early retirement date, or upon death, disability or certain other circumstances. Matching contributions of $2.9 million for 2008, $4.5 million for 2007 and $4.3 million for 2006 were made to the trusts based on a percentage of the contributions made by participants. Matching contributions were temporarily suspended for 2009.

Participants may direct their contributions and matching contributions through any of the investment options offered, including self-directed brokerage accounts. Investment options are reviewed and may be revised quarterly by an Investment Committee comprised of management and advised by consultants.

- *Executive Deferred Compensation*

We previously provided a deferred compensation plan for directors, executives and key employees. The objective of the plan was to provide executives and key employees with an additional opportunity to save for their retirement. Executive and key employee participants could defer up to 80% of their eligible compensation (base salary, annual incentive and medium term incentives). Director participants could defer 100% of their compensation. Effective January 2009, the plan was suspended and no participant contributions or matching contributions will be made.

There are no minimum or guaranteed returns. Participants may elect distribution upon reaching a specific age, number of years or separation of service. Distributions may be a lump sum payment or monthly installments over 5 to 10 years.

Matching contributions were the same as the savings and retirement plan matching contribution percentage. Matching contributions were established at the discretion of the Compensation Committee of our Board of Directors in the first quarter. Matching contributions of $0.1 million for 2008, $0.4 million for 2007 and $0.4 million for 2006 were made to the trust based on a percentage of the contributions made by participants.

Investments of the deferred compensation plan are held in a custodial account and the assets are subject to the claims of general creditors. Participants may elect to invest their deferred compensation through any of the investment options offered, including our common shares. Investment options are reviewed and may be revised quarterly by an Investment Committee comprised of management and advised by consultants.

- Compensation deferred and invested in third-party investment options is recorded in Other long-term assets and Other long-term liabilities. As the obligation is settled for the value of the underlying investments, changes in the fair value of the investments are recognized in Other income and changes in the fair value of the liability are recognized in Selling, general and administrative expenses. Fair value is based on market quotes. The fair value of these investments was $4.0 million at December 31, 2008 and $13.5 million at December 31, 2007.

- Compensation deferred and invested in our common shares is recorded as a component of shareholders' equity. As the obligation is settled for the fixed number of common shares purchased, changes in fair value are not recognized. Rather, purchases and distributions of the common shares are recorded at historical cost. The historical cost of these common shares was $0.9 million or 98,565 common shares at December 31, 2008 and $1.4 million or 105,189 common shares at December 31, 2007.

- *Supplemental Retirement*

Additionally, there is a supplemental retirement plan for executives and key employees. The objective of the plan is to provide a supplemental retirement benefit that enables participants to retire at age 65 with 30 years of service at an income level of at least 60% of pre-retirement base salary after considering deferred compensation, predecessor retirement and social security benefits. Effective January 2009, the plan was suspended as no contributions or return will be made to participants except the contribution and return required for the employment agreements of certain executives and no new participants will be added to the plan.

Contributions have typically been 5.5% of net income. Contributions are allocated proportionately to participants based on their base salaries and limited to 30% of a participant's base salary.

- 65% of the contributions are invested in company-owned life insurance polices for certain participants.

- 35% of the contributions are made in our common shares and distributed to the savings and retirement plans of certain participants.

Active participants invested in company-owned life insurance policies receive a return based on long-term corporate bond yields. This return has been approximately 6% and may vary based on changes to this yield. Inactive participants receive a return of 0% to 9% based on their years of service and payment elections. Participants receiving our common shares receive a return of any related dividend.

Contributions and the return are established at the discretion of the Compensation Committee of our Board of Directors in the first quarter. Participants are immediately vested in the contribution.

The Compensation Committee decided to make:

- no contributions or return to participants and no contribution or return was required for the employment agreements of certain executives for 2008.

- no contribution to participants, however a return was provided to participants as well as the contribution and return required by employment agreements of certain executives for 2007. The return for participants and contribution and return required by employment agreements was $2.7 million for 2007.

- the contribution and return to participants as well as the contribution and return required by the employment agreements of certain executives for 2006. The contribution and return for participants and certain executives was $7.5 million for 2006.

The cash surrender value of the company-owned life insurance policies approximates the obligation, however the returns, if any, are not fully funded as these returns are dependent upon years of service and payment elections. These life insurance policies fund the obligation to the participants or their beneficiaries over a 5, 10 or 15-year period.

- *Management Retention Compensation*

In February 2008, the Compensation Committee of our Board of Directors approved management retention agreements for certain executives and key employees. Participants receive common share equivalent units which may be exchanged for the market value of those shares upon vesting two years from the date of grant. Compensation expense recognized for these agreements was not significant for 2008.

Employee Stock Purchase Plan

In February 2008, our Board of Directors adopted the Employee Stock Purchase Plan, as approved by our shareholders in May 2008. The plan amended an employee share purchase plan originally effective October 2000. The plan permits eligible employees to purchase common shares through payroll deductions of up to 10% of an employee's compensation limited to $25,000 each year. The purchase price of the shares may be 85% or more of the lowest market price on either the first or last day of each three month period ending January, April, July and October. A total of 2 million shares were authorized for issuance, however 0.4 million shares were issued under the previous employee share purchase plan resulting in 1.6 million shares remaining available for this plan. Unissued shares were 1.4 million as of December 31, 2008. Compensation expense recognized was not significant for 2008 and 2007 and $0.3 million for 2006.

Incentive and Performance Plans

In February 2008, our Board of Directors adopted the 2008 Stock Incentive Plan, as approved by our shareholders in May 2008. A total of 2 million common shares were reserved for issuance under the plan.

In addition to the payment of an annual retainer, non-employee directors receive annual share grants with an approximate value of $50,000, based on the closing price of our common shares on the day of grant. For 2008, shares of 0.1 million that were restricted from trading for six months were granted to directors.

There were no grants of equity awards to employees, including all executives, for 2008. Grants of equity awards are approved by our Compensation Committee at regularly scheduled meetings. Unissued shares were 1.9 million as of December 31, 2008.

Employees and non-employee directors are eligible to receive awards at the discretion of the Compensation Committee. Options, appreciation rights, restricted shares, other share-based awards and non-discretionary awards may be granted under these plans.

Options

- Grants of options under the 2008 Stock Incentive Plan vest ratably over a maximum of 5 years from the date of grant and expire after 10 years if unexercised. Under certain circumstances, some or all of the options may vest earlier. Options are to be awarded with exercise prices equal to the closing share price of our common shares on the date of grant.

- Grants of options under the 2004 Incentive and Performance Plan vest ratably over 3 to 4 years from the date of grant and expire after 7 years if unexercised. Under certain circumstances, some or all of the options may vest earlier. Options were awarded with exercise prices equal to the closing share price of our common shares on the date of grant. No further grants will be made under this plan.

- Grants of options under the 2000 Stock Incentive Plan vest ratably through the end of the fourth year from the date of grant and expire after 10 years if unexercised. Under certain circumstances, some or all of the options may vest earlier. Options were awarded with exercise prices equal to the closing share price of our common shares on the date of grant. No further grants will be made under this plan.

Share-based compensation expense includes the fair value of share options, restricted shares and share awards and is recognized over the requisite service period. Additionally, tax benefits for share-based compensation payments are reported as a financing activity for the statement of cash flows.

The fair value of each option was estimated on the date of grant using the modified Black-Scholes-Merton model. The following table presents the weighted average assumptions used in the valuation and the resulting fair value:

	Year Ended December 31		
	2008	2007	2006
Expected term (years)	—	5.2	5.6
Expected volatility	—	54.5%	48.6%
Expected dividend yield	—	2.0%	0.7%
Risk-free interest rate	—	4.5%	3.8%
Exercise price	—	$18	$38
Weighted average fair value	—	$8	$18

These assumptions are based principally on historical experience. Due to uncertainties inherent in these assumptions, it is possible that actual share-based compensation may vary from the estimate of the fair value of these options.

Activity for option awards was as follows (thousands, except per share data):

	Year Ended December 31						
	2008			2007		2006	
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning	2,978	$15	4.5	2,521	$14	2,300	$10
Granted	—	$—		541	$18	409	$38
Exercised	(1)	$6		(33)	$6	(176)	$7
Forfeited	(350)	$20		(51)	$28	(12)	$22
Outstanding at end of the period	2,627	$14	3.2	2,978	$15	2,521	$14
Exercisable at end of the period	2,245	$13	2.9	2,079	$11	1,658	$8

	Year Ended December 31		
	2008	2007	2006
Weighted average grant-date fair value	$—	$8	$18
Intrinsic value of options exercised	$1	$299	$3,832
Fair value of options vested	$3,767	$4,665	$2,955

The intrinsic value (the difference between our share price on the date of exercise and the exercise price) for options exercised represents the value received by option holders who exercised their options.

As of December 31, 2008, option awards outstanding and exercisable were as follows (thousands, except per share data):

	Options Outstanding				Options Exercisable		
Exercise Price	Shares	Weighted Average Exercise Price	Intrinsic Value	Weighted Average Remaining Contractual Life (years)	Shares	Weighted Average Exercise Price	Intrinsic Value
$5	534	$5		1.5	534	$5	
$7	573	$7		3.5	573	$7	
$8	179	$8		5.1	179	$8	
$9	284	$9		2.1	284	$9	
$17 to $18	413	$18		5.1	117	$18	
$23	345	$23		2.9	345	$23	
$38	299	$38		3.6	213	$38	
	2,627	$14			2,245	$13	
In-the-money:							
Outstanding	—		$—				
Exercisable					—		$—

The intrinsic value (the difference between our share price on the last day of trading in December 2008 and the exercise price) for in-the-money options represents the value that would have been received by option holders had they exercised their options. These values change based on the fair market value of our shares.

The fair value of compensation expense recognized for options was $2.8 million for 2008, $5.2 million for 2007 and $5.1 million for 2006. The common shares for options are not included in the calculation of basic income per share, however the common shares for options may be included in the calculation of diluted income per share.

As of December 31, 2008, there was $1.7 million of unrecognized compensation expense related to these options. This compensation expense is recognized as the requisite services are rendered and is expected to be recognized ratably through March 2011.

Options exercised are settled with newly issued common shares.

Restricted Shares

Grants of restricted shares vest 3 years from the date of grant. Under certain circumstances, some or all of the restricted shares may vest earlier. The fair value of restricted shares is the closing share price of our common shares on the date of grant. Compensation expense is recognized over the vesting period.

Activity for restricted share awards was as follows (thousands, except per share data):

	Year Ended December 31					
	2008		2007		2006	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of the period	410	$26	396	$24	258	$16
Granted	—	$—	172	$18	139	$38
Vested	(118)	$23	(142)	$11	—	$—
Forfeited	(78)	$27	(16)	$30	(1)	$38
Nonvested at end of the period	214	$26	410	$26	396	$24

	Year Ended December 31		
	2008	2007	2006
Weighted average grant-date fair value	$—	$18	$38
Fair value of restricted shares granted	$—	$3,005	$5,220
Fair value of restricted shares vested	$2,761	$1,556	$—

The fair value of compensation expense recognized for restricted shares was $1.0 million for 2008, $3.3 million for 2007 and $3.1 million for 2006. The common shares for restricted shares are not included in the calculation of basic income per share until these shares vest, however the common shares for restricted shares may be included in the calculation of diluted income per share.

As of December 31, 2008, there was $0.9 million of unrecognized compensation expense related to these restricted shares. This compensation expense is recognized as the requisite services are rendered and is expected to be recognized ratably through March 2010.

Shares

We issue shares to non-employee directors of our Board of Directors for their services. These shares vest immediately, however trading is restricted for 1 year from the date of grant. We issued 99,200 shares in May 2008, 27,000 shares in May 2007 and 12,000 shares in May 2006 and recognized compensation expense of $0.4 million for 2008, $0.4 million for 2007 and $0.4 million for 2006.

The following table summarizes equity compensation information as of December 31, 2008 (thousands, except per share data):

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders	2,841	$13.11	1,901
Equity compensation plans not approved by security holders	2,825 (1)	$0.47	—
Total	5,666	$6.81	1,901

(1) In connection with the amendment of our credit facility in September 2008, our Board of Directors authorized issuance of these warrants that entitle the lenders to purchase approximately 8.75% or 2.8 million of our common shares at a purchase price of $0.47 per common share, the closing price on the NYSE on September 30, 2008. These warrants may be exercised through September 2015.

Share-based compensation expense is included in Selling, general and administrative expenses since it is incentive compensation issued primarily to our executives and senior management. Share-based compensation expense for options, restricted shares and share awards was $4.3 million for 2008, $8.9 million for 2007 and $8.9 million for 2006.

12. *Income Taxes*

The asset and liability method is used to account for income taxes. Under this method, deferred tax assets and liabilities are recognized for tax credits and for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recognized to reduce the carrying amount of deferred tax assets to the amount that is more likely than not to be realized. If it is later determined it is more likely than not that deferred tax assets will be realized, the valuation allowance will be adjusted. Revisions of the valuation allowance are recognized in the period such revisions are known.

Income tax benefit (expense) and effective rates were as follows (thousands):

	Year Ended December 31					
	2008		2007		2006	
		Effective Rate		Effective Rate		Effective Rate
Continuing operations:						
Income tax benefit (expense)	$ 23,409	10.8%	$ 25,670	8.8%	$ (44,893)	(33.4)%
Discontinued operations:						
Income tax (expense)	$ (1,860)	(9.1)%	$ (4,990)	(11.9)%	$ (11,914)	(36.7)%

The significant change in our effective tax rate for continuing operations was the result of uncertainty of our ability to realize deferred tax assets. Deferred tax assets resulted from operating losses and impairments, however valuation allowances were recognized due to the potential inability to realize these deferred tax assets. In assessing the ability to realize deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The scheduled reversal of deferred tax liabilities, loss carryback and carryforward abilities, projected future taxable income, tax planning strategies, cumulative earnings and our industry are considered in making this assessment.

Income tax benefit (expense) for continuing operations consists of the following (thousands):

	Year Ended December 31		
	2008	2007	2006
Current income taxes			
Federal	$ 44,350	$ 6,561	$ (42,830)
State	(352)	(343)	(3,188)
	43,998	6,218	(46,018)
Deferred income taxes			
Federal	(15,526)	17,832	1,043
State	(5,063)	1,620	82
	(20,589)	19,452	1,125
	$ 23,409	$ 25,670	$ (44,893)

In November 2006, SelectBuild acquired the remaining 49% interest in BBP Companies. Prior to the acquisition, income taxes associated with the other owner's proportionate interest were $1.7 million for 2006. We were required to recognize income taxes for all of the earnings of this 51% interest due to its C Corporation status. While these income taxes were recognized in income tax expense, the portion of income taxes associated with the other owner's proportionate share of earnings was eliminated as a reduction to minority interest income.

The tax benefit associated with exercised options and vested restricted shares increased taxes receivable $0.3 million for 2008 and reduced taxes payable $0.9 million for 2007 and $1.5 million for 2006. The tax impact for the difference between the fair value and the exercised value for options exercised and the difference between the grant-date value and vest-date value for vested restricted shares are recognized in additional paid-in capital, a component of shareholders' equity. Unrealized tax benefits for share-based compensation expense reduce the amount of tax benefits related to previous share-based awards.

A reconciliation of the differences between the U.S. statutory federal income tax rate and the effective tax rate for continuing operations as provided in the consolidated statements of operations is as follows:

	Year Ended December 31		
	2008	2007	2006
Statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	3.1	3.3	0.9
Valuation allowance	(24.8)	(25.2)	—
Non-deductible goodwill	(0.6)	(4.3)	—
Non-deductible items	(0.1)	(0.3)	0.5
Earnings of minority interests	—	—	(1.5)
Domestic production deduction	—	0.1	(0.7)
Other	(1.8)	0.2	(0.8)
	10.8%	8.8%	33.4%

Deferred income taxes are provided using the asset and liability method to reflect temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities using presently enacted tax rates and laws. The tax effects of temporary differences and carryforward benefits that give rise to significant portions of deferred tax assets and deferred tax liabilities were as follows (thousands):

	December 31	
	2008	2007
Deferred tax assets:		
Accounts receivable	$ 6,324	$ 1,486
Inventory	2,344	2,272
Goodwill and other intangibles, net	83,961	101,491
Accrued compensation	10,996	9,332
Insurance deductible reserves	16,649	5,440
Share-based compensation	6,007	6,280
Other accrued liabilities	4,485	5,184
Interest rate swap contracts	1,753	3,266
Investment in minority interests	—	379
Other	193	308
Federal net operating loss carryforward	24,210	—
State net operating loss carryforward	6,352	—
Alternative minimum tax credits	3,462	—
State taxes and credits	1,170	2,939
	167,906	138,377
Less: Valuation allowance	(160,477)	(97,230)
	7,429	41,147
Deferred tax liabilities:		
Revenue recognition	1,088	3,298
Prepaid expenses and other	996	762
Property and equipment	540	2,792
Depreciation	4,805	10,998
Other	—	558
	7,429	18,408
Net deferred tax assets	$ —	$ 22,739
Classified in consolidated balance sheets as:		
Deferred income taxes (current asset)	$ —	$ 11,470
Deferred income taxes (long-term asset)	—	11,269
	$ —	$ 22,739

In addition to the temporary differences, deferred tax assets for 2008 included net operating loss carryforwards of $30.6 million based on $69.2 million in federal operating losses and $138.4 million in state operating losses. Federal operating losses, if unused, of $69.2 million will expire in 2028. State operating losses, if unused, of $32.0 million will expire by 2013, $45.6 million will expire by 2018, $17.0 million will expire by 2027 and $43.8 million will expire in 2028. Alternative minimum tax credits of $3.5 million may be carried forward indefinitely. However, changes in our ownership, if any, may limit our ability to utilize the carryforwards for operating losses and tax credits.

A valuation allowance is recognized to reduce the gross deferred tax assets to an amount we believe is more likely than not to be realized. A $63.2 million increase in the valuation allowance to $160.5 million was recognized for 2008 due to our potential inability to realize these deferred tax assets. Our ability to realize the deferred tax assets could change if estimates of future taxable income change. To the extent taxable income is generated in future periods, these tax benefits may be realized and reduce our effective tax rate in future periods.

As a result of allocating purchase price to the assets acquired and liabilities assumed for acquisitions completed during 2007, we recorded a net deferred tax liability of $0.9 million for 2007.

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (thousands):

	December 31	
	2008	2007
Beginning balance	$ —	$ —
Increase for tax positions of prior years	6,223	—
	$ 6,223	$ —

These tax benefits, if recognized, would reduce our effective tax rate in future periods. We recognize potential interest and penalties related to unrecognized tax benefits in income tax expense. Interest expense recognized was $1.8 million for 2008 and was not significant for 2007.

Our estimate of the potential outcome of any uncertain tax issue is subject to our assessment of relevant risks, facts, and circumstances at the time. A more-likely-than-not threshold is required for measurement and recognition of tax positions taken or expected to be taken in a tax return. We record a liability for the difference between the benefit recognized and the tax position taken or expected to be taken on the tax return. Revisions of estimated tax liabilities are recognized in the period such revisions are known.

Our income tax compliance is periodically examined by various taxing authorities. Our federal tax returns for 2007 through 2005 are under examination. The statute of limitations remains open for our 2008 through 2005 federal tax returns. Our state and local income tax returns for 2008 through 2004 are open for future examination. We believe the ultimate results of examinations, if any, will not have an adverse affect on our financial condition, results of operations or cash flows.

13. Financial Instruments

The estimated fair values of cash and cash equivalents, receivables, unbilled receivables, accounts payable and accruals are the same as their carrying amounts due to their short-term nature.

After giving effect to the interest rate swap contracts, the interest for our debt is 58% variable and 42% fixed. The estimated fair value for:

- the variable-rate portion of our debt is the same as the carrying amount due to the market interest rate for these borrowings and

- the fixed-rate portion of our debt is based on the fair value of our interest rate swap contracts as well as the present value of the Other long-term debt at a discount rate consistent with variable market rates and our credit risk premium.

As a result, the estimated fair value of our debt is the same as their carrying amounts including the recorded fair value of our interest rate swap contracts.

Quoted market prices are not available for our debt. Given the significant downturn in the homebuilding industry and tightening credit from lenders, quoted market prices for our debt may be lower than their carrying amounts.

Changes in interest rates expose us to financial market risk. We currently utilize interest rate swap contracts to hedge variable interest rates. As of December 2008, the interest rate swap contracts effectively converted $135.1 million of variable rate debt to a fixed interest rate of 10.6% plus any difference between minimum LIBOR interest of 3.0% and LIBOR. The notional amount of the interest rate swap contracts will be ratably reduced to zero through the maturity of November 2011.

Derivative financial instruments are not utilized to hedge other risks or for speculative or trading purposes.

14. Commitments and Contingencies

Legal Proceedings

We are involved in litigation and other legal matters arising in the normal course of business. In the opinion of management, the recovery or liability, if any, under any of these matters will not have a material effect on our financial position, results of operations or cash flows.

Operating Leases

We lease certain real property, vehicles and office equipment under operating leases. Operating lease expense was as follows (thousands):

	Year Ended December 31		
	2008	2007	2006
Operating lease expense	$ 29,907	$ 29,553	$ 23,863
Less: Sublease income	(1,741)	(487)	—
	$ 28,166	$ 29,066	$ 23,863

Certain of these leases are non-cancelable and have minimum lease payment requirements as follows (thousands):

	Operating Leases	Sublease Income	Operating Leases, net
2009	$ 26,542	$ (1,786)	$ 24,756
2010	19,691	(810)	18,881
2011	13,064	(385)	12,679
2012	7,940	(110)	7,830
2013	4,983	(113)	4,870
Thereafter	3,629	(9)	3,620
	$ 75,849	$ (3,213)	$ 72,636

Warranties

We provide limited warranties for certain construction services. Specific terms and conditions for warranties vary from 1 year to 10 years and are based on geographic market and state regulations. Factors for determining estimates of warranties include the nature and frequency of claims, anticipated claims and cost per claim. Estimated costs for warranties are recognized when the revenue associated with the service is recognized. Revisions of estimated warranties are reflected in the period such revisions are determined. Warranty activity is as follows (thousands):

	Year Ended December 31		
	2008	2007	2006
Balance at beginning of the period	$ 6,805	$ 7,081	$ 5,339
Provision for warranties	(492)	911	2,989
Provision for warranties from acquisitions	—	—	117
Warranty charges	(612)	(1,187)	(1,364)
Balance at end of the period	$ 5,701	$ 6,805	$ 7,081

15. Fair Values of Assets and Liabilities

Our assets and liabilities measured at fair value are grouped into three levels. The levels are based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Quoted Prices in Active Markets for Identical Assets – valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

- Significant Other Observable Inputs – valuations for assets and liabilities traded in less active dealer or broker markets. For example, an interest rate swap contract is valued based on a model whose inputs are observable forward interest rate curves. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

- Significant Unobservable Inputs – valuations for assets and liabilities that are derived from other valuation methodologies, including discounted cash flow models and similar techniques, and are not based on market exchange, dealer, or broker traded transactions. Valuations incorporate certain assumptions and projections in determining fair value assigned to such assets or liabilities.

The following assets and liabilities are measured at fair value on a recurring basis (thousands):

		Fair Value Measurements at Reporting Date Using		
	December 31 2008	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Marketable securities	$ —	$ —	$ —	$ —
Interest rate swap contracts	(7,514)	—	(7,514)	—
	$ (7,514)	$ —	$ (7,514)	$ —

		Fair Value Measurements at Reporting Date Using		
	December 31 2007	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Marketable securities	$ 41,911	$ 41,911	$ —	$ —
Interest rate swap contracts	(8,553)	—	(8,553)	—
	$ 33,358	$ 41,911	$ (8,553)	$ —

Also, from time to time we may be required to measure certain other assets at fair value on a nonrecurring basis. These adjustments to fair value usually result from application of lower-of-cost or market accounting or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis, the following table provides the amount, level of valuation assumptions used to determine each adjustment and the related realized losses (thousands):

		Fair Value Measurements Using			
	December 31 2008	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Year Ended December 31 2008 Gains (Losses)
Other intangibles, net	$ 19,222	$ —	$ —	$ 19,222	$ (30,218)
Goodwill	—	—	—	—	(14,196)
	$ 19,222	$ —	$ —	$ 19,222	$ (44,414)

		Fair Value Measurements Using			
	December 31 2007	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Year Ended December 31 2007 Gains (Losses)
Other intangibles, net	$ 58,310	$ —	$ —	$ 58,310	$ (30,007)
Goodwill	14,196	—	—	14,196	(241,958)
	$ 72,506	$ —	$ —	$ 72,506	$ (271,965)

Other intangibles, net are evaluated for impairment whenever events and circumstances indicate the carrying amount may not be recoverable. An impairment for intangibles with finite useful lives is recognized if the carrying amount is not recoverable based on the estimated future operating cash flows on an undiscounted basis. Our intangibles are principally customer relationships. The present value of estimated future operating cash flows is utilized to determine fair value. Retention rates, margins and discount rates are significant inputs for determining the present value of estimated future cash flows.

- Other intangibles with a carrying amount of $49.4 million were written down to their implied fair value of $19.2 million, resulting in an impairment charge of $30.2 million in the fourth quarter of 2008.

- Other intangibles with a carrying amount of $88.3 million were written down to their implied fair value of $58.3 million, resulting in an impairment charge of $30.0 million in the fourth quarter of 2007.

Goodwill is evaluated for impairment whenever events and circumstances indicate the carrying amount may not be recoverable. An impairment for goodwill is recognized if the carrying amount is more than the estimated future operating cash flows as measured by fair value techniques. The fair value techniques of enterprise value as well as the present value of estimated future operating cash flows are utilized. Market capitalization based on average common share price, debt and cash are significant inputs for determining enterprise value. An estimate of our weighted average cost of financing sources and future operating cash flows as derived from estimates of revenues, operating expenses and income taxes as well as working capital requirements and capital expenditures are significant inputs for determining the present value of estimated future operating cash flows.

- Goodwill with a carrying amount of $14.2 million was written down to its implied fair value of zero, resulting in an impairment charge of $14.2 million in the fourth quarter of 2008.

- Goodwill with a carrying amount of $256.2 million was written down to its implied fair value of $14.2 million, resulting in an impairment charge of $242.0 million in the fourth quarter of 2007.

16. Segment Information

The consolidated financial statements include operations from our six regional operating segments – Texas, California, Intermountain, Southwest, Northwest and Illinois. Each of these regions markets and sells building products, manufactures building components and provides construction services to professional builders and contractors. As a result and effective April 2008, these regional operations were aggregated and are one reportable segment. The current period presentation of one reportable segment does not require restatement of prior periods.

17. *Quarterly Results of Operations (unaudited)*

Operating results by quarter for 2008 and 2007 were as follows (thousands, except per share data):

	First	Second	Third	Fourth
2008				
Sales	$ 342,948	$ 384,620	$ 364,430	$ 232,681
Loss from continuing operations(1)	$ (33,804)	$ (41,326)	$ (35,569)	$ (81,757)
(Loss) income from discontinued operations(1) (2)	(57)	9,385	(9,637)	(22,044)
Net loss	$ (33,861)	$ (31,941)	$ (45,206)	$ (103,801)
Net (loss) income per share:				
Continuing operations	$(1.17)	$(1.42)	$(1.22)	$(2.78)
Discontinued operations	—	0.32	(0.33)	(0.76)
Diluted	$(1.17)	$(1.10)	$(1.55)	$(3.54)
Common share prices:				
High	$7.22	$5.09	$2.65	$0.94
Low	$3.78	$1.77	$0.47	$0.21
Cash dividends declared per share	$—	$—	$—	$—
2007				
Sales	$ 526,174	$ 656,000	$ 594,039	$ 402,860
(Loss) income from continuing operations(1)	$ (6,398)	$ 17,884	$ 1,571	$ (278,824)
Income (loss) from discontinued operations(1) (2)	1,432	1,533	2,597	(52,508)
Net (loss) income	$ (4,966)	$ 19,417	$ 4,168	$ (331,332)
Net (loss) income per share:				
Continuing operations	$(0.22)	$0.61	$0.05	$(9.63)
Discontinued operations	0.05	0.05	0.09	(1.81)
Diluted	$(0.17)	$0.66	$0.14	$(11.44)
Common share prices:				
High	$24.93	$18.36	$15.23	$12.17
Low	$18.11	$13.34	$10.58	$5.04
Cash dividends declared per share	$0.10	$0.10	$0.10	$0.10

(1) Includes the following impairments:

	First	Second	Third	Fourth
2008				
Continuing operations	$ —	$ 8,469	$ 3,856	$ 40,643
Discontinued operations	$ —	$ 6,212	$ 873	$ 728
2007				
Continuing operations	$ —	$ —	$ —	$ 272,152
Discontinued operations	$ —	$ —	$ —	$ 64,922

(2) Discontinued operations were as follows:

- □□□□concrete block masonry and concrete services in Florida in June 2008,
- □□□□framing services in Virginia in March 2008 and
- □□ □three Western Colorado building materials distribution businesses sold in September 2007.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for the preparation and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles and reflect management's judgments and estimates concerning events and transactions that are accounted for or disclosed.

Our management is also responsible for establishing and maintaining effective internal control over financial reporting. Our internal control over financial reporting includes those policies and procedures that pertain to our ability to record, process, summarize and report reliable financial data. Management recognizes there are inherent limitations in the effectiveness of any internal control and effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Additionally, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

To ensure that the internal controls over financial reporting are effective, management regularly assesses such controls and did so most recently for its financial reporting as of December 31, 2008. Management's assessment was based on criteria for effective internal control over financial reporting described in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that as of December 31, 2008 our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with United States generally accepted accounting principles.

KPMG LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this annual report, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2008.

April 14, 2009

/s/ Robert E. Mellor	*/s/ William M. Smartt*
Robert E. Mellor	William M. Smartt
Chairman of the Board and Chief Executive Officer	*Senior Vice President and Chief Financial Officer*

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Building Materials Holding Corporation:

We have audited the accompanying consolidated balance sheets of Building Materials Holding Corporation and subsidiaries as of December 31, 2008 and 2007, 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, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statement referred to above present fairly, in all material respects, the financial position of Building Materials Holding Corporation and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations, and there is significant uncertainty whether it will remain in compliance with certain covenants of its bank credit agreement during 2009. This situation raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Building Materials Holding Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 14, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

San Francisco, California
April 14, 2009

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Building Materials Holding Corporation:

We have audited Building Materials Holding Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Building Materials Holding Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with 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 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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.

In our opinion, Building Materials Holding Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Building Materials Holding Corporation and subsidiaries as of December 31, 2008 and 2007, 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, 2008, and our report dated April 14, 2009 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

San Francisco, California
April 14, 2009

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

We have had no disagreements with our independent accountants regarding any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

ITEM 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures
As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934. This evaluation was conducted to determine whether the disclosure controls and procedures were effective and timely in bringing material information to the attention of senior management. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in ensuring material information required to be disclosed in reports filed under the Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure.

Changes in Internal Controls
Our disclosure controls and procedures and internal controls over financial reporting are routinely evaluated and tested for effectiveness. These evaluations are discussed with management and the Audit Committee of the Board of Directors. As a result of these evaluations, revisions and corrective actions are made to ensure the continuing effectiveness of our disclosure controls and procedures and internal controls over financial reporting.

During the period covered by this report, we identified deficiencies in the design or operation of our internal controls, however revisions and corrective actions are being made to ensure the effectiveness of our disclosure controls and procedures and internal controls over financial reporting. None of these deficiencies have been considered a material weakness and there were no changes in the design or operation of our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Management's Report on Internal Control Over Financial Reporting
Refer to management's report on internal control over financial reporting presented in Item 8 – Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting
Refer to report of independent registered public accounting firm presented in Item 8 – Financial Statements and Supplementary Data.

ITEM 9A (T). Controls and Procedures

Not applicable.

ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Directors
Directors hold office until the annual meeting of shareholders or until election of a successor, resignation, removal or death.

Name	Age	Position and Business Experience
Robert E. Mellor	65	Mr. Mellor became Chairman of the Board of Directors in 2002 and has been Chief Executive Officer since 1997. He has been a director since 1991. He was previously Of Counsel with the law firm of Gibson, Dunn & Crutcher LLP from 1990 to 1997. He is on the boards of directors of Coeur d'Alene Mines Corporation and The Ryland Group. He is also on the board of councilors of Save-the-Redwoods League. He does not serve on the audit committee of any of these boards. He serves on the compensation committee of the board of directors of Coeur d'Alene Mines.
Sara L. Beckman	52	Dr. Beckman has served as a director since 2002. She is a faculty member of the Operations and Information Technology Management faculty at the Haas School of Business at University of California - Berkeley where she has been for over 20 years. Her teaching and research focus on operations strategy and innovation management. She also worked in several corporate positions at Hewlett-Packard Company and as a consultant for Booz, Allen and Hamilton. Additionally, she consults with corporate clients on customer-focused design and innovation. She is a member of the Advisory Board for non-profit Corporate Design Foundation and just joined the Advisory Board for start-up tween Beauty.
James K. Jennings, Jr.	67	Mr. Jennings has served as a director since 2003. Since January 2005, Mr. Jennings has served as Executive Vice President and Secretary of both Ashbrook Simon-Hartley GP, LLC, and Ashbrook Simon-Hartley Operations GP, LLC, the general partners of limited partnerships which own the assets of a manufacturer of waste water treatment equipment with operations in the U.S., U.K. and Chile. Since October 2003, he has been Executive Vice President, Chief Financial Officer and Director of Atreides Capital, LLC, a private equity investment firm that specializes in the acquisition and operation of middle market manufacturing and distribution companies. He previously served as Executive Vice President, Chief Financial Officer and Director of Consolidation Partners, LLC, a privately-held merchant banking organization. Prior to that, he served as Executive Vice President and Chief Financial Officer of Loomis, Fargo & Co. and its predecessor organization, both cashintransit service providers, from 1994 to January 2003.
Norman J. Metcalfe	66	Mr. Metcalfe has served as a director since 2005. For the past eight years, he has managed his own investment and real estate advisory business. He has served as Vice Chairman and Chief Financial Officer of The Irvine Company, one of the nation's largest real estate and community development companies. Mr. Metcalfe also serves on the boards of The Ryland Group and The Tejon Ranch Company.

R. Scott Morrison, Jr.	69	Mr. Morrison has served as a director since 2004. Since 1989, he has been the owner and President of Morrison Properties, a real estate development firm. He is formerly a partner and divisional President for Arvida Corporation, a Florida based real estate firm. Mr. Morrison is also a development principal in the Boca Raton Innovation Center now known as the Florida Atlantic Research Park which was sold to HSG Partners in March 2009.
Peter S. O'Neill	72	Mr. O'Neill has served as a director since 1993. In 1979, he founded O'Neill Enterprises, LLC., a residential development and homebuilding company. Since 2003, he has served as chairman of PON, LLC and related companies, a residential real estate firm. Mr. O'Neill serves on the Board of Trustees and as a member of the Governance Committee for The College of Idaho. He is a member of the Urban Land Institute and is currently serving as a director of IDACORP and Idaho Power Company.
Norman R. Walker	65	Mr. Walker has served as a director since 2006. Mr. Walker is a retired partner of PricewaterhouseCoopers LLP (PwC), a position held for more than 26 years. He most recently served as a National Risk Management Partner, Audit and Business Advisory Services from 1992 to 2003 with PwC and is currently the Chief Financial Officer of the Diocese of Bridgeport in Connecticut. Mr. Walker's professional and business activities also include serving as Chairman of the Ethics Division Technical Standards Committee of the American Institute of Certified Public Accountants, President of PricewaterhouseCoopers LLP Foundation and Chair and President of the University of Oregon Foundation Board of Trustees. He is currently an Emeritus Trustee of the University of Oregon Foundation, a member of National Championship Properties, LLC, a wholly owned subsidiary of the University of Oregon Foundation, a member of the Business Advisory Council of Lundquist College of Business at the University of Oregon, and a Trustee of the Bank Street College in New York.

Executive Officers

Name	Age	Position and Business Experience
Robert E. Mellor	65	Chairman of the Board and Chief Executive Officer Mr. Mellor became Chairman of the Board of Directors in 2002 and has been Chief Executive Officer since 1997. He has been a director since 1991. He was previously Of Counsel with the law firm of Gibson, Dunn & Crutcher LLP from 1990 to 1997. He is on the board of directors of Coeur d'Alene Mines Corporation and The Ryland Group. He is also on the board of councilors of Save-the-Redwoods League. He does not serve on the audit committee of any of these boards. He serves on the compensation committee of the board of directors of Coeur d'Alene Mines.

William M. Smartt	66	Senior Vice President and Chief Financial Officer Mr. Smartt has been a Senior Vice President and Chief Financial Officer since April 2004. Prior to joining the Company, he was an independent consultant from August 2001 to March 2004. From 1992 to 2001, he was Executive Vice President, Chief Financial and Administrative Officer of DHL Express, a leader in international air express services. His previous experience as a Chief Financial Officer included 10 years with Di Giorgio Corporation, a Fortune 500 Company, whose product lines included the distribution of building materials, prefabricated components and framing services.
Stanley M. Wilson	64	President and Chief Operating Officer Mr. Wilson was appointed President and Chief Operating Officer of Building Materials Holding Corporation in February 2008. Mr. Wilson was appointed President and CEO of BMC West in 2004 and was appointed Senior Vice President in 2003. He was appointed Vice President in 2000 and was General Manager of the Pacific Division of BMC West from 1993 to 2003. Mr. Wilson has been with the company since its beginning in 1987. His previous experience includes 19 years with the building materials distribution business of Boise Cascade Corporation.
Eric R. Beem	39	Vice President and Controller Mr. Beem was appointed Vice President in January 2006 and Controller in April 2005. He joined the Company as Accounting Manager in 1996. Mr. Beem is a Certified Public Accountant and his experience includes 3 years with an international public accounting firm.
Mark R. Kailer	55	Vice President, Treasurer and Investor Relations Mr. Kailer has been Vice President and Treasurer since 2003. He joined the Company in 2000 as Assistant Treasurer. He was previously Senior Manager of Treasury Services at Circle International Group, a publicly-traded global logistics company based in San Francisco, from 1997 to 2000.
Paul S. Street	61	Senior Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary Mr. Street joined the Company in 1999 as Senior Vice President, General Counsel and Corporate Secretary and has been Chief Administrative Officer since 2001. He previously served as our outside General Counsel & Secretary while a partner of the law firm of Moffatt, Thomas, Barrett, Rock & Fields.

Certain Relationships and Legal Proceedings
Christopher Reiten is the son of Richard G. Reiten, a former member of our Board of Directors who resigned from our Board of Directors in March 2009. Christopher is not an officer and his compensation is not approved by the Compensation Committee of the Board of Directors. As Vice President, Director of Business Development and Fleet Operations for BMC West, Christopher Reiten received compensation of:

- $310,313 for 2008,
- $412,083 for 2007 which included $115,296 for reimbursement of non-recurring moving expense and
- $283,345 for 2006.

During the past five years, there has been no litigation or legal proceeding involving a director or executive officer.

Audit Committee and Financial Expert
Our Audit Committee of the Board of Directors consists of Sara L. Beckman, James K. Jennings, Jr., Norman J. Metcalfe and Norman R. Walker. Each member is independent as defined under the NYSE rules. Our Board of Directors has determined that each Audit Committee member has sufficient knowledge in financial accounting matters to serve on the Audit Committee. James K. Jennings, Jr. is an audit committee financial expert, as defined by the rules of the Securities and Exchange Commission.

Section 16(a) Beneficial Ownership Reporting Compliance
Section 16(a) of the Securities Exchange Act of 1934 requires executive officers, directors and persons owning more than 10% of a registered class of equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Executive officers, directors and greater than 10% shareholders are required by Securities and Exchange Commission regulations to furnish us with copies of all Section 16(a) forms they file. Based on review of such forms and written representations from reporting persons, all such reporting persons were in compliance with their filing requirements as of December 31, 2008, except Richard Reiten who filed one late Form 4 in 2008.

Code of Ethics
We have adopted a Code of Conduct for our directors, officers and employees and a code of ethics applicable to our chief executive officer, chief financial officer, controller, and other members of senior management. Also, we have adopted Corporate Governance Guidelines for our directors. These codes and guidelines require directors, officers and employees to act with honesty and integrity, avoiding actual or apparent conflicts of interest. As we become aware of issues, prompt action is taken. Copies are available free of charge on our website at *www.bmhc.com* by accessing Investor Information and then Corporate Governance. We intend to disclose on our website any future amendments to or waivers of our Code of Ethics.

ITEM 11. Executive Compensation

Based on market capitalization held by non-affiliates of $43.5 million as of June 30, 2008, we became a smaller reporting company under the regulations of the Securities and Exchange Commission. Pursuant to the requirements and to avoid misleading presentation, we elected to comply with the scaled disclosure requirements for smaller reporting companies. Accordingly, we have provided the following disclosures:

- our compensation philosophy,
- four named executive officers and
- compensation tables of:
  - summary compensation,
  - outstanding equity awards at fiscal year end and
  - director compensation.

Compensation Philosophy
Historically, we designed our compensation programs to attract, retain and reward executives responsible for the achievement of our business objectives. Our executive compensation philosophy was to reward achievement of specific annual and long-term goals that align with improving shareholder value.

As the homebuilding industry experienced significantly lower demand for new homes for 2008 and 2007, our operating results reflected significantly lower activity and eroded margins. Accordingly, during 2008 we implemented the following:

- suspended increases to base salaries except for certain executives,
- eliminated annual and medium term incentive compensation,
- temporarily suspended matching contributions for retirement and savings plans,
- suspended participant and matching contributions to our executive deferred compensation plan and
- suspended contributions and return for supplemental retirement plans of participants, except for the contribution and return that may be required for the employment agreements of certain executives.

There were no grants of equity awards to employees, including all executives, for 2008. Grants of equity awards are approved by our Compensation Committee at regularly scheduled meetings.

Change-in-control benefits as well as medical, dental and vision insurance and employee share purchase programs were reduced. Potential payments for termination or change in control have been significantly reduced due to:

- participants covered were reduced to certain executives,
- multiplier was reduced,
- elimination of annual and medium term compensation,
- participants and executives withdrew deferred compensation,
- suspended supplemental retirement plans and
- we are experiencing low share prices for unvested options and restricted shares.

In addition to the change-in-control provisions, we updated income tax implications for the employment agreements with Robert E. Mellor, Chief Executive Officer, William M. Smartt, Chief Financial Officer and Stanley M. Wilson, President and Chief Operating Officer.

Disclosure of change-in-control benefits and employment agreements may be found in our proxy information released in May 2008 as well as key exhibits to our reports filed with the Securities and Exchange Commission.

In addition to the payment of an annual retainer, non-employee directors receive annual share grants with an approximate value of $50,000, based on the closing price of our common shares on the day of grant. For 2008, shares of 0.1 million were granted to directors and were restricted from trading for six months.

Our compensation philosophy is to pay for sustained performance. However, based on projected operating results as well as the difficulty of reliably projecting our operating results for these suppressed business conditions, we implemented the changes described above to contain compensation expenses. These cost containment efforts may limit our ability to offer competitive compensation and benefits, may result in shortages of qualified labor and key personnel and may limit our ability to complete contracts as well as obtain additional contracts with builders.

Our Compensation Committee is composed of three independent directors of our Board of Directors and is charged with overseeing our compensation philosophy. Our Compensation Committee reviews comprehensive tally sheets for executives and key employees that detail all components of compensation and retirement throughout performance cycles. Tally sheets summarize all components of compensation, including past and present equity grants and potential retirement and change-in-control benefits in addition to base salary and incentive compensation. Tally sheets allow the Compensation Committee to benchmark all components of compensation in light of the overall philosophy.

Our Chief Executive Officer reviews the annual performance of each executive officer. The performance of our Chief Executive Officer is reviewed by our Compensation Committee. The conclusions and recommendations based on these performance reviews, including salary adjustments and annual awards, are presented to the Compensation Committee. The Compensation Committee may exercise its discretion in modifying any recommended adjustments or awards to executives. Furthermore, the Compensation Committee consults with the Executive Committee of the Board of Directors regarding the compensation decisions for our executives.

Named Executive Officers
Our named executive officers (executives) are:

- Robert E. Mellor – Chief Executive Officer
- William M. Smartt – Senior Vice President and Chief Financial Officer
- Stanley M. Wilson – President and Chief Operating Officer
- Paul S. Street – Senior Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary

Mr. Mahre resigned as Senior Vice President on April 30, 2008 and terminated employment on January 19, 2009. Compensation information for Mr. Mahre is disclosed as Mr. Mahre was one of our three most highly compensated executive officers despite Mr. Mahre not serving as an executive officer at the end of 2008.

Share Retention Guidelines
To preserve and align the interests of executives and key employees and those of our shareholders, executives and key employees are expected to retain shares valued as follows:

- all awards net of applicable taxes for members of the Board of Directors,
- 2 times base salary for Chief Executive Officer,
- 1.75 times base salary for President and Chief Operating Officer,
- 1.5 times base salary for Senior Vice Presidents and
- 1 times base salary for Vice Presidents.

Compliance with these share retention guidelines may be achieved over a 5-year period. Vested share options with a share price above their exercise price (in-the-money) are considered in this share retention requirement.

Tax and Accounting Implications
Our Compensation Committee considers the accounting and tax implications of all forms of compensation prior to approval. Accounting implications include the impact of cash flows and profitability and tax implications include deductibility for income tax purposes.

Deductibility of Executive Compensation
Our Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code. Section 162(m) stipulates that compensation of greater than $1.0 million may not be deducted for income tax purposes. Certain compensation, including performance-based compensation, is excluded from the $1.0 million deductibility limitation.

We believe compensation paid under the various incentive plans is deductible. For some circumstances, factors other than tax deductibility may be more important in determining the compensation components for executives and in the best interests of creating shareholder value. Our Compensation Committee retains flexibility to approve compensation that may not meet deductibility limitations.

Interlocks and Insider Participation in Compensation Decisions
Our Compensation Committee is comprised of the following members of our Board of Directors:

- R. Scott Morrison, Jr.
- Sara L. Beckman
- Peter S. O'Neill

These directors are independent. Specifically, none of these directors is or was formerly our officer or employee or had any relationship or transaction with us in excess of $120,000.

Additionally, none of our executive officers serves as a director or member of a compensation committee of any entity that has one or more executive officers serving as our director or member of our Compensation Committee.

Summary Compensation for 2008, 2007 and 2006

The following table sets forth the compensation paid to or earned by our Chief Executive Officer, Chief Financial Officer and two other most highly compensated executives (named executive officers) for 2008, 2007 and 2006.

The amounts shown for stock awards and option awards represent the compensation expense of those awards recognized for financial statement reporting purposes for stock options and restricted stock awards that vested in fiscal 2008. The amounts shown for stock awards and option awards do not represent cash payments and do not correspond to the actual value that may be realized with respect to equity awards. Actual amounts that may be realized may or may not correspond to the compensation expense recognized for financial statement purposes.

Our equity awards of options and restricted shares have minimal to no value for the following reasons:

- Options with an exercise price above the current common share price have no value. All 2.6 million options outstanding, including those options awarded to the executives listed below, have no value as our common share price has been well below the lowest option exercise price of $4.84 per common share. The ability to exercise options is also subject to vesting periods of 5, 4 or 3 years from the date of grant.

- Restricted shares have a value of the current share price multiplied by the number of restricted shares. All 0.2 million restricted shares not vested, including those awarded to the executives listed below, have a minimal value as our common share price is less than $1 per common share. The ability to exercise restricted shares is also subject to a vesting period of 3 years from the date of grant.

Name and Principal Position	Year	Salary	Bonus (1)	Stock Awards (2) (3)	Option Awards (2)	Non-Equity Incentive Plan Compensation (4)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (5)	All Other Compensation (6)	Total
Active									
Robert E. Mellor									
Chief Executive Officer	2008	$ 850,008	$ —	$ 755,083	$ 823,054	$ —	$ —	$ 150,891	$ 2,579,036
	2007	$ 850,008	$ —	$ 919,466	$ 1,335,084	$ —	$ 919,865	$ 215,499	$ 4,239,922
	2006	$ 850,008	$ 100,000	$ 747,123	$ 1,330,068	$ 2,159,260	$ 929,899	$ 268,976	$ 6,385,334
William M. Smartt									
Chief Financial Officer	2008	$ 450,000	$ 300,000	$ 81,553	$ 126,621	$ —	$ —	$ 53,825	$ 1,011,999
	2007	$ 390,000	$ 833,690	$ 131,795	$ 219,675	$ —	$ 122,623	$ 47,873	$ 1,745,656
	2006	$ 365,000	$ 694,385	$ 149,425	$ 224,903	$ 637,466	$ 103,881	$ 46,055	$ 2,221,115
Stanley M. Wilson									
President and Chief Operating Officer	2008	$ 600,000	$ —	$ 113,917	$ 12,413	$ —	$ —	$ 49,330	$ 775,660
	2007	$ 425,002	$ —	$ 169,825	$ 264,290	$ 740,000	$ 41,364	$ 71,555	$ 1,712,036
	2006	$ 400,008	$ 100,000	$ 164,605	$ 490,148	$ 879,520	$ 142,915	$ 72,531	$ 2,249,727
Paul S. Street									
Senior Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary	2008	$ 450,000	$ —	$ 112,020	$ 137,216	$ —	$ —	$ 44,723	$ 743,959
	2007	$ 390,002	$ —	$ 154,645	$ 258,208	$ —	$ 28,052	$ 62,714	$ 893,621
	2006	$ 369,999	$ 50,000	$ 149,425	$ 293,016	$ 651,808	$ 119,762	$ 62,479	$ 1,696,489
Inactive									
Michael D. Mahre (7)									
Former Senior Vice President	2008	$ 459,667	$ —	$ 188,370	$ 211,776	$ —	$ —	$ 5,160	$ 864,973
	2007	$ 425,001	$ —	$ 221,293	$ 308,971	$ —	$ 26,256	$ 93,749	$ 1,075,270
	2006	$ 400,000	$ 80,000	$ 164,605	$ 293,016	$ 1,553,076	$ 126,844	$ 108,710	$ 2,726,251

(1)

Represents a guaranteed or discretionary bonus. Mr. Smartt was paid an equity-based bonus of $300,000 in 2008, $318,690 for 2007 and $644,385 for 2006 which was recognized for financial statement purposes as vesting requirements were fulfilled. This equity-based bonus is immediately paid in cash and is based on the greater of:

- an average of the five-day closing price immediately preceding April 1, 2006 for 30,000 of our common shares or $225,000
- an average of the five-day closing price immediately preceding April 1, 2007 for 20,000 of our common shares or $150,000
- an average of the five-day closing price immediately preceding April 1, 2008 for 10,000 of our common shares or $300,000
- an average of the five-day closing price immediately preceding April 1, 2009 for 10,000 of our common shares or $300,000

(2)

These amounts do not represent cash payment and do not correspond to the actual value that may be realized with respect to equity awards. The amounts shown for stock awards and option awards represent the compensation expense of those awards recognized for financial statement reporting purposes for stock options and restricted stock awards that vested in fiscal 2008. Compensation expense is recognized for financial statement purposes as the requisite service is rendered over the vesting period of 3 to 4 years. Amounts are determined as follows:

- Black-Scholes value of our common shares on the date of grant multiplied by the number of options awarded for share options and
- fair market value of our common shares on the date of grant multiplied by the number of shares awarded for restricted shares.

Actual amounts that may be realized may or may not correspond to the compensation expense recognized for financial statement purposes. For example, our current share price is significantly lower than the Black-Scholes value and fair market value of our common shares on the date of grant.

Actual amounts that may be realized can be determined by identifying option and restricted shares disclosed on the Outstanding Equity Awards as of December 2008 table and calculating as follows:

- current share price less exercise price multiplied by the number of options and
- current share price multiplied by the number of restricted shares.

Vesting dates, exercise prices and expirations also define actual amounts that may be realized.

(3) Dividends paid on unvested restricted shares were:

	2008	2007	2006
Robert E. Mellor	$ 11,700	$ 40,400	$ 35,250
William M. Smartt	$ 1,200	$ 6,400	$ 7,050
Stanley M. Wilson	$ 1,900	$ 8,200	$ 7,800
Paul S. Street	$ 1,700	$ 7,400	$ 7,050
Michael D. Mahre	$ 3,210	$ 10,820	$ 7,800

(4) Represents cash paid for annual and medium term incentive compensation. Payments for annual incentive were:

	2008	2007	2006
Robert E. Mellor	$ —	$ —	$ 1,135,260
William M. Smartt	$ —	$ —	$ 389,966
Stanley M. Wilson	$ —	$ 740,000	$ 489,520
Paul S. Street	$ —	$ —	$ 395,308
Michael D. Mahre	$ —	$ —	$ 1,193,076

Payments for medium term incentive were:

	2008	2007	2006
Robert E. Mellor	$ —	$ —	$ 1,024,000
William M. Smartt	$ —	$ —	$ 247,500
Stanley M. Wilson	$ —	$ —	$ 390,000
Paul S. Street	$ —	$ —	$ 265,500
Michael D. Mahre	$ —	$ —	$ 360,000

(5) Represents contributions to the supplemental retirement plan and earnings based on Moody's Bond Index. The Compensation Committee decided to make:

- no contributions or return to participants and no contribution or return was required for the employment agreements of Mr. Mellor, Mr. Smartt and Mr. Wilson for 2008,
- no contribution to participants, however a return was provided to participants as well as the contribution and return required by employment agreements of Mr. Mellor and Mr. Smartt for 2007 and
- the contribution and return to participants as well as the contribution and return required by the employment agreements of Mr. Mellor and Mr. Smartt for 2006.

(6) The following elements of compensation are included:

- personal health and services allowance,
- matching contributions to savings and retirement plan (401(k)),
- matching contributions to the deferred compensation plan,
- life insurance premiums,
- travel insurance premiums,
- Management Retention Units (MRUs),
- reimbursement for Medicare taxes for contributions to the supplemental retirement plan and
- company paid discount on employee stock purchase plan.

(7) Mr. Mahre resigned as Senior Vice President on April 30, 2008 and terminated employment on January 19, 2009. Compensation information for Mr. Mahre is disclosed as Mr. Mahre was one of our three most highly compensated executive officers despite Mr. Mahre not serving as an executive officer at the end of 2008.

Outstanding Equity Awards as of December 2008

The following table sets forth the exercisable, unexercisable, exercise price and expiration date for share options and share awards that have not vested and the related market value for equity-based compensation from plans or equity incentive plans for our named executive officers.

Share options (option awards) are awarded with exercise prices equal to the closing share price of our common shares on the date of grant. Share options vest ratably over 3 to 4 years from the date of grant and expire after 7 to 10 years. Vesting rights cease upon termination of employment, except in the case of attaining retirement age of 60 years with 15 years of service or change in control.

Restricted shares (stock awards) vest 3 years from the date of grant. Vesting rights cease upon termination of employment, except in the case of a change in control. Holders of restricted shares retain voting rights and receive dividends during the vesting period.

Our equity awards of options and restricted shares have minimal to no value for the following reasons:

- Options with an exercise price above the current common share price have no value. All 2.6 million options outstanding, including those options awarded to the executives listed below, have no value as our common share price has been well below the lowest option exercise price of $4.84 per common share. The ability to exercise options is also subject to vesting periods of 5, 4 or 3 years from the date of grant.

- Restricted shares have a value of the current share price multiplied by the number of restricted shares. All 0.2 million restricted shares not vested, including those awarded to the executives listed below, have a minimal value as our common share price is less than $1 per common share. The ability to exercise restricted shares is also subject to a vesting period of 3 years from the date of grant.

			Option Awards					Stock Awards			
Name	Grant Date	Vest Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested at Year End Share Price	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Active											
Robert E. Mellor											
	3/29/2007	3/29/2011	42,750	128,250	—	$18.28	3/29/2014	—	—	—	—
	3/29/2007	3/29/2010	—	—	—	—	—	57,000	$21,090	—	—
	1/18/2006	1/18/2009	46,667	23,333	—	$37.93	1/18/2013	30,000	$11,100	—	—
	2/15/2005	2/15/2008	120,000	—	—	$22.77	2/15/2012	—	—	—	—
	5/4/2004	5/4/2007	120,000	—	—	$8.70	5/4/2011	—	—	—	—
	2/9/2004	12/31/2007	100,000	—	—	$7.88	2/9/2014	—	—	—	—
	4/2/2003	12/31/2006	150,000	—	—	$6.97	4/2/2013	—	—	—	—
	2/13/2002	12/31/2005	150,000	—	—	$7.00	2/13/2012	—	—	—	—
	3/5/2001	12/31/2004	150,000	—	—	$4.84	3/5/2011	—	—	—	—
	9/7/2000	12/31/2003	100,000	—	—	$4.86	9/7/2010	—	—	—	—
	1/20/2000	12/31/2004	90,000	—	—	$5.00	1/20/2010	—	—	—	—
	4/1/1999	12/31/2003	90,000	—	—	$5.13	4/1/2009	—	—	—	—

			Option Awards					Stock Awards			
Name	Grant Date	Vest Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
William M. Smartt											
	3/29/2007	3/29/2011	2,500	7,500	—	$18.28	3/29/2014	—	—	—	—
	1/18/2006	1/18/2009	10,667	5,333	—	$37.93	1/18/2013	6,000	$ 2,220	—	—
	2/15/2005	2/15/2008	24,000	—	—	$22.77	2/15/2012	—	—	—	—
	5/4/2004	5/4/2007	24,000	—	—	$8.70	5/4/2011	—	—	—	—
Stanley M. Wilson											
	3/29/2007	3/29/2011	3,750	11,250	—	$18.28	3/29/2014	—	—	—	—
	3/29/2007	3/29/2010	—	—	—	—	—	5,000	$ 1,850	—	—
	1/18/2006	1/18/2009	10,667	5,333	—	$37.93	1/18/2013	6,000	$ 2,220	—	—
	2/15/2005	2/15/2008	24,000	—	—	$22.77	2/15/2012	—	—	—	—
	5/4/2004	5/4/2007	16,000	—	—	$8.70	5/4/2011	—	—	—	—
	2/9/2004	12/31/2007	21,562	—	—	$7.88	2/9/2014	—	—	—	—
	4/2/2003	12/31/2006	36,000	—	—	$6.97	4/2/2013	—	—	—	—
	2/13/2002	12/31/2005	10,000	—	—	$7.00	2/13/2012	—	—	—	—
	3/5/2001	12/31/2004	36,000	—	—	$4.84	3/5/2011	—	—	—	—
	1/20/2000	12/31/2004	28,000	—	—	$5.00	1/20/2010	—	—	—	—
Paul S. Street											
	3/29/2007	3/29/2011	3,750	11,250	—	$18.28	3/29/2014	—	—	—	—
	3/29/2007	3/29/2010	—	—	—	—	—	5,000	$ 1,850	—	—
	1/18/2006	1/18/2009	10,667	5,333	—	$37.93	1/18/2013	6,000	$ 2,220	—	—
	2/15/2005	2/15/2008	24,000	—	—	$22.77	2/15/2012	—	—	—	—
	5/4/2004	5/4/2007	24,000	—	—	$8.70	5/4/2011	—	—	—	—
	2/9/2004	12/31/2007	28,750	—	—	$7.88	2/9/2014	—	—	—	—
	4/2/2003	12/31/2006	36,000	—	—	$6.97	4/2/2013	—	—	—	—
	2/13/2002	12/31/2005	40,000	—	—	$7.00	2/13/2012	—	—	—	—
Inactive											
Michael D. Mahre (1)											
	4/19/2007	4/19/2011	13,575	40,725	—	$17.39	4/19/2014	—	—	—	—
	4/19/2007	4/19/2010	—	—	—	—	—	18,100	$ 6,697	—	—
	1/18/2006	1/18/2009	10,667	5,333	—	$37.93	1/18/2013	6,000	$ 2,220	—	—
	2/15/2005	2/15/2008	24,000	—	—	$22.77	2/15/2012	—	—	—	—
	5/4/2004	5/4/2007	24,000	—	—	$8.70	5/4/2011	—	—	—	—
	2/9/2004	12/31/2007	28,750	—	—	$7.88	2/9/2014	—	—	—	—
	4/2/2003	12/31/2006	36,000	—	—	$6.97	4/2/2013	—	—	—	—
	2/13/2002	12/31/2005	30,000	—	—	$7.00	2/13/2012	—	—	—	—
	3/5/2001	12/31/2004	20,000	—	—	$4.84	3/5/2011	—	—	—	—
	9/7/2000	12/31/2003	10,000	—	—	$4.86	9/7/2010	—	—	—	—
	4/15/1999	12/31/2003	—	—	—	$5.38	4/15/2009	—	—	—	—

(1) Mr. Mahre resigned as Senior Vice President on April 30, 2008 and terminated employment on January 19, 2009. Compensation information for Mr. Mahre is disclosed as Mr. Mahre was one of our three most highly compensated executive officers despite Mr. Mahre not serving as an executive officer at the end of 2008.

Director Compensation for 2008, 2007 and 2006

The following table sets forth certain information regarding compensation earned or awarded to each non-employee director who served on our Board of Directors in 2008, 2007 and 2006.

Compensation for members of our Board of Directors is recommended by the Compensation Committee and approved by our Board of Directors in February. Directors who are employees are not compensated for their service.

Name	Year	Fees Earned or Paid in Cash	Share Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Sara L. Beckman	2008	$ 50,000	$ 50,000	—	$ —	$ —	$ 215	$ 100,215
	2007	$ 55,000	$ 45,000	—	$ —	$ —	$ 5,177	$ 105,177
	2006	$ 50,000	$ 51,840	—	$ —	$ —	$ 6,176	$ 108,016
Eric S. Belsky (1)	2008	$ 17,445	$ —	—	$ —	$ —	$ —	$ 17,445
	2007	$ 55,000	$ 45,000	—	$ —	$ —	$ 177	$ 100,177
	2006	$ 50,000	$ 51,840	—	$ —	$ —	$ 5,176	$ 107,016
James K. Jennings, Jr.	2008	$ 60,000	$ 50,000	—	$ —	$ —	$ 6,215	$ 116,215
	2007	$ 65,000	$ 45,000	—	$ —	$ —	$ 5,177	$ 115,177
	2006	$ 60,000	$ 51,840	—	$ —	$ —	$ 5,176	$ 117,016
Norman J. Metcalfe	2008	$ 50,000	$ 50,000	—	$ —	$ —	$ 215	$ 100,215
	2007	$ 55,000	$ 45,000	—	$ —	$ —	$ 6,177	$ 106,177
	2006	$ 50,000	$ 51,840	—	$ —	$ —	$ 6,176	$ 108,016
David M. Moffett (2)	2008	$ 50,000	$ 50,000	—	$ —	$ —	$ 215	$ 100,215
	2007	$ 55,000	$ 45,000	—	$ —	$ —	$ 177	$ 100,177
	2006	$ 25,000	$ 51,840	—	$ —	$ —	$ 6,117	$ 82,957
R. Scott Morrison, Jr.	2008	$ 55,000	$ 50,000	—	$ —	$ —	$ 215	$ 105,215
	2007	$ 60,000	$ 45,000	—	$ —	$ —	$ 6,177	$ 111,177
	2006	$ 55,000	$ 51,840	—	$ —	$ —	$ 6,176	$ 113,016
Peter S. O'Neill	2008	$ 55,000	$ 50,000	—	$ —	$ —	$ 215	$ 105,215
	2007	$ 60,000	$ 45,000	—	$ —	$ —	$ 6,177	$ 111,177
	2006	$ 55,000	$ 51,840	—	$ —	$ —	$ 6,176	$ 113,016
Richard G. Reiten (3)	2008	$ 55,000	$ 50,000	—	$ —	$ —	$ 215	$ 105,215
	2007	$ 60,000	$ 45,000	—	$ —	$ —	$ 6,177	$ 111,177
	2006	$ 55,000	$ 51,840	—	$ —	$ —	$ 6,176	$ 113,016
Norman R. Walker	2008	$ 50,000	$ 50,000	—	$ —	$ —	$ 215	$ 100,215
	2007	$ 55,000	$ 45,000	—	$ —	$ —	$ 6,177	$ 106,177
	2006	$ 12,500	$ —	—	$ —	$ —	$ 5,044	$ 17,544

(1) Mr. Belsky retired from our Board of Directors effective May 2008.

(2) Mr. Moffett retired from our Board of Directors effective November 2008.

(3) Mr. Reiten retired from our Board of Directors effective March 2009.

Non-employee directors receive an annual retainer of $50,000 which is payable in cash and may be directed to a deferred compensation plan. There are no matching contributions or minimum or guaranteed returns for the deferred compensation plan. Participants may direct their contributions through any of the investment options offered, including our common shares. Effective January 2009, the plan was suspended and no participant contributions or matching contributions will be made.

Additional fees paid to each committee chairperson are:

- $10,000 for Audit Committee;

- $5,000 for Compensation Committee;

- $5,000 for Corporate Governance and Nominating Committee and
- $5,000 for Finance Committee.

In addition to the payment of an annual retainer, non-employee directors receive annual share grants with an approximate value of $50,000, based on the closing price of our common shares on the day of grant. The share grants are restricted from trading for six months. In 2007, there were not enough shares left in the 2004 Incentive and Performance Plan to pay directors their full $50,000 worth of shares. As a result, our directors received $45,000 worth of shares and $5,000 in cash for 2007.

Each director is entitled to reimbursement for reasonable out-of-pocket expenses incurred in connection with travel and attendance at meetings of the Board of Directors or its committees as well as related activities, including director education courses and materials.

All other compensation includes:

- at the Director's discretion:

  - § $5,000 contribution to a charitable organization and

  - $1,000 matching contribution to an educational organization

- as well as approximately $200 of premiums for accidental death and dismemberment insurance policy.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table displays ownership of our common shares by beneficial owners, named executive officers and directors. Beneficial owners are those shareholders owning more than 5% of our common shares as determined by information provided to us and reported to the Securities and Exchange Commission. The percentage of share ownership is based on 29,732,742 shares outstanding as of April 10, 2009. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, each of the shareholders named in the table has sole voting and investment power with respect to the shares listed.

Beneficial Ownership Table

	Shares	As a Percent of Shares Outstanding
Beneficial Owners:		
Schneider Capital Management Corporation (1) 460 E. Swedesford Rd., Ste 2000 Wayne, PA 19087	2,873,930	9.7%
Howard H. Leach (2) Leach Capital LLC 101 California Street, Ste 4310 San Francisco, CA 94111	1,956,700	6.6%
Royce & Associates, LLC (3) 1414 Avenue of the Americas New York, NY 10019	1,832,244	6.2%
Officers: (4),(5),(6)		
Robert E. Mellor – Chairman of the Board and Chief Executive Officer	1,478,775	5.0%
William M. Smartt – Senior Vice President, Chief Financial Officer	113,378	*
Stanley M. Wilson – President and Chief Operating Officer	263,627	*
Paul S. Street – Senior Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary	265,363	
Directors:		
Sara L. Beckman	34,894	*
James K. Jennings, Jr.	37,500	*
Norman J. Metcalfe	17,119	*
R. Scott Morrison, Jr.	53,512	*
Peter S. O'Neill	34,195	*
Richard G. Reiten	63,467	*
Norman R. Walker	15,504	*
All directors and named executive officers as a group (11 persons):	2,377,334	8.0%

* Represents holdings of less than 1%.

(1) Based on the Schedule 13G filed by Schneider Capital Management Corporation with the Securities and Exchange Commission on February 13, 2009. Includes sole dispositive power over 2,873,930 shares and sole voting power over 2,163,255 shares.

(2) Based on the Schedule 13G filed by Howard H. Leach with the Securities and Exchange Commission on February 11, 2009. Includes sole dispositive power over 1,956,700 shares and sole voting power over 1,956,700 shares.

(3) Based on the Schedule 13G filed by Royce & Associates, LLC with the Securities and Exchange Commission on January 23, 2009. Includes sole dispositive power over 1,832,244 shares and sole voting power over 1,832,244 shares.

(4) Includes the following shares purchased through our reitrement and savings plan and held indirectly during 2008: 906 shares for Mr. Mellor; 0 shares for Mr. Smartt; 2,023 shares for Mr. Wilson and 261 shares for Mr. Street.

(5) Includes the following shares that certain directors and named executive officers have the right to acquire within 60 days after the date of this table pursuant to outstanding options: 1,182,750 shares for Mr. Mellor; 66,500 shares for Mr. Smartt; 191,312 shares for Mr. Wilson and 172,500 shares for Mr. Street. All directors and executive officers as a group have the right to acquire 1,440,562 shares within 60 days after the date of this table pursuant to outstanding options.

(6) Includes the following restricted shares: 57,000 shares for Mr. Mellor; 0 shares for Mr. Smartt; 5,000 shares for Mr. Wilson and 5,000 shares for Mr. Street.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

Certain Relationships and Related Party Transactions
Any future transactions between BMHC and our executive officers, directors and affiliates will be on terms no less favorable to BMHC than can be obtained from anyone else, and any significant transactions must be pre-approved by our Audit Committee. We adopted a written policy regarding related party transactions in 2006.

Christopher Reiten is the son of Richard G. Reiten, a former member of our Board of Directors who resigned from our Board of Directors in March 2009. Christopher is not an officer of BMHC and his compensation is not approved by the Compensation Committee of the Board of Directors. As Vice President, Director of Business Development and Fleet Operations for BMC West, Christopher Reiten received compensation of:

- $310,313 for 2008,
- $412,083 for 2007 which included $115,296 for reimbursement of non-recurring moving expense and
- $283,345 for 2006.

Director Independence
In accordance with Securities and Exchange Commission rules, our Board of Directors determines the independence of each director and nominee for election as a director. At their February 2009 meeting, our Board of Directors determined that each of the following non-employee directors is independent:

- Sara L. Beckman
- James K. Jennings, Jr.
- Norman J. Metcalfe
- R. Scott Morrison, Jr.
- Peter S. O'Neill
- Richard G. Reiten
- Norman R. Walker

The Board considered the following transactions, relationships or arrangement in determining the independence of the directors:

- As described in the section "Certain Relationships and Related Party Transactions" including employment of Richard G. Reiten's son by BMC West and
- R. Scott Morrison, Jr.'s son was employed by BMC West in a non-executive role until September 2008.

Robert E. Mellor, the President and Chief Executive Officer of the Company, is not an independent director.

ITEM 14. Principal Accounting Fees and Services

Fees Paid to Independent Registered Public Accounting Firm
Aggregate fees(1) for professional services rendered by KPMG LLP for the years ended December 31, 2008, 2007 and 2006 were as follows:

	2008	2007	2006
Audit Fees(2)	$2,418,000	$2,211,762	$3,116,153
Audit Related Fees(3)	71,213	534,745	120,245
Tax Fees(4)	—	65,000	260,000
All Other Fees(5)	—	—	104,749
Total Fees	$2,489,213	$2,811,507	$3,601,147

(1) The aggregate fees included in Audit Fees are fees billed or incurred for the fiscal years for the audit of our annual financial statements and review of financial statements and statutory and regulatory filings or engagements. The aggregate fees included in each of the other categories are fees billed in the fiscal years.

(2) Fees were for the audits of our annual consolidated financial statements, including internal controls over financial reporting, reviews of unaudited condensed consolidated interim financial statements and assistance with review of public filings.

(3) Audit Related Fees were for assurance and other related services for the employee benefit plans, due diligence and accounting consultations.

(4) Tax Fees were for services related to tax compliance, including the preparation of tax returns and claims for refund, tax planning and advice.

(5) All Other Fees were for professional service in connection with public filings.

Audit Committee Pre-Approval Policies and Procedures
Our Audit Committee pre-approves all non-audit related services provided by the independent registered public accounting firm. Pre-approval is generally provided for up to one year, is detailed as to the particular service or category of services and is generally subject to an estimated budget. Our Audit Committee may also pre-approve particular services on a case-by-case basis. In assessing requests for services by the independent registered public accounting firm, our Audit Committee considers whether such services are consistent with the independent registered public accounting firm's independence, whether the independent registered public accounting firm is likely to provide the most effective and efficient service based on their familiarity with us and whether the service would enhance our ability to control risk or improve audit quality. All of the audit related, tax and other services provided by KPMG LLP in fiscal years 2008, 2007 and 2006, described under "Fees Paid to Independent Registered Public Accountant Firm" were approved in advance by our Audit Committee.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements as filed under Item 8 – Financial Statements and Supplementary Data:

   - □ Consolidated Statements of Operations for the years ended December 31, 2008, 2007 and 2006
   - □ Consolidated Balance Sheets as of December 31, 2008 and 2007
   - □ Consolidated Statements of Shareholders' Equity for the years ended December 31, 2008, 2007 and 2006
   - □ Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2008, 2007 and 2006
   - □ Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007 and 2006
   - □ Notes to Consolidated Financial Statements
   - □ Management's Report on Internal Control Over Financial Reporting
   - □ Reports of Independent Registered Public Accounting Firm

2. Financial Statement Schedules:
   - □ Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2008, 2007 and 2006

   □
   - □ Report of Independent Registered Public Accounting Firm

   Schedules other than those listed are omitted because they are not applicable or the required information is presented in the financial statements and related disclosures.

3. Exhibits:
   A list of the exhibits required to be filed as part of this report is presented in the Exhibit Index.

Schedule II

Valuation and Qualifying Accounts
(thousands)

Deductions to Accounts Receivable: Allowance for Returns, Discounts and Doubtful Accounts

Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Additions Charged to Other Accounts	Deductions(1)	Balance at End of Year
Year Ended December 31, 2008	**$4,656**	**$17,104**	**$—**	**$(9,669)**	**$12,091**
Year Ended December 31, 2007	$3,796	$2,628	$—	$(1,768)	$ 4,656
Year Ended December 31, 2006	$3,173	$1,051	$—	$ (428)	$ 3,796

(1) Represents write-offs of uncollectible receivables, net of recoveries.

Please refer to accompanying report of independent registered public accounting firm.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Building Materials Holding Corporation:

Under date of April 14, 2009, we reported on the consolidated balance sheets of Building Materials Holding Corporation and subsidiaries as of December 31, 2008 and 2007, 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, 2008, which report and consolidated financial statements are included in this annual report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule for the years ended December 31, 2008, 2007 and 2006 listed in Item 15(a)(2) of this Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Our report on the consolidated financial statements of Building Materials Holding Corporation and subsidiaries referred to above contains an explanatory paragraph that states that the Company's recurring losses from operations and uncertainty whether it will remain in compliance with certain covenants of its bank credit agreement during 2009 raise substantial doubt about its ability to continue as a going concern. The consolidated financial statement schedule does not include any adjustments that might result from the outcome of this uncertainty.

/s/ KPMG LLP

San Francisco, California
April 14, 2009

Exhibit Index Filed with the Annual Report on Form 10-K
For the Year Ended December 31, 2008

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.50	Amended Certificate of Incorporation Filed with the Delaware Secretary of State on September 23, 1997	8-K12G3	000-23135	3.(i) 1	September 24, 1997
3.50.1	Certificate of Amendment to Certificate of Incorporation of Building Materials Holding Corporation	10-K	000-23135	3.50.1	February 27, 2006
3.60	Amended and Restated By-laws	10-Q	000-23135	3.70	November 14, 2001
10.10	Second Amended and Restated Credit Agreement Dated as of November 10, 2006 among Building Materials Holding Corporation, BMC West Corporation and other Subsidiary Guarantors, Wells Fargo Bank, National Association, as Administrative Agent, Joint Lead Arranger, Joint Book Manager Swingline Lender and L/C Issuer, JPMorgan Chase Bank, N.A., as Document Agent, Suntrust Bank as Joint Lead Arranger and Co-Syndication Agent, BNP Paribas as Joint Lead Arranger and Co-Syndication Agent and other Financial Institutions Party Hereto	8-K	000-23135	10.10	November 14, 2006
10.10.1	First Amendment to Second Amended and Restated Credit Agreement and Waiver Dated as of February 29, 2008 among Building Materials Holding Corporation, BMC West Corporation and other Subsidiary Guarantors, Wells Fargo Bank, National Association, as Administrative Agent, Joint Lead Arranger, Joint Book Manager Swingline Lender and L/C Issuer, JPMorgan Chase Bank, N.A., as Documentation Agent and the other Financial Institutions Party Hereto	8-K	001-33192	10.10.1	March 3, 2008

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.10.2	Second Amendment to Second Amended and Restated Credit Agreement and Waiver Dated as of September 30, 2008 among Building Materials Holding Corporation, BMC West Corporation and other Subsidiary Guarantors, Wells Fargo Bank, National Association, as Administrative Agent, Joint Lead Arranger, Joint Book Manager Swingline Lender and L/C Issuer, JPMorgan Chase Bank, N.A., as Documentation Agent and the other Financial Institutions Party Hereto	8-K	001-33192	10.10.2	October 1, 2008
10.10.2.1	Limited Waiver Agreement to Second Amended and Restated Credit Agreement Dated as of March 11, 2009 among Building Materials Holding Corporation and other Subsidiary Grantors, Wells Fargo Bank, National Association, as L/C Issuer, Swingline Lender and Administrative Agent for the Lenders				Filed with this Form
10.10.2.2	Limited Waiver Agreement to Second Amended and Restated Credit Agreement Dated as of April 13, 2009 among Building Materials Holding Corporation and other Subsidiary Grantors, Wells Fargo Bank, National Association, as L/C Issuer, Swingline Lender and Administrative Agent for the Lenders				Filed with this Form
10.20*	Amended and Restated 1993 Employee Stock Option Plan	10-K	000-23135	10.34	March 28, 1997
10.20.1*	Non-Statutory Stock Option Agreement Pursuant to the Amended and Restated 1993 Employee Stock Option Plan	10-K	000-23135	10.21.1	February 27, 2006
10.21*	Building Materials Holding Corporation 2000 Stock Incentive Plan	S-8	333-44260	4	August 22, 2000
10.21.1*	Non-Statutory Stock Option Agreement Pursuant to the 2000 Stock Incentive Plan	10-K	000-23135	10.23.1	February 27, 2006

10.22*	Building Materials Holding Corporation Amended and Restated Employee Stock Purchase Plan	S-8	333-15095	4	May 14, 2008
10.23*	Building Materials Holding Corporation 2004 Amended Incentive and Performance Plan	10-Q	001-33192	10.25	May 7, 2007
10.23.1*	Stock Option Agreement Pursuant to the 2004 Amended Incentive and Performance Plan	10-K	000-23135	10.25.1	February 27, 2006
10.23.2*	Restricted Stock Agreement Pursuant to the 2004 Amended Incentive and Performance Plan	10-K	001-33192	10.25.2	February 21, 2007
10.24*	Cash Equity Plan	10-K	000-23135	10.26	February 27, 2006
10.25	Building Materials Holding Corporation 2008 Stock Incentive Plan	S-8	333-15096	4	May 14, 2008

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.40*	Building Materials Holding Corporation 2008 Annual Incentive Program for Certain Employees of BMHC	10-Q	001-33192	10.40	May 12, 2008
10.41*	Building Materials Holding Corporation 2007 Annual Incentive Program BMC West Officers and Key Staff	10-Q	001-33192	10.41	May 7, 2007
10.46*	Building Materials Holding Corporation General Terms and Conditions BMC West Corporation Key Management 2007 Long-Term Cash Incentive Plan	10-Q	001-33192	10.46	July 31, 2007
10.47*	Building Materials Holding Corporation General Terms and Conditions BMHC Officers and BMHC Key Management 2006 Long-Term Cash Incentive Plan	10-Q	000-23135	10.45	August 1, 2006
10.48*	Building Materials Holding Corporation General Terms and Conditions BMHC Officers and BMHC Key Management 2005 Long-Term Cash Incentive Plan	10-K	000-23135	10.47	February 27, 2006
10.50*	Building Materials Holding Corporation 2005 Deferred Compensation Plan for Directors as Amended and Restated 2007	10-K	000-33192	10.50	March 11, 2008
10.51*	Building Materials Holding Corporation 1999 Deferred Compensation Plan for Directors	10-K	001-33192	10.44	February 21, 2007
10.52*	Building Materials Holding Corporation 2005 Deferred Compensation Plan for Executives as Amended and Restated 2007	10-K	001-33192	10.52	March 11, 2008
10.53*	Building Materials Holding Corporation 1999 Deferred Compensation Plan for Executives	10-K	001-33192	10.46	February 21, 2007
10.60*	Building Materials Holding Corporation 2005 Executives Supplemental Retirement Income Plan as Amended and Restated 2007	8-K	001-33192	10.60	November 21, 2007

10.61*	Building Materials Holding Corporation 2002 Executives Supplemental Retirement Income Plan as Amended and Restated December 31, 2002	10-K	000-23135	10.60	February 27, 2006

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.70*	Change in Control Severance Plan for Certain Executive Officers, Senior Management and Key Employees of the Company and its Subsidiaries as Amended and Restated Effective May 1, 2008	10-Q	000-33192	10.70	May 12, 2008
10.71	Change in Control Severance Plan for Non-Officer Employees of Building Materials Holding Corporation Effective May 1, 2008				Filed with this Form
10.80	Amended Form of Indemnity Agreement Between Building Materials Holding Corporation and its Officers and Directors	10-K	000-23135	10.7.1	March 26, 2003
10.90*	Amended and Restated Employment Agreement by and Between Robert E. Mellor and Building Materials Holding Corporation as of December 26, 2007	10-K	000-33192	10.90	March 11, 2008
10.91*	Employment Agreement by and Between William M. Smartt and Building Materials Holding Corporation as of April 1, 2006	10-Q	000-23135	10.91	August 1, 2006
10.91.1*	First Amendment to Employment Agreement by and Between William M. Smartt and Building Materials Holding Corporation as of February 19, 2008	10-K	001-33192	10.91.1	March 11, 2008
10.92*	Employment Agreement by and Between Stanley M. Wilson and Building Materials Holding Corporation as of February 19, 2008	10-K	001-33192	10.92	March 11, 2008
10.95*	Management Retention Unit Agreement by and Between Robert E. Mellor and Building Materials Holding Corporation as of February 19, 2008	10-Q	001-33192	10.95	May 12, 2008
10.96*	Management Retention Unit Agreement by and Between Stanley M. Wilson and Building Materials Holding Corporation as of February 19, 2008	10-Q	001-33192	10.96	May 12, 2008

10.97*	Management Retention Unit Agreement by and Between Paul S. Street and Building Materials Holding Corporation as of February 19, 2008	10-Q	001-33192	10.97	May 12, 2008

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
21.0	Subsidiaries of Building Materials Holding Corporation				Filed with this Form
23.1	Consent of KPMG LLP				Filed with this Form
31.1	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				Filed with this Form
31.2	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				Filed with this Form
32.1	CEO and CFO Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				Filed with this Form

* Indicates a management contract or compensatory plan

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Building Materials Holding Corporation

Date: April 14, 2009

/s/ Robert E. Mellor
Robert E. Mellor
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Robert E. Mellor Robert E. Mellor	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	April 14, 2009
/s/ William M. Smartt William M. Smartt	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	April 14, 2009
/s/ Eric R. Beem Eric R. Beem	Vice President and Controller (Principal Accounting Officer)	April 14, 2009
/s/ Sara L. Beckman Sara L. Beckman	Director	April 14, 2009
/s/ James K. Jennings, Jr. James K. Jennings, Jr.	Director	April 14, 2009
/s/ Norman J. Metcalfe Norman J. Metcalfe	Director	April 14, 2009
/s/ R. Scott Morrison, Jr. R. Scott Morrison, Jr.	Director	April 14, 2009
/s/ Peter S. O'Neill Peter S. O'Neill	Director	April 14, 2009
/s/ Norman R. Walker Norman R. Walker	Director	April 14, 2009

List of Exhibits Filed

Exhibit Number	Exhibit Description
21.0	Subsidiaries of Building Materials Holding Corporation
23.1	Consent of KPMG LLP
31.1	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	CEO and CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Indicates a management contract or compensatory plan

Exhibit 10.10.2.1

[EXECUTION COPY]

LIMITED WAIVER AGREEMENT

THIS LIMITED WAIVER AGREEMENT (this "Waiver"), dated as of March 11, 2009, is made among (i) BUILDING MATERIALS HOLDING CORPORATION, a Delaware corporation (" Holdings "), as borrower, (ii) BMC WEST CORPORATION, a Delaware corporation (the " Company "), and certain other affiliates of Holdings, as guarantors, (iii) the Lenders party to the Credit Agreement referenced below, and (iv) WELLS FARGO BANK, NATIONAL ASSOCIATION (" Wells Fargo "), as the L/C Issuer, the Swingline Lender and the administrative agent for the Lenders (in such capacity, the " Administrative Agent ").

A. WHEREAS, Holdings, the Company and the other Guarantors, the Lenders and the Administrative Agent are parties to a Second Amended and Restated Credit Agreement, dated as of November 10, 2006, as amended by that certain First Amendment to Second Amended and Restated Credit Agreement, dated as of February 29, 2008, and that certain Second Amendment to Second Amended and Restated Credit Agreement, dated as of September 30, 2008 (as so amended and as further amended, restated, supplemented or otherwise modified from time to time, the " Credit Agreement ").

B. WHEREAS, by written notice dated February 26, 2009 (the "Notice Letter"), Holdings has notified the Administrative Agent of certain potential or actual Defaults under Section 8.19(b) of the Credit Agreement as more specifically described in such Notice Letter, a copy of which is attached hereto as Exhibit A (such Defaults specified in the Notice Letter, the " Specified Defaults ").

C. WHEREAS, as a result of such Specified Defaults, (i) Holdings may be unable to request additional Credit Extensions under the Credit Agreement, inasmuch as Holdings may be unable to satisfy the conditions precedent to such Credit Extensions under Section 5.03 of the Credit Agreement, and (ii) Holdings may be unable to dispose of assets as may otherwise be permitted under Section 8.02(h) of the Credit Agreement, inasmuch as clause (i) of such Section 8.02(h) requires that at the time of any such disposition no Event of Default shall exist.

D. WHEREAS, Holdings has requested that the Majority Lenders agree to a limited waiver until April 15, 2009, of (i) the conditions precedent to additional Credit Extensions set forth in Sections 5.03(b) , 5.03(c) and 5.03(d) , so that, subject to availability under the Borrowing Base, Holdings may continue to have access to Revolving Loans of up to a maximum aggregate principal amount of $20,000,000, notwithstanding the existence of the Specified Defaults, and (ii) the requirement under clause (i) of Section 8.02(h) that no Event of Default shall exist at the time of any disposition otherwise permitted under such Section 8.02(h) so that Holdings may continue to pursue asset sales, notwithstanding the existence of the Specified Defaults, the proceeds of which shall be applied to prepay the Term B Loans in accordance with Section 2.08(a)(iii) of the Credit Agreement, in each case, pending further discussions with the Administrative Agent and the Lenders regarding the Specified Defaults.

E. WHEREAS, the Majority Lenders have agreed to such request, subject to the terms and conditions hereof.

Accordingly, the parties hereto agree as follows:

SECTION 1 Definitions; Interpretation.

(a) Terms Defined in Credit Agreement. All capitalized terms used in this Waiver (including in the preamble and recitals hereof) and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

(b) Interpretation. The rules of interpretation set forth in Section 1.02 of the Credit Agreement shall be applicable to this Waiver and are incorporated herein by this reference.

SECTION 2 Limited Waiver.

(a) Subject to the terms and conditions of this Waiver, the Majority Lenders hereby temporarily waive (i) the requirements of Section 8.02(h)(i) of the Credit Agreement, (ii) the requirements of Section 8.19(b) of the Credit Agreement for the month ended February 28, 2009, and the month ending March 31, 2009, (iii) the requirements of Sections 5.03(b) , 5.03(c) and 5.03(d) of the Credit Agreement with respect to additional Revolving Loans requested by Holdings on or after the Effective Date (as defined in Section 3 below), (iv) the certifications required under paragraphs (b) and (c) of any Notice of Borrowing with respect to additional Revolving Loans requested by Holdings on or after the Effective Date (as defined in Section 3 below), in the case of each of the preceding clauses (i), (ii), (iii) and (iv), insofar as such requirements or certifications cannot be satisfied due solely to the occurrence of the Specified Defaults, and (v) the right to exercise default remedies pursuant to the Loan Documents or applicable law arising solely as a result of the existence of the Specified Defaults; provided , that (1) such temporary waiver shall terminate on the earlier to occur of (A) the occurrence of an Event of Default (other than the Specified Defaults) and (B) 5:00 p.m. (Pacific time) on April 15, 2009 (the earliest to occur of (A) and (B), the " Waiver Termination Date "), and (2) the Effective Amount of all Revolving Loans shall not exceed $20,000,000 in the aggregate at any time outstanding, subject to availability under the Borrowing Base.

(b) References Within Credit Agreement. Each reference in the Credit Agreement to "this Agreement" and the words "hereof," "herein," "hereunder," or words of like import, shall mean and be a reference to the Credit Agreement as supplemented by this Waiver.

SECTION 3 Conditions of Effectiveness. The effectiveness of Section 2 of this Waiver shall be subject to the satisfaction of each of the following conditions precedent (the date on which such conditions are satisfied, the " Effective Date "):

(a) Execution. The Administrative Agent shall have received (i) from Holdings, the Company and each other Guarantor a duly executed original of this Waiver (or, if elected by the Administrative Agent, a facsimile or PDF copy of such executed Waiver), and (ii) from the Majority Lenders duly executed original written consents to this Waiver (or, if elected by the Administrative Agent, facsimile or PDF copies of such executed consents) authorizing the Administrative Agent to execute and deliver this Waiver on the Majority Lenders' behalf.

(b) Fees and Expenses. Holdings shall have paid (i) the Waiver Fee referenced below, and (2) all invoiced costs and expenses then due in accordance with Section 7(d) of this Waiver.

(c) Additional Closing Documents and Actions. The Administrative Agent shall have received the following, in form and substance satisfactory to it: a certificate of a Responsible Officer of Holdings and the Company, stating that (i) the representations and warranties contained in Section 4 of this Waiver are true and correct on and as of the Effective Date, and (ii) on and as of the Effective Date, no Default shall have occurred and be continuing other than the Specified Defaults.

(d) Representations and Warranties; No Default. On the Effective Date (i) the representations and warranties contained in Section 4 of this Waiver shall be true and correct on and as of the Effective Date as though made on and as of such date; and (ii) no Default shall have occurred and be continuing other than the Specified Defaults.

(e) Additional Documents. The Administrative Agent shall have received, in form and substance satisfactory to it, such additional approvals, opinions, documents and other information as the Administrative Agent or the Majority Lenders (through the Administrative Agent) may reasonably request.

SECTION 4 Representations and Warranties. To induce the Lenders to enter into this Waiver, Holdings, the Company and each other Loan Party hereby represents and warrants to the Administrative Agent and the Lenders that all representations and warranties made by each such Person in Article VI of the Credit Agreement and in the other Loan Documents are true and correct on and as of the date hereof, except for any inaccuracy of the representations and warranties in Section 6.06 or Section 6.11(b) resulting from the existence of the Specified Defaults. For the purposes of this Section 4, (i) each reference in Article VI of the Credit Agreement to "this Agreement," and the words "hereof," "herein," "hereunder," or words of like import in such Article, shall mean and be a reference to the Credit Agreement as supplemented by this Waiver, and each reference in such Article to "the Loan Documents" shall mean and be a reference to the Loan Documents as supplemented as contemplated hereby, (ii) Section 6.11 of the Credit Agreement shall be deemed instead to refer to the last day of the most recent fiscal quarter and fiscal year for which financial statements have then been delivered, and (iii) any representations and warranties which relate solely to an earlier date shall not be deemed confirmed and restated as of the date hereof (provided that such representations and warranties shall be true and correct as of such earlier date).

SECTION 5 Waiver Fee. Holdings shall pay to Administrative Agent, for the account of each Lender that approves this Waiver, a waiver fee in the amount of (x) 10 basis points multiplied by (y) (1) the Revolving Commitment plus (2) the outstanding principal amount of Term B Loans of each such Lender that approves this Waiver (the " Waiver Fee "). Such Waiver Fee shall be fully earned on the Effective Date and shall be paid only to those Lenders that approve this Waiver by returning to the Administrative Agent a written consent to this Waiver by no later than 5:00 p.m. New York time on March 11, 2009.

SECTION 6 Reaffirmation of Liens and Guarantees.

(a) Each Loan Party hereby reaffirms that the Liens granted to the Administrative Agent, for itself and on behalf of and for the ratable benefit of the other Secured Parties, under the Security Agreement and the other Collateral Documents remain in full force and effect and constitute, and shall constitute on and after the Effective Date, valid and perfected Liens on the Collateral (subject only to Permitted Liens) to secure the Secured Obligations. As used herein, "Secured Parties" and "Secured Obligations" shall have the meanings given to such terms in the Security Agreement.

(b) Each of the undersigned Guarantors, in its capacity as a Guarantor, does hereby consent to this Waiver and to the documents and agreements referred to herein, and nothing herein shall in any way limit any of the terms or provisions of the Guaranty of such Guarantor or the Collateral Documents executed by such Guarantor or any other Loan Document executed by such Guarantor (as the same may be amended from time to time), all of which are hereby ratified and affirmed in all respects.

SECTION 7 Miscellaneous.

(a) Notice. Subject to Section 11.07 of the Credit Agreement, the Administrative Agent shall notify Holdings, the Company and the Lenders of the occurrence of the Effective Date and promptly thereafter distribute to Holdings, the Company and the Lenders copies of all documents delivered under Section 3 of this Waiver.

(b) Credit Agreement Otherwise Not Affected. Except as expressly waived pursuant hereto, the Credit Agreement and the other Loan Documents shall remain unchanged and in full force and effect and are hereby ratified and confirmed in all respects. The Lenders' and the Administrative Agent's execution and delivery of, or acceptance of, this Waiver and any other documents and instruments in connection herewith (collectively, the " Waiver Documents ") shall not be deemed to create a course of dealing or otherwise create any express or implied duty by any of them to provide any other or further amendments, consents or waivers in the future.

(c) No Reliance. Each of Holdings, the Company and each other Guarantor hereby acknowledges and confirms to the Administrative Agent and the Lenders that it is executing this Waiver and the other Waiver Documents on the basis of its own investigation and for its own reasons without reliance upon any agreement, representation, understanding or communication by or on behalf of any other Person.

(d) Costs and Expenses. Holdings agrees to pay to the Administrative Agent on demand the reasonable out-of-pocket costs and expenses of the Administrative Agent, and the reasonable fees and disbursements of counsel to the Administrative Agent, in connection with the negotiation, preparation, execution and delivery of this Waiver and any other documents to be delivered in connection herewith.

(e) Binding Effect. This Waiver shall be binding upon, inure to the benefit of and be enforceable by Holdings, the Company and each other Guarantor, the Administrative Agent and each Lender and their respective successors and assigns.

(f) Governing Law. **THIS WAIVER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA .**

(g) Complete Agreement; Amendments. This Waiver, together with the other Waiver Documents and the other Loan Documents, contains the entire and exclusive agreement of the parties hereto and thereto with reference to the matters discussed herein and therein. This Waiver supersedes all prior commitments, drafts, communications, discussion and understandings, oral or written, with respect thereto. This Waiver may not be modified, amended or otherwise altered except in accordance with the terms of Section 11.01 of the Credit Agreement.

(h) Severability. Whenever possible, each provision of this Waiver shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Waiver shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Waiver, or the validity or effectiveness of such provision in any other jurisdiction.

(i) Counterparts. This Waiver may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

(j) Loan Documents. This Waiver and the other Waiver Documents shall constitute Loan Documents.

(k) Reservation of Rights. The Administrative Agent and the Lenders continue to evaluate their response to the Specified Defaults, and, except as specifically set forth in Section 2 above, nothing contained in this Waiver is intended to or shall be construed as a waiver or forbearance of any of the rights, remedies, and powers of the Administrative Agent or any Lender or against the Borrower, any Guarantor or the Collateral, or a waiver of any Defaults or Events of Default, whether specified herein or otherwise, as an agreement to continue to make Credit Extensions to the Borrower under the Credit Agreement except as specifically set forth in Section 2 above, or a consent to any departure by the Borrower or any Guarantor from the express provisions of the Credit Agreement and the other Loan Documents. The Administrative Agent and each Lender hereby expressly reserves all of its remedies, powers, rights, and privileges under the Credit Agreement and the other Loan Documents, at law (including under the Uniform Commercial Code), in equity, or otherwise. Please be advised that neither the Administrative Agent nor the Lenders has any obligation to forbear from enforcing its rights and remedies with respect to any Default or Event of Default, other than in respect of the Specified Defaults (but then only until the Waiver Termination Date). Any forbearance must be in writing and agreed to by the Administrative Agent and the requisite Lenders.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have duly executed this Waiver, as of the date first above written.

THE BORROWER

BUILDING MATERIALS HOLDING CORPORATION

By /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President & Chief Financial Officer

THE GUARANTORS

BMC WEST CORPORATION

By /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President & Chief Financial Officer

SELECTBUILD CONSTRUCTION, INC.

By /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President & Chief Financial Officer

SELECTBUILD NORTHERN CALIFORNIA, INC.

By /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President

SELECTBUILD DISTRIBUTION, INC.

By /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President

C CONSTRUCTION, INC.

By /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President

TWF CONSTRUCTION, INC.

By /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President

H.N.R. FRAMING SYSTEMS INC.

By /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President

SELECTBUILD, L.P.

By /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President

SELECTBUILD SOUTHERN CALIFORNIA, INC.

By /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President

SELECTBUILD NEVADA, INC.

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SELECTBUILD ARIZONA, LLC

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SELECTBUILD MID-ATLANTIC, LLC

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SELECTBUILD FLORIDA, LLC

By /s/ William M. Smartt
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SELECTBUILD TRIM, LLC

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Name: William M. Smartt
Title: Senior Vice President

KBI STUCCO, INC.

By /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President

KBI WINDOWS, INC.

By /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President

A-1 BUILDING COMPONENTS, LLC.

By /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President

SELECTBUILD MECHANICAL, LLC.

By /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President

SELECTBUILD ILLINOIS, LLC.

By /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President

THE ADMINISTRATIVE AGENT

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent

By /s/ Seth D. Moldoff
Name: Seth D. Moldoff
Title: Senior Vice President

EXHIBIT A

Notice Letter

[Please see attached]

BMHC
Four Embarcadero Center, Suite 3200
San Francisco, CA 94111

February 26, 2009

Via Email and Messenger Delivery

Mr. Seth Moldoff, Senior Vice President
Wells Fargo Bank
MAC A0109-030
333 Market Street, 3rd Floor
San Francisco, CA 94105

Re: SECOND AMENDED AND RESTATED CREDIT AGREEMENT (as amended to date, the "**Credit Agreement** "; capitalized terms used herein and not otherwise defined are used as defined in the Credit Agreement) entered into as of November 10, 2006, by and among (i) BUILDING MATERIALS HOLDING CORPORATION (" **Holdings** "), as borrower, (ii) BMC WEST CORPORATION (the " **Company** "), and certain other affiliates of Holdings, as guarantors, (iii) the several financial institutions from time to time party to the Credit Agreement (individually, a " **Lender** " and, collectively, the " **Lenders** "), (iv) WELLS FARGO BANK, NATIONAL ASSOCIATION (" **Wells Fargo** "), as the L/C Issuer, the Swingline Lender, the administrative agent for the Lenders (in such capacity, the " **Administrative Agent** ")

Dear Mr. Moldoff:

Reference is made to Section 8.19(b) of the Credit Agreement (the "**Financial Covenant**"). At this time, Holdings continues to finalize the closure of its financial books for the month ended February 28, 2009. In connection therewith it has become apparent to us that when that closure is completed, Holdings may not be in compliance with the Financial Covenant for the period ended February 28, 2009. Without conceding that a Default has occurred at this time, we would like to discuss with you and the other Lenders the possibility of relief from the Financial Covenant for the period ended February 28, 2009, as well as certain future periods, all as described in the presentation transmitted to you contemporaneously herewith. In addition, notwithstanding any Default that occurs in respect of the Financial Covenant for the period ended February 28, 2009 or otherwise, we would request that the Lenders allow Holdings to continue to request and obtain additional Credit Extensions under the Credit Agreement of up to $20,000,000 in aggregate principal amount, pending negotiations with the Lenders to amend the Credit Agreement to reflect current market conditions. In that regard, we propose a forbearance period through April 15, 2009 during which the Lenders would forbear from the exercise of default remedies, during which time Holdings would have access to the above referenced Credit Extensions and negotiations with the Lenders could be commenced and an amendment documented.

Very truly yours,

BUILDING MATERIALS HOLDING CORPORATION

By: /s/ William M. Smartt
Name: William M. Smartt
Title: Senior Vice President and Chief Financial Officer

Exhibit 10.10.2.2

LIMITED WAIVER AGREEMENT

THIS LIMITED WAIVER AGREEMENT (this "Waiver"), dated as of April 13, 2009, is made among (i) BUILDING MATERIALS HOLDING CORPORATION, a Delaware corporation (" Holdings "), as borrower, (ii) BMC WEST CORPORATION, a Delaware corporation (the " Company "), and certain other affiliates of Holdings, as guarantors, (iii) the Lenders party to the Credit Agreement referenced below, and (iv) WELLS FARGO BANK, NATIONAL ASSOCIATION (" Wells Fargo "), as the L/C Issuer, the Swingline Lender and the administrative agent for the Lenders (in such capacity, the " Administrative Agent ").

A. WHEREAS, Holdings, the Company and the other Guarantors, the Lenders and the Administrative Agent are parties to a Second Amended and Restated Credit Agreement, dated as of November 10, 2006, as amended by that certain First Amendment to Second Amended and Restated Credit Agreement, dated as of February 29, 2008, and that certain Second Amendment to Second Amended and Restated Credit Agreement, dated as of September 30, 2008 (as so amended and as further amended, restated, supplemented or otherwise modified from time to time, the " Credit Agreement ").

B. WHEREAS, by written notice dated April 6, 2009 (the "Notice Letter"), Holdings notified the Administrative Agent of certain potential or actual Defaults under the Credit Agreement as more specifically described in such Notice Letter, a copy of which is attached hereto as Exhibit A (such Defaults specified in the Notice Letter, the " Specified Defaults ").

C. WHEREAS, as a result of such Specified Defaults, (i) Holdings may be unable to request additional Credit Extensions under the Credit Agreement, inasmuch as Holdings may be unable to satisfy the conditions precedent to such Credit Extensions under Section 5.03 of the Credit Agreement, and (ii) Holdings may be unable to dispose of assets as may otherwise be permitted under Section 8.02(h) of the Credit Agreement, inasmuch as clause (i) of such Section 8.02(h) requires that at the time of any such disposition no Event of Default shall exist.

D. WHEREAS, pursuant to the terms and conditions of that certain Limited Waiver Agreement dated as of March 11, 2009 (the " Limited Waiver Agreement "), the Majority Lenders agreed to a limited waiver until April 15, 2009, of (i) the conditions precedent to additional Credit Extensions set forth in Sections 5.03(b) , 5.03(c) and 5.03(d) , so that, subject to availability under the Borrowing Base, Holdings may continue to have access to Revolving Loans of up to a maximum aggregate principal amount of $20,000,000, notwithstanding the existence of the Specified Defaults, and (ii) the requirement under clause (i) of Section 8.02(h) that no Event of Default shall exist at the time of any disposition otherwise permitted under such Section 8.02(h) so that Holdings may continue to pursue asset sales, notwithstanding the existence of the Specified Defaults, the proceeds of which shall be applied to prepay the Term B Loans in accordance with Section 2.08(a)(iii) of the Credit Agreement.

E. WHEREAS, in order to allow further discussions with the Administrative Agent and the Lenders with respect to the Specified Defaults, Holdings has asked that the Waiver Termination Date be extended to June 1, 2009.

F. WHEREAS, the Majority Lenders have agreed to such request, subject to the terms and conditions hereof.

Accordingly, the parties hereto agree as follows:

SECTION 1 Definitions; Interpretation.

(a) Terms Defined in Credit Agreement. All capitalized terms used in this Waiver (including in the preamble and recitals hereof) and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

(b) Interpretation. The rules of interpretation set forth in Section 1.02 of the Credit Agreement shall be applicable to this Waiver and are incorporated herein by this reference.

SECTION 2 Limited Waiver.

(a) Waiver. Subject to the terms and conditions of this Waiver, the Majority Lenders hereby temporarily waive (i) the requirements of Section 7.01(a) of the Credit Agreement with respect to the audited consolidated financial statements of Holdings and its Subsidiaries as at December 31, 2008, insofar as such Section requires that such financial statements be accompanied by an audit report and opinion that is not subject to any "going concern" or like qualification or exception, (ii) the requirements of Section 7.01(d) and 7.02(b) to deliver by the dates specified in such Sections certain updated business plans, financial forecasts and projections of Holdings, (iii) the requirements of Section 8.02(h)(i) of the Credit Agreement, (iv) the requirements of Section 8.19(b) of the Credit Agreement for the month ended February 28, 2009, the month ended March 31, 2009, the month ending April 30, 2009, and the month ending May 31, 2009, (v) the requirements of Sections 5.03(b) , 5.03(c) and 5.03(d) of the Credit Agreement with respect to additional Revolving Loans requested by Holdings on or after the Effective Date (as defined in Section 3 below), (vi) the certifications required under paragraphs (a), (b) and (c) of any Notice of Borrowing with respect to additional Revolving Loans requested by Holdings on or after the Effective Date (as defined in Section 3 below), in the case of each of the preceding clauses (i), (ii), (iii), (iv), (v) and (vi), insofar as such requirements or certifications cannot be satisfied due solely to the occurrence of the Specified Defaults, and (vii) the right to exercise default remedies pursuant to the Loan Documents or applicable law arising solely as a result of the existence of the Specified Defaults; provided , that (1) such temporary waiver shall terminate on the earlier to occur of (A) the occurrence of an Event of Default (other than the Specified Defaults) and (B) 5:00 p.m. (Pacific time) on June 1, 2009 (the earliest to occur of (A) and (B), the " Waiver Termination Date "), (2) the Effective Amount of all Revolving Loans shall not exceed $20,000,000 in the aggregate at any time outstanding, subject to availability under the Borrowing Base, and (3) Holdings shall not, and shall not permit any of its Subsidiaries to, make any Capital Expenditures in excess of, on a consolidated basis, $500,000 from and after the Effective Date through the Waiver Termination Date.

(b) Milestones. This Waiver is further conditioned upon the completion of the following events by such time as the Administrative Agent and Holdings shall have separately agreed (collectively, the " Milestones "):

(i) Tax Return. The Loan Parties shall have made all necessary or advisable tax filings required by Section 7.22 of the Credit Agreement in order to pursue all available Tax Refund Proceeds.

(ii) Revised Business Plan. The Loan Parties shall have delivered to the Administrative Agent a revised business plan.

The failure to achieve any one of these Milestones by the specified time shall, at the discretion of the Administrative Agent and the Majority Lenders, upon written notice to Holdings, (A) constitute an immediate Event of Default under the Loan Documents, and (B) cause the immediate termination of the waiver provided in Section 2(a) .

(c) References Within Credit Agreement. Each reference in the Credit Agreement to "this Agreement" and the words "hereof," "herein," "hereunder," or words of like import, shall mean and be a reference to the Credit Agreement as supplemented by this Waiver.

SECTION 3 Conditions of Effectiveness. The effectiveness of Section 2 of this Waiver shall be subject to the satisfaction of each of the following conditions precedent (the date on which such conditions are satisfied, the " Effective Date "):

(a) Execution. The Administrative Agent shall have received (i) from Holdings, the Company and each other Guarantor a duly executed original of this Waiver (or, if elected by the Administrative Agent, a facsimile or PDF copy of such executed Waiver), and (ii) from the Majority Lenders duly executed original written consents to this Waiver (or, if elected by the Administrative Agent, facsimile or PDF copies of such executed consents) authorizing the Administrative Agent to execute and deliver this Waiver on the Majority Lenders' behalf.

(b) Fees and Expenses. Holdings shall have paid (i) the Waiver Fee referenced below, and (ii) all invoiced costs and expenses then due in accordance with Section 8(d) of this Waiver.

(c) Additional Closing Documents and Actions. The Administrative Agent shall have received the following, in form and substance satisfactory to it: a certificate of a Responsible Officer of Holdings and the Company, stating that (i) the representations and warranties contained in Section 4 of this Waiver are true and correct on and as of the Effective Date, and (ii) on and as of the Effective Date, no Default shall have occurred and be continuing other than the Specified Defaults.

(d) Representations and Warranties; No Default. On the Effective Date (i) the representations and warranties contained in Section 4 of this Waiver shall be true and correct on and as of the Effective Date as though made on and as of such date; and (ii) no Default shall have occurred and be continuing other than the Specified Defaults.

(e) Additional Documents. The Administrative Agent shall have received, in form and substance satisfactory to it, such additional approvals, opinions, documents and other information as the Administrative Agent or the Majority Lenders (through the Administrative Agent) may reasonably request.

SECTION 4 Representations and Warranties. To induce the Lenders to enter into this Waiver, Holdings, the Company and each other Loan Party hereby represents and warrants to the Administrative Agent and the Lenders that all representations and warranties made by each such Person in Article VI of the Credit Agreement and in the other Loan Documents are true and correct on and as of the date hereof, except for any inaccuracy of the representations and warranties in Section 6.06 or Section 6.11(b) resulting from the existence of the Specified Defaults. For the purposes of this Section 4, (i) each reference in Article VI of the Credit Agreement to "this Agreement," and the words "hereof," "herein," "hereunder," or words of like import in such Article, shall mean and be a reference to the Credit Agreement as supplemented by this Waiver, and each reference in such Article to "the Loan Documents" shall mean and be a reference to the Loan Documents as supplemented as contemplated hereby, (ii) Section 6.11 of the Credit Agreement shall be deemed instead to refer to the last day of the most recent fiscal quarter and fiscal year for which financial statements have then been delivered, and (iii) any representations and warranties which relate solely to an earlier date shall not be deemed confirmed and restated as of the date hereof (provided that such representations and warranties shall be true and correct as of such earlier date).

SECTION 5 Waiver Fee. Holdings shall pay to Administrative Agent, for the account of each Lender that approves this Waiver, a waiver fee in the amount of (x) 10 basis points multiplied by (y) (1) the Revolving Commitment plus (2) the outstanding principal amount of Term B Loans of each such Lender that approves this Waiver (the " Waiver Fee "). Such Waiver Fee shall be fully earned on the Effective Date and shall be paid only to those Lenders that approve this Waiver by returning to the Administrative Agent a written consent to this Waiver by no later than 5:00 p.m. New York time on April 13, 2009.

SECTION 6 Reaffirmation of Liens and Guarantees.

(a) Each Loan Party hereby reaffirms that the Liens granted to the Administrative Agent, for itself and on behalf of and for the ratable benefit of the other Secured Parties, under the Security Agreement and the other Collateral Documents remain in full force and effect and constitute, and shall constitute on and after the Effective Date, valid and perfected Liens on the Collateral (subject only to Permitted Liens) to secure the Secured Obligations. As used herein, "Secured Parties" and "Secured Obligations" shall have the meanings given to such terms in the Security Agreement.

(b) Each of the undersigned Guarantors, in its capacity as a Guarantor, does hereby consent to this Waiver and to the documents and agreements referred to herein, and nothing herein shall in any way limit any of the terms or provisions of the Guaranty of such Guarantor or the Collateral Documents executed by such Guarantor or any other Loan Document executed by such Guarantor (as the same may be amended from time to time), all of which are hereby ratified and affirmed in all respects.

SECTION 7 Release.

(a) Holdings and each other Loan Party hereby absolutely and unconditionally waives, releases, remises and forever discharges the Administrative Agent and the Lenders, and any and all of their respective participants, members, related funds, parent corporations, subsidiary corporations, affiliated corporations, insurers, indemnitors, successors and assigns thereof, together with all of the present and former directors, officers, agents and employees of any of the foregoing (each a " Released Party "), from any and all claims, suits, investigations, proceedings, demands, obligations, liabilities, damages, losses, costs, expenses, or causes of action of any kind, nature or description, whether based in law, equity, contract, tort, implied or express warranty, strict liability, criminal or civil statute, common law, or under any state or federal law or otherwise, of any kind or character, known or unknown, past or present, liquidated or unliquidated, suspected or unsuspected, matured or unmatured, known or unknown, in each case, which Holdings or such other Loan Party has had, now has, or has made claim to have against any such Released Party for or by reason of any act, omission, matter, cause or thing whatsoever which relates, directly or indirectly to the Credit Agreement or any other Loan Document, provided , however , that the foregoing shall not effect or otherwise constitute a release of any duties or obligations set forth in this Waiver, the Credit Agreement or the other Loan Documents. It is the intention of Holdings and each other Loan Party in providing this release that the same shall be effective as a bar to each and every claim, demand and cause of action specified, and in furtherance of this intention it waives and relinquishes all rights and benefits under Section 1542 of the Civil Code of the State of California (or any comparable provision of any other applicable law), which provides:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH A CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Holdings and each other Loan Party acknowledges that it may hereafter discover facts different from or in addition to those now known or believed to be true with respect to such claims, demands, or causes of action and agrees that this instrument shall be and remain effective in all respects notwithstanding any such differences or additional facts. Holdings and each other Loan Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(b) Holdings and each other Loan Party, on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Released Party above that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Released Party on the basis of any claim released, remised and discharged by such Person pursuant to the above release. Holdings and each other Loan Party further agrees that it shall not dispute the validity or enforceability of the Credit Agreement or any of the other Loan Documents or any of its obligations thereunder, or the validity, priority, enforceability or the extent of Administrative Agent's Lien on any item of Collateral under the Credit Agreement or the other Loan Documents. If Holdings or any other Loan Party or any of its successors, assigns or other legal representations violates the foregoing covenant, such Person, for itself and its successors, assigns and legal representatives, agrees to pay, in addition to such other damages as any Released Party may sustain as a result of such violation, all reasonable attorneys' fees and costs incurred by such Released Party as a result of such violation.

SECTION 8 Miscellaneous.

(a) Notice. Subject to Section 11.07 of the Credit Agreement, the Administrative Agent shall notify Holdings, the Company and the Lenders of the occurrence of the Effective Date and promptly thereafter distribute to Holdings, the Company and the Lenders copies of all documents delivered under Section 3 of this Waiver.

(b) Credit Agreement Otherwise Not Affected. Except as expressly waived pursuant hereto, the Credit Agreement and the other Loan Documents shall remain unchanged and in full force and effect and are hereby ratified and confirmed in all respects. The Lenders' and the Administrative Agent's execution and delivery of, or acceptance of, this Waiver and any other documents and instruments in connection herewith (collectively, the " Waiver Documents ") shall not be deemed to create a course of dealing or otherwise create any express or implied duty by any of them to provide any other or further amendments, consents or waivers in the future.

(c) No Reliance. Each of Holdings, the Company and each other Guarantor hereby acknowledges and confirms to the Administrative Agent and the Lenders that it is executing this Waiver and the other Waiver Documents on the basis of its own investigation and for its own reasons without reliance upon any agreement, representation, understanding or communication by or on behalf of any other Person.

(d) Costs and Expenses. Holdings agrees to pay to the Administrative Agent on demand the reasonable out-of-pocket costs and expenses of the Administrative Agent, and the reasonable fees and disbursements of counsel to the Administrative Agent, in connection with the negotiation, preparation, execution and delivery of this Waiver and any other documents to be delivered in connection herewith.

(e) Binding Effect. This Waiver shall be binding upon, inure to the benefit of and be enforceable by Holdings, the Company and each other Guarantor, the Administrative Agent and each Lender and their respective successors and assigns.

(f) Governing Law. **THIS WAIVER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA** .

(g) Complete Agreement; Amendments. This Waiver, together with the other Waiver Documents and the other Loan Documents, contains the entire and exclusive agreement of the parties hereto and thereto with reference to the matters discussed herein and therein. This Waiver supersedes all prior commitments, drafts, communications, discussion and understandings, oral or written, with respect thereto. This Waiver may not be modified, amended or otherwise altered except in accordance with the terms of Section 11.01 of the Credit Agreement.

(h) Severability. Whenever possible, each provision of this Waiver shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Waiver shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Waiver, or the validity or effectiveness of such provision in any other jurisdiction.

(i) Counterparts. This Waiver may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

(j) Loan Documents. This Waiver and the other Waiver Documents shall constitute Loan Documents.

(k) Reservation of Rights. The Administrative Agent and the Lenders continue to evaluate their response to the Specified Defaults, and, except as specifically set forth in Section 2 above, nothing contained in this Waiver is intended to or shall be construed as a waiver or forbearance of any of the rights, remedies, and powers of the Administrative Agent or any Lender or against the Borrower, any Guarantor or the Collateral, or a waiver of any Defaults or Events of Default, whether specified herein or otherwise, as an agreement to continue to make Credit Extensions to the Borrower under the Credit Agreement except as specifically set forth in Section 2 above, or a consent to any departure by the Borrower or any Guarantor from the express provisions of the Credit Agreement and the other Loan Documents. The Administrative Agent and each Lender hereby expressly reserves all of its remedies, powers, rights and privileges under the Credit Agreement and the other Loan Documents, at law (including under the Uniform Commercial Code), in equity or otherwise. Please be advised that neither the Administrative Agent nor the Lenders has any obligation to forbear from enforcing its rights and remedies with respect to any Default or Event of Default, other than in respect of the Specified Defaults (but then only until the Waiver Termination Date). Any forbearance must be in writing and agreed to by the Administrative Agent and the requisite Lenders.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have duly executed this Waiver, as of the date first above written.

THE BORROWER

BUILDING MATERIALS HOLDING CORPORATION

By
Name:
Title:

THE GUARANTORS

BMC WEST CORPORATION

By
Name:
Title:

SELECTBUILD CONSTRUCTION, INC.

By
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By
Name:
Title:

SELECTBUILD MECHANICAL, LLC.

By
Name:
Title:

SELECTBUILD ILLINOIS, LLC.

By
Name:
Title:

THE ADMINISTRATIVE AGENT

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent

By
Name:
Title:

EXHIBIT A

Notice Letter

[Please see attached]

Exhibit 10.71

BUILDING MATERIALS HOLDING CORPORATION

CHANGE IN CONTROL SEVERANCE PLAN FOR NON-OFFICER EMPLOYEES

AND SUMMARY PLAN DESCRIPTION

Effective May 1, 2008

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BUILDING MATERIALS HOLDING CORPORATION
CHANGE IN CONTROL SEVERANCE PLAN FOR EMPLOYEES
AND SUMMARY PLAN DESCRIPTION

Section 1. Introduction

The Building Materials Holding Corporation Change in Control Severance Plan for Non-Officer Employees (the " Plan ") was adopted by the Board of Directors of Building Materials Holding Corporation, a Delaware corporation (the " Company ") on May 5, 2008 for the benefit of eligible employees of the Company. The effective date of the Plan is May 1, 2008 (" Effective Date ").

The Plan is designed to assist the Company in attracting and retaining well-qualified employees, to provide an incentive to employees to remain in the employ of the Company, notwithstanding uncertainty and job insecurity which may be created by an actual or prospective Change in Control (as defined below), and to encourage employees' full attention and dedication to the Company currently and in the event of an actual or prospective Change in Control (as defined below).

The Plan is designed not to include employees of the Company or its affiliates that are located in operations since the employment of those employees is not likely to be impacted by a Change in Control. This Plan is focused on the administrative staff of the Company that are most at risk of the elimination of their employment if there is a Change in Control.

The Plan supersedes any prior plan, policy or practice involving the payment of severance benefits by the Company in connection with the occurrence of a Change in Control. While the Plan is in effect, any change of control severance benefits provided to a Participant by the Company must be paid pursuant to the Plan or pursuant to another express written agreement between the Company and the Participant signed by such employee and a duly authorized officer of the Company.

The Plan is designed to be an "employee welfare benefit plan," as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended (" ERISA ") and, accordingly, this Plan is governed by ERISA. This document constitutes both the official plan document and the required summary plan description under ERISA.

Section 2. Eligibility For Participation in the Plan

In order to be a "Participant" in the Plan, the employee must currently be, and have been continuously for at least one year, actively employed by the Company as a regular full-time employee either (a) in the San Francisco Corporate Office or Boise Administrative Service Center , (b) by a Department reporting to the Company and located outside of the San Francisco and Boise offices, (c) be employed by a subsidiary of the Company but located in the Boise office (d) not be excluded from eligibility under the categories or circumstances described below, and (d) have experienced an involuntary termination by the Company within one month before or within six months after a Change in Control of the Company. An employee will not be eligible to participate in the Plan if he or she continues service with the Company or an affiliate of the Company or with a new owner of the Company or a subsidiary or division of the Company or with an affiliate of such new owner in any other position or capacity following job elimination.

- For purposes of this Plan, the term "Change in Control" is defined on Exhibit A attached hereto.

Excluded Categories: The following employees are not eligible to participate in the Plan: (a) employees at the Vice President level and above, (b) part-time employees (for purposes of the Plan, a "part-time" employee is one who works less than 32 hours per week, (c) interns, (d) seasonal or temporary employees (for purposes of the Plan, a "seasonal or temporary" employee is one whose expected term of employment is six or fewer months and who has not completed at least six consecutive full months of employment at the time of termination), and (e) management trainees. In addition, no individual will be eligible to participate in the Plan if such individual is classified by the Company in any of the following categories at the time of termination of services, even if a court or agency determines such individual should have been classified as a common law employee: (i) an independent contractor or consultant, (ii) an individual paid by or through an agency or employee leasing company or other third party (e.g. , a leased employee), or (iii) a freelance worker not treated as an employee.

Excluded Circumstances: An employee will not be eligible to participate in the Plan if the circumstances of his or her termination by the Company are as follows:

- The employee voluntarily terminates employment, quits or abandons performance of his or her duties, unless the employee has already received notice that his or her employment will be involuntarily terminated by the Company due to work force reduction or job elimination and the Plan Administrator determines, in its sole discretion, that such employee's earlier voluntary termination is in the best interests of the Company;

- The employee is discharged for a reason other than work force reduction or job elimination (including, but not limited to Cause as defined below), as determined by the Plan Administrator in its sole discretion, whether or not the employee's position is subsequently eliminated by the Company;

- The employee's employment ends on account of death or disability;

- The employee is offered and accepts another position with the Company or an affiliate of the Company or with a new owner of the Company or a subsidiary or division of the Company or with an affiliate of such new owner, whether before or after notification of the elimination of his or her current position or of a work force reduction that would result in termination of his or her employment, even if there is a gap in employment following elimination of such position and commencement of the new assignment;

- The employee is offered and declines a Comparable Position (as defined below) with the Company, an affiliate of the Company or with a new owner of the Company or a subsidiary or division of the Company or with an affiliate of such new owner; or

- The employee is a party to a written agreement with the Company, other than the Separation Agreement referenced in Section 3 below, that provides severance-type benefits to such employee in connection with the occurrence of a Change in Control.

"Cause" means:

i. an employee's failure or refusal to perform his or her assigned duties, including any unapproved absence or any failure to perform as reasonably instructed by the employee's supervisor or Company management;

ii. an employee's failure to comply with the Company's written policies, or an employee's unauthorized use of Company property or unauthorized use or disclosure of Company confidential information;

iii. an employee's willful statements or conduct reflecting adversely on the Company; or

iv. an employee's illegal conduct, gross misconduct or dishonesty.

"Comparable Position" means a position with the following attributes: (a) base salary or base hourly wages at least equal to the base salary or base hourly wages of the employee's immediately previous position; (b) incentive compensation and broad-based benefits with substantially the same value as provided in the employee's immediately previous position; (c) duties and responsibilities not clearly inconsistent with the employee's skills and experience; (d) a work location no more than 35 miles from the employee's immediately previous work location; and (e) a work location for which the employee's relocation of the employee's principal residence is not required by the Company.

Section 3. Eligibility For Severance Benefits

To be eligible to receive severance benefits under the Plan, in addition to meeting the requirements for eligibility to participate in the Plan and to become a Participant, the employee must meet the following conditions at all times until the payment of benefits under the Plan is complete:

- The employee must execute a Separation Agreement satisfactory to the Plan Administrator and within the time periods established by the Plan Administrator, under which the employee agrees: (a) to cooperate with the orderly transfer of his or her duties as requested by the Company; (b) to return all Company property by a date specified by the Plan Administrator; (c) to continue to maintain the confidentiality of Company proprietary and confidential information; (d) not to solicit the employees of the Company or any affiliate of the Company; (e) not to disparage the Company or any parent or subsidiary of the Company, or any of the products or services provided by the Company or any parent or subsidiary of the Company, or any officer, director, employee, independent contractor, owner, agent or other representative of the Company or any parent or subsidiary of the Company; (f) to waive claims with respect to the Company and all related parties; and (g) to waive all rights to pursue any type of legal, equitable, or administrative claim against any person listed in (e) above for any reason, except for claims for unemployment compensation, for workers' compensation claims to the extent such exception is required by state law, and for claims that by law are unwaivable.

- The employee must not voluntarily terminate his or her employment or fail to perform his or her assigned duties prior to the termination date established by the Company, unless the Plan Administrator determines, in its sole discretion, that earlier voluntary termination is in the best interests of the Company.

- The employee must not engage in conduct prior to the termination date established by the Company that would be Cause for termination, as described above, as determined by the Plan Administrator in its sole discretion.

Section 4. Severance Benefits

Severance Pay. Eligible Participants will receive a severance pay benefit ("Severance Pay") under this Plan equal to two (2) weeks of Base Pay (defined below), plus one (1) additional week of Base Pay for each whole Year of Service (defined below), up to a maximum of twenty-five (25) weeks of Base Pay in the aggregate. The number of weeks corresponding to the Severance Pay received is called the " Severance Period ."

Severance Pay and Severance Period will be reduced by each of the following:

- wages or wage replacement benefits paid or payable to the Participant with respect to any applicable notice period (including any pay in lieu of notice) in connection with the Participant's termination of employment, whether such notice period is required under the Worker Adjustment and Retraining Notification Act or any state law with respect to notice or any Company policy, or any written agreement between the Participant and the Company.

- to the extent permitted by law, by any debt that the Participant owes the Company at the time the Severance Pay becomes payable.

- A "Year of Service" is 12 full months of active, regular full-time employment with the Company calculated from the Participant's hire date as a regular full-time employee. Paid leaves of absence (including paid time off and holiday pay) count as active employment for purposes of this Plan. Unpaid leaves of absence, or absences during which an employee receives wage replacement benefits such as disability benefits or workers compensation benefits, do not count as active employment for purposes of this Plan. Any periods of time that do not count as active employment shall be subtracted after the Company makes an initial determination of a Participant's whole and partial Years of Service (which initial determination shall be based on the period of time between such Participant's hire date and termination date) in order to arrive at a final calculation of such Participant's whole and partial Years of Service. For avoidance of doubt, no Participant may have more than one partial Year of Service. If a Participant has previously left the employ of the Company and is subsequently rehired, the Participant's "hire date" shall be the date that the Participant commenced performing services for the Company after most recently being rehired.

- For purposes of calculating Severance Pay, Base Pay means, as reflected on the Company's payroll records, the higher of the Participant's annual base salary or base hourly wage rate (a) at the time the Participant is involuntarily terminated or (b) immediately prior to the Change in Control. If a Participant's Base Pay is calculated using the Participant's annual base salary, a week of Base Pay shall be determined by dividing the Participant's annual base salary by fifty-two (52). If a Participant's Base Pay is calculated using the Participant's base hourly wage rate, a week of Base Pay shall be determined by multiplying the Participant's base hourly wage rate by forty (40).

- Severance Pay will be paid according to the Company's regular payroll practice and is subject to withholding deductions as required by law.

Company-Paid Health Insurance. Each Participant who is enrolled in a health, vision or dental plan sponsored by the Company may be eligible to continue coverage under such health, vision or dental plan (or to convert to an individual policy) under the Consolidated Omnibus Budget Reconciliation Act of 1985 (" COBRA ") at the time of the Participant's termination of employment. The Company will notify the individual of any such right to continue health coverage at the time of termination.

- The Company will pay to eligible Participants an amount that represents such Participant's COBRA premiums during the Severance Period (and rounding up to the last day of the month in which the Severance Period ends) to the extent that the Participant elects to continue health, vision and/or dental benefits during the Severance Period. The COBRA premiums paid by the Company will cover a Participant's dependents if, and only to the extent that, such dependents were enrolled in a health, vision or dental plan sponsored by the Company prior to the Participant's involuntary termination..

- No provision of this Plan will affect the continuation coverage rules under COBRA. Therefore, the period during which a Participant must elect to continue the Company's group medical, vision or dental coverage under COBRA, the length of time during which COBRA coverage will be made available to the Participant, and all other rights and obligations of the Participant under COBRA (except the obligation to pay premiums that the Company pays during the Severance Period) will be applied in the same manner that such rules would apply in the absence of this Plan.

- All non-health benefits shall terminate as of the Participant's termination date.

Section 5. Notices

Any notice or other communication under the Plan must be in writing and will be deemed given when delivered personally, when delivered electronically with confirmation of delivery, when delivered by overnight delivery service with proof of delivery, or when sent by certified or registered mail, return receipt requested, addressed as follows or to such other address as any party may hereafter designate in accordance with this provision:

If to The Company or the Plan Administrator:

Building Materials Holding Corporation
Four Embarcadero Center, Ste. 3200
San Francisco, CA 94111
Attn: General Counsel

If to the Participant: to the address appearing in the payroll records of the Company.

Section 6. Claims

Initial Claims Procedure: Any employee who does not receive a benefit under the Plan that he or she feels he or she is entitled to receive may make a written claim to the Plan Administrator within 90 days after his or her termination, in accordance with the Notice provisions of Section 5, and which explains the reasons for such claim. The claimant will be informed of the Plan Administrator's decision with respect to the claim within 90 days after it is filed. Under special circumstances, the Plan Administrator may require an additional period of not more than 90 days to review the claim. If that happens, the claimant will receive a written notice of that fact, which will also indicate the special circumstances requiring the extension of time and the date by which the Plan Administrator expects to make a determination with respect to the claim. If the extension is required due to the claimant's failure to submit information necessary to decide the claim, the period for making the determination will be tolled from the date on which the extension notice is sent until the date on which the claimant responds to the Plan Administrator's request for information.

If a claim is denied in whole or in part, or any adverse benefit determination is made with respect to the claim, the claimant will be provided with a written notice setting forth the reason for the determination, along with specific references to Plan provisions on which the determination is based. This notice will also provide an explanation of what additional information is needed to evaluate the claim (and why such information is necessary), together with an explanation of the Plan's claims review procedure and the time limits applicable to such procedure, as well as a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review. If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the determination, the notice will either provide that rule, guideline, protocol or other similar criterion or will contain a statement that it will be provided upon request.

Claims Appeal Procedure: If the claim has been denied, and the claimant wishes to pursue the claim further, the claimant must request that the Plan Administrator review the denial. The request must be in writing and must be made within 60 days after written notification of denial. In connection with this request, the claimant may review documents pertinent to the claim (other than those that are legally privileged) and may submit to the Plan Administrator written comments, documents, records, and other information related to the claim.

The review by the Plan Administrator will take into account all comments, documents, records, and other information that the claimant submits relating to the claim. The Plan Administrator will make a final written decision on a claim review, in most cases within 60 days after receipt of a request for a review. In some cases, the claim may take more time to review, and an additional processing period of up to 60 days may be required. If that happens, the claimant will receive a written notice of that fact, which will also indicate the special circumstances requiring the extension of time and the date by which the Plan Administrator expects to make a determination with respect to the claim. If the extension is required due to the claimant's failure to submit information necessary to decide the claim, the period for making the determination will be tolled from the date on which the extension notice is sent to the claimant until the date on which the claimant responds to the Plan's request for information.

The Plan Administrator's decision on the claim for review will be communicated to the claimant in writing. If an adverse benefit determination is made with respect to the claim, the notice will include (i) the specific reason(s) for any adverse benefit determination, with references to the specific Plan provisions on which the determination is based; (ii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to (and copies of) all documents, records and other information relevant to the claim (other than those that are legally privileged); and (iii) a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA. If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the determination, the notice will either provide that rule, guideline, protocol or other similar criterion or will contain a statement that it will be provided upon request. The decision of Plan Administrator is final and binding on all parties.

Requirement to Follow Claims Procedures: If a claimant does not file his or her claim in accordance with the Plan's claim procedures described above, including applicable time limits, the claimant will not be entitled to benefits under this Plan.

Limitation on Legal Action: No legal action with respect to this Plan may be brought until a claimant has exhausted the claims procedures described above, including the claims appeal procedure. No legal action for coverage or benefits under the Plan may be commenced or maintained more than two years after the circumstances giving rise to the claim arose or, if earlier, one year after the claims procedures, including the claims appeal procedure, is exhausted.

Section 7. Plan Amendment and Termination

The Company reserves the right to suspend or terminate the Plan at any time. The Company also reserves the right to amend or modify the Plan at any time and in any respect (including but not limited to an amendment or modification to reduce or eliminate some or all benefits payable under the Plan or to exclude certain employees or classes of employees from future eligibility to participate in the Plan) by action of the Board of Directors of the Company (the "Board") or the Compensation Committee of the Board, with or without prior notice to, and effective with respect to, employees who may in the future become eligible to participate in the Plan or become eligible for benefits payable under the Plan. However, no such amendment, modification, suspension or termination will be effective to decrease benefits under the Plan for which an employee has already become a Participant.

Section 8. Legal Rights Under ERISA

An employee covered under the Plan is entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974, as amended (" ERISA "). ERISA provides that you are entitled to:

Receive Information About Your Plan and Benefits

Examine, without charge, at the Human Resources office of the Company, and at other specified locations, such as worksites, all documents governing the Plan, including a copy of the latest annual report (Form 5500 Series), if any, filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the Plan Administrator, copies of the most recent version of this Plan and summary plan description and the latest annual report (Form 5500 Series), if any. The Plan Administrator may charge a reasonable amount for the copies.

Receive a summary of the Plan's annual financial report (if any). The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of the Plan participants and beneficiaries. No one, including the employer or any other person, may fire an employee or otherwise discriminate against an employee in any way to prevent such employee from obtaining a welfare benefit or exercising such employee's rights under ERISA.

Enforce Rights

If a claim for a welfare benefit is denied or ignored, in whole or in part, the claimant has a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps an employee can take to enforce the above rights. For instance, if an employee makes a written request for a copy of Plan documents or the latest annual report from the Plan Administrator and does not receive them within 30 days, the employee may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide materials and pay the employee up to $110 a day until the employee receives the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If an employee has a claim for benefits that is denied or ignored, in whole or in part, the employee may file suit in a state or Federal court. If it should happen that Plan fiduciaries misuse the Plan's money or if an employee is discriminated against for asserting his or her rights, such employee may seek assistance from the U.S. Department of Labor, or such employee may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If the employee is successful, the court may order the person sued to pay these costs and fees. If the employee loses, the court may order the employee to pay these costs and fees, for example, if it finds the employee's claim is frivolous.

An employee who has questions about the Plan should contact the Plan Administrator. An employee who has any questions about this statement or his or her rights under ERISA should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in the telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

Section 9. Other Important Information

No Additional Rights Created. Neither the establishment of this Plan, nor any modification thereof, nor the payment of any benefits hereunder, shall be construed as giving to any individual (or any beneficiary of either), or other person any legal or equitable right against the Company, or any of its affiliates, or any officer, director or employee thereof; and in no event shall the terms and conditions of employment by the Company (or any affiliate) of any individual be modified or in any way affected by this Plan.

No Implied Employment Contract. The Plan shall not be deemed to give any employee or other person the right to be retained in the employ of the Company or to interfere with the right of the Company to discharge any employee or other person at any time and for any reason.

Records. The records of the Company with respect to the determination of a Year of Service, employment history, Base Pay, absences, and all other relevant matters shall be conclusive for all purposes of this Plan.

Construction. The Plan is intended to be governed by ERISA. The respective terms and provisions of the Plan shall be construed, whenever possible and for all purposes, to be in conformity with the requirements of ERISA, or any subsequent laws or amendments thereto. To the extent not in conflict with ERISA or the terms of the Plan, the construction and administration of the Plan shall be in accordance with applicable federal law and the laws of the State of California applicable to contracts made and to be performed within the State of California (without application of California conflict of laws provisions).

Nontransferability. In no event shall the Company make any payment under this Plan to any assignee or creditor of an employee, except as otherwise required by law. Prior to the time of a payment hereunder, an employee shall have no rights by way of anticipation or otherwise to assign or otherwise dispose of any interest under this Plan, nor shall rights be assigned or transferred by operation of law.

Binding Effect on Successor to Company. This Plan shall be binding upon any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of the Company, or upon any successor to the Company as the result of a Change in Control, and any such successor or assignee shall be required to perform the Company's obligations under the Plan. In such event, the term "Company," as used in the Plan, shall mean the Company and any successor or assignee as described above which by reason hereof becomes bound by the terms and provisions of this Plan.

Plan Interpretation and Benefit Determination. The Plan is administered and operated by the Plan Administrator, which has complete authority, to construe and interpret the terms of the Plan (and any related or underlying documents or policies), and to determine the eligibility for, and amount of, benefits due under the Plan. All such interpretations and determinations of the Plan Administrator shall be final and binding. The Plan Administrator may appoint one or more individuals and delegate such of its powers and duties as it deems desirable to any such individual(s), in which case every reference herein made to the Plan Administrator shall be deemed to mean or include the appointed individual(s) as to matters within their jurisdiction.

Section 10. Important Plan Information

Sponsor's Name and Address :	Building Materials Holding Corporation Four Embarcadero Center, Ste. 3200 San Francisco, CA 94111
Plan Number:	502
Employer Identification Number :	91-1834269
Plan Administrator:	Paul Street, Stephanie Erickson and Neil Watterson Building Materials Holding Corporation Four Embarcadero Center, Ste. 3200 San Francisco, CA 94111
Agent to Receive Process:	Building Materials Holding Corporation Four Embarcadero Center, Ste. 3200 San Francisco, CA 94111 Attn: Chairman General Counsel
Type of Plan:	The Plan is an unfunded employee welfare benefit plan. Benefits under the Plan are paid from the general assets of Building Materials Holding Corporation. Benefits under the Plan are not insured by the Pension Benefit Guaranty Corporation.
Effective Date:	May 1, 2008

Exhibit A

Change in Control. A "Change in Control" of the Company shall be deemed to have occurred if (i) there shall be consummated (x) any consolidation, merger or similar reorganization or other transaction involving the Company, other than a transaction in which those persons that are holders of the Company's common stock immediately prior to the transaction both (I) each have the same proportionate ownership of common stock of the Company or voting equity securities of another surviving entity in the transaction (when compared to all other holders of the Company's common stock immediately prior to the transaction) immediately after the transaction and (II) in the aggregate possess beneficial ownership (as determined in accordance with Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended ("Exchange Act")) of at least a majority of the common stock of the Company or the voting equity securities of another surviving entity immediately after the transaction, or (y) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the business and/or assets of the Company, or (ii) the stockholders of the Company approve a plan or proposal for the liquidation or dissolution of the Company, or (iii) any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act, including any group), shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of thirty-five (35%) percent or more of the Company's outstanding common stock, or (iv) if for any reason a majority of the Board is not comprised of "Continuing Directors," where a " Continuing Director " of the Corporation as of any date means a member of the Board who (x) was a member of the Board two years prior to such date and at all times through such date or (y) was nominated for election or elected to the Board with the affirmative vote of at least two-thirds (2/3rds) of the directors who were Continuing Directors at the time of such nomination or election; provided , however , that no individual initially elected or nominated as a director of the Corporation as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a Continuing Director.

ACKNOWLEDGEMENT

My signature on this form acknowledges that I have received and read the Building Materials Holding Corporation **Change in Control Severance Plan for Non-Officer Employees.** I understand that if I have any questions concerning this plan, I may contact Paul Street who can be reached at (208)331-4381 or Stephanie Erickson who can be reached at (208)331-4653.

Signature _____

Print Name:_____

Exhibit 21.0

Subsidiaries of Building Materials Holding Corporation

Unless otherwise indicated, subsidiaries are 100% owned by Building Materials Holding Corporation or the subsidiaries listed below. We operate principally under the trade names of BMHC, SelectBuild and BMC West.

	State of Incorporation or Organization
Building Materials Holding Corporation	Delaware
BMC West Corporation	Delaware
Illinois Framing, Inc.	Delaware
SelectBuild Construction, Inc.	Delaware
Pacific Region	
SelectBuild Northern California, Inc.	Delaware
C Construction, Inc.	Delaware
H.N.R. Framing Systems, Inc.	California
TWF Construction, Inc.	Delaware
Southwest Region	
SelectBuild Arizona, LLC	Delaware
SelectBuild Nevada, Inc.	Delaware
Riggs Plumbing, LLC	Arizona
Midwest Region	
SelectBuild Illinois, LLC	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Building Materials Holding Corporation:

We consent to the incorporation by reference in the registration statements Nos. 333-61221 and 333-36387 on Form S-4; 333-150906, 333-150905, 333-136632, 333-117237, 333-44260 and 333-47122 on Form S-8; and 33-52478-99 and 33-80952-99 on Form S-8/A of Building Materials Holding Corporation of our reports dated April 14, 2009, with respect to the consolidated balance sheets of Building Materials Holding Corporation as of December 31, 2008 and 2007, 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, 2008, and the related financial statement schedule, and our report dated April 14, 2009 with respect to the Company's internal control over financial reporting as of December 31, 2008, which reports appear in the December 31, 2008, annual report on Form 10-K of Building Materials Holding Corporation.

Our report dated on the consolidated financial statements of Building Materials Holding Corporation and subsidiaries referred to above contains an explanatory paragraph that states that the Company's recurring losses from operations and uncertainty whether it will remain in compliance with certain covenants of its bank credit agreement during 2009 raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements and financial statement schedule do not include any adjustments that might result from the outcome of this uncertainty.

/s/ KPMG LLP

San Francisco, California
April 14, 2009

Exhibit 31.1

CEO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert E. Mellor, certify that:

1. I have reviewed this annual report on Form 10-K of Building Materials Holding Corporation (Registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: April 14, 2009

/s/ Robert E. Mellor
Robert E. Mellor
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CFO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William M. Smartt, certify that:

1. I have reviewed this annual report on Form 10-K of Building Materials Holding Corporation (Registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: April 14, 2009

/s/ William M. Smartt
William M. Smartt
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CEO AND CFO CERTIFICATIONS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certifies, in his capacity as an officer of Building Materials Holding Corporation, for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- the annual report on Form 10-K for the period ended December 31, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- the information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations.

Date: April 14, 2009

/s/ Robert E. Mellor
Robert E. Mellor
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

The undersigned hereby certifies, in his capacity as an officer of Building Materials Holding Corporation, for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- the annual report on Form 10-K for the period ended December 31, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- the information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations.

Date: April 14, 2009

/s/ William M. Smartt
William M. Smartt
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT H

Liquidating Trust Agreement

BMHC LIQUIDATING TRUST AGREEMENT

Dated as of _____, 2009

Established by

BUILDING MATERIALS HOLDING CORPORATION
(AND ITS SUBSIDIARIES)

and

Accepted by

_____

as

Managing Trustee

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BMHC LIQUIDATING TRUST AGREEMENT

This BMHC Liquidating Trust Agreement (the "Agreement"), dated as of _____, 2009, is established by Building Materials Holding Corporation (and its subsidiaries,[1] the "Debtors") pursuant to the Debtors' Joint Plan of Reorganization (the "Joint Plan") confirmed in the chapter 11 cases styled In re Building Materials Holding Corporation et al., Case No. _____ (___)(collectively, the "Cases"), by the United States Bankruptcy Court for the District of Delaware (the "Court"), and is accepted by the Managing Trustee (as defined in Section 1.2 of this Agreement) for the benefit of the Trust Beneficiaries (as defined in Section 1.2 of this Agreement).

WHEREAS, on June 16, 2009, the Debtors filed their voluntary petitions with the Court commencing the Cases pursuant to chapter 11 of the Bankruptcy Code (as defined in the Joint Plan);

WHEREAS, the Cases were jointly administered under the above captioned case number;

WHEREAS, the Court confirmed the Joint Plan by entering the Order Confirming Joint Plan on _____, 2009;

WHEREAS, the Joint Plan provides for the creation of a trust to be composed of the Liquidating Trust Assets (as defined in the Joint Plan) to be administered and liquidated for the benefit of the holders of Allowed Class 6(a), 6(b) and 6(c) Claims, provided, however that no holder of an Allowed Claim in any Class 6 Class that votes to reject the Joint Plan shall be a beneficiary of the Trust;

WHEREAS, the Trust is intended to be treated as a liquidating trust pursuant to Treasury Regulations § 301.7701-4(d), and as a grantor trust subject to the provisions of Subchapter J, Subpart E of the Tax Code (as defined in Section 1.2 of this Agreement), owned by the Trust Beneficiaries as grantors.

WHEREAS, the Joint Plan provides for the collection and distribution of the Liquidating Trust Assets in compliance with the terms of the Joint Plan;

WHEREAS, pursuant to the terms of the Joint Plan, this Trust shall be managed by the Managing Trustee, and supervised by the Supervisory Trustees (as defined in Section 1.2 of this Agreement) appointed in this Agreement and the Joint Plan, and approved by the Court, all as provided in this Agreement;

---

[1] The following are the subsidiaries of Building Materials Holding Corporation that are Debtors: BMC West Corporation, SelectBuild Construction, Inc., SelectBuild Northern California, Inc., Illinois Framing, Inc., C Construction, Inc., TWF Construction, Inc., H.N.R. Framing Systems, Inc., SelectBuild Southern California, Inc., SelectBuild Nevada, Inc., SelectBuild Arizona, LLC, and SelectBuild Illinois, LLC.

WHEREAS, the Joint Plan provides for and requires the appointment of the Managing Trustee for the purposes outlined herein and the Managing Trustee has been appointed and approved and has agreed to serve in such capacity under the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby covenant and agree as follows:

I. DEFINITIONS

1.1 General. All capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Joint Plan, or, if not defined in the Joint Plan and defined in the Bankruptcy Code shall have the meanings assigned thereto in the Bankruptcy Code unless the context clearly requires otherwise.

1.2 Certain Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the terms defined in this Section 1.2 shall have the meaning assigned to them in this Section 1.2, and shall include the plural as well as the singular, and the masculine as well as the feminine and vice versa.

"*Agreement*" shall mean this BMHC Liquidating Trust Agreement dated as of _____ __, 2009, as amended, restated or otherwise modified in accordance with the terms hereof.

"*Available Cash*" shall mean as of any date of calculation, the aggregate of all Cash or cash equivalents available for immediate distribution held by the Trust, as reflected on the books and records of the Trust, less (i) until released from reserve, Cash, if any, required to fund the Disputed Claim Reserve, and (ii) the Operating Reserve.

"*Cases*" shall have the meaning given to such term in the introductory paragraph of this Agreement.

"*Court*" shall have the meaning given to such term in the introductory paragraph of this Agreement.

"*Debtors*" shall have the meaning given to such term in the introductory paragraph of this Agreement.

"*Disbursing Agent*" shall have the meaning given to such term in Section 3.4 hereof.

"*Disputed Claims Reserve*" shall have the meaning given to such term in Section 3.7.1 hereof.

"*Disputed Claims*" means Disputed Claims (as defined in the Joint Plan) of the Trust Beneficiaries.

"*Distribution Date*" means the Initial Distribution Date, and thereafter, subject to Section 3.4 hereof, such dates as the Managing Trustee and Supervisory Trustees from time to time designate as a Distribution Date.

"*Excess Reserved Cash*" shall have the meaning given to such term in Section 3.7.1 hereof.

"*Initial Distribution Date*" shall mean the date that is no later than thirty (30) days after the Effective Date of the Joint Plan.

"*Managing Trustee*" means _____, or any successor thereto appointed pursuant to the terms of this Agreement.

"*Operating Reserve*" shall have the meaning given to such term in Section 3.7.2 hereof.

"*Permitted Investments*" means:

(i) securities issued or directly and fully guaranteed or insured by the government of the United States or any agency or instrumentality thereof having maturities of not more than one year from the date of acquisition;

(ii) time deposits, certificates of deposit and bankers' acceptances of any domestic commercial bank the short term debt obligations of which have been rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investors Service, Inc. and which mature in not more than one year;

(iii) commercial paper rated A-1 or the equivalent thereof by Standard & Poor's Corporation or P-1 or the equivalent thereof by Moody's Investors Service, Inc., and in each case having maturities of not more than 90 days from the date of acquisition; and

(iv) money market funds or money market mutual funds (other than closed-end funds) which maintain a constant net asset value and have at the time of such investment a rating by Moody's Investors Service, Inc. or Standard & Poor's Corporation at least equivalent to "A."

"*Joint Plan*" shall have the meaning given to such term in the introductory paragraph of this Agreement.

"*Registrar and Transfer Agent*" shall have the meaning given to such term in Section 6.2.1 hereof.

"*Supervisory Trustees*" means _____, _____- and _____, or any successors thereto appointed pursuant to the terms of this Agreement.

"*Tax Code*" shall mean the Internal Revenue Code of 1986, as amended.

"*Termination Date*" shall have the meaning given to such term in Section 2.6 hereof.

"*Trust*" shall mean the BMHC Liquidating Trust constituted and established pursuant to this Agreement and which trust is the "Liquidating Trust" referred to in the Joint Plan.

"*Trust Beneficiary*" shall mean the holders of Beneficial Interests in accordance with the Joint Plan.

"*Trustee*" shall mean any of the Managing Trustee and the Supervisory Trustees.

"*Trust Register*" shall have the meaning given to such term in Section 6.2.2 hereof.

II. CREATION OF THE TRUST

2.1 Purpose of Trust. The Debtors and the Managing Trustee, in compliance with the Joint Plan, hereby constitute and create this Trust for the purpose of effecting the collection and distribution of the Liquidating Trust Assets, distributing the Available Cash to the Trust Beneficiaries and making the other distributions and payments called for in the Joint Plan to be made by the Trust, and with no objective to continue or engage in the conduct of a trade or business. The Trust shall engage only in those activities that shall be reasonably necessary to that purpose and consistent with its objective not to continue or engage in the conduct of a trade or business.

2.2 Appointment and Acceptance of Managing Trustee. In accordance with the provisions of the Joint Plan, _____ is hereby named, constituted, and appointed as Managing Trustee, to act and serve as Managing Trustee of the Trust and to hold, manage and liquidate the Liquidating Trust Assets and to distribute Available Cash subject to the conditions set forth herein and in the Joint Plan. The Managing Trustee is willing, and does hereby accept the appointment, to act and serve as Managing Trustee of the Trust, and to hold the Liquidating Trust Assets and administer the Trust pursuant to the terms of this Agreement.

2.3 Appointment and Acceptance of Supervisory Trustees. In accordance with the provisions of the Joint Plan, _____, _____ and _____ are hereby named, constituted, and appointed as Supervisory Trustees, to act and serve as Supervisory Trustees of the Trust and to supervise the management and liquidation of the Liquidating Trust Assets and distribution of the Available Cash subject to the conditions set forth herein and in the Joint Plan. Each Supervisory Trustee is willing, and does hereby accept the appointment, to act and serve as a Supervisory Trustee of the Trust and to supervise the administration of the Trust pursuant to the terms of this Agreement.

2.4 Name of Trust. The Trust established hereby shall bear the name "BMHC Liquidating Trust." In connection with the exercise of their powers as Trustees hereunder, a Trustee may use this name or such variation thereon as such Trustee sees fit, or may use her or his own name, as Managing Trustee or Supervisory Trustee, as applicable.

2.5 Transfer of Liquidating Trust Assets to Trust. In accordance with the provisions of the Joint Plan, all right, title, and interests of the Debtors and their Estates in and to the Liquidating Trust Assets are hereby vested in the Trust and preserved for the benefit of the Trust Beneficiaries. From and after the Effective Date, all Liquidating Trust Assets shall be administered by the Managing Trustee, subject to Section 4.3 hereof, on behalf of the Trust Beneficiaries as provided in the Joint Plan. Prior to the creation of the Trust, the Debtors shall

have executed or caused to be executed, and simultaneously with the creation of the Trust shall deliver or cause to be delivered to, or upon the order of, the Managing Trustee, any and all documents and other instruments as may be necessary or useful to deliver the Liquidating Trust Assets to the Trust. The Debtors (and any successor entity thereto) will, upon the reasonable request of the Managing Trustee, execute, acknowledge and deliver such further instruments and do such further acts as may be necessary or proper to transfer to the Managing Trustee any portion of the Liquidating Trust Assets intended to be conveyed hereby in the form and manner provided for in the Joint Plan and to vest in the Managing Trustee the powers, instruments or funds in trust hereunder. The Debtors, for themselves and any predecessor or successor entity, hereby disclaim and waive any and all right to any reversionary interest in any of the Liquidating Trust Assets.

2.6 Termination of the Trust; Extension of the Trust. The Trust shall terminate upon the earlier to occur (the "Termination Date") of: (A) the fulfillment of the Trust's purpose by the liquidation of all of the Liquidating Trust Assets and the distribution of the Available Cash or (B) five (5) years after the Effective Date. In order to terminate the Trust prior to five (5) years after the Effective Date, the Managing Trustee, subject to Section 4.3 hereof, shall deliver a notice to all Trust Beneficiaries setting forth the date on which the Trust will terminate, and if no Trust Beneficiary files an objection with the Court within forty-five (45) days after the date of such notice the Trust shall terminate on the date set forth in the notice. Notwithstanding the foregoing, the Managing Trustee, subject to Section 4.3 hereof, shall have the right to apply to the Court to extend the term of the Trust for additional periods of time, provided that each such extension must be approved by the Court within six (6) months of the beginning of the extended term. Upon such application, the Trust shall continue until the date approved by the Court, or if the extension is disapproved by the Court, the expiration of the six month period; provided that in no event shall the Termination Date occur later than the tenth anniversary of the Effective Date.

III. RIGHTS, POWERS AND DUTIES OF MANAGING TRUSTEE

3.1 Declaration Acknowledged in Beneficial Interest. The Managing Trustee hereby acknowledges that, on and after the Effective Date, the Trust Beneficiaries and their successors and assigns as permitted in Article 6 hereof, as their interests may appear, will have a beneficial interest in all Liquidating Trust Assets. The Managing Trustee will retain only such powers as are necessary to collect, liquidate, or otherwise convert the Liquidating Trust Assets into cash and to invest cash in Permitted Investments pending distribution and to pay all expenses, taxes, and other payments referred to in this Trust.

3.2 Management of Trust. Subject to the terms hereof and the Joint Plan, including, without limitation, Section 4.3 hereof, the Managing Trustee shall take charge of the Liquidating Trust Assets and shall distribute Available Cash. To this end and subject to the provisions of Section 4.3, the Managing Trustee shall manage the affairs of the Trust, enter into agreements binding the Trust, and execute, acknowledge, and deliver any and all instruments which are necessary, required, or deemed by the Managing Trustee to be advisable in connection with the performance of the Managing Trustee's duties hereunder and shall have full power and authority to take any action consistent with the purpose and provisions of the Joint Plan. Except as otherwise provided in this Agreement, and without prior or further authorization of the Court, but subject to Section 4.3 hereof, the Managing Trustee may control and exercise authority over the

Liquidating Trust Assets, the management and disposition thereof, and the management and conduct of the business of the Trust to the same extent as if the Managing Trustee were the sole legal and beneficial owner thereof in ___ own right. No person dealing with the Trust shall be obligated to inquire into the authority of the Managing Trustee in connection with the acquisition, management, or disposition of Liquidating Trust Assets. In connection with the management and use of the Liquidating Trust Assets, the Managing Trustee, without limitation of ___ power and authority, may do the following:

(i) accept the assets transferred and provided to the Trust pursuant to this Agreement and the Joint Plan;

(ii) distribute Available Cash to the Trust Beneficiaries in accordance with the terms of this Trust and the Joint Plan;

(iii) endorse the payment of notes or other obligations of any person or make contracts with respect thereto;

(iv) engage in all acts that would constitute ordinary course of business in performing the obligations of a Trustee under a Trust of this type;

(v) cause the Beneficial Interests to be registered in the Trust Register and cause transfers of the Beneficial Interests to be registered in the Trust Register in accordance with this Agreement;

(vi) invest Liquidating Trust Assets in Permitted Investments;

(vii) execute deeds, bills of sale and other instruments of transfer in connection with the sale, assignment or transfer of the Liquidating Trust Assets;

(viii) establish such bank accounts as ___ may deem necessary or appropriate, draw checks on such bank accounts and perform such other necessary and appropriate duties with respect to such accounts, or designate individuals as signatories to draw checks on such bank accounts and to perform such other duties as she may direct and authorize; and

(ix) effectuate settlements with respect to Disputed Claims and the Liquidating Trust Assets as set forth in Section 5.1 hereof and Section 7.4.9 of the Plan.

3.3 May Incur Debt. The Trust may not borrow money, but may incur debt in connection with the administration and management of the Trust and the collection and distribution of the Liquidating Trust Assets, provided that no recourse shall be had to the Trustees or any Trust Beneficiary on any such debt.

3.4 Distribution of Available Cash. Pursuant to the terms of the Joint Plan, on or before the Initial Distribution Date, the Managing Trustee, or a disbursing agent selected by the Managing Trustee and engaged by the Trust (the "Disbursing Agent"), shall distribute all Available Cash from the Liquidating Trust Assets to the holders of Beneficial Interests. Thereafter, the Managing Trustee shall distribute (i) at least annually all Available Cash to the

holders of Beneficial Interests and (ii) at least quarterly an amount equal to the lesser of (x) the Available Cash and (y) the Excess Reserved Cash that has became available for distribution pursuant to Section 3.7.1 and not previously distributed. In determining whether there is any Available Cash available for distribution, the Managing Trustee may, in ___ discretion, give due consideration to the possibility that there may exist unasserted Claims against the Trust or asserted Claims which are not yet Allowed Claims or otherwise not yet due and payable and may establish reserves therefor in accordance with Section 3.7.1 hereof. The Managing Trustee shall make prompt and timely distributions, and avoid undue prolongation of the duration of the Trust. The Trust shall not retain Cash or cash equivalents in excess of a reasonable amount to meet claims and contingent liabilities.

3.5 Assets Distributable to Unlocated Beneficiaries. The Managing Trustee or, if applicable, the Disbursing Agent shall hold any unclaimed distributions or other payments to any Trust Beneficiaries. The Managing Trustee shall, and shall instruct the Disbursing Agent to, make disposition of any such distributions or payments in accordance with the Joint Plan.

3.6 Investments. Pending distribution, the Managing Trustee shall invest the Liquidating Trust Assets in Permitted Investments.

3.7 Reserves.

3.7.1 Disputed Claims Reserves. On or as soon as practicable following the Effective Date and prior to the Initial Distribution Date, the Managing Trustee shall establish a reserve for distributions on account of Disputed Claims as of the Initial Distribution Date (the "Disputed Claims Reserve"). Upon any distribution to holders of Allowed Claims in Classes in which Disputed Claims still exist, the Managing Trustee shall withhold from such distributions and set aside in the Disputed Claims Reserve an amount as provided in Section 7.4.6 of the Joint Plan. At such time thereafter that any Disputed Claim, or portion thereof, becomes an Allowed Claim, the Managing Trustee shall distribute to the holders of such Allowed Claim from the Disputed Claims Reserve Cash in an amount equal to the amount such holder would have received through such date had such holder's claim been an Allowed Claim as of the Effective Date. The Disputed Claims Reserve shall be terminated when all Disputed Claims are resolved; provided however, that as a Disputed Claim may be resolved, to the extent that the amount reserved for the Disputed Claim exceeds the amount due, if any, under a distribution as such Disputed Claim becomes an Allowed Claim, such funds shall become Liquidating Trust Assets available for distribution to Trust Beneficiaries and shall be deemed "Excess Reserved Cash". Any property remaining in the Disputed Claims Reserve upon its termination and after any distributions pursuant to this Section 3.7.1 shall no longer be restricted and shall be Liquidating Trust Assets available for liquidation and distribution to Trust Beneficiaries.

3.7.2 Operating Reserve. On or as soon as practicable following the Effective Date and prior to the Initial Distribution Date, the Managing Trustee shall establish an operating reserve (such reserve established pursuant to this Section 3.7.2, the "Operating Reserve") with Cash in an amount reasonably determined to be necessary to fund the expenses of the Trust, including costs of the Disbursing Agent for distributions made pursuant to the Joint Plan, in an amount approved by the Supervisory Trustees. Thereafter, the amount of the Operating Reserve may be increased or decreased by the Managing Trustee with

the consent of the Supervisory Trustees if the Managing Trustee determines that a greater or lesser amount is prudent and reasonably sufficient to satisfy the obligations and liabilities, including tax liabilities (whether absolute, contingent, asserted, unasserted, payable, not yet payable or otherwise) of, or assumed by, the Trust. The amount of the Operating Reserve shall not exceed $500,000.

3.8 Selection of Agents. The Managing Trustee may select and employ brokers, banks, custodians, investment advisors, attorneys, accountants, auditors, and other agents on behalf of the Trust. Except as otherwise required to fulfill the terms hereof, such agents may be employed without regard to prior employment of such agents by any Trust Beneficiary or by the Creditors' Committee. The Managing Trustee may retain as a consultant to the Trust any person or persons having particular knowledge of the Debtors' affairs (including, without limitation, any officer or director or former officer or director of any Debtor or any entity owned by a Debtor), and may place reliance upon the advice of any such person. The Managing Trustee may pay the salaries, fees, and expenses of agents and consultants engaged by the Managing Trustee out of the Liquidating Trust Assets. No Trustee shall be liable for any loss to the Trust or any person interested therein by reason of any mistake or default of any such agent or consultant as shall be selected and employed or retained without fraud, willful misconduct or without gross negligence on the part of such Trustee.

3.9 Records and Reporting.

3.9.1 Records. The Managing Trustee shall maintain good and sufficient books and records of account relating to the Liquidating Trust Assets, the Available Cash, the management thereof, all transactions undertaken by the Managing Trustee, all expenses incurred by or on behalf of the Trust, all distributions either contemplated or effectuated under this Agreement.

3.9.2 Periodic Reports. The Managing Trustee shall prepare the following reports and shall distribute such reports to each Supervisory Trustee and any Trust Beneficiary who requests a copy:

(A) on a quarterly basis commencing with the first calendar quarter ending after the Effective Date, within forty-five (45) days after the end of such calendar quarter, an unaudited report of the receipts and disbursements of the Trust and the cash position of the Trust; and

(B) on an annual basis commencing with the first calendar year ending after the Effective Date (or, if such calendar year ends less than 3 months after the Effective Date, the second calendar year ending after the Effective Date), within forty-five (45) days after the end of such calendar year, a report of the activities of the Trust detailing for the preceding year period the activities of the Trust including:

(i) an unaudited operating statement (prepared on a cash basis) showing all revenues received by the Trust and all expenses of operations of the Trust;

(ii) an unaudited written report and accounting showing (a) the assets and liabilities of the Trust at the end of such period, (b) any changes in the Liquidating Trust Assets, (c) the amount of any reserves or escrows of the Trust, (d) any material action taken by the Managing Trustee or the Supervisory Trustees in the performance of their duties under the Joint Plan and this Agreement; and

(iii) an overall status report of the Trust for the next annual period.

Quarterly reports for the fourth quarter of each annual period may be included in the annual report for such period.

(C) The Managing Trustee shall prepare and furnish to the Supervisory Trustees such additional reports and accountings as the Supervisory Trustees may from time to time reasonably request.

All annual reports shall be filed with the Court. In addition, all quarterly and, if prepared, annual reports may be filed with any other entity to the extent the Managing Trustee deems such action to be in the best interest of the Trust or to the extent required by applicable law or in order to gain an exemption from compliance with applicable law.

3.9.3 Tax Information. The Managing Trustee shall furnish to the Trust Beneficiaries and other recipients of distributions from the Trust such information and returns with respect to any federal or state tax as shall be required by law.

3.9.4 Additional Reports and Filings. The Managing Trustee shall (i) prepare, file and distribute such additional registration statements, reports and submissions as may be necessary to cause the Trust and the Trustees to be in compliance with applicable law and (ii) prepare and file with the Court such reports and submissions as are required by the Joint Plan. Copies of any such reports, registration statements and submissions shall be distributed to the Supervisory Trustees and, in the discretion of the Managing Trustee, filed with the Commission.

3.10 Disposition of Assets to Debtors and Other Interested Parties. Subject to Section 4.3 hereof, the Managing Trustee is specifically authorized and empowered to negotiate at arms' length and enter into agreements with the Debtors' affiliates, the Trust Beneficiaries and other interested parties for the sale of any portion of the Liquidating Trust Assets.

IV. TRUSTEES

4.1 The Managing Trustee.

4.1.1 Independent Managing Trustee. The Managing Trustee may not be a Trust Beneficiary.

4.1.2 Managing Trustee's Compensation and Reimbursement. As compensation for services rendered in the administration of this Trust, the proposed Managing Trustee shall be compensated in an amount and upon terms which are mutually acceptable to the

proposed Managing Trustee and the Supervisory Trustees. The Managing Trustee shall be reimbursed for all reasonable expenses (including, but not limited to, attorneys fees) incurred in the performance of ___ duties hereunder.

4.1.3 Resignation. The Managing Trustee may resign as such by executing and delivering an instrument in writing to the Supervisory Trustees upon no less than thirty (30) days advance notice.

4.1.4 Removal. The Managing Trustee may be removed from office (a) for fraud or willful misconduct in connection with the affairs of the Trust upon the motion of the Supervisory Trustees, and upon a finding by the Court of fraud or willful misconduct by such Managing Trustee after a hearing before the Court upon not less than 30 days' notice, (b) for such physical or mental disability as substantially prevents the Managing Trustee from performing ___ duties as Managing Trustee upon the motion of the Supervisory Trustees, and upon a finding by the Court of such physical or mental disability after a hearing before the Court on not less than 30 days' notice or (c) for cause, which shall include a breach of fiduciary duty or an unresolved conflict of interest, (other than as specified in the foregoing clauses (a) and (b)) upon the motion of the Supervisory Trustees, and upon finding by the Court that cause for such removal has been shown after a hearing before the Court on not less than 30 days' notice.

4.1.5 Appointment of Successor Managing Trustee. In the event of the death or incompetency, resignation, or removal of the Managing Trustee, the Supervisory Trustees shall appoint a successor Managing Trustee. Such appointment shall specify the date on which such appointment shall be effective. Every successor Managing Trustee appointed hereunder shall execute, acknowledge, and deliver to the Supervisory Trustees and to the retiring Managing Trustee an instrument accepting such appointment, and thereupon such successor Managing Trustee, without any further act, deed, or conveyance, shall become vested with all the rights, powers, Trusts, and duties of the retiring Managing Trustee. In the event of the resignation or removal of the Managing Trustee, such Managing Trustee shall promptly (a) execute and deliver such documents, instruments, and other writings as may be requested by the Supervisory Trustees or reasonably requested by the successor Managing Trustee to effect the termination of the retiring Managing Trustee's capacity under the Trust and the conveyance of the Liquidating Trust Assets then held by the retiring Managing Trustee to ___ successor Managing Trustee; (b) deliver to the Supervisory Trustees or the successor Managing Trustee all documents, instruments, records, and other writings related to the Trust as may be in the possession of the retiring Managing Trustee; and (c) otherwise assist and cooperate in effecting the assumption of its obligations and functions by such successor Managing Trustee.

4.2 Supervisory Trustees.

4.2.1 Resignation. A Supervisory Trustee may resign as such by executing and delivering an instrument in writing to the Managing Trustee and the remaining Supervisory Trustees.

4.2.2 Removal. A Supervisory Trustee may be removed in the event physical or mental disability prevents a Supervisory Trustee from substantially performing _____ duties hereunder upon the unanimous consent of the other Supervisory Trustees. A majority of

the Trust Beneficiaries voting pursuant to this Agreement may at any time remove any Supervisory Trustee with or without cause.

4.2.3 Appointment of Successor Supervisory Trustee. Upon the death, resignation or removal of a Supervisory Trustee, the remaining Supervisory Trustees may (but shall not be required to) appoint a Trust Beneficiary (or employee or member thereof) as a successor Supervisory Trustee. If there are no remaining Supervisory Trustees, the Managing Trustee may apply to the Court for the appointment of a Supervisory Trustee or Supervisory Trustees. Such appointment shall specify the date on which such appointment shall be effective. In no event shall any insider or affiliate of the Debtors serve as a Supervisory Trustee. In the event of the resignation or removal of a Supervisory Trustee, such Supervisory Trustee shall promptly (a) execute and deliver such documents, instruments, and other writings as may be requested by the Managing Trustee to effect the termination of the retiring Supervisory Trustee's capacity under the Trust; (b) deliver to the Managing Trustee all documents, instruments, records, and other writings related to the Trust as may be in the possession of the retiring Supervisory Trustee; and (c) otherwise assist and cooperate in effecting the assumption of its obligations and functions by such successor Supervisory Trustee.

4.2.4 Supervisory Trustees' Compensation and Expenses. As compensation for services rendered to the Trust, each Supervisory Trustee shall receive $2,000 per month. The Trust shall reimburse the reasonable expenses of the Supervisory Trustees (including, but not limited to, attorneys fees) incurred in connection with their service as Supervisory Trustees.

4.3 Actions Requiring the Consent of Supervisory Trustees. The following actions may be taken by the Managing Trustee on behalf of the Trust only with the approval of the Supervisory Trustees:

4.3.1 Termination, Amendment of Agreement. The delivery of a notice seeking to terminate the Trust prior to five years after the Effective Date, extend the term of the Trust for additional periods of time, in each case as provided in Section 2.6 hereof, or the amendment of this Agreement as provided in Section 7.10 hereof;

4.3.2 Agreements, Documents, Instruments. The execution by the Managing Trustee of any agreement, document or instrument (A) with any affiliate or former affiliate or employee or former employee of any Debtor or a Trust Beneficiary; (B) that obligates the Trust in excess of $50,000; or (C) the term of which extends beyond one year;

4.3.3 Investment. The investment of Liquidating Trust Assets and Available Cash in any manner other than in Permitted Investments;

4.3.4 Reserves. The establishment, increase or decrease of the Operating Reserve;

4.3.5 Distributions from Trust. The distribution of any amounts from the Trust and the designation of a Distribution Date with respect thereto, provided that the Managing Trustee without further approval by the Supervisory Trustees may make the distribution of Available Cash on the Initial Distribution Date; provided, further that the Trust shall make the annual distribution as set forth in Section 3.4 hereof;

4.3.6 Action and Proceedings. The commencement or bringing of any action or proceeding, the defense of any action or proceeding against the Trust, the settlement of any such action or proceeding, and the expenditure by the Trust of amounts in respect thereof, including legal fees;

4.3.7 Transfers of Beneficial Interests. Any appointment of the Registrar and Transfer Agent other than the Trust or the Disbursing Agent, or the establishment of any additional requirements for transfer of Beneficial Interests;

4.3.8 Governmental Filings. Any material filing with or application to any governmental agency relating to the Trust, the Liquidating Trust Assets or the Beneficial Interests other than ordinary routine filings and applications incidental to the activity of the Trust and the administration of the Liquidating Trust Assets; provided that the Managing Trustee may without further approval of the Supervisory Trustees file any reports expressly contemplated to be filed by this Agreement or the Joint Plan;

4.3.9 Sales or Transfers of Assets. The sale, assignment or transfer of any Liquidating Trust Asset, except as otherwise set forth herein or approved by order of the Court, in an amount exceeding $500,000; and

4.3.10 Settlements. Any settlement with respect to Disputed Claims or the Liquidating Trust Assets as contemplated by Section 3.2(ix) hereof.

4.4 Method of Obtaining Approval of Supervisory Trustees. Whenever called for in this Agreement, the approval of the Supervisory Trustees shall mean the affirmative consent of at least two (2) Supervisory Trustees or, if only one Supervisory Trustee is serving hereunder at any time, with the consent of such Supervisory Trustee or, if no Supervisory Trustees are serving hereunder at any time, upon order of the Court (and the Managing Trustee shall be authorized to file an appropriate motion for relief with the Court). Affirmative consent of a Supervisory Trustee shall be had by written confirmation of a Supervisory Trustee upon the written request of the Managing Trustee to all Supervisory Trustees serving hereunder delivered at the time at least five (5) Business Days in advance of the proposed action and delivered as provided in Section 7.7 hereof by facsimile or hand or overnight delivery. Each Supervisory Trustee shall respond promptly to any request by the Managing Trustee for the approval of the Supervisory Trustees. If (A) the Supervisory Trustees do not respond promptly to the request of the Managing Trustee for consent or (B) there is only one Supervisory Trustee serving hereunder at the time and such Supervisory Trustee disapproves the proposed action, the Managing Trustee may file an appropriate motion for relief with the Court.

4.5 Reliance by Trustees. A Trustee may rely, and shall be fully protected personally in acting upon, any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order, or other instrument or document which such Trustee has no reason to believe to be other than genuine and to have been signed or presented other than by the proper party or parties or, in the case of facsimile transmissions, to have been sent other than by the proper party or parties, in each case without obligation to satisfy himself or herself that the same was given in good faith and without responsibility for errors in delivery, transmission, or receipt. In the absence of fraud, willful misconduct or gross negligence on the part of a Trustee, such Trustee may rely as to the truth of statements and correctness of the facts and opinions expressed therein and shall be fully protected personally in acting thereon. The Trustees may consult with and rely

on the advice of legal counsel and such other experts, advisors, consultants or other professionals as shall have been retained pursuant to this Agreement and shall be fully protected in respect of any action taken or suffered by them in accordance with the written opinion of legal counsel.

4.6 Trustee's Standard of Care; Exculpation. No Trustee, (and no director, officer, affiliate, employee, employer, agent or representative of any Trustee) shall be personally liable in connection with the affairs of the Trust to any other Trustee, any Trust Beneficiary, or the Trust, or any other person, except for such of the Trustee's acts or omissions as shall constitute fraud, willful misconduct or gross negligence.

4.7 Indemnification. Except in those situations in which a Trustee is not exonerated of personal liability as aforesaid, a Trustee (including each former Trustee or estate of a decedent Trustee) shall be defended, held harmless and indemnified from time to time from the Liquidating Trust Assets against any and all losses, claims, costs, expenses and liabilities (including legal fees and expenses) and any costs of defending any action to which a Trustee may be subject in connection with any action, suit, proceeding or investigation brought or threatened against such Trustee in such Trustee's capacity as Trustee or in any other capacity contemplated by this Agreement, the Joint Plan or in any matter arising out of or related to this Trust Agreement or the affairs of the Trust. The Trust may indemnify and hold harmless employees and agents of the Trust to the same extent as is provided in this Section 4.7 for the Trustees. It is the intention of this Agreement that the Trustees shall be indemnified for their negligence.

4.8 Insurance. If requested by a Supervisory Trustee, or if the Managing Trustee so desires, and if available on commercially reasonably terms, the Managing Trustee shall endeavor to obtain insurance covering liabilities of all of the Trustees (and such insurance coverage may extend beyond the term of the Trust for a reasonable period), or employees or agents of the Trust incurred in connection with their services to the Trust and with such coverages and limits as the Trustees deem desirable.

4.9 No Liability for Acts of Predecessors. No successor Trustee shall be in any way responsible for the acts or omissions of the Debtors, or officers, directors, agents, predecessors or successors thereof; or of any Trustee in office prior to the date on which such person becomes Trustee, unless a successor Trustee expressly assumes such responsibility.

4.10 No Implied Obligations. No Trustee shall be liable except for the performance of such duties and obligations as are specifically set forth herein, and no implied covenants or obligations shall be read into this Agreement.

4.11 No Personal Obligation for Trust Liabilities. Persons dealing with the Trustees, or seeking to assert claims against any Debtor, shall look only to the Liquidating Trust Assets to satisfy any liability incurred by the Trustees to such person in carrying out the terms of this Agreement, and the Trustees shall have no personal, individual obligation to satisfy any such liability.

4.12 Bond Requirement; Exercise of Powers. The Trustees shall not be required to furnish a bond to secure the proper performance of their respective duties hereunder. Except as other expressly provided in this Agreement, the Trustees shall not be required to procure

authorization by any court in the exercise of any power conferred upon the Trustees by this Trust.

4.13 Trust Continuance. The death or incompetency, resignation, or removal of a Trustee shall not operate to terminate the Trust created by this Agreement or to revoke any existing agency created pursuant to the terms of this Agreement or invalidate any action previously taken by the Trust or any Trustee.

4.14 Effect of Trust on Third Parties. There is no obligation on the part of any purchaser or purchasers from the Trust or any agent of the Trust, or on the part of any other persons dealing with the Trust or any agent of the Trust, to see to the application of the purchase money or other consideration passing to the Trust or any agent of the Trust, or to inquire into the validity, expediency, or propriety of any such transaction by the Trust or any agent of the Trustees.

V. RIGHTS TO SETTLE CERTAIN CLAIMS

5.1 Settlement of Disputed Claims. Notwithstanding any provision to other contrary in this Agreement, the rights of the Debtors (and, after the Effective Time, the Reorganized Debtors), the Trust and the Trustees to compromise or settle any Disputed Claim shall be governed by Section 8.11 of the Joint Plan, which Section 8.11 is incorporated herein by reference as if fully set forth herein. In no event shall consent of the Reorganized Debtors be required for the Trust or the Trustee to compromise or settle any claim arising in respect of facts, events or circumstances that occur solely after the Effective Date.

VI. RIGHTS, POWERS AND DUTIES OF BENEFICIARIES

6.1 Beneficial Interests. Beneficial Interests shall be allocated in accordance with Section 7.4 of the Plan. The Trust shall not issue to Trust Beneficiaries any certificates of evidence of ownership of Beneficial Interest. All Trust Beneficiaries (including, without limitation, transferees of the Beneficial Interests) shall be bound by the terms and conditions of this Agreement and the Joint Plan.

6.2 Transfer.

6.2.1 Appointment of Registrar and Transfer Agent. The Managing Trustee shall appoint a registrar and transfer agent (a "Registrar and Transfer Agent") for the purpose of registering and transferring Beneficial Interests as herein provided. The Registrar and Transfer Agent may be a duly qualified institution or the Trust itself. For its services hereunder, the Registrar and Transfer Agent, unless it is the Trust, shall be entitled to receive reasonable compensation from the Trust.

6.2.2 Registration and Transfer of Beneficial Interests. The Managing Trustee shall cause to be kept at the office of the Registrar and Transfer Agent, or at such other place or places as shall be designated by the Registrar and Transfer Agent from time to time, a Trust register (the "Trust Register"). After the appointment of the Registrar and Transfer Agent, any Beneficial Interest may be transferred by the registered holder of any Beneficial Interest or in or by the duly authorized attorney of the registered holder of any Beneficial Interest, upon delivery to the Register and Transfer Agent of (i) a duly

executed written instrument of transfer in the form approved by the Registrar and Transfer Agent, (ii) such other documents as may be reasonably required by the Managing Trustee (including, without limitation, an acknowledgement that (A) the exercise of voting rights with respect to the Beneficial Interests and the transfer of the Beneficial Interests are subject to restrictions set forth in this Agreement, (B) the Beneficial Interests have not been registered under the Securities Act or any other applicable states securities laws and (C) to the extent the Beneficial Interests are deemed "securities", the Beneficial Interests may be only sold or otherwise transferred, pledged or hypothecated pursuant to Section 1145 of the Bankruptcy Code or another exemption from applicable securities laws) and (iii) such other evidence satisfactory to the Managing Trustee that such transfer is in accordance with all applicable federal and state securities laws, as the Managing Trustee may require. No transfer shall be valid unless such transfer shall have been registered in the Trust Register and all transfers in violation of Section 6.2 hereof shall be null and void. Neither the Trust, the Trustees nor the Registrar and Transfer Agent shall incur any liability to anyone by reason of anything done or omitted to be done by them in good faith under the provisions of Sections 6.2 and 6.5 hereof and shall be indemnified by the relevant Trust Beneficiary for all losses incurred by the Trust, any Trustee and the Registrar and Transfer Agent in respect of any claims arising in connection with any transfer or alleged transfer of the Beneficial Interests by such Trust Beneficiary; except that the party seeking indemnification shall not be entitled thereto in case of fraud, willful misconduct or gross negligence on the part of such party. The transferor shall pay reasonable transfer charges established by the Registrar and Transfer Agent for the purpose of reimbursing the Trust and the Registrar and Transfer Agent for the expenses incident thereto, including any tax or other governmental charge. Notwithstanding the above, no Beneficial Interest may be transferred unless such transfer is made (i) pursuant to a registration statement effective under the Securities Act of 1933, as amended ("Securities Act"), or pursuant to an available exemption from the registration requirements of the Securities Act and (ii) in accordance with all applicable state securities laws.

6.2.3 Access to Register by Trust Beneficiaries. Trust Beneficiaries and their duly authorized representatives shall have the right, upon reasonable prior written notice to the Registrar and Transfer Agent and the Managing Trustee, and in accordance with reasonable regulations prescribed by the Registrar and Transfer Agent and the Managing Trustee, to inspect and, at the expense of the Trust Beneficiary, make copies of the Trust Register, in each case for a purpose reasonably related to such Trust Beneficiary's beneficial interest in the Trust.

6.3 Absolute Owners. The Trustees may deem and treat the Trust Beneficiary of record as the absolute owner of such Beneficial Interests for the purpose of receiving distributions and payments thereon or on account thereof and for all other purposes whatsoever.

6.4 Recording of Transfer. Whenever any Trust Beneficiary complies with the requirements for the transfer of Beneficial Interest set forth in Section 6.2, the Managing Trustee shall cause the Register and Transfer Agent to record such transfer in the Trust Register.

6.5 Record Date. The date of record for determining entitlement of any holder of a Beneficial Interest to any payments shall be (a) in the case of the Initial Distribution Date, the

Effective Date, and with respect to a subsequent Distribution Date 15 Business Days prior to a Distribution Date, and (b) in all other cases (including entitlement of a holder of a Beneficial Interest to any notice hereunder), may be fixed by the Managing Trustee but shall not be more than 30 days nor less than 10 days before the date upon which notice is to be given, subject to any terms of the Joint Plan that provide otherwise. Except with respect to an Initial Distribution Date, as to which no notice need be given hereunder, the Managing Trustee shall give notice of a Distribution Date to holders of Beneficial Interests and the record date in connection therewith in the quarterly report prepared under Section 3.9.2(A) hereof and filed with the Court at least 10 Business Days prior to the corresponding record date.

6.6 Interest Beneficial Only. The ownership of a beneficial interest hereunder shall not entitle any beneficiary to any title in or to the Liquidating Trust Assets as such, or to any right to call for a partition or division of the same, or to require an accounting except as specifically required by the terms hereof.

6.7 Exemption from Registration. The Beneficial Interests have not been registered under the Securities Act or any applicable states securities laws. The parties hereto intend that the rights of the Trust Beneficiaries arising under this Agreement shall not be "securities" under applicable laws, but none of the parties hereto represent or warrant that such rights shall not be securities or shall be entitled to exemption from registration under applicable securities laws. If such rights constitute securities, the parties hereto intend for the exemption from registration provided by Section 1145 of the Bankruptcy Code to apply to their issuance under the Joint Plan.

6.8 Votes by Beneficiaries. The outcome of any vote of Trust Beneficiaries shall be determined in favor of the majority of holders of Beneficial Interest of record, based upon the registered amount of their Beneficial Interest.

6.9 Effect of Death, Incapacity, or Bankruptcy of Beneficiary. The death, incapacity, bankruptcy or dissolution of a holder of a Trust Beneficiary during the terms of this Trust shall not operate to terminate the Trust, nor shall it entitle the representatives or creditors of a Trust Beneficiary to an accounting, or to take any action in the courts or elsewhere for the distribution of the Liquidating Trust Assets or for a partition thereof; nor shall it otherwise affect the rights and obligations of any Trust Beneficiary.

6.10 Conflicting Claims. In the event the Managing Trustee becomes aware of any disagreement or conflicting claims with respect to the Liquidating Trust Assets, or if the Managing Trustee in good faith is in doubt as to any action which should be taken under this Trust after consultation with the Supervisory Trustees, who, after a vote are deadlocked, or, if the Supervisory Trustees have disapproved the Managing Trustee's request for approval and the Managing Trustee reasonably believes that the effect of such disapproval is in violation of ___ duty to the Trust Beneficiaries under this Agreement, the Managing Trustee shall have the absolute right at ___ election to do any or all of the following:

(i) To the extent of such disagreement or conflict, or to the extent deemed by ___ necessary or appropriate in light of such disagreement or conflict, withhold or stop all further performance under this Trust (save and except the safekeeping of the Liquidating Trust Assets) until the Managing Trustee is satisfied that such disagreement or conflicting claims have been fully and finally resolved; or

(ii) File a suit in interpleader or in the nature of interpleader in the Court and obtain an order requiring all persons and parties involved to litigate in the Court their respective claims arising out of or in connection with this Trust; or

(iii) File any other appropriate motion for relief in the Court.

VII. MISCELLANEOUS

7.1 Applicable Law. The Trust created herein shall be construed, regulated, and administered under the laws of the State of New York and the United States of America; provided that the Trust and any interpretation or enforcement of the provisions of this Agreement shall be subject to the jurisdiction of the Court as contemplated by Section 8.1 hereof.

7.2 Relationship Created. The only relationship created by this Trust is the Trustee-beneficiary relationship between the Trustees and the Trust Beneficiaries. No other relationship or liability is created. Nothing contained herein shall be construed so as to constitute the Trustees and the Trust Beneficiaries or their successors in interest as creating any association, partnership, or joint venture of any kind.

7.3 Interpretation. The enumeration and headings contained in this Trust are for convenience of reference only and are not intended to have any substantive significance in interpreting the same.

7.4 Partial Invalidity. If any term or provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Agreement, such term or provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part of this Agreement; and the remaining terms and provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement and this Agreement shall be construed so as to limit any term or provision so as to make it legal, valid and enforceable within the requirements of applicable law, in lieu of such illegal, invalid or unenforceable provision, provided that such construction, to the maximum extent possible, shall give effect to the purposes of the Joint Plan.

7.5 Entire Agreement. This Agreement (including the recitals hereof) and the Joint Plan constitute the entire agreement by and among the parties, and there are no representations, warranties, covenants, or obligations except as set forth herein and in the Joint Plan. This Agreement and the Joint Plan supersede all prior and contemporaneous agreements, understandings negotiations, and discussions, written or oral, if any, of the parties hereto relating to any transaction contemplated hereunder. Except as otherwise specifically provided herein or in the Joint Plan, nothing in this Agreement is intended or shall be construed to confer upon or to give any person other than the parties hereto and the Trust Beneficiaries any rights or remedies under or by reason of this Agreement.

7.6 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and

delivered shall be an original document, but all of which counterparts shall together constitute one and the same instrument.

7.7 Notices. All notices, requests, consents and other communications hereunder shall be in writing and shall be addressed (i) if to the Managing Trustee, to _____, or such other address as such Managing Trustee will have furnished to the Supervisory Trustees and set forth in the quarterly report prepared under Section 3.9.2(A) hereof; (ii) if to any Trust Beneficiary, in writing to the record holders of the Beneficial Interests at such address as is set forth in the Trust Register; (iii) if to the Supervisory Trustees, to _____, or such other respective addresses as the Supervisory Trustees will have furnished to the Managing Trustee in writing in accordance with this Section 7.7, or (iv) if to the Debtors, to _____, or such other address as the Debtors will have furnished to the Managing Trustee in writing in accordance with this Section 7.7. All such notices, requests, consents and other communications shall be given by facsimile, hand delivery, overnight delivery or, to a Trust Beneficiary only, first class mail, postage prepaid, and shall be deemed given when actually delivered or, with respect to a Trust Beneficiary only, if mailed, three (3) Business Days after deposit in the U.S. mail.

7.8 Effective Date. This Trust, and the transfer of Liquidating Trust Assets to the Managing Trustee, shall become effective on the Effective Date of the Joint Plan.

7.9 Tax Provisions.

7.9.1 Income Tax Status. For all purposes of the Tax Code, the Debtor shall be deemed to have transferred the Liquidating Trust Assets to the Trust Beneficiaries and the other recipients of distributions hereunder pursuant to the Joint Plan and thereupon the Trust Beneficiaries shall be deemed to have transferred their share of the Liquidating Trust Assets to the Trust. For all federal income tax purposes, consistent valuations shall be used by the Trust and the Trust Beneficiaries for the transferred Liquidating Trust Assets. The Trust is intended to be treated as a liquidating Trust pursuant to Treasury Regulations § 301.7701-4(d), and as a grantor Trust subject to the provisions of Subchapter J, Subpart E of the Tax Code, owned by the Trust Beneficiaries as grantors. Any items of income, deduction, credit, or loss of the Trust shall be allocated for federal income tax purposes among the Trust Beneficiaries pro-rata on the basis of their beneficial interests. The Managing Trustee is authorized to take any action that may be necessary or appropriate to minimize any potential tax liability of the Trust Beneficiaries arising out of the operations of the Trust.

7.9.2 Tax Returns and Reports. In accordance with Treasury Regulation § 1.671-4(a), the Managing Trustee shall cause to be prepared and filed, at the cost and expense of the Trust, an annual information tax return (Form 1041) with the Internal Revenue Service, with a schedule attached showing the item of income, deduction, and credit attributable to the Trust and detailing the allocation of such items of income, deduction, and credit among the Trust Beneficiaries as required pursuant to the Form 1041 instructions for grantor Trusts. Copies of such Form 1041 and attached schedules will be delivered promptly to each Trust Beneficiary. In addition, the Managing Trustee shall cause to be prepared and filed in a timely manner, such other state or local tax returns as are required by applicable law by virtue of the existence and operation of the Trust and shall pay any

taxes shown as due thereon. Within thirty (30) days after the end of each calendar year, the Managing Trustee shall cause to be prepared and mailed to a Trust Beneficiary such other information as may be requested by such Trust Beneficiary in writing to enable such Trust Beneficiary to complete and file his, her, or its federal, state and local income and other tax returns.

7.9.3 Withholding. The Managing Trustee may withhold from the amount distributable from the Trust at any time such sum or sums as may be sufficient to pay any tax or taxes or other charge or charges which have been or may be imposed on the distributee or upon the Trust with respect to the amount distributable or to be distributed under the income tax laws of the United States or of any state or political subdivision or entity by reason of any distribution provided for any law, regulation, rule, ruling, directive, or other governmental requirement.

7.9.4 Tax Identification Numbers. The Managing Trustee may require any Trust Beneficiary or other distributee to furnish to the Managing Trustee its Employer or Taxpayer Identification Number as assigned by the Internal Revenue Service and the Managing Trustee may condition any distribution to any Trust Beneficiary or other distributee upon receipt of such identification number.

7.9.5 Tax Year. The taxable year of the Trust shall, unless otherwise required by the Internal Revenue Code, be the calendar year.

7.10 Amendment of Trust. This Trust Agreement may be amended, modified or altered only upon (i) the recommendation of the Managing Trustee to the Supervisory Trustees and the approval of the Supervisory Trustees, provided, however, that Section 5.1 hereof may not be amended, modified or altered without the prior written consent of the Debtors (or after the Effective Date, the Reorganized Debtors) and (ii) order of the Court.

VIII. RETENTION OF JURISDICTION

As provided in the Joint Plan, the Court has retained jurisdiction over the Trust, the Trustees, and the Liquidating Trust Assets, including, without limitation, the determination of all controversies and disputes arising under or in connection with this Trust.

[Signatures on next page.]

IN WITNESS WHEREOF, the undersigned have caused this instrument to be executed as of the day and year first above written.

Debtors

BUILDING MATERIALS HOLDING CORPORATION, a Delaware corporation

By: _____
Name:
Title:

BMC WEST CORPORATION, a Delaware corporation

By: _____
Name:
Title:

SELECTBUILD CONSTRUCTION, INC., a Delaware corporation

By: _____
Name:
Title:

SELECTBUILD NORTHERN CALIFORNIA, INC., a Delaware corporation

By: _____
Name:
Title:

ILLINOIS FRAMING, INC., a Delaware corporation

By: _____
Name:
Title:

C CONSTRUCTION, INC., a Delaware corporation

By: _____
Name:
Title:

TWF CONSTRUCTION, INC., a Delaware corporation

By: _____
Name:
Title:

H.N.R. FRAMING SYSTEMS, INC., a California corporation

By: _____
Name:
Title:

SELECTBUILD SOUTHERN CALIFORNIA, INC., a Delaware corporation

By: _____
Name:
Title:

SELECTBUILD NEVADA, INC., a Delaware corporation

By: _____
Name:
Title:

SELECTBUILD ARIZONA, LLC, a Delaware limited liability company

By: _____
Name:
Title:

SELECTBUILD ILLINOIS, LLC., a Delaware limited liability company

By: _____
Name:
Title:

Trustees

MANAGING TRUSTEE

_____

Name:

SUPERVISORY TRUSTEES

_____

Name:

_____

Name:

EXHIBIT I

Term Loan Credit Agreement

TERM SHEET

Term Loan Credit Agreement

Set forth below is a summary of the terms and conditions of the Term Notes issued pursuant to the Term Loan Credit Agreement for Building Materials Holding Corporation, a Delaware corporation ("***Holdings***") and the Guarantors in connection with the Joint Plan of Reorganization for the Debtors under Chapter 11 of the Bankruptcy Code, dated June 16, 2009 (the "***Plan***"). This Term Sheet is preliminary in nature and not intended to be a binding. The Term Loan Credit Agreement is subject to definitive documentation which will be submitted in the Plan Supplement.

The following defined terms shall have the following meanings:

"***Prepetition Credit Facility***" means the Second Amended and Restated Credit Agreement dated as of November 10, 2006, by and among Holdings, the guarantors party from time to time thereto, the lenders party from time to time thereto and Wells Fargo Bank, National Association, as administrative agent, as amended by that certain First Amendment to Second Amended and Restated Credit Agreement dated as of February 29, 2008 and that certain Second Amendment to Second Amended and Restated Credit Agreement dated as of September 30, 2008.

"***DIP Facility***" means the Senior Secured, Superpriority Debtor-in-Possession Credit Facility dated as of June 16, 2009 among Holdings, Guarantors, the lenders signatory thereto, and Wells Fargo Bank, National Association, as Administrative Agent, as amended, restated, supplemented or otherwise modified.

Capitalized terms used herein and not otherwise defined herein shall have the meaning set forth in the DIP Facility.

Borrower:	Holdings ("***Borrower***").
Guarantors:	All subsidiaries of the Borrower (collectively, the "***Guarantors***").
Agent:	_____ ("__") shall be the sole agent for the Lenders (as defined below) (in such capacity, "***Agent***").
Lenders:	The holders of Funded Lender Claims and L/C Lender Claims under the Plan (the "***Participants***", and together with __ and their respective successors and assigns, the "***Lenders***").
Exit Term Loan:	A term loan facility (the "***Exit Term Loan***") consisting of (i) $135 million secured debt funded as of the Effective Date, and (ii) an amount not to exceed the Maximum L/C Lender Term Amount in respect of Letters of Credit issued pursuant to the Prepetition Credit

Agreement (the "***Prepetition L/Cs***"), subject to reduction in an amount equal to the Sale Cash Collateral Account Effective Date Proceeds paid to the Participants on the Effective Date (as provided in the Plan).

"***Maximum L/C Lender Term Amount***" means the amount equal to (i) the maximum aggregate amount available for draw under the Prepetition L/Cs, at its peak during the case (and anticipated to be ~$116 million), multiplied by (ii) the Funded Lender Recovery Percentage.

"***Funded Lender Recovery Percentage***" shall mean the percentage equal to (i) $135 million, divided by (ii) the Secured Debt.

"***Secured Debt***" shall mean the non-contingent prepetition debt owed to the Swap Lenders and the Lenders under the Prepetition Credit Agreement.

"***Sale Cash Collateral Account Effective Date Proceeds***" means the cash held, pursuant to the DIP Facility, as cash collateral for the indebtedness under the Prepetition Credit Facility.

Amortization: None.

Optional Prepayments: The Exit Term Loan may be prepaid in whole or in part from time to time without penalty or premium, in Borrower's sole discretion.

Mandatory Prepayments: The following amounts shall be applied as set forth below:

(a) Once the sum of the net cash proceeds of asset dispositions (other than dispositions of Excess Real Estate) made prior to the Maturity Date exceeds $25,000,000 in the aggregate, an amount equal to 50% of such additional net cash proceeds of asset dispositions (other than dispositions of Excess Real Estate);

(b) an amount equal to 100% of the net cash proceeds of dispositions of Excess Real Estate (provided that during the continuation of an event of default under the Exit Revolver (as defined below), 100% of such proceeds shall be applied, to the extent necessary, to repay the Exit Revolver,

without reduction in the Exit Revolver commitment);

(c) an amount equal to 50% of the net cash proceeds of any equity issued; and

(d) an amount equal to (i) 100% of the Excess Cash Flow, determined on an annual basis based upon delivery of audited financial statements, in any calendar year in which EBITDA is less than $50 million and (ii) 80% of Excess Cash Flow, determined on an annual basis based upon delivery of audited financial statements, in any calendar year in which EBITDA equals or exceeds $50 million.

"***Excess Real Estate***" shall mean the real property assets identified by the Borrower and its advisors as unnecessary to the business plan of the Borrower.

"***Excess Cash Flow***" means EBITDA *minus* changes in working capital *minus* capital expenditures *minus* cash taxes *minus* cash interest, all as set forth in audited financial statements of the Borrower.

Allocation — The Term Notes are issued as part of the Distribution to the Holders of Funded Lender Claims and L/C Lender Claims under the Plan. The Term Notes shall be allocated among the Lenders as provided in sections __ and __ of the Plan.

Fees and Interest Rates: — As set forth on Annex A.

Term: — 5-years (the "***Maturity Date***").

Maturity: — All obligations then outstanding under the Exit Term Loan shall be payable in full on the Maturity Date. Undrawn L/Cs will be replaced or cancelled (without being drawn) by the Borrower at the Term Loan Maturity Date, but the failure to do so shall not constitute a default under the Term Loan or the Exit Revolver.

Collateral: — All amounts owed in connection with the Term Loan Credit Agreement shall be secured by a perfected, second priority lien on and security interest in (the "***Exit Term Loan Liens***") all of the assets and all other property of Borrower and Guarantors, as defined in the DIP Facility (collectively, the "***Exit Term Collateral***").

Covenants:	Same as the revolving credit facility to be entered into on the Effective Date in accordance with the Plan (the "***Exit Revolver***").
Representations & Warranties:	Same as set forth in the Exit Revolver.
Events of Default:	Same as set forth in the Exit Revolver.
Conditions Precedent to Closing:	Same as set forth in the Exit Revolver.
Closing Date:	The Effective Date of the Plan.

Annex A

Interest Rates and Fees

2% Closing Fee.

Interest Rate ..... The Base Rate (as defined in the DIP Facility) + a margin of 5.0% (the "***Interest Rate***").

Interest Payment/PIK Interest..... Interest on credit extensions outstanding under the Exit Term Loan Agreement shall accrue as follows: (a) until the second anniversary of the Closing Date: (i) the Base Rate (the "***Cash Interest Rate***") shall accrue and be paid in cash, and (ii) that amount equal to the Interest Rate *minus* the Cash Interest Rate shall accrue and be payable in cash monthly or may accrue as PIK interest, at the option of the Borrower, and (b) subsequent to the second anniversary of the Closing Date all interest shall accrue and be payable in cash.

Interest shall begin to accrue on Term Notes issued to the L/C Lenders on the date such Term Notes are issued (i.e., concurrent with a draw under a Prepetition L/C). Prior to any such draw, the Prepetition L/Cs shall accrue a standby letter of credit fee equal to 5.00% per annum; PIK fees accrue quarterly years 1 – 2 (with cash pay at BMHC's option, at same rate) and paid quarterly in cash thereafter.

Interest Payment Dates..... Interest paid in cash in respect of the Term Notes shall be paid monthly in arrears; PIK interest may accrue as described above.

Default Rate..... To be determined.

Rate and Fee Basis ..... All *per annum* rates shall be calculated on the basis of a year of 360 days and the actual number of days elapsed.

Closing Fee..... 2.0% of total facility, payable on the Closing Date.

Agency Fee..... To be determined.

Audit, Appraisal, and Examination Fees: ..... To be determined.

Annex B

Conditions Precedent

The Exit Term Loans shall be subject to satisfaction of customary conditions precedent for such facilities, including, without limitation, the following conditions precedent:

(a) The Bankruptcy Court shall have entered an order confirming the Plan and the Effective Date of the Plan shall have occurred.

(b) Delivery of loan documents customary for transactions of this type duly executed by the Borrower and Guarantors (or applicable third parties as the case may be), and receipt of other documentation customary for transactions of this type;

(c) Receipt of evidence of corporate authority and certificates of status with respect to each person comprising the Borrower and the Guarantors issued by the jurisdictions of organization of each person comprising the Borrower and the Guarantors, all in form and substance reasonably satisfactory to Agent;

(d) Borrower shall have paid to Agent and each Lender all reasonable out-of-pocket fees and expenses then owing to Agent and such Lender, including, without limitation, loan origination costs, audit fees, attorneys fees, search fees, title fees, documentation and filing fees.

(e) Completion of (i) Patriot Act searches, OFAC/PEP searches and customary individual background checks for each person comprising the Borrowers and the Guarantors, and (ii) of OFAC/PEP searches and customer individual background searches for Borrowers' senior management and key principals, the results of which are satisfactory to Agent;

(f) Completion of review of existing insurance policies and coverage satisfactory to the Agent.

EXHIBIT J

Exit Revolver Term Sheet

TERM SHEET

Exit Revolver

Set forth below is a summary of the terms and conditions of the Revolving Credit Agreement for Building Materials Holding Corporation, a Delaware corporation ("***Holdings***") and the Guarantors in connection with the Joint Plan of Reorganization for the Debtors under Chapter 11 of the Bankruptcy Code, dated June 16, 2009 (the "***Plan***"). This Term Sheet is preliminary in nature and not intended to be a binding. The Revolving Credit Agreement is subject to definitive documentation which will be submitted in the Plan Supplement.

The following defined terms shall have the following meanings:

"***Prepetition Credit Facility***" means the Second Amended and Restated Credit Agreement dated as of November 10, 2006, by and among Holdings, the guarantors party from time to time thereto, the lenders party from time to time thereto and Wells Fargo Bank, National Association, as administrative agent, as amended by that certain First Amendment to Second Amended and Restated Credit Agreement dated as of February 29, 2008 and that certain Second Amendment to Second Amended and Restated Credit Agreement dated as of September 30, 2008.

"***DIP Facility***" means the Senior Secured, Superpriority Debtor-in-Possession Credit Facility dated as of June 16, 2009 among Holdings, Guarantors, the lenders signatory thereto, and Wells Fargo Bank, National Association, as Administrative Agent, as amended, restated, supplemented or otherwise modified.

Capitalized terms used herein and not otherwise defined herein shall have the meaning set forth in the DIP Facility.

Borrower:	Holdings ("***Borrower***").
Guarantors:	All subsidiaries of the Borrower (collectively, the "***Guarantors***").
Agent:	_____ ("__") shall be the sole agent for the Lenders (as defined below) (in such capacity, "***Agent***").
Lenders:	___, together with such other lenders as may agree to participate in the Exit Revolver (collectively, the "***Lenders***".
Exit Revolver:	A revolving credit facility (the "***Exit Revolver***") in a maximum credit amount equal to $100,000,000 (the "***Maximum Revolver Amount***"), with a letter of credit subfacility for the replacement (or rollover) of standby

letters of credit issued under the DIP Facility and issuance of new standby letters of credit in an aggregate principal amount not to exceed an amount to be determined.

Any amounts prepaid or repaid under the Exit Revolver may, subject to the terms and conditions of the definitive loan documents, be reborrowed.

The outstanding amount of the Exit Revolver shall be due and payable in full on the Maturity Date (as defined below).

Borrowing Base — Same as Prepetition Credit Agreement, including but not limited to real estate assets.

Optional Prepayments: — The Exit Revolver may be prepaid in whole or in part from time to time without penalty or premium, in Borrower's sole discretion.

Mandatory Prepayments: — The following amounts shall be applied as set forth below, without reducing the Exit Revolver commitment amount:

(a) Once the sum of net cash proceeds of asset dispositions (other than dispositions of Excess Real Estate) made during the term of the Exit Revolver exceeds $25,000,000 in the aggregate, an amount equal to 50% of such additional net cash proceeds of asset dispositions (other than dispositions of Excess Real Estate);

(b) During the continuation of an event of default under the Exit Revolver, an amount equal to 100% of the net cash proceeds of dispositions of Excess Real Estate, to the extent necessary, to repay the Exit Revolver.

"***Excess Real Estate***" shall mean the real property assets identified by the Borrower and its advisors as unnecessary to the business plan of the Borrower.

Use of Proceeds: — The proceeds of the Exit Revolver shall be used to (a) pay in full the outstanding balance due under the DIP Facility and (b) to fund exit costs and general working capital requirements of the Borrower.

Additionally, the Exit Revolver may be used for the issuance of Letters of Credit and the replacement of the

	then outstanding Letters of Credit issued under the DIP Facility.
Fees and Interest Rates:	As set forth on Annex A.
Term:	3-years.
Maturity:	All Credit Extensions outstanding under the Exit Revolver shall be payable in full on the 3rd anniversary of the effective date of the Exit Revolver (the "***Maturity Date***").
Collateral:	All Credit Extensions and other obligations of Borrower and Guarantors owed to Agent and the Lenders under the Exit Revolver shall be secured by a perfected, first priority lien on and security interest in (the "***Exit Revolver Liens***") in the Collateral, as defined in the DIP Facility. (collectively, the "Exit Revolver ***Collateral***").
Financial Reporting Covenants:	Financial Reporting similar to reporting under the Prepetition Credit Agreement.
Financial Covenants:	Financial Covenants shall include: ➢ Minimum monthly liquidity test (calculated as minimum balance sheet cash plus availability under the Exit Revolver). ➢ Minimum quarterly EBITDA.
Representations & Warranties, Affirmative and Negative Covenants:	Customary representations and warranties, affirmative covenants and negative covenants.
Events of Default:	Customary events of default. [Cross acceleration to the Term Loan Credit Agreement entered into in connection with the Plan.
Conditions Precedent to Closing:	Customary for the loans of this type and the Prepetition Credit Agreement and those additional conditions deemed appropriate by Agent for this transaction, including, without limitation, those conditions set forth on Annex B.
Closing Date:	The Effective Date of the Plan.

Annex A

Interest Rates and Fees

Interest Rate ..... The Base Rate (as defined in the DIP Facility) + 3.0%.

Interest Payment Dates..... Interest on Credit Extensions outstanding under the Exit Revolver shall be paid monthly in arrears.

Default Rate..... To be determined.

Rate and Fee Basis ..... All *per annum* rates shall be calculated on the basis of a year of 360 days and the actual number of days elapsed.

Closing Fee..... 2.0% of the Maximum Revolver Amount, payable on the Closing Date.

Agency Fee..... To be determined.

Letter of Credit Fees..... To be determined.

Unused Commitment Fee..... A fee in an amount equal to 0.50% per annum of the unused portion of the Maximum Revolver Amount (whether or not then available) shall be due and payable monthly in arrears.

Servicing Fee..... To be determined.

Audit, Appraisal, and Examination Fees:..... To be determined.

Annex B

Conditions Precedent

The availability of the Exit Revolver shall be subject to satisfaction of customary conditions precedent for such facilities, including, without limitation, the following conditions precedent:

(a) The Bankruptcy Court shall have entered an order confirming the plan of reorganization described in the materials to which this term sheet is attached.

(b) Delivery of loan documents customary for transactions of this type duly executed by the Borrower and Guarantors (or applicable third parties as the case may be), and receipt of other documentation customary for transactions of this type;

(c) Receipt of evidence of corporate authority and certificates of status with respect to each person comprising the Borrower and the Guarantors issued by the jurisdictions of organization of each person comprising the Borrower and the Guarantors, all in form and substance reasonably satisfactory to Agent;

(d) Borrower shall have paid to Agent and each Lender all reasonable out-of-pocket fees and expenses then owing to Agent and such Lender, including, without limitation, loan origination costs, audit fees, attorneys fees, search fees, title fees, documentation and filing fees.

(e) Completion of (i) Patriot Act searches, OFAC/PEP searches and customary individual background checks for each person comprising the Borrowers and the Guarantors, and (ii) of OFAC/PEP searches and customer individual background searches for Borrowers' senior management and key principals, the results of which are satisfactory to Agent;

(f) Completion of review of existing insurance policies and coverage satisfactory to the Agent.