

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

In re:

BUILDING MATERIALS HOLDING  
CORPORATION, *et al.*<sup>1</sup>

Debtors.

Chapter 11

Case No. 09-12074 (KJC)

Jointly Administered

Ref. Docket No. 820

**CERTIFICATION OF COUNSEL REGARDING STIPULATION  
BY AND BETWEEN THE DEBTORS AND WILLIAM LYON HOMES, INC.  
RESOLVING THE MOTION OF WILLIAM LYON HOMES, INC.  
FOR RELIEF FROM THE AUTOMATIC STAY**

On November 2, 2009, William Lyon Homes, Inc. (“WLHI”) filed the *Motion of William Lyon Homes Inc. for Relief from Automatic Stay* [Docket No. 820] (the “Motion”) seeking relief from stay to proceed against certain insurance proceeds which may be recoverable by WLHI as a result of an action alleging construction defects in Case No. 37-2008-90679 in San Diego Superior Court (the “Action”). The hearing to consider the relief requested in the Motion was originally scheduled for November 19, 2009. Responses to the Motion were due on or before November 12, 2009 at 4:00 p.m. (the “Objection Deadline”), but WLHI extended the deadline for the Debtors to respond until November 13, 2009. No other objections or responses to the Motion were received prior to the Objection Deadline.

Subsequent to the filing of the Motion, the Debtors negotiated a consensual resolution of the Motion with WLHI. As a result of their discussions, the Debtors and WLHI (collectively, the “Parties”) have entered into the *Stipulation Resolving the Motion for of William*

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<sup>1</sup> 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.

*Lyon Homes, Inc. for Relief from the Automatic Stay* (the “Stipulation”) which consensually resolves the Motion. The pertinent terms of the Stipulation are as follows:

- (a) The Parties acknowledge and agree to relief from the automatic stay being granted in favor of WLHI for the sole purpose of allowing WLHI to proceed with the Action to recover applicable insurance proceeds from insurance provided by Clarendon America Insurance Company and Lloyd’s of London (the “Insurers”), Policy Numbers WCE0623990015 and 618A01635001015, Policy Terms June 1, 1999 to August 7, 2000 and August 7, 2000 to February 7, 2002 (the “Policies”).
- (b) If any action by WLHI would cause the Insurers to have a claim against the Debtors on account of any deductible owing by the Debtors under the Policies, WLHI acknowledges and agrees that it shall satisfy directly with the Insurers any such deductible, if demanded by the Insurers, up to the aggregate amount of \$5,000.
- (c) WLHI agrees to withdraw any proof of claim it has filed in the Debtors’ bankruptcy cases, including Proof of Claim No. 1354, and to file any necessary pleadings with the Court to do so.
- (d) The Parties acknowledge and agree that the Stipulation shall fully and finally resolve, and WLHI waives and releases, any direct, pre-petition, post-petition, administrative, or other claim against the Debtors of any kind or nature, arising out of or related to the Action, provided, however, that WLHI shall retain a claim to the extent necessary to obtain insurance proceeds from the Policies.

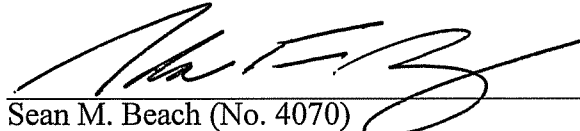
Attached hereto as Exhibit 1 is a proposed order form of order approving the Stipulation (the “Proposed Order”). The Stipulation is attached to the Proposed Order as Exhibit A.

***Remainder of page intentionally left blank***

WHEREFORE, the Debtors respectfully request entry of the Proposed Order approving the Stipulation at the Court's earliest convenience without further notice or a hearing.

Dated: Wilmington, Delaware  
November 16, 2009

YOUNG CONAWAY STARGATT & TAYLOR, LLP



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---- and ----

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ATTORNEYS FOR DEBTORS  
AND DEBTORS IN POSSESSION

**EXHIBIT 1**

Proposed Order

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

In re:

BUILDING MATERIALS HOLDING  
CORPORATION, *et al.*<sup>1</sup>

Debtors.

Chapter 11

Case No. 09-12074(KJC)

Jointly Administered

Ref. Docket Nos. 820 and \_\_\_\_\_

**ORDER APPROVING STIPULATION BY AND BETWEEN THE DEBTORS  
AND WILLIAM LYON HOMES, INC. RESOLVING THE MOTION OF WILLIAM  
LYON HOMES, INC. FOR RELIEF FROM THE AUTOMATIC STAY**

The Court having considered the Stipulation by and between the Debtors and William Lyon Homes, Inc. Resolving the Motion of William Lyon Homes, Inc. for Relief From Automatic Stay, a copy of which is attached hereto as Exhibit A; the Court having determined that good and adequate cause exists for approval of the Stipulation; and the Court having determined that no further notice of the Stipulation must be given; and it appearing that the Stipulation is in the best interests of the Debtors, their estates and creditors and other parties in interest; and after due deliberation and sufficient cause appearing therefor, it is hereby:

ORDERED that the Stipulation is approved, and the terms and conditions of the Stipulation are incorporated in this Order by reference as if fully set forth herein; and it is further

ORDERED that the Debtors are authorized and empowered to take any and all steps or perform any and all such acts as are necessary to carry out or otherwise effectuate the terms, conditions and provisions of the Stipulation; and it is further

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<sup>1</sup> 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.

ORDERED that this Court shall retain jurisdiction to hear and determine any and all matters arising from or related to the interpretation or implementation of this Order or the Stipulation.

Dated: Wilmington, Delaware  
November \_\_\_\_, 2009

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Kevin J. Carey  
Chief United States Bankruptcy Judge

**EXHIBIT A**

Stipulation

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

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

**STIPULATION RESOLVING THE MOTION OF WILLIAM LYON HOMES, INC. FOR  
RELIEF FROM THE AUTOMATIC STAY**

William Lyon Homes, Inc. ("*Claimant*"), and Building Materials Holding Corporation and its affiliates, the debtors and debtors in possession in the above-referenced cases (collectively, the "*Debtors*," and together with the Claimant, the "*Parties*") hereby respectfully stipulate and agree as follows:

**RECITALS**

WHEREAS, on June 16, 2009 (the "*Petition Date*"), each of the Debtors filed with the United States Bankruptcy Court for the District of Delaware (the "*Court*") voluntary petitions for relief under title 11 of the United States Code (the "*Bankruptcy Code*"). Each Debtor is continuing to operate its business and manage its properties as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Debtors' cases are being jointly administered pursuant to rule 1015(b) of the Federal Rules of Bankruptcy Procedure;

WHEREAS, on November 2, 2009, the Claimant filed with the Court the Motion of William Lyon Homes, Inc. for Relief From Automatic Stay, seeking relief to proceed against

<sup>1</sup> 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.



certain insurance proceeds which may be recoverable by the Claimant as a result of Case No. 37-2008-90679 in the San Diego Superior Court ("*Action*");

WHEREAS, the Claimants assert they are entitled to recover from the following insurance policies, with respect to the claims alleged in the Action: Clarendon America Insurance Company and Lloyd's of London (the "*Insurers*"); Policy Numbers WCE0623990015 and 618A01635001015; Policy Terms June 1, 1999- August 7, 2000 and August 7, 2000-February 7, 2002. (the "*Policies*");

WHEREAS, the Debtors are willing to stipulate to relief from the automatic stay in favor of the Claimant for the sole purpose of allowing the Claimant to proceed with the Action to recover applicable insurance proceeds from the Policies, with certain conditions as provided below to protect the Debtor from administrative expense, given the uncertainty surrounding the provisions of the Policies;

WHEREAS, the Claimant agrees (a) to withdraw any proof of claim it has filed in the Debtors' bankruptcy cases, including Proof of Claim No. 1354 and (b) that if any action by the Claimant would cause the Insurers to have a claim against the Debtors on account of any deductible owing by the Debtors under the Policies, the Claimant acknowledges and agrees that it shall satisfy directly with the Insurers any such deductible, if demanded by the Insurers, up to the aggregate amount of \$5,000;

NOW THEREFORE, subject to the approval of the Court, in order to avoid the costs, risks and inconveniences of litigation, it is hereby stipulated and agreed as follows:

1. The Parties hereby acknowledge and agree to relief from the automatic stay being granted in favor of the Claimant for the sole purpose of allowing the Claimant to proceed with the Action to recover applicable insurance proceeds from the Policies.

2. The Parties hereby acknowledge and agree that this Stipulation shall fully and finally resolve, and the Claimant waives and releases, any direct, pre-petition, post-petition, administrative, or other claim against the Debtors of any kind or nature, arising out of or related to the Action, provided, however, that the Claimant shall retain a claim to the extent necessary to obtain insurance proceeds from the Policies.

3. If any action by the Claimant would cause the Insurers to have a claim against the Debtors on account of any deductible owing by the Debtors under the Policies, the Claimant acknowledges and agrees that it shall satisfy directly with the Insurers any such deductible, if demanded by the Insurers, up to the aggregate amount of \$5,000.

4. The Claimant agrees to withdraw any proof of claim it has filed in the Debtors' bankruptcy cases, including Proof of Claim No. 1354, and to file any necessary pleadings with the Court to do so.

5. The Parties hereby acknowledge and agree that this Stipulation is entered into solely for the convenience of the Parties and neither this Stipulation nor the fact of its execution will constitute any admission or acknowledgment or liability or wrongdoing on the part of any of the Parties. The Parties will not offer this Stipulation or the fact of its execution into evidence in any proceeding other than a proceeding to approve or enforce this Stipulation or any of its terms.

6. Each party shall bear its own attorneys' fees and costs with respect to the execution and delivery of this Stipulation. Each of the undersigned are duly authorized and empowered to execute this Stipulation.

7. This Stipulation is governed by and shall be construed in accordance with the law of the State of Delaware, without regard to its conflict of laws provisions. The Court

shall retain exclusive jurisdiction to resolve any disputes or controversies arising from or related to this Stipulation.

8. All of the recitals set forth above are incorporated by reference as if fully set forth herein. This Stipulation constitutes the complete express agreement of the Parties hereto concerning the subject matter hereof, and no modification or amendment to this Stipulation shall be valid unless it is in writing, signed by the Party or Parties to be charged and approved by the Court.

9. It is acknowledged that each Party has participated in and jointly consented to the drafting of this Stipulation and that any claimed ambiguity shall not be construed for or against either Party on account of such drafting.

10. This Stipulation may be executed in counterparts, any of which may be transmitted by facsimile or electronic mail, and each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

11. This Stipulation is subject to approval of the Court, and the Parties agree to present the Stipulation promptly to the Court for approval. If the Court does not approve this Stipulation, the Parties will revert to their pre-Stipulation positions, without any prejudice whatsoever from having entered into this Stipulation.


12. This Stipulation shall become effective immediately upon entry of an order approving the Stipulation.

For  
Building Materials Holding Corporation and its  
affiliates, as debtors and debtors in possession

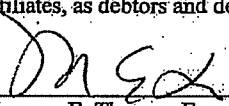
Maureen E. Thomas, Esq.  
982 Coledale Ct.  
White Lake, MI 48386

Dated: \_\_\_\_\_

For  
William Lyon Homes, Inc.

  
Vicki L. Shoemaker, Esquire (Bar Id #4861)  
Marshall, Dennehey, Warner, Coleman & Goggin  
1220 N. Market Street, 5<sup>th</sup> Floor  
P.O. Box 8888  
Wilmington, DE 19899-8888

Dated: November 12, 2009

<p>For Building Materials Holding Corporation and its affiliates, as debtors and debtors in possession</p> <p></p> <p>Maureen E. Thomas, Esq. 982 Coledale Ct. White Lake, MI 48386</p> <p>Dated: <u>November 11, 2009</u></p>	<p>For William Lyon Homes, Inc.</p> <p>_____</p> <p>_____</p> <p>Dated: _____</p>
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