

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

IN RE:)	
)	Chapter 11
BUILDING MATERIALS HOLDING CORPORATION, <i>et al.</i>,¹)	
)	Case No. 09-12074 (KJC)
)	
Debtors.)	Jointly Administered
)	
)	Ref. Docket No. 789

**ORDER AUTHORIZING THE DEBTORS TO FILE CERTAIN
INSURANCE AGREEMENTS, RELATED TO DEBTORS' MOTION FOR
ENTRY OF AN ORDER (I) AUTHORIZING ASSUMPTION OF
INSURANCE PROGRAM; (II) AUTHORIZING THE DEBTORS
TO ENTER INTO INSURANCE AGREEMENTS; AND (III) GRANTING
RELATED RELIEF, UNDER SEAL**

Upon consideration of the motion (the "***Motion***") of Building Materials Holding Corporation and its affiliates, as debtors and debtors in possession (collectively, the "***Debtors***"), for entry of an order pursuant to section 107(b) of title 11 of the United States Code (the "***Bankruptcy Code***") and Rule 9018 of the Federal Rules of Bankruptcy Procedure (the "***Bankruptcy Rules***") authorizing the Debtors to file, under seal, certain Insurance Agreements² by and between the Debtors and ACE American Insurance Company ("***ACE***") that are related to the Debtors' *Motion for Entry of an Order (I) Authorizing Assumption of Insurance Program; (II) Authorizing the Debtors to Enter into Insurance Agreements; and (III) Granting Related*

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

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

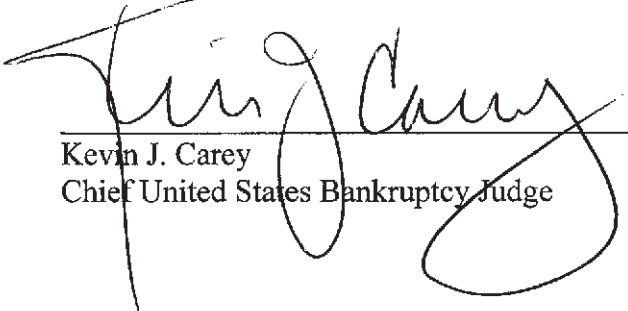
Relief [Docket No. 788] (the "***Insurance Motion***") , all as set forth in the Motion; and the Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. sections 1408 and 1409; and the Court having found that the relief requested in the Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and notice of the Motion and the opportunity for a hearing on the Motion was appropriate under the particular circumstances; and the Court having reviewed the Motion and having considered the statements in support of the relief requested therein at a hearing before the Court; and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED:

1. The Motion is granted as set forth below.
2. Pursuant to section 107(b) of the Bankruptcy Code and Bankruptcy Rule 9018, the Debtors are authorized to (a) file under seal an unredacted version of the Insurance Agreements (the "***Unredacted Insurance Agreements***") which Unredacted Insurance Agreements shall remain under seal, confidential and not made available to anyone, except for (i) the Court, (ii) the U.S. Trustee, (iii) counsel to the Creditors' Committee, (iv) counsel to Wells Fargo Bank, as agent under the Debtors' Prepetition Credit Agreement and DIP Facility (as defined in the Plan), or (v) others at the direction of the Debtors or upon further order of this Court and (b) file only a redacted version of the Insurance Agreements, a copy of which is attached hereto as ***Exhibit A*** (the "***Redacted Insurance Agreements***"). The Redacted Insurance Agreements shall automatically and without further order of this Court be deemed an exhibit to the Insurance Motion.

3. This Court shall retain jurisdiction over any and all matters arising from or related to the implementation or interpretation of this Order.

Dated: Wilmington, Delaware
November 19, 2009



Kevin J. Carey
Chief United States Bankruptcy Judge

EXHIBIT A

Redacted Insurance Agreements



TM

Casualty Program Proposal

For
BUILDING MATERIALS HOLDING CORPORATION

Effective 11/11/2009

Producer:
MARSH RISK & INSURANCE
Prepared by:

ACE Risk Management®
Part of ACE USA
455 Market Street
San Francisco, CA 94105

Rebecca L. Carlson
10/27/2009

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The Proposal includes all of the sections listed above. By instructing us to bind this Proposal, you are accepting the Proposal in its entirety.

Section I

MEMORANDUM

This memorandum consists of a proposal ("Proposal") by ACE American Insurance Company and its affiliated insurance companies (collectively, the "Company") to Building Materials Holding Corporation (referred to in this memorandum as the "Insured") to provide the Insured with a casualty insurance program for workers compensation and automobile liability insurance for the period beginning on November 11, 2009 (the "Policy Effective Date") and ending on February 11, 2010 (collectively referred to herein, with any prior insurance policies, agreements and programs, as the "Program"). The Company's Proposal, and binding coverage under the Program described in that Proposal, are subject to satisfaction of all of the conditions described below in part B of this memorandum; and in the event that all of the conditions are not satisfied prior to the Policy Effective Date, then the Policies (as defined below) shall not be issued and no coverage will be provided.

A. Description of the Proposal for the Program

The Proposal for the Program consists of the following items which are attached to this Memorandum and incorporated herein:

1. The Notice of Election, (Section II of the Proposal), which contains: (i) a schedule of the insurance policies ("Policies") to be issued in connection with the Program, (ii) the premium calculation and adjustment, (iii) the claims administration and expenses, (iv) a list of the reimbursable losses, (v) the collateral and paid loss deposit fund requirements, (vi) the non-premium surcharges and assessments, (vii) the payment schedule, and (viii) a description of certain important contractual terms.
2. Collateral and Payment Agreement, (Section III of the Proposal), to be executed by the Insured.
3. Statements of Policy Limits and Coverages, (Section IV of the Proposal), for the workers compensation, general liability and the automobile liability Policies that will be issued as part of the Program.
4. The Additional Proposal Conditions, (Section V of the Proposal), for the workers compensation and the automobile liability Policies that will be issued as part of the Program.
5. The TRIA Disclosures, (Section VI of the Proposal).

B. Conditions

This proposal, and binding coverage under the Program, are subject to all of the following conditions precedent:

1. This Proposal may be withdrawn at any time prior to its acceptance by the Insured, and the Company's receipt of this Memorandum, properly executed by the Insured.
2. Unless this Proposal has been accepted by the Insured and the Company has received this Memorandum, properly executed by the Insured, this Proposal automatically expires at 5:00 p.m. Pacific time on October 27, 2009.
3. This proposal has been developed and drafted in reliance upon the statements and information made and provided in the underwriting submission and any application connected thereto (collectively "the Submission"). The statements and information provided are material to the acceptance of this risk and hazard assumed by the Insurer under this

proposal and any policy (ies) issued therewith. This proposal is issued in reliance upon the truth and accuracy of the Submission and in reliance that all relevant information affecting the pricing and underwriting of this risk and hazard has been provided, that there are no material omissions or material nondisclosures, and that all information is current and effective at the time of the Submission. In the event that the Submission contains any material misrepresentation, material omissions or material nondisclosure, this proposal and any policy (ies) issued therewith are, subject to applicable law, invalid from the outset.

4. On or before November 10, 2009, as a condition precedent to coverage under the Policies, the Insured will deliver, or cause to be delivered to the Company:
 - (a) Payment in full of all required premium, and other required estimated premiums and surcharges, in the aggregate amount of US\$565,041 as provided in the Notice of Election and Agreement (Section II);
 - (b) The minimum paid loss deposit fund in the amount of US\$85,000, as applicable and as provided in the Notice of Election and Agreement (Section II);
 - (c) The workers compensation Claims Administration Expenses and Deductible Losses, as applicable and as provided in the Notice of Election and Agreement (Section II)
 - (d) Subject to Section B(5) below, a Letter of Credit totaling US\$3,128,000 ("New Letter of Credit"), and all other required collateral and security, as provided in the Notice of Election and Agreement (Section II), all in form, substance and amount acceptable to the Company and, as applicable, issued by a financial institution acceptable to the Company;
 - (e) The Notice of Election and Agreement (Section II), properly executed by the Insured;
 - (f) The Collateral and Payment Agreement, (Section III), properly executed by the Insured.
 - (g) Additional documents and agreements, as the Company may require (Section VI).
5. As an additional condition to coverage under the Policies and to any renewal or extension thereof, (i) on or before October 30, 2009 time being of the essence, the United States Bankruptcy Court for the District of Delaware ("Court"), with jurisdiction over the Insured and any of its affiliates that are insureds under the Policies (collectively, "Debtors") shall have entered an order, in form and substance satisfactory to the Company and its counsel ("Order") in the Debtors' chapter 11 cases, and (ii) on or before November 10, 2009, time being of the essence, such Order shall have become final and non-appealable and no appeal shall have been filed ("Final Order"). The Order and the Final Order shall provide that:
 - (a) The Debtors are authorized and directed to assume the policies previously issued by the Company to the Debtors and all agreements related thereto (including, but not limited to, any and all claims servicing agreements entered into by the Insureds and ESIS, Inc.) pursuant to Section 365 of the Bankruptcy Code;
 - (b) The Debtors are authorized to enter into this Memorandum, the Proposal, the Letter Agreement (as defined below) and the Policies and to execute and deliver all related documents and agreements or amendments thereto and to perform their obligations hereunder and thereunder, pursuant to Section 363(b) of the Bankruptcy Code;
 - (c) The Debtors are authorized to deliver or cause to be delivered to the Company, the letter of credit, paid loss deposit funds and other collateral and security as provided in the Proposal (collectively, the "New Collateral") to secure the obligations arising under the Policies of the Insureds; and the Company shall have superpriority security

interests in and liens on all collateral provided, at any time, by the Insureds to the Company (and the proceeds thereof), pursuant to Section 364(d)(1) of the Bankruptcy Code;

- (d) The collateral and security provided at any time to the Company shall be free and clear of all security interests and liens except those granted in favor of the Company;
 - (e) The Debtors are authorized to agree to future renewals or extensions of the Policies, including, without limitation, to execute related agreements and provide Letters of Credit and other collateral for future renewals, without further order of the Court;
 - (f) The claims of the Company and of ESIS, Inc. with respect to the Program and any claims servicing agreements related thereto, including any and all renewals thereof, shall be paid in the ordinary course of the Debtors' businesses;
 - (g) The Company and ESIS, Inc. shall have an allowed administrative expense claim under Section 503(b)(1)(A) of the Bankruptcy Code for all payment and reimbursement obligations of the Debtors under the Program and any claims servicing agreements related thereto; and no administrative claim bar date or proof of claim bar date shall apply to any claims of ESIS, Inc. or the Company that it may assert in respect of the Program;
 - (h) The Company shall have the right to draw against any or all Letters of Credit and other collateral and security provided, at any time, by the Debtors, hold the proceeds thereof as security for the Debtors' obligations and/or apply such proceeds to the Debtors' obligations, in such order as the Company may determine, cancel the Policies, and take other actions permitted under applicable non-bankruptcy law and the Program, including the right to require arbitration, without further order of the Court, and for this purpose, the automatic stay, to the extent applicable, is deemed lifted pursuant to Section 362(d) of the Bankruptcy Code; provided, however, that except as set forth in this Proposal, (i) the Existing Collateral (as defined herein) shall secure any and all obligations of the Insureds arising under the previously issued policies and related agreements and under the Letter Agreement and (ii) the New Collateral shall secure any and all obligations of the Insureds arising under the Policies and this Proposal and
 - (i) Any and all of the Insureds' obligations arising under the Letter Agreement shall be secured by the letters of credit, paid loss deposit funds and other collateral and security previously provided by the Insureds to ACE (collectively, the "Existing Collateral").
 - (j) The Program and the Order shall not be altered by any plan of reorganization or order of the Court.
6. On or before 12:00 noon Eastern time on October 28, 2009, as an additional condition to coverage under the Policies, the Insured shall cause the Debtors to file a Motion with the Court requesting entry of the Order, and such Motion shall be in form and substance satisfactory to the Company.
7. If the Order does not become a Final Order by November 10, 2009 time being of the essence, the Insured agrees that (i) the Company shall be under no obligation to issue the Policies or provide any coverage ~~thereunder~~ and (ii) if applicable, (a) the Company may cancel the Policies, if any, and (b) coverage will be provided only for the period during which the Policies, if any, were in effect prior to such cancellation; provided, however, that nothing herein constitutes an agreement by the Company to issue the Policies (or provide the coverage thereunder) unless and until the Order becomes a Final Order.

8. Binding of the Company under the terms of this Proposal for auto coverage is further conditioned upon receipt of state coverage selection forms properly executed by the Insured prior to the Policy Effective Date. Failure to return all required selection forms shall be deemed to be the Insured's acceptance that the auto Policy(ies) will be issued and rated to include the limits of UM/UIM coverage equal to such Policy limits, or equal to the maximum limits required by law if lower than such Policy limits, and the limit for PIP coverage that we are required to offer for each state. If the Company does not receive the properly executed forms and the Company applies UM/UIM and PIP limits as described herein, an additional charge for this coverage will be added to the Insured's automobile liability insurance premium. Please note that rules on whether or not selection or rejection of these benefits is required or permitted vary greatly from state to state.
9. The Insured represents that it has the power and authority, to enter into this Memorandum, the Proposal and the Policies and to execute and deliver all related documents and agreements, and to provide the New Letter of Credit and paid loss deposit funds and/or other cash collateral to the Company as provided in the Proposal.
10. This renewal Proposal is subject to the Company's receipt of the Letter Agreement providing for the extension until February 11, 2010 at 12:01 a.m. of certain general liability coverage (the "Letter Agreement") executed by the Insured and all extension premium due pursuant to the Letter Agreement on or before 5:00 p.m. eastern time on November 10, 2009. If the Letter Agreement and/or the extension premium are not received by the Company by 5:00 p.m. eastern time on November 10, 2009, this renewal Proposal is automatically withdrawn and the Company has no obligation to issue the Policies or provide coverage thereunder. The Insured agrees that the Company may apply any credit owing to the Insured to the extension premium due and owing pursuant to the Letter Agreement.

If the Proposal outlined in this memorandum is acceptable to the Insured, please sign this Memorandum in the space provided below and return a signed copy of this Memorandum to us no later than the date provided in Section B.2 of this Memorandum. Upon receipt of a signed copy of this Memorandum, and, subject to satisfaction of the conditions precedent set forth above, we will prepare and deliver to you the Policies and other documents and agreements for the Program.

The Proposal is accepted by the undersigned, intending to be legally bound hereby.

Building Materials Holding Corporation

By: _____

Name: _____

Title: _____

Dated: _____

Section II
NOTICE OF ELECTION

NOTICE OF ELECTION

Insured's Name: BUILDING MATERIALS HOLDING CORPORATION

Insured's Address: 4 Embarcadero Center #3200
San Francisco, California 94111**A) SCHEDULE OF POLICIES**

Line of Business	Policy Number	Effective Date	Expiration Date	Issuing Company
Automobile	AUTO H DED 01-TBD	11/11/2009	02/11/2010	ACE American Insurance Company
Workers Compensation	WC H DED 01-TBD	11/11/2009	02/11/2010	ACE American Insurance Company

B) PREMIUM CALCULATION AND ADJUSTMENT

Policy Number(s)	WC H DED 01-TBD
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Premium Component	Estimated Premium (\$)	Minimum (%)	Rate (\$)	Basis of Adjustment
General Administrative Expense & Insurance Charge				Per \$100 of Workers Compensation Payroll excluding monopolistic states Estimated At \$46,525,300.
Claims Administration Expenses - Fee Per Claim				Per Section C) Claims Administration and Expense.
Taxes, Boards, & RML's on policies subject to a Deductible				Per dollar of Written Premium Estimated At \$312,755.
Broker Commission	0			
Total Policy Premium				
Non Premium Surcharges				
Total Estimated Cost				

Policy Number(s)	AUTO H DED 01-TBD
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Premium Component	Estimated Premium (\$)	Minimum (%)	Rate	Basis of Adjustment
Estimated Auto Premium	224,866	100	539.50	Per Power Unit Estimated At 1,654 times short-term factor of 0.252. We will determine the number of power units by adding the number of power units at the beginning of the policy term to the number as of the expiration of the policy, and dividing the total sum by two (2).
Broker Commission	0			
Total Policy Premium				
Non Premium Surcharges				

Total Estimated Cost	225,643			
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C) CLAIMS ADMINISTRATION AND EXPENSE**A. Claims Adjusting Service**

Policy Number	Claims Adjusting Service
AUTO H DED 01-TBD	ESIS
WC H DED 01-TBD	ESIS

B. Workers' Compensation Claim Charges

Policy Number(s)	WC H DED 01-TBD	
Type of Claim	State	Fee per Claim(\$)
Blended - Indemnity and Managed Medical	All Except for all State Exceptions	
Blended - Indemnity and Managed Medical	California	
Blended - Indemnity and Managed Medical	Florida	
Blended - Indemnity and Managed Medical	Texas	
Medical Only	All Except for all State Exceptions	

D) REIMBURSABLE LOSSES

Policy Number(s)	Retention Type	Retained Amount (\$)	ALAE Reimbursement	Expected Reimbursable Amount (\$)
AUTO H DED 01-TBD	High Deductible	1,000,000	Erodes Retention	
WC H DED 01-TBD	High Deductible	2,000,000	Erodes Retention	

E) COLLATERAL & PAID LOSS DEPOSIT FUND

The collateral and paid loss deposit fund are subject to all the terms and conditions of the Collateral Agreement executed by you and us.

	Amount(\$)	Collateral Form
Collateral Currently Held		Letter of Credit
Total Held		Letter of Credit

	Amount(\$)	Collateral Form	Due Date
Additional Required Collateral		Letter of Credit	11/10/2009
Additional Required Collateral		Paid Loss Deposit Fund	11/10/2009

Paid Loss Deposit Fund – Collateral	
Single Payment of Paid Loss and/or Allocated Loss Adjustment Expense:	\$100,000
Minimum Paid Loss Deposit Fund	\$1,000

F) PROGRAM AGGREGATE PROTECTION

NOT APPLICABLE

G) NON-PREMIUM SURCHARGES AND ASSESSMENTS

Policy Number(s)	State	Description	Adjustment Base	Adjustment Base (\$)	Estimated Surcharge(\$)
AUTO H DED 01-TBD	AZ	Auto Theft Prevention Surcharge	Number of Power Units		
AUTO H DED 01-TBD	CO	Colorado Automobile Theft Prevention Authority Fee	Number of Vehicles		
AUTO H DED 01-TBD	TX	Texas Automobile Theft Prevention Authority Fee	Number of Vehicles		
WC H DED 01-TBD	CA	California Insurance Guaranty Fund Assessment	Written Premium		
WC H DED 01-TBD	CA	California Occupational and Health Fund Assessment	Written Premium (State Only) plus Deductible Credit		
WC H DED 01-TBD	CA	California Uninsured Employers and Subsequent Injuries Benefit Trust Funds	Written Premium (State Only) plus Deductible Credit		
WC H DED 01-TBD	CA	California Workers Compensation Fraud Assessment	Written Premium (State Only) plus Deductible Credit		
WC H DED 01-TBD	CA	California Workers Compensation User Funding Assessment	Written Premium (State Only) plus Deductible Credit		
WC H DED 01-TBD	IL	Industrial Commission Operations Surcharge	Written Premium (State Only)		
WC H DED 01-TBD	MO	Administrative Surcharge on Deductibles	Standard Premium		
WC H DED 01-TBD	MO	Missouri Workers Compensation Second Injury Fund Surcharge	Written Premium plus Deductible Credit		
WC H DED 01-TBD	MT	Workers Compensation Regulatory Assessment Charge	Written Premium plus Deductible Credit		
WC H DED 01-TBD	MT	Workers Compensation Subsequent Injury Fund Surcharge	Written Premium plus Deductible Credit		
WC H DED 01-TBD	OR	Oregon Premium Assessment	Written Premium (State Only) plus Deductible Credit		
TOTAL					

Surcharges will be adjusted at audit and concurrent with any other applicable premium adjustment. The rates used to adjust the surcharges are set by the states and will be reflected on the declarations, state schedule, endorsement, or audit of each policy. The formulae for the adjustment bases used to adjust the surcharges are also set by the states. The written description of the adjustment base is provided for your information in understanding the result of the formulae set by the states.

H) PROGRAM PAYMENT TERMS

PAYMENT TERMS					
Item	Payee	Payment Plan	Total Estimated Cost (\$)	Deferral (\$)	Total Pay - In (\$)
Estimated Deductible Losses	ACE USA	Monthly Reimbursement			
General Administrative Expense & Insurance Charge	ACE USA	Prepaid			
Claims Administration Expenses - Fee Per Claim	ACE USA	Prepaid			
Taxes, Boards, & RML's on policies subject to a Deductible	ACE USA	Prepaid			
Estimated Auto Premium	ACE USA	Prepaid			
Surcharges	ACE USA	Prepaid			
TOTAL					
Paid Loss Deposit Fund	ACE USA	Prepaid			

Deferrals**Other Deferred Items**

Other items shown as deferred in the schedule below are deferred until we calculate a premium adjustment. At adjustment we calculate revised premiums and surcharges; compare those revised premiums and surcharges to what has been paid; and bill the difference. Items shown as deferred may have a different value associated with them after the premium adjustment calculation.

ACE USA INSTALLMENT SCHEDULE

Installment Date	AUTO H DED 01-TBD	WC H DED 01-TBD	Paid Loss Deposit Fund	Payment Amount (\$)
11/10/2009				
Total Cash Pay-In to ACE				

I) AGREEMENT BETWEEN YOU AND US**1. General Terms**

The Notice of Election is subject to the Collateral and Payment Agreement (hereinafter, the "Collateral Agreement") executed between the Insured and the Company and is a "Notice of Election" as that term is defined in the "Collateral Agreement". The terms "you", "yours" and the "Insured" refer to the named insured on the Policies listed in A) Schedule of Policies. (the "Policies") The terms "us", "ours", "we" and the "Company" refer to the Issuing Companies listed in A) Schedule of Policies. All other capitalized terms in this Notice of Election are defined as provided in the Collateral Agreement.

This agreement describes the mutual agreement between you and us under which the final countrywide premiums for the Policies will be determined. If a state does not allow the adjustment of premium based upon this mutual agreement, the terms of premium adjustment for that state will be found on an endorsement to the policy and this agreement serves as the notice of election for that state. For those states, we will adjust your premiums in accordance with the applicable Policy and allocate the difference to the states that allow the premium to be adjusted in accordance with this agreement.

2. Premium Payment and Loss Reimbursement Terms

In addition to the final premiums, you are liable for the reimbursements of certain losses and Allocated Loss Adjustment Expense, under one or more deductible or loss reimbursement endorsements to the Policies or within the Loss Limitation of any Retrospectively Rated Policy, as shown in D) Reimbursable Losses.

You also agree to pay any state surcharges and/or assessments that are not included in the final premiums, as shown in G) Non-Premium Surcharges and Assessments herein and on the Policies.

Any payment due us, or return payment due you will be payable in its entirety within fifteen (15) days from the date of our invoice.

3. Premium Calculation and Adjustment

The premiums shown in B) Premium Calculation and Adjustment for the scheduled Policies were calculated in accordance with approved rating plans or are subject to deregulation. You certify that you have elected the use of those rating plans. You also certify that you understand all terms, conditions, and provisions of those plans, including the methods of adjustment, payment, and penalties for cancellation outlined herein and/or in endorsements to the policies listed in the Schedule of Policies (the "Policies").

If the Insured cancels or otherwise terminates any scheduled Policy prior to the expiration of the applicable policy period under such Policy: (i) any return premium for such Policy will be determined on a pro-rata basis and (ii) the estimated premium amounts shown in B) Premium Calculation and Adjustment for such Policy will be adjusted on a pro-rata basis and will remain subject to a minimum of 100% of the adjusted estimated amount.

No premium charge has been made for war-risk hazard, it being understood that the United States Government self-insures the exposures falling under the provisions of the War Hazards Compensation Act.

4. Claims Administration and Expense

The Company has contracted with the Claims Adjusting Service(s) shown in C) Claims Administration and Expense as its agent to investigate, adjust, settle and provide for the defense of claims in all states in accordance with the terms of the scheduled policies and to collect, calculate and administer the Paid Loss Deposit Fund and/or Claims Administration Expenses on the Company's behalf.

Should the Company terminate the contractual arrangement between the Company and any Claims Adjusting Service(s) at the request of the insured or should the Claims Adjusting Service no longer meet the Company's minimum requirements, the Company and the Insured shall select another Claims Adjusting Service that meets the Company's minimum requirements to handle future claims and possibly take over existing claims. Notwithstanding the previous sentence, if the Company and the Insured cannot come to a mutual agreement within a reasonable time needed to transfer claims, or if the Company believes in good faith that the finances of the existing Claims Adjusting Service have deteriorated or could deteriorate rapidly, then the Company shall select the new Claims Adjusting Service. Once the new Claims Adjusting Service is selected, this Agreement will be deemed automatically amended to reflect the new Claims Adjusting Service, and the Company will inform the Insured of the revised or additional Claims Administration Expenses. The Insured shall pay such amounts by the Required Payment Date.

In the event of the termination of such contractual arrangement, the Company shall administer, calculate and collect the Paid Loss Deposit Fund itself, or shall assign such responsibility to the replacement Claims Adjusting Service.

Claims Administration Expense will be adjusted with loss information valued at 6 months after Policy expiration and annually thereafter. Adjustments will be calculated in accordance with the fees listed in C) Claims Administration and Expense.

Claims Administration Expense will be charged for each individual type of claim listed in C) Claims Administration and Expense resulting from an accident, incident or occurrence.

Unless otherwise specified in an agreement between the Claims Adjusting Service and the Company, a Workers Compensation claim is considered a Medical Only type of claim if it is closed within 90 days from the date of receipt and has medical payments totaling less than \$2,500. Otherwise the claim is adjusted at the appropriate Indemnity type of claim rate.

5. Reimbursable Losses

The Company or the Claims Adjusting Service will bill the Insured for reimbursement of paid losses and ALAE on a monthly basis, subject to the Single Payment of Paid Loss and/or Allocated Loss Adjustment Expense amount as provided for in E) Collateral & Paid Loss Deposit Fund and the Collateral Agreement executed by you and us.

When a workers compensation policy is subject to a Loss Limitation, as defined herein, the Loss Limitation applies as follows: (i) in the case of bodily injury as the result of disease, the Loss Limitation applies separately to each employee who sustains such bodily injury; and separately, (ii) in the case of bodily injury as the result of an accident, the Loss Limitation applies to the aggregate of all employees who sustain such bodily injury in a single accident or occurrence.

As shown in D) Reimbursable Losses above, you are responsible for reimbursement of loss on policies subject to a loss limit as follows:

Erodes the Retention: You will reimburse the Company for the sum of the amount of each Paid Loss plus related Allocated Loss Adjustment Expense, up to the amount of the Loss Limitation.

Losses subject to a Loss Limitation are considered premium. The Expected Reimbursable Amount shown in D) Reimbursable Losses above is an estimate. This portion of your premium, along with any premium charge dependent upon the value of loss subject to a Loss Limitation will be adjusted using loss information valued 6 months after the expiration date of the policy and annually thereafter until we make a final premium calculation. In calculating a premium adjustment we will apply loss development factors to the incurred losses limited to the Loss Limitation.

6. Collateral & Paid Loss Deposit Fund

Subject to all of the terms and conditions of the Collateral Agreement or other security agreement between you and the Company, you are required to provide collateral or other security, in addition to any collateral or security that you may already have provided, as indicated in E) Collateral & Paid Loss Deposit Fund above. Additional amounts may be due at other times, all as provided in the Collateral Agreement.

The Paid Loss Deposit Fund and Collateral are subject to all of the terms and conditions of the Collateral Agreement executed by you and us.

7. Taxes, Assessments, and Surcharges

The tax and assessment charges herein are based upon the Company's current knowledge of the state's interpretation of current law. If current law or a state interpretation thereof changes, or a rate or basis of assessment changes, then the Insured and the Company agree that the Company shall have the right to amend such prior tax and/or assessment charges to the Insured in order to match the state interpretation, and the Company shall bill the Insured for such retrospective taxes and/or assessments accordingly.

If audited exposures and/or adjusted premiums generate a basis of assessment for any tax, assessment, or surcharge not listed in schedule G) Non-Premium Surcharges and Assessments, then the Insured and the Company agree that the Company shall have the right to add such charges to the schedule and bill the Insured accordingly.

8. Audit Cooperation for Policies Subject to Audit

The Policies require the Insured to keep records of information needed to compute premium and to allow the Company examination of the Insured's books and records as they relate to the Policy or Policies.

If the Insured does not allow this examination or furnish the Company the records or information as requested or does not otherwise cooperate in allowing the Company to perform the audit(s) within ninety days after the expiration or cancellation of the Policies, the Company may estimate the Insured's premium adjustment, subject to applicable state law requirements. The Company, in its sole discretion, will base its calculation upon the assumption that the Insured's exposure base will increase by an amount up to two hundred percent (200%) above the original estimate. Such calculation will be authorized by the Director of Premium Audit Field Operations of the Company's ACE Risk Management business having supervisory authority over audit services, or their designee. The Company will calculate the Insured's premium adjustment based on the applicable increase. The Insured will also be responsible for cooperating in the completion of any employer documentation required by a governmental or regulatory body regarding a premium audit, such as an explanation or certification when no actual audit is performed. The Insured will be responsible to indemnify the Company for any fines or penalties that we may incur as a result of the Insured's failure to cooperate in the

completion of an actual premium audit or of any required documentation.

9. *Uninsured / Underinsured Motorist Insurance & Personal Injury Protection: Returning of Required Executed Selection Forms*

The terms of this Notice of Election pertaining to Automobile Liability will be amended as provided in this paragraph if we do not receive properly executed state coverage selection forms prior to the effective date. Failure to return all required selection forms shall be deemed your consent and acceptance that the auto policy (ies) will be issued and rated to include the limits of UM/UIM coverage equal to the policy limits, or equal to the maximum limits required by law if lower than policy limits, and the limit for PIP coverage that we are required to offer for each state. In the event we do not receive the properly executed forms and we apply UM/UIM and PIP limits as described herein, an additional charge for this coverage will be added to your Auto premium.

10. *Deregulation Disclosures and Certifications*

Certain states may require that deregulation disclosures and/or certifications be in writing and agreed to between the Insured and the Company. Any such disclosures and/or certifications are listed below:

None

ACE Risk Management ®

IN WITNESS WHEREOF, this Notice of Election has been executed by the parties hereto, as officers of each, each of which intends by its execution hereof to be legally bound by the terms of this agreement. This agreement shall be effective when signed below or in counterpart, and photocopy, facsimile, electronic or other copies shall have the same effect for all purposes as an ink-signed original.

BUILDING MATERIALS HOLDING
CORPORATION

ACE American Insurance Company

Name: _____
(Please Print)

Name: Scott W. Conrad

Title: _____

Title: Vice President, Underwriting Manager

Signature: _____

Signature: _____

Date: _____

Date: _____

Branch Office Address:
455 Market Street
San Francisco, CA 94105

INITIAL STATEMENT OF ADJUSTMENT

Insured's Name: BUILDING MATERIALS HOLDING CORPORATION

Insured's Address: 4 Embarcadero Center #3200
San Francisco, California 94111**Workers Compensation**

WC H DED 01-TBD

State	Estimated Policy Premium (\$)	Initial AARO Adjustment (\$)	Total Estimated Written Premium (\$)
Arizona			
California			
Colorado			
Idaho			
Illinois			
Minnesota			
Missouri			
Montana			
North Carolina			
New Mexico			
Nevada			
Oregon			
South Carolina			
Tennessee			
Texas			
Utah			
Washington			
TOTAL:			

Automobile Liability

AUTO H DED 01-TBD

State	Estimated Policy Premium (\$)	Initial AARO Adjustment (\$)	Total Estimated Premium (\$)
Arizona		0	
California		0	
Colorado		0	
Idaho		0	
Illinois		0	
Montana		0	
North Carolina		0	
Nevada		0	
Oregon		0	
Tennessee		0	
Texas		0	
Utah		0	
Washington		0	
TOTAL:		0	

Totals - All Policies

Policy Number(s)	Estimated Policy Premium (\$)	Initial AARO Adjustment (\$)	Total Estimated Written Premium (\$)
WC HDED 01-TBD			
AUTO HDED 01- TBD			
TOTAL:			

TEXAS DEDUCTIBLE NOTICE OF ELECTION

Texas law permits an employer to obtain workers' compensation insurance with a deductible. The insurance applies only to benefits payable under Texas workers' compensation law. When a deductible is elected, the policyholder is required to reimburse the insurance carrier for benefits payable under the law up to the deductible amount and a credit is applied to the policy. Premium credits are determined based on the deductible selected and the hazard group. The hazard group is determined by the classification that produces the largest amount of estimated Texas standard premium.

You are not required to choose a deductible. If you do choose one, your insurance company will pay the deductible amount for you, but you must reimburse the insurance company within 30 days after they send you notice that payment is due. If you fail to reimburse the insurance company, they may cancel the policy, upon ten days written notice, and any resulting return premium may be applied to the deductible amount owed.

If a deductible amount is desired, please indicate below.

() Yes, I want a deductible of: (select only one)

1. \$_____ per accident
2. \$_____ annual aggregate
3. \$_____/ \$_____ per accident/annual aggregate

applied to benefits payable under the Texas Workers' Compensation Law. I understand that the company will pay the deductible amount and seek reimbursement _____ (monthly, quarterly, or other).

() No, I do not want a deductible applied to benefits payable under the Texas Workers Compensation Law.

The deductible plans have been explained to me.

Signature and Title

11/11/2009

Employer Name:

BUILDING MATERIALS HOLDING CORPORATION 4 Embarcadero Center #3200 San Francisco, California 94111

ACE American Insurance Company

Effective Date: 11/11/2009

Policy No. WC H DED 01-TBD

Notes:

1. This signed DNE-1 [1-97] form is to be maintained in the insuring carrier's file, regardless of whether the deductible is elected or rejected, and shall be made available to the Texas Department of Insurance upon specific request.
2. Reimbursement is to be made periodically as agreed. Choose "monthly", "quarterly", or other period of time; may not be more frequent than monthly.
3. This notice may only be signed by owner, partner, executive officer or authorized person.

Section III
COLLATERAL AGREEMENT

COLLATERAL AND PAYMENT AGREEMENT

(Hereinafter this Agreement)
effective the 11/11/2009,
by and among

ACE AMERICAN INSURANCE COMPANY

and any affiliated property and casualty insurer that has issued one or more of the Policies as defined in this Agreement and such other insurance companies as may be added by any Notice of Election as parties hereto,
(hereinafter, collectively, the "Company")
and

BUILDING MATERIALS HOLDING CORPORATION,
(hereinafter, the Insured)

WHEREAS, the Insured is the named insured under the Policies (as defined herein); and

WHEREAS, the Company is willing to issue such Policies only if the Insured provides collateral security to the Company; and

NOW, THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in accordance with the terms and conditions of the Policies, the Company and the Insured agree as follows:

ARTICLE I

INSURED'S PAYMENTS

The Insured agrees to pay or reimburse the Company or its agent:

- a. all premiums at inception billed by the Company or its agent in accordance with the terms of any Policies and/or any Notice of Election; and
- b. all premiums billed by the Company or its agent in accordance with the terms of any Policies and/or any Notice of Election during the course of the term of the Policies as Claims Administration Expenses; and
- c. all premiums billed by the Company or its agent in accordance with the terms of any Policies and/or any Notice of Election at any time as adjustments based upon change in audited exposures, audited claim frequencies, valuation date of losses, or any other basis of adjustment as outlined in any Policies and/or any Notice of Election; and
- d. all non-premium surcharges imposed by any state taxing authority and billed by the Company or its agent in accordance with the terms of any Policies and/or any Notice of Election. If the rates or basis of surcharge are changed by any state authority, the Insured agrees to pay the surcharge based upon the rate or basis being imposed; and
- e. Paid Loss Deposit Fund amounts related to any Policies, as provided in Article III of this Agreement; and
- f. all other amounts the Insured is or may in the future be required to pay or reimburse in accordance with the terms and conditions of any Policies, this Agreement, any Insurance Agreements or any Notice of Election including without limitation the Insured's share of Paid Losses within applicable Deductible(s) or Loss Limitations; and the Insured's share of Allocated Loss Adjustment Expense as specified in the applicable Policy and/or Notice of Election; and
- g. all amounts the Insured is or may be obligated to pay to other parties related to the Insurance Agreements but which are paid by the Company; and
- h. to provide collateral to the Company to secure the Insured's Obligation as provided in Article IV of this Agreement.

The Company or its agent will bill the Insured as per this Agreement, any Notice of Election or as pursuant to any Policies for the amounts described above which are payable or reimbursable to the Company.

GENERAL PROVISIONS/ PAYMENTS

All payments set out in this Agreement, including any Amendment or Addendum hereto, and in any Notice of Election, must be made by the Insured by the Required Payment Date unless otherwise specified.

All payments made by the Insured under this Agreement, any Notice of Election or the Policies shall be allocated first to collateral security, then to other amounts owed to the Company other than premiums, then finally to premiums for the Policies, regardless of the designation of the payment.

If the Insured does not pay an amount billed by the Required Payment Date:

- i. the Company shall have the right to bill the Insured for, and to collect, the Interest Charge applied to any such unpaid amount; provided, however, that in the event of a good faith dispute as to the amount billed, interest shall not be charged on the disputed portion; and
- ii. the Company shall have the right to increase the required amount of any Paid Loss Deposit Fund to an amount determined by the Company, which amount may exceed the required amount as specified in Article III of this Agreement; provided, however, that such increase shall be reasonably related to the amounts outstanding.

All terms and conditions of each Notice of Election are part of this Agreement and are herein incorporated by reference in their entirety. The Insured and the Company agree that this Agreement works in concert with, and is not intended to, and does not, amend or alter any of the terms and conditions of any of the Policies or Notices of Election.

ARTICLE II

DEFINITIONS

Affiliate. The term "Affiliate" means any direct or indirect subsidiary and any person or entity that, heretofore, now or hereafter, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common ownership or control with another entity.

Allocated Loss Adjustment Expense or ALAE means such claim expenses, costs and any interest incurred in connection with the investigation, administration, adjustment, settlement or defense of any claim or lawsuit that the Company or the Claims Adjusting Service directly allocates to a particular claim, whether or not a payment indemnifying the claimant(s) is made. Such expenses include, but are not limited to, subrogation, all court costs, fees and expenses; fees for service of process; fees and expenses to attorneys for legal services; the cost of services of undercover operations and detectives; fees to obtain medical cost containment services; the cost of employing experts for the purpose of preparing maps, photographs, diagrams, and chemical or physical analysis, or for expert advice or opinion; the cost of obtaining copies of any public records; and the cost of depositions and court reporters or recorded statements, provided, however, that Allocated Loss Adjustment Expense shall not include the salaries and traveling expenses of the Company's employees or the Company's overhead and adjusters' fees.

Claims Adjusting Service means ESIS, Inc. or such other claims adjusting service handling claims under one or more of the Policies.

Claim Administration Expense means the amount the Company, ESIS, Inc. or other Claims Adjusting Service indicated in the Notice of Election, determines is needed to cover expenses of administering claims under the Policies, other than those fees related to recovery services, such expenses to be billed by either the Company or the Claims Adjusting Service.

Client Agreement means the agreement between the Company and the Claims Adjusting Service on behalf of the Insured.

Deductible Policies means any Policies that contain a deductible endorsement.

Insurance Agreements. The term "Insurance Agreements" means: (i) all policies of insurance previously issued, now in force and/or hereafter issued (whether or not any such policies have expired or expire hereafter) by the Company or any of its Affiliates to the Insured and/or any of its Affiliates (individually or with any other named insured on such policy), including the Policies, and any Notices of Election and (ii) this Agreement, and (iii) any and all previously existing, now and/or hereafter created program agreements, deductible agreements, paid loss retro agreements, funding agreements, claims servicing or adjusting agreements, funded deductible agreements, paid loss premium collection plans, deductible rating plans, insurance program agreements, agreements related to residual market assessments, cash flow deductible agreements, collateral and/or security agreements, or any other agreement among the Company and/or any of its Affiliates and the Insured and/or any of its Affiliates (individually or with any other person or entity), together with all amendments, modifications, renewals, or extensions thereof, relating to any policies issued to the Insured or any of its Affiliates by the Company or any of its Affiliates.

Initial Paid Loss Deposit Fund means any amount specified in any Notice of Election as the initial amount of any fund provided by the Insured for the payment of Paid Losses in accordance with Article III hereof.

Insured's Obligation means all amounts that the Insured is or may in the future be required to pay or reimburse to the Company or any of its Affiliates, or any Claims Adjusting Service, pursuant to the Insurance Agreements, including the Policies, including Ultimate Losses as determined by the Company.

Interest Charge means the amount of interest for which the Insured is liable to the Company, payable at the monthly rate of one and one-half percent (1.5%) (or, if such rate is impermissible under applicable law, the maximum lawful, non-usurious rate that may be charged, subject to state filing requirements) on any amount payable by the Insured to the Company under this Agreement, but not paid by the Insured by the Required Payment Date, said charge to commence on the day next following the Required Payment Date for any such unpaid amount.

Loss Limitation means the amount of loss to be included as part of premium on a Policy subject to retrospective rating and not subject to a deductible endorsement. The Loss Limitation applies as follows: (i) in the case of bodily injury as the result of disease, the Loss Limitation applies separately to each employee who sustains such bodily injury, and separately, (ii) in the case of bodily injury as the result of an accident, the Loss Limitation applies to the aggregate of all employees who sustain such bodily injury in a single accident or occurrence. The Loss Limitation applies separately to each person who sustains bodily injury by disease and separately to all bodily injury arising out of any one accident.

Notice of Election means any document previously issued, now in force and/or hereafter issued by the Company or any of its Affiliates to the Insured and/or any of its Affiliates, entitled "Notice of Election", and which may include, but is not limited to, the following: (i) certification by the Insured that it has elected the use of any of the Company's rating plans; and (ii) certification by the Insured that it understands the terms, conditions and provisions of such plans as detailed in such Notice of Election; and (iii) any disclosures or certifications that may be required under applicable commercial deregulation rules.

Paid Losses means all amounts paid for losses (exclusive of Allocated Loss Adjustment Expense) under the Policies; provided, however, that the amount payable by the Insured for each Paid Loss shall be subject to the:

- i. amount of the deductible as provided in the respective Deductible Policies, or
- ii. amount of the loss limitation as provided in the respective Notice of Election.

Paid Loss Deposit Fund means any Initial Paid Loss Deposit Fund, including any such Initial Paid Loss Deposit Fund which has been adjusted pursuant to Article III of this or any other Insurance Agreement.

Policies mean collectively, Policies listed in any Notice of Election, and all renewals or extensions thereof, including any and all Deductible Policies, Retrospectively Rated Policies or other policies.

Required Payment Date means a date not later than fifteen (15) calendar days after the date of the Company's invoice for any amount billed by the Company to the Insured under the Insurance Agreements.

Retrospectively Rated Policies means any Policies scheduled in any Notice of Election subject to a Loss Limitation.

Ultimate Losses means losses incurred under the Insurance Agreements, including the Policies, within the respective deductibles or Loss Limitations plus future loss development and the amount of losses incurred but not reported, as estimated by the Company. Ultimate Losses may include Allocated Loss Adjustment Expense to the extent specified in the applicable Notice of Election or Policies, as estimated by the Company pursuant to the applicable Notice of Election.

ARTICLE III

PAID LOSS DEPOSIT FUND

As of the effective date of this Agreement, and of each Notice of Election, the Insured will be required to pay the Company or to the Claims Adjusting Service for the Policies listed on each respective Notice of Election, the amount specified as Initial Paid Loss Deposit Fund listed in the respective Notice of Election. Such payments will establish and initially fund, for the Policies listed on each of the respective Notice of Election, a Paid Loss Deposit Fund. Unless otherwise set out in the applicable Notice of Election, each of such Initial Paid Loss Deposit Fund amounts shall represent the Company's estimate of the average amount the Company will pay under such Policies listed on the respective Notice of Election during a seventy five (75) day period or other such period as indicated in the respective Notice of Election or Client Agreement for the amount of the Insured's share of Paid Losses and Allocated Loss Adjustment Expense.

In the event of any single payment of a large Paid Loss and/or Allocated Loss Adjustment Expense under any such Policy in an amount equal to or greater than the amount specified as "Single Payment of Paid Loss and/or Allocated Loss Expense" on the Notice of Election on which such Policy is listed, the Company shall have the right to require the Insured to pay immediately the amount of such single payment into the Paid Loss Deposit Fund.

The Company, or the Claims Adjusting Service, if indicated in the Notice of Election, may from time to time recalculate the required amount of any Paid Loss Deposit Fund, based upon the Company's or Claims Adjusting Service's revised estimate of the average of the amounts it will pay as described above, and require the Insured to adjust the amount of such Paid Loss Deposit Fund accordingly, subject to the minimum required amount of each Paid Loss Deposit Fund enumerated in the Notice of Election.

ARTICLE IV

SECURITY FOR INSURED'S OBLIGATION

As security for payment of the Insured's Obligation, the Insured will provide to the Company, as beneficiary thereof, a clean irrevocable evergreen letter of credit (hereinafter, "LOC") issued by a bank or other financial institution acceptable to the Company, and in an amount and form, acceptable to the Company; and/or such other forms of collateral as the Company may permit in writing from time to time. Any LOC provided by the Insured shall provide by its terms that it will be renewed automatically each year for an additional year unless written notice of non-renewal is sent by the financial institution within sixty (60) days prior to the LOC's anniversary date. If the Company permits the Insured to provide collateral for the Insured's Obligation in a form other than a LOC, the Insured shall provide such other collateral in an amount and form acceptable to the Company. Regardless of the initial amount of the LOC or other such forms of collateral, the Company may require at any time that the amount of collateral security be increased to equal the full amount of the Insured's Obligation.

Not less than thirty days prior to any termination of the LOC, the Insured will deliver to the Company a replacement LOC in an amount and form acceptable to the Company, issued by a bank or other financial institution acceptable to the Company.

The Insured will continue to provide the Company with an LOC (and/or other collateral) as security for payment of the Insured's Obligation, until the Company determines that there is no longer any need for such security. If there shall be a material deterioration in the financial condition of the bank or other financial institution which has issued the LOC, or which issued or that is holding other collateral, such that the institution is no longer acceptable to the Company, the Company shall have the right to require the Insured to replace the LOC or other collateral with a new LOC or other collateral issued or held, as approved by Company, by a bank or other financial institution then acceptable to the Company.

If the Insured fails to provide the Company with a replacement LOC upon any LOC termination, or to provide the Company with any additional amount of LOC required by the Company (and/or to provide any other collateral if requested by the Company), the Company will have the right to draw the full amount of the existing LOC and/or other collateral. The Insured recognizes that the Company may continue to require collateral as security for the payment of the Insured's Obligation after any cancellation, non-renewal, conversion or replacement of the Policies. The Company shall have the right to draw against the LOC and/or other collateral in each instance where the Insured's Obligation, or any portion thereof, for any reason is not fulfilled.

Annually, the Company shall review and redetermine the amount of the Insured's Obligation and the amount of collateral security required pursuant to this Article. At such time, the Insured will provide audited financial statements, interim financial statements, and any other financial information requested by the Company for the purpose of evaluating the financial condition of the Insured. The Insured will provide any needed increases in the amount of the LOC (and/or other collateral permitted by the Company) within thirty days of the Company's request for any additional required amount of the LOC. Any replacement or additional LOC, or other permitted collateral, must meet all requirements for an LOC and collateral set out above. The Company will effect any decreases in the amount of the LOC (and/or other collateral) promptly, provided that the Insured is not in breach of any of its obligations under any of the Insurance Agreements.

All collateral provided hereunder shall be delivered to the Company at the following address: ACE American Insurance Company, 436 Walnut Street, Philadelphia, PA. 19106, Attention: Collateral Manager.

The Insured agrees that the Company shall have no obligation to remit to the Insured or to apply in reduction of the Insured's Obligation any increase or profits (including without limitation any interest or money) received by the Company from the proceeds of any LOC or from any other collateral provided by the Insured.

Such proceeds, and any interest thereon, shall be part of the collateral securing the Insured's Obligation. To further secure the Insured's Obligation, Insured hereby grants to the Company a continuing security interest in and lien on all of its right, title, and interest, if any, in amounts drawn by the Company under the LOC and all interest thereon and proceeds thereof.

The Insured and the Company agree that nothing in this Agreement will constitute or be construed as a waiver of any rights the Company may have in each instance in which the Insured's Obligation for any reason is not fulfilled.

If the Company permits in writing, the Insured may provide "other forms of collateral" as security for payment of the Insured's Obligation pursuant to this Agreement in the form of cash (the "Cash Collateral") and the Insured hereby grants to the Company a security interest in and lien on any and all such Cash Collateral. Cash Collateral includes any Paid Loss Deposit Fund. The Company may hold the Cash Collateral as part of the collateral securing the Insured's Obligation in any account in the Company's name and with any financial institution as the Company determines in its sole discretion. The Company may commingle the Cash Collateral with the Company's own funds or the funds of other insureds.

The Company is authorized to use the Cash Collateral to pay any and all of the Insured's Obligation owing under this Agreement without further notice to, or demand of, the Insured.

The Company shall have no duty to invest the Cash Collateral and may hold the Cash Collateral in an interest bearing or non-interest bearing account as the Company determines in its sole discretion.

ARTICLE V

TERMINATION/CANCELLATION OF THE POLICIES

It is understood that the Insured's Obligations may outlast the term of the Policies and that therefore, cancellation of any Policy by either the Insured or the Company will not terminate this Agreement. The parties' rights, duties and obligations under this Agreement will continue after any cancellation, non-renewal or replacement of the Policies.

This Agreement shall remain in full force and effect until the Company determines that there is no further Insured's Obligation. At such time, the Company will effect any decrease in collateral in accordance with Article IV, herein, and return any unused Paid Loss Deposit Fund that the Company is holding.

ARTICLE VI

GENERAL PROVISIONS/ARBITRATION

1. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania. No amendments or modification of this Agreement shall have any force or effect unless in writing and signed by the parties hereto.
2. Successors and Assigns. All the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns, whether so expressed or not; provided, however, that no party hereto shall assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the other parties hereto.
3. Severability. Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions and without affecting the validity or enforceability of such provision in any other jurisdiction.
4. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute but one and the same instrument.
5. No Amendment. This Agreement may not be amended unless the amendment is in writing and signed by the parties hereto.
6. Arbitration. Any controversy, dispute, claim or question arising out of or relating to this Agreement, including without limitation its interpretation, performance or non-performance by any party, or any breach thereof (hereinafter, collectively, Controversy) shall be referred to and resolved exclusively by three arbitrators through private, confidential arbitration conducted in Philadelphia, PA. Such arbitrators shall be disinterested, neutral individuals who have experience and qualifications in the subject matter of the Controversy. One arbitrator shall be chosen by each party and the third by the two so chosen. If either party refuses or neglects to appoint an arbitrator within thirty (30) days after receipt of written notice from the other party requesting it to do so, the requesting party may choose a total of two arbitrators who shall choose the third. If the arbitrators fail to select the third arbitrator within ten (10) days after both have been named, the party plaintiff shall notify the American Arbitration Association (AAA) who shall appoint the third arbitrator. The AAA shall select an arbitrator who is disinterested, neutral and who has experience and qualifications in the subject matter of the Controversy. Each party shall bear the expense of its own arbitrator and shall jointly and equally bear the cost of the third arbitrator. In the event of the death, disability or incapacity of any arbitrator, a replacement shall be named pursuant to the process, which resulted in the selection of the arbitrator to be replaced. The arbitrators may abstain from following the strict rules of law, and

shall make their decision with regard to the custom and usage of insurance business as at the effective date of this Agreement. The majority decision of the panel shall be final and binding upon the parties to this Agreement. Judgment may be entered upon the award of the arbitrators in any court of competent jurisdiction. Except as otherwise specifically provided in this Article, the arbitration of any Controversy shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

7. Notices, Etc. Unless otherwise provided in this Agreement, all notices, directions, requests, demands, acknowledgments and other communications required or permitted to be given or made under the terms hereof made for any reason other than those addressed in Article IV, shall be in writing and shall be deemed to have been duly given or made
- a. (i) when delivered personally, (ii) when made or given by telecopier or electronic transmission where the receipt thereof is confirmed immediately thereafter by the recipient, (iii) when received when sent, all charges prepaid, by an internationally recognized overnight courier, or (iv) when mailed through the U.S. postal service, and
 - b. when sent to the Company at the address indicated in the signatory below or in the applicable Notice of Election to the attention of the Underwriting Manager and/or
 - c. when sent to the Insured at the address indicated in the applicable Policy.

Each Party may from time to time designate a different address for notices, directions, requests, demands, acknowledgments and other communications by giving written notice of such change to the other Parties.

8. Relationship to Prior Collateral Agreements and Security. The provisions of this Agreement relating to security and collateral amend and restate (but are not a payment, satisfaction, cancellation or novation of) any and all provisions relating to collateral or security contained in any prior Insurance Agreements, and all security interests granted to the Company in any prior agreement shall continue in full force and effect. Any and all letters of credit or other collateral that were provided under any other Insurance Agreements shall be deemed to be issued and held under and pursuant to this Agreement without further action on the part of any party notwithstanding any reference contained in such letters of credit or other collateral to the contrary. Nothing in this Agreement or in any Notice of Election amends any premium calculation provided for in any prior agreement by and between the parties, or in any expired policy issued by the Company to the Insured.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto, as officers of each, each of which intends by its execution hereof to be legally bound by the terms of this agreement. This agreement shall be effective when signed below or in counterpart, and photocopy, facsimile, electronic or other copies shall have the same effect for all purposes as an ink-signed original.

BUILDING MATERIALS HOLDING
CORPORATION

Name: _____
(Please Print)

Title: _____

Signature: _____

Date: _____

ACE American Insurance Company

Name: Scott W. Conrad

Title: Vice President, Underwriting Manager

Signature: _____

Date: _____

Branch Office Address:
455 Market Street
San Francisco, CA 94105

Section IV
LIMITS AND COVERAGES

Limits and Coverages

Workers Compensation

Policy Number: WC H DED 01-TBD

Policy Limits - Workers Compensation

Part One Statutory

Part Two Bodily Injury by Accident, each Accident \$1,000,000
 Bodily Injury by Disease, Policy Limit \$1,000,000
 Bodily Injury by Disease, each Employee \$1,000,000

Other States Insurance: Part Three applies to:

All states except ND, OH, WA, WY

Policy Form and Endorsements

- The policy forms and endorsements being offered may be different than those requested.
- State mandatory endorsements will be attached to the policy in addition to those listed below.

Title	Form #	Edition	Comments
NCCI	WC 00 00 00 A	04-92	
EARLIER NOTICE OF CANCELLATION AND NONRENEWAL	CKE10290	0301	90
NOTIFICATION OF PREMIUM ADJUSTMENT	WC990409		
OHIO STOP GAP COVERAGE	WC990442	0806	
LONGSHORE AND HARBOR WORKERS COMPENSATION ACT	WC000106A	0492	
VOLUNTARY COMP & EL - AOS	WC000311A	0891	Employees: Any employee EXEMPT from the Workers Compensation Law. NJ & WI are excluded; State of Employment: All states listed under item 3.a. of the Information Page except NJ & WI; Designated WC Law:
DEDUCTIBLE ENDORSEMENT - AOS	WC990661B	0896	
STOP-GAP EMPLOYERS LIABILITY	WC990303C	0492	ND, WA, WY
TRADE OR ECONOMIC SANCTIONS ENDORSEMENT	WC990773	1106	
WAIVER OF OUR RIGHT TO RECOVER FROM OTHERS	WC000313	1105	Any person or organization against whom you have agreed to waive your right of recovery in a written contract, provided such contract was executed prior to the date of loss.

Limits and Coverages

Automobile

Policy Number: AUTO H DBD 01-TBD

Policy Limits - Automobile Liability

Coverage	Symbol	Limit
Liability	1	\$5,000,000
Medical Payments	2	\$5,000
Personal Injury Protection	5	Stat & Reject
Additional Personal Injury Protection		Not Covered
Uninsured Motorist	6	Stat Min/Reject
Underinsured Motorist	6	Stat Min/Reject

Auto Physical Damage: Not providedPolicy Form and Endorsements

- The policy forms and endorsements offered may be different than those requested.
- State mandatory endorsements will be attached to the policy in addition to those listed below.

Title	Form #	Edition	Comments
BUSINESS AUTO	CA 00 01	03-06	
ADDITIONAL INSURED - DESIGNATED PERSONS OR ORGANIZATIONS	DA9U74	1294	Any person or organization whom you have agreed to include as an additional insured under a written contract, provided such contract was executed prior to the date of loss.
ADDITIONAL INSURED - LESSOR	CA2001	0306	Any Lessor whom you have agreed to include as an additional insured under a written contract, provided such contract was executed prior to the date of loss..
AUTO MEDICAL PAYMENTS COVERAGE	CA9903	0306	
COVERAGE FOR CERTAIN OPERATIONS IN CONNECTION WITH RAILROADS	CA 2070	1001	Scheduled Railroad: Union Pacific Railroad Co. Designated Job Site: 239 Highway 36 North, Rosenberg, TX 2272 Larkin Circle, Sparks, NV 1400 Douglas Street, Stop 1690, Omaha NE 68179-1690 1400 Douglas Street, Stop 1390, Omaha NE 68179-1370 1800 Farnam Street, Omaha NE 98102
DESIGNATED INSURED	CA2048	0299	
DRIVE OTHER CAR COVERAGE - BROADENED COVERAGE FOR NAMED INDIVIDUALS	CA9910	902	Limits and coverages - per policy dec; Name of Individual: Any employee assigned a company auto who is not covered under a personal auto liability policy.
EARLIER NOTICE OF CANCELLATION AND NON-RENEWAL	ALL10617a	0606	
EMPLOYEES AS INSURED	CA9933	0299	
FELLOW EMPLOYEE COVERAGE	CA2055	1001	
HIRED AUTOS SPECIFIED AS COVERED AUTOS YOU OWN	CA9916	1293	All autos hired for a period of 180 days or longer
MOTOR CARRIER ENDORSEMENT	MCS90	0400	Indicate "Primary" and Policy Limit or "Excess" and Retention and Policy Limit.
NAMED INSURED ENDORSEMENT	DA20857	0906	
NOTIFICATION OF PREMIUM ADJUSTMENT	ALL18057		
NUCLEAR ENERGY LIABILITY EXCLUSION	IL0021	0908	

REIMBURSEMENT OF DEDUCTIBLE ENDORSEMENT, ALAE INCLUDED	DA19479d	0907	
TRADE OR ECONOMIC SANCTIONS ENDORSEMENT	ALL21101	1106	
WAIVER OF TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS	DA13115	1202	Any person or organization against whom you have agreed to waive your right of recovery in a written contract, provided such contract was executed prior to the date of loss.

Laws in many states require that an insurance company provide uninsured and/or underinsured motorist coverage (UM/UIM) for automobile Policies in an amount equal to the automobile Policy's Liability limits unless the insured either rejects coverage entirely (where allowed) or selects lower limits. Likewise, many states require that an insurance company provide Personal Injury Protection coverage (PIP) unless the insured rejects coverage entirely (where allowed) or selects the lowest available option. The insured will need to consult with its insurance and/or legal advisers to determine the choice most appropriate for the Insured and its business operations. This proposal assumes the insured will make the selections delineated below.

Uninsured &, if applicable, Underinsured Motorist Coverages

State	Rejection Permitted	Proposed Herein
AL	Yes	Coverage Rejected
AK	Yes	Coverage Rejected
AZ	Yes	Coverage Rejected
AR	Yes	Coverage Rejected
CA	Yes	Coverage Rejected
CO	Yes	Coverage Rejected
CT	No	\$40,000 Combined Single Limit
DE	Yes	Coverage Rejected
DC	No for Uninsured Motorist Yes for Underinsured Motorist	\$55,000 Combined Single Limit for Uninsured Motorist Coverage Rejected for Underinsured Motorist
FL	Yes	Coverage Rejected
GA	Yes	Coverage Rejected
HI	Yes	Coverage Rejected
ID	Yes	Coverage Rejected
IL	No for BI for Uninsured Motorist Yes for PD for Uninsured Motorist Yes for BI for Underinsured Motorist, if minimum UM limits are accepted	\$40,000 Combined Single Limit for Uninsured Motorist PD Coverage rejected for Uninsured Motorist Coverage rejected for Underinsured Motorist
IN	Yes	Coverage Not Offered
IA	Yes	Coverage Rejected
KS	No	\$50,000 Combined Single Limit
KY	Yes	Coverage Rejected
LA	Yes	Coverage Rejected
ME	No	\$100,000 Combined Single Limit
MD	No	\$55,000 Combined Single Limit
MA	No for Uninsured Motorist Yes for Underinsured Motorist	\$20,000 per person \$40,000 per accident Bodily Injury for Uninsured Motorist Coverage Coverage Rejected for Underinsured Motorist
MI	Yes	Coverage Not Offered
MN	No	\$50,000 Combined Single Limit
MS	Yes	Coverage Rejected
MO	No for Uninsured Motorist Yes for Underinsured Motorist	\$50,000 Combined Single Limit for Uninsured Motorist Coverage Coverage Rejected for Underinsured Motorist
MT	Yes	Coverage Rejected
ND	Only for vehicles greater than 20,000 pounds GVW	Coverage rejected for vehicles greater than 20,000 pounds GVW and limits of \$50,000 Combined Single Limit for all other vehicles
NE	No	\$50,000 Combined Single Limit

NV	Yes	Coverage Rejected
NH	No	Policy Limit for Liability
NJ	No	\$35,000 Combined Single Limit
NM	Yes	Coverage Rejected
NY	No	Basic coverage with \$50,000 Combined Single Limit
NC	Only if the policy covers only Commercial Vehicles, per G.S. 20-4.01(3d)	Coverage Rejected if the policy covers only Commercial Vehicles, per G.S. 20-401(3d); otherwise Liability Policy Limit or \$1,000,000 Combined Single Limit for BI for Uninsured Motorist and Underinsured Motorist, whichever is less Coverage not offered for PD
OH	Yes	Coverage Not Offered
OK	Yes	Coverage Rejected
OR	No	\$50,000 Combined Single Limit
PA	Yes	Coverage Rejected
RI	Only for Property Damage	\$50,000 Combined Single Limit for Bodily Injury Coverage Rejected for Property Damage
SC	No	\$75,000 Combined Single Limit for Uninsured Motorist Coverage Rejected for Underinsured Motorist
SD	No	\$50,000 Combined Single Limit
TN	Yes	Coverage Rejected
TX	Yes	Coverage Rejected
UT	Yes	Coverage Rejected
VT	No	\$110,000 Combined Single Limit
VA	No	\$70,000 Combined Single Limit
WA	Yes	Coverage Rejected
WI	No for Uninsured Motorist Yes for Underinsured Motorist	\$50,000 Combined Single Limit for Uninsured Motorist Coverage Rejected for Underinsured Motorist
WV	No for Uninsured Motorist Yes for Underinsured Motorist	\$50,000 Combined Single Limit for Uninsured Motorist Coverage Rejected for Underinsured Motorist
WY	Yes	Coverage Rejected

Personal Injury Protection Coverage

State	Rejection Permitted	Proposed	State	Rejection Permitted	Proposed
AL		Coverage Not Available	MO		Coverage Not Available
AK		Coverage Not Available	MT		Coverage Not Available
AZ		Coverage Not Available	ND	No	Basic Coverage
AR	Yes	Coverage Rejected	NE		Coverage Not Available
CA		Coverage Not Available	NV		Coverage Not Available
CO		Coverage Not Available	NH		Coverage Not Available
CT		Coverage Not Available	NJ	No	Basic PIP Medical Expense Coverage
DE	No	Basic Coverage	NM		Coverage Not Available
DC	Yes	Coverage Rejected	NY	No	Basic Coverage
FL	No	Basic Coverage	NC		Coverage Not Available
GA		Coverage Not Available	OH		Coverage Not Available
HI	No	Basic Coverage	OK		Coverage Not Available
ID		Coverage Not Available	OR	No	Basic Coverage
IL		Coverage Not Available	PA	No	Basic Coverage
IN		Coverage Not Available	RI		Coverage Not Available
IA		Coverage Not Available	SC		Coverage Not Available
KS	No	Basic Coverage	SD	Yes	Coverage Rejected
KY	Yes	Coverage Rejected	TN		Coverage Not Available
LA		Coverage Not Available	TX	Yes	Coverage Rejected

ACE Risk Management ®

ME		Coverage Not Available	UT	No	Basic Coverage
MD	Yes	Coverage Rejected	VT		Coverage Not Available
MA	No	Basic Coverage	VA	Yes	Coverage Rejected
MI	No	Basic Coverage	WA	Yes	Coverage Rejected
MN	No	Basic Coverage with No Stacking	WI		Coverage Not Available
MS		Coverage Not Available	WV		Coverage Not Available
			WY		Coverage Not Available

Section V
PROPOSAL CONDITIONS

Proposal Conditions

- The premiums in the Notice of Election are contingent upon the Claims Administrator and the Claims Administration Expenses shown in the Notice of Election. If the Claims Administrator or the Claims Administration Expenses are changed the premiums including taxes and non-premium surcharges are subject to change.

Section VI
TRIA DISCLOSURES



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ACE AMERICAN INSURANCE COMPANY
Insurance Company

BUILDING MATERIALS HOLDING
CORPORATION
Policyholder

WC H DED 01-TBD
Policy Number

MARSH RISK & INSURANCE
Broker/Producer

**POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM
INSURANCE COVERAGE**

Coverage for acts of terrorism is included in your policy. You are hereby notified that under the Terrorism Risk Insurance Act, as amended in 2007, the definition of act of terrorism has changed. As defined in Section 102(1) of the Act: The term "act of terrorism" means any act that is certified by the Secretary of the Treasury—in concurrence with the Secretary of State, and the Attorney General of the United States—to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion. Under your coverage, any losses resulting from certified acts of terrorism may be partially reimbursed by the United States Government under a formula established by the Terrorism Risk Insurance Act, as amended. However, your policy may contain other exclusions which might affect your coverage, such as an exclusion for nuclear events. Under the formula, the United States Government generally reimburses 85% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. The Terrorism Risk Insurance Act, as amended, contains a \$100 billion cap that limits U.S. Government reimbursement as well as insurers' liability for losses resulting from certified acts of terrorism when the amount of such losses exceeds \$100 billion in any one calendar year. If the aggregate insured losses for all insurers exceed \$100 billion, your coverage may be reduced. The portion of your annual premium that is attributable to coverage for acts of terrorism is \$8,600, and does not include any charges for the portion of losses covered by the United States government under the Act.

I ACKNOWLEDGE THAT I HAVE BEEN NOTIFIED THAT UNDER THE TERRORISM RISK INSURANCE ACT, AS AMENDED, ANY LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM UNDER MY POLICY COVERAGE MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT, MAY BE SUBJECT TO A \$100 BILLION CAP THAT MAY REDUCE MY COVERAGE AND I HAVE BEEN NOTIFIED OF THE PORTION OF MY PREMIUM ATTRIBUTABLE TO SUCH COVERAGE.

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October 27, 2009

Building Materials Holding Corporation
4 Embarcadero Center #3200
San Francisco, California 94111

Attn: Len Baumann

**Re: Extension of Nonrenewal Notice for General Liability Insurance Policies
No. XSL G2 374180 5 and No. OCP G2374181 7, issued by ACE American
Insurance Company**

Dear Mr. Baumann:

ACE American Insurance Company (together with its affiliates, "ACE") has issued that certain General Liability Insurance Policies No. XSL G2 374180 5 and No. OCP G2374181 7 (the "Policies") to Building Materials Holding Corporation (the "Company") which is scheduled to expire and terminate on November 11, 2009 at 12:01 a.m. (the "Policy Period Expiration Date").

On or about September 11, 2009, ACE sent one or more notices (collectively, the "Non-Renewal Notice") to the Company, notifying the Company that the Policies would not be renewed by ACE upon the Policy Period Expiration Date. After receiving the Non-Renewal Notice, the Company requested that ACE, as an accommodation to the Company, extend the Policy Period Expiration Date until February 11, 2010 at 12:01 a.m. (the "Extended Termination Date") to give the Company additional time to complete its reorganization and asset distribution in its bankruptcy proceedings under Chapter 11 of Title 11 of the United States Code (the "Reorganization").

Strictly as an accommodation to the Company and at the Company's request, ACE has agreed to extend the Policy Period Expiration Date until the Extended Termination Date upon and subject to all of the following express, material terms and conditions:

first, the Company hereby acknowledges and agrees that the Policy Period Expiration Date is being extended to the Extended Termination Date, at the Company's request and as an accommodation to the Company to give the Company additional time to complete the Reorganization;

second, the Non-Renewal Notice shall serve as the termination and non-renewal notice for Policies as of the Extended Termination Date, and no further notice from ACE to the

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Company shall be required to allow the Policies to expire and terminate on the Extended Termination Date;

third, as consideration for extension of the Policy Period Expiration Date to the Extended Termination Date, on or before November 10, 2009 at 5:00 PM. Eastern Time, time being of the essence, the Company shall pay additional premiums to ACE for the Policies in the amount of

fourth, the Company shall not request any further extensions of the Policy Period Expiration Date or the Extended Termination Date;

fifth, the Company hereby acknowledges and agrees that the Policies will expire and terminate on the Extended Termination Date, whether or not a renewal of the Policies has been agreed upon;

sixth, the United States Bankruptcy Court for the District of Delaware enters an order in a form acceptable to and approved by ACE (the "Order") which, *inter alia*, (i) requires the Debtors to assume any and all insurance policies and related insurance agreements issued by ACE or its affiliates, (ii) authorizes the Debtors to enter into new insurance policies, related insurance agreements and this Letter Agreement and (iii) provides that the letters of credit, paid loss deposit fund and other collateral and security previously provided by the Debtors to ACE secures any and all of the Debtors' obligations arising under this Letter Agreement and the Policies through the Extended Termination Date;

seventh, the Order shall have become a final, non-appealable order; and

eighth, upon satisfaction of all of the foregoing, ACE will issue endorsements to the Policies extending their coverage period until the Extended Termination Date.

This Letter Agreement is the entire agreement of ACE and the Company with respect to the subject matter hereof, and there are no terms and conditions of this Letter Agreement other than those expressly stated herein. This Letter Agreement may not be modified or amended, and its terms and conditions may not be waived, except by a writing signed by ACE and the Company. The terms and conditions of the Policies and all related agreements, and the Letter of Credit and security provided by the Company in connection therewith will remain in full force and effect, subject to any extension of the Policy Period Expiration Date to the Extended Termination Date upon and subject to the terms and conditions provided herein.

Please acknowledge the Company's agreement with the foregoing terms and conditions by signing and dating this Letter Agreement and returning it to the undersigned by no later than



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October 27, 2009 by 5:00 PM Pacific Time by electronic mail (with the original to follow the next business day by overnight delivery), time being of the essence.

If ACE does not receive such a signed and dated copy of this Letter Agreement by 5:00 PM Pacific Time on October 27, 2009, this Letter Agreement will automatically expire, the Policy Period Expiration Date will not be extended, and this Letter Agreement shall become null and void with no further action on the part of ACE.

Sincerely yours,

ACE American Insurance Company

By _____
Name: _____
Title: _____

Building Materials Holding Corporation, by its duly authorized officer, hereby acknowledges and agrees to the terms and conditions of this Letter Agreement as of the date written below.

BUILDING MATERIALS HOLDING CORPORATION

By: _____
Name: _____
Title: _____

Dated: _____, 2009