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UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

In re: NW VALLEY HOLDINGS LLC, Debtor.	Case No.: BK-S-15-10116-abl Chapter 11 Confirmation Hearing: Date: May 21, 2015 Time: 9:30 a.m.

DISCLOSURE STATEMENT TO ACCOMPANY
DEBTOR'S CHAPTER 11 PLAN OF REORGANIZATION

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I. INTRODUCTION

On January 10, 2015 (the "Petition Date"), NW Valley Holding, LLC, a Nevada limited liability company, f/k/a Kyle Acquisition Group (the "Debtor" or the "Company"), filed its voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Nevada, Las Vegas (the "Bankruptcy Court"), thereby commencing case number BK-S-15-10116-abl (the "Chapter 11 Case"). The Debtor has prepared this Disclosure Statement (the "Disclosure Statement") in connection with the solicitation of votes on Debtor's proposed *Plan of Reorganization* filed on March 31, 2015 (the "Plan") to treat the Claims of Creditors of the Debtor and the Holders of Equity Interests in the Debtor. Unless otherwise indicated, all capitalized terms used herein shall have the same meanings as ascribed to them in the Plan. The various exhibits to this Disclosure Statement included in the Appendix are incorporated into and are a part of this Disclosure Statement. The Plan is attached hereto as **Exhibit "1."** After having reviewed the Disclosure Statement and the Plan, any interested party desiring further information may contact:

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Interested parties may also obtain further information from the Bankruptcy Court at its PACER website: http://www.nvb.uscourts.gov (PACER account required), or from the Clerk of Court, the United States Bankruptcy Court for the District of Nevada, Foley Federal Building and U.S. Courthouse, 300 Las Vegas Boulevard South, Las Vegas, Nevada 89101.

II. INFORMATION REGARDING THE PLAN AND DISCLOSURE STATEMENT

The objective of a chapter 11 case is the confirmation (*i.e.*, approval by the bankruptcy court) of a plan of reorganization or liquidation for a debtor. A plan describes in detail (and in language appropriate for a legal contract) the means for satisfying the claims against, and equity interests in, a debtor. After a plan has been filed, the holders of such claims and equity interests that are impaired (as defined in section 1124 of the Bankruptcy Code) are permitted to vote to accept or reject the plan. Before a debtor or other plan proponent can solicit acceptances of a plan, section 1125 of the Bankruptcy Code requires the debtor or other plan proponent to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable those parties entitled to vote on the plan to make an informed judgment about the plan and whether they should accept or reject the plan. The purpose of this Disclosure Statement is to provide sufficient information about the Debtor and the Plan to enable Creditors to make an informed decision in exercising their rights to accept or reject the Plan. After the appropriate Persons have voted on whether to accept or reject the Plan, if any, there will be a hearing on the Plan to determine whether it should be confirmed. At the Confirmation Hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including but not necessary limited to section 1129 of the Bankruptcy Code. The Bankruptcy

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Court will also receive and consider a ballot summary that will present a tally of the votes of Classes accepting or rejecting the Plan cast by those entitled to vote, if any. Once confirmed, the Plan will be treated essentially as a contract binding on all Creditors, Holders of Equity Interests, and other parties-in-interest in the Chapter 11 Case.

DEBTOR HAS DETERMINED THAT ALL CREDITORS OF DEBTOR WITH ALLOWED CLAIMS ARE UNIMPAIRED UNDER THE PLAN AND ARE NOT ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. AS SUCH, DEBTOR WILL NOT BE SOLICITING THE VOTES OF ANY CREDITORS. ALL REFERNECES AND INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT REGARDING IMPAIRMENT OF CREDITROS, VOTING RIGHTS, AND CONFIRMATION REQUIREMENTS DEPEDENT ON ACCEPTANCE BY CLASSES OF CREDITORS, ARE FOR INFORMATIONAL PURPOSES ONLY.

THIS DISCLOSURE STATEMENT IS NOT THE PLAN. FOR THE CONVENIENCE OF CREDITORS AND HOLDERS OF EQUITY INTERESTS, THE PLAN IS SUMMARIZED IN THIS DISCLOSURE STATEMENT. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN, THE PLAN WILL CONTROL.

Unless otherwise specifically noted, the financial information in this Disclosure Statement has not been subject to audit. Instead, this Disclosure Statement was prepared from information compiled from records maintained in the ordinary course of the Debtor's business. The Debtor has attempted to be accurate in the preparation of this Disclosure Statement. Other than as stated in this Disclosure Statement, the Debtor has not authorized any representations or assurances concerning the Debtor and its operations or the value of its assets.

Therefore, you should scrutinize any information received from any third-party and you assume any risk resulting from reliance upon such unauthorized information. In deciding whether to accept or reject the Plan, you should therefore not rely on any information relating to the Debtor or the Plan other than that contained in this Disclosure Statement or in the Plan itself.

III. GENERAL OVERVIEW OF THE PLAN

A. General Overview.

The following is a general overview of the provisions of the Plan, and is qualified in its entirety by reference to the provisions of the Plan itself. The Plan's treatment of each Class of Claims is summarized in the following table:

Class	Description	Treatment
Class 1	Secured Claims	Unimpaired. No solicitation required. Deemed to accept.
Class 2	Priority Non-Tax Claims	Unimpaired. No solicitation required. Deemed to accept.
Class 3	General Unsecured Claims	Unimpaired. No solicitation required. Deemed to accept.

Class 4	Equity Interests	Impaired. No solicitation required. Deemed to reject.

B. Treatment of Administrative Claims.

Pursuant to section 1123(a)(1) of the Bankruptcy Code, Allowed Administrative Claims are not designated as a Class. The Holders of such unclassified Claims shall be paid in full under the Plan consistent with the requirements of section 1129(a)(9)(A) of the Bankruptcy Code and are not entitled to vote on the Plan. The amount of Administrative Claims that will be incurred, but unpaid as of the Confirmation Hearing is estimated to be $198,000.00, and is comprised of the following: (i) estimated fees and costs of approximately $114,000.00 incurred by Debtor's manager, Asgaard Capital, LLC ("Asgaard"), less its retainer on hand of $888.00; (ii) estimated fees and costs of approximately $50,000.00 incurred by Debtor's general bankruptcy counsel, the law firm of Larson & Zirzow, LLC, less its retainer on hand of $50,000.00; (iii) estimated fees and costs of approximately $15,000.00 for David R. Black, CPA, the Debtor's accountant; (iv) approximately $11,400.00 for other expenses including principally U.S. Trustee's fees; (v) approximately $5,000.00 for the Debtor's tax professional to prepare the TY 2014 federal tax return and associated documents; and (vi) a fee of $2,500.00 incurred by Asset Insight of Nevada, the Debtor's real property appraiser for a valuation of the Debtor's Remaining Real Property, which amount has already been approved and paid. The foregoing amounts are estimates only and except as stated, no fee applications have been filed or orders have been entered by the Bankruptcy Court allowing these fees or costs, or the payment thereof by Debtor. The foregoing amounts are calculated on the assumption that there will not be significant opposition to the Plan, and thus such estimates could increase significantly if there are substantial disputes regarding confirmation, objections regarding unanticipated or unknown claims, and other matters. Finally, the foregoing do not include post-Effective Date wind down expenses, which are projected to be approximately another $25,000.00.

Each Allowed Administrative Claim shall be paid by Reorganized Debtor (or otherwise satisfied in accordance with its terms) upon the latest of: (i) the Effective Date or as soon thereafter as is practicable; (ii) such date as may be fixed by the Bankruptcy Court, or as soon thereafter as practicable; (iii) the fourteenth (14th) Business Day after such Claim is Allowed, or as soon thereafter as practicable; and (iv) such date as the Holder of such Claim and Reorganized Debtor shall agree.

C. Class 1: Secured Claims.

Class 1 consists of any Allowed Secured Claims. Each Holder of a Secured Claim shall be considered to be in its own separate subclass within Class 1 and each such subclass shall be deemed to be a separate Class for purposes of the Plan. Except to the extent that the Holder of an Allowed Secured Claim in Class 1 agrees to less favorable treatment, each Holder of an Allowed Secured Claim in Class 1 shall be satisfied by, at the option of the Debtor: (i) payment in Cash by the Reorganized Debtor in full on the later of the Effective Date and the date such Secured Claim becomes Allowed, or as soon thereafter as is practicable; (ii) the sale or disposition proceeds of the Collateral securing such Allowed Secured Claim to the extent of the value of the Collateral securing such Allowed Secured Claim; (iii) surrender to the Holder of such Allowed Secured Claim of the Collateral securing such Allowed Secured Claim; or (iv) such treatment that leaves

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unaltered the legal, equitable, and contractual rights to which the Holder of the Allowed Secured Claim is entitled. In the event an Allowed Secured Claim in Class 1 is treated under clause (i) or (ii) above, the Liens securing such Claim shall be deemed released and extinguished without further order of the Bankruptcy Court.

Creditors with Allowed Secured Claims in Class 1 are Unimpaired under the Plan. Holders of Allowed Class 1 Claims are not entitled to vote to accept or reject the Plan, and are conclusively presumed to have accepted the Plan.

D. Class 2: Priority Non-Tax Claims.

Class 2 consists of all Priority Non-Tax Claims. Except to the extent that a Creditor with an Allowed Priority Non-Tax Claim agreed to less favorable treatment, each Allowed Priority Non-Tax Claim shall be paid in full by the Reorganized Debtor upon the latest of: (i) the first Business Day after the Effective Date; (ii) such date as may be fixed by the Bankruptcy Court; (iii) the fourteenth (14th) Business Day after such Allowed Priority Non-Tax Claim is Allowed, or as soon thereafter as practicable; and (iv) such date as the Holder of such Allowed Priority Non-Tax Claim and, prior to the Effective Date, Debtor, and after the Effective Date, the Reorganized Debtor, shall agree.

Each Holder of a Priority Non-Tax Claim shall also receive on account of such Holder's Allowed Priority Non-Tax Claim payment of post-petition interest calculated at the Federal Judgment Rate unless there is an applicable contractual interest rate, in which case interest shall be paid at the contractual interest rate so long as (i) a contractual interest rate was set forth in a timely filed proof of claim or (ii) the Holder of such Claim provides written notice of such contractual interest rate to the Debtor's counsel on or before the Effective Date, and subject to the Debtor's and any other Person's right to verify or object to the existence of the asserted contractual rate of interest.

Creditors with Allowed Priority Non-Tax Claims in Class 2 are Unimpaired under the Plan. Holders of Allowed Priority Non-Tax Claims are not entitled to vote to accept or reject the Plan, and are conclusively presumed to have accepted the Plan.

E. Class 3: General Unsecured Claims.

Class 3 consists of all Allowed General Unsecured Claims against the Debtor. Except to the extent that a Creditor with an Allowed General Unsecured Claim agrees to less favorable treatment, Holders of Class 3 Allowed General Unsecured Claims will receive the following: (1) a Pro Rata payment of Available Cash based upon their Allowed General Unsecured Claims upon the third business day following the Effective Date, or as soon thereafter as is practicable; and (2) the option of either: (a) a Pro Rata distribution of 100% of the membership interest in Reorganized Debtor (the "Equity Option"), or (b) for any creditor other than KEH, an additional cash payment in an amount equivalent to the fair value of the Pro Rata share of such new equity membership interests on the Effective Date (the "Cash-Out Option"). The applicable Holders of Allowed General Unsecured Claims, other than KEH, shall provide the Debtor with written notice of their election to take either the Equity Option or the Cash-Out Option prior to the Confirmation Hearing. As noted in Sections VI(A)(1) and VIII(A)(1) and (2) (and Articles 4.1 and 10.6 of the Plan), the Equity Option, by virtue of it being a distribution of all of the equity in

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the Reorganized Debtor, will include the right to commence and collect upon any and all Litigation Claims and the right to the Remaining Real Property, which are all being preserved and revested in the Reorganized Debtor. The foregoing treatment shall be in full satisfaction, settlement, release and exchange for such Allowed General Unsecured Claims. Except as has been agreed to prior to the filing of the Plan and the Disclosure Statement, this Plan leaves unaltered the legal, equitable, and contractual rights of the Holders of General Unsecured Claims.

Creditors with Allowed General Unsecured Claims in Class 3 are Unimpaired under the Plan. Holders of Allowed Class 3 General Unsecured Claims are not entitled to vote to accept or reject the Plan, and are conclusively presumed to have accepted the Plan.

F. Class 4: Equity Interests.

Class 4 consists of Holders of Equity Interests in Debtor. Holders of Class 4 Equity Interests shall not receive or retain anything under the Plan on account of such interests, and their membership interests in and to the Debtor shall be fully cancelled and extinguished immediately upon the Effective Date. Holders of Class 4 Equity Interests are Impaired under the Plan. Holders of Class 4 Equity Interests are not entitled to vote to accept or reject the Plan, and instead are deemed to reject the Plan, if applicable, pursuant to section 1126(g) of the Bankruptcy Code.

IV. SUMMARY OF VOTING PROCESS

A. Who May Vote to Accept or Reject the Plan.

Generally, holders of allowed claims or equity interests that are "Impaired" under a plan are permitted to vote on the plan. A "Claim" is defined by the Bankruptcy Code and the Plan to include a right to payment from a debtor. An "Equity Interest" represents an ownership stake in a debtor, such as a share in a corporation or a membership interest in a limited liability company. In order to vote, a creditor must first have an allowed claim.

Since none of the Allowed Claims addressed in the Plan are Impaired, the Debtor not be soliciting votes on the Plan. As explained more fully below, to be entitled to vote, a Claim must be both "Allowed" and "Impaired."

B. Summary of Voting Requirements.

A class of claims is deemed to have accepted a plan when allowed votes representing at least two-thirds (2/3) in amount and a majority in number of the claims of the class actually voting cast votes in favor of a plan. A class of equity interests has accepted a plan when votes representing at least two-thirds (2/3) in amount of the outstanding equity interests of the class actually voting cast votes in favor of a plan.

Pursuant to section 1129(a)(10) of the Bankruptcy Code, if a class of claims is impaired under a proposed plan, at least one class of claims that is impaired under such plan must accept the plan, and such accepting class must not be insiders of the debtor. If no class of claims is impaired under the plan, however, then section 1129(a)(10) does not apply. Further, the requirement in section 1129(a)(10) only applies only to classes of claims, not equity interests.

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Because there are no impaired Classes of Claims in the Plan, section 1129(a)(10) of the Bankruptcy Code is an inapplicable condition to confirmation of the Plan.

IN THE CASE AT HAND, DEBTOR IS NOT SOLICITING ANY VOTES FROM HOLDERS OF ALLOWED CLAIMS BECAUSE NO CLASSES OF CLAIMS ARE IMPAIRED.

V. INFORMATION ABOUT DEBTOR'S BUSINESS AND CHAPTER 11 CASE

A. The Company's Original Ownership Structure and Business.

According to its original Operating Agreement (the "Original Operating Agreement"), which, by its terms, was effective as of January 10, 2005, the Company was organized on or about February 12, 2004 to provide a vehicle and a process for its managers and members, who were all homebuilders and other property developers, to group together and make a joint bid to acquire certain real property consisting of approximately 1,710.86 gross acres (the "Property") located in the City of Las Vegas, Nevada at a Bureau of Land Management ("BLM") auction held on February 2, 2005, Auction No. N78216 (the "Auction"), and on which they intended to develop a master-planned community.

Auctions such as the Auction were established by the Southern Nevada Public Lands Management Act (the "Act"), which allowed the BLM to sell public land within a specific boundary around Las Vegas, Nevada. The revenue derived from land sales per the Act was split between the State of Nevada General Education Fund, the Southern Nevada Water Authority, and a special account available to the Secretary of the Interior for parks, trails, and natural areas, and other capital improvements and conservation initiatives.

Further, and again as set forth in the Company's Original Operating Agreement, after the Auction and the Company's successful acquisition of the Property, the Company was to formulate a conceptual plan for the development of the Property, obtain necessary approvals and authorizations for the subdivision of the Property into individual "pods," to design and install certain infrastructure improvements, and allocate and convey the Property to its members in proportion to their respective membership interests. The Company also provided a mechanism for its members to share the pre-Auction investigation and due diligence costs, and the costs and expenses associated with the conceptual planning and mapping of the Property, the obtaining of entitlements for the Property, the obtaining and recording of a development agreement for the Property, the preparation and recordation of appropriate design and architectural guidelines, and covenants, conditions and restrictions governing the community and the development thereof.

The Company's General Manager was initially Holdings Manager, LLC ("Holdings Manager"), which in turn was controlled indirectly by John A. Ritter ("Mr. Ritter"). Mr. Ritter is the Founder, Chairman, and Chief Executive Officer of the Focus Property Group.

The Company's managers initially included Focus Kyle Group, LLC ("Focus Kyle") and Mr. Ritter, and the following homebuilders: MTH Homes Nevada, Inc./Meritage Homes Corporation, Alameda Investments, LLC ("Alameda")/Woodside Group ("Woodside"), Coleman-Toll Limited Partnership/Toll Brothers, Inc., KB Home Nevada Inc./KB Home, Kimball Hill Homes Nevada, Inc. ("KHHN")/Kimball Hill, Inc. ("KHI" and together with

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KHHN, "Kimball Hill"), Lennar Communities Nevada, LLC, n/k/a Lennar Pacific, Inc./Lennar Corporation, PN II, Inc./Pulte Homes, Inc., and Ryland Homes Nevada, LLC/The Ryland Group, Inc. (collectively, the "Managers"). The Managers were also members holding various percentage interests in the Company and were allotted acreage in the Property consistent with their percentage interests in the Company.

The Company's Original Operating Agreement, Articles of Organization (the "Articles") and underlying Nevada law all provide for a broad indemnification of managers, members and agents of the Company. The foregoing various indemnity provisions are discussed more fully hereinafter.

B. The Loan to Acquire the Property and the Owners' Guaranties.

In order to finance its acquisition and development of the Property, the Company obtained a credit facility (the "Loan") pursuant to that certain Credit Agreement (the "Credit Agreement") dated July 20, 2005 with a syndicate of lenders led by Wachovia Bank, N.A., as original administrative agent (as amended from time to time, the "Lender"). The Credit Agreement provided funding in the form of various facilities that, with an amendment dated November 8, 2006, totaled commitments of up to the principal sum of $565,000,000. The Company was the principal obligor of the Loan per the Credit Agreement.

The Lenders secured all indebtedness under the Credit Agreement with a recorded deed of trust (the "Deed of Trust") on the Property, as well as all improvements existing or to be made or constructed thereon. As of the time of the recordation of the Deed of Trust, the Property consisted of approximately nineteen (19) parcels located in Clark County, Nevada located near and around the U.S. Highway 95 and the Kyle Canyon turnoff toward Mount Charleston, Nevada.

The homebuilder/Managers and their parent corporations also executed various completion, payment and "bad boy" guaranties (collectively, the "Guaranties") of the Loan in favor of the Lender, thereby agreeing to guaranty the indebtedness and completion of the Project should the Company be unable to satisfy its obligations thereunder. The Managers and their parent guarantors also entered into a Cross-Indemnity Agreement (the "Cross-Indemnity Agreement") among the Company's members and their parent guarantors dated as of July 20, 2005.

C. The Default on the Credit Agreement and Resulting Foreclosure.

A few years after the Company acquired the Property at the Auction, the "Great Recession" and financial crisis of 2007-08 hit. On April 22, 2008, the Lender caused to be recorded a Notice of Breach and Election to Sell on the Property, and on July 25, 2008, caused to be recorded a Notice of Trustee's Sale, thereby scheduling a trustee's sale of the Property for August 22, 2008.

On September 23, 2008, a Trustee's Deed Upon Sale (the "Trustee's Deed") was recorded, thereby evidencing the transfer of the Property as of September 23, 2008 for a credit bid of $5,000,000 to an entity called KAG Property, LLC ("KAG Property"), as successor to Lender's remaining rights in and to the Loan. Consistent with the original Deed of Trust, the

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Trustee's Deed specifically excluded any portion of the Property "lying within the U.S. Highway 95/Rancho Drive as it presently exists." The foregoing remaining property can be described as Parcel Nos. 20C, 20D, 20F, 20G, 20H and 20I, lying within Section 12, Township 19 South, Range 59 East and Sections 6 and 7, Township 19 South, Range 60 East, M.D.M. City of Las Vegas, Clark County, Nevada, together with any improvements thereto, and consisting of approximately 56.46 acres (the "Remaining Real Property"). The Remaining Real Property is illustrated on the map attached hereto as **Exhibit "2,"** and consists of six (6) very small parcels of property directly under or immediately adjacent to the U.S. Highway 95, including a parcel containing the present turnoff from the highway onto Kyle Canyon Road heading West to Mount Charleston, Nevada, as well as five (5) other small parcels under the Highway due South of that same turnoff.

D. The Lender's Litigation Post-Foreclosure to Collect on the Deficiency.

On October 10, 2008, the Lender filed an action in the U.S. District Court for the Southern District of New York, Case No. 1:08-cv-08681 (the "New York Litigation"), against various of the manager/members of the Company seeking to collect on their Guaranties due to a deficiency from the foreclosure sale of the Property. As hereinafter described in greater detail, both Kimball Hill and Woodside/Alameda, as member-guarantors, were not included as defendants in the New York Litigation due to their filing of their own respective chapter 11 proceedings, which bankruptcy proceedings are detailed hereinafter separately as they relate to the Company.

On December 15, 2008, the Lender also filed an action against the Company, as principal obligor under the Credit Agreement, in the Eighth Judicial District Court, Clark County, Nevada, Case No. A577758 (the "Nevada Litigation"), which also sought the recovery of a deficiency judgment against the Company for the remaining indebtedness under the Loan after the foreclosure sale.

On February 28, 2011, the Lender, as administrative agent, and acting through Wells Fargo Bank, N.A., as successor by merger to Wachovia ("Wells Fargo"), entered into a Confidential Release, Covenant Not to Sue, Indemnity and Settlement Agreement (the "Confidential Settlement Agreement") with various of the homebuilder Managers/members in the New York Litigation (collectively, the "Original Homebuilders"), except for Focus Kyle, Mr. Ritter, Woodside/Alameda and Kimball Hill, whereby they settled their disputes with the Lender under the Guaranties for certain confidential settlement payments to the Lender. The Company was not a party to the Confidential Settlement Agreement. As a result of these payments to the Lender, the Original Homebuilders were entitled to indemnity and/or contributions claims against the Company and the non-settling members pursuant to the Company's Articles, Original Operating Agreement, other agreements, and/or applicable law against the Company and the other non-settling members.

On April 1, 2011, the Court in the Nevada Litigation approved a *Stipulation and Order of Dismissal With Prejudice* (the "Nevada Litigation Dismissal"), which provided that the Lender released the Company from and against any and all liability or potential liability which it now has, has had or may have in the future arising under the Loan and Credit Agreement, and any other claims as set forth or that could have been set forth in that litigation.

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E. The Bankruptcy Proceedings of Woodside/Alameda.

Woodside/Alameda, as members of the Company and/or parties to the Guaranties, were not included as defendants in the New York Litigation because of their own respective bankruptcy filings. Woodside, along with certain of its affiliates, filed their own respective chapter 11 bankruptcy cases on August 20, 2008, and Alameda filed its own chapter 11 bankruptcy case on January 9, 2009, which cases were all eventually jointly administered under Case No. 6:08-bk-20682 in the U.S. Bankruptcy Court for the Central District of California. On November 25, 2009, the foregoing bankruptcy court entered an order confirming a plan of reorganization for Woodside/Alameda, pursuant to which the Alameda Liquidating Trust was established as successor thereto.

On or about March 2013, the Company and all of the members/Managers thereof (except for the KHI Post-Consummation Trust and the KHI Liquidation Trust (collectively, the "Kimball Hill Trusts" as successors to Kimball Hill, among others), entered into a confidential Settlement Agreement and Mutual Release with the Alameda Liquidating Trust. The foregoing settlement provided for the Company to make a confidential settlement payment to the Alameda Liquidating Trust in exchange for mutual releases of various disputed claims. Additionally, pursuant to the same settlement, the Alameda Liquidating Trust assigned all of its interest in and rights to the Company, and associated claims, to the other members of the Company (other than the Kimball Hill Trusts), thereby terminating Alameda's involvement in the Company.

F. KEH's Purchase of Interests and Claims to the Company.

On or about May 24, 2013, Wells Fargo sold all of its rights and interests in the Loan and KAG Property, among other matters, to affiliates of Kyle Partners, LLC ("Kyle Partners") and resigned as administrative agent. Kyle Partners and other lenders thereafter appointed Kyle Agent, LLC ("Kyle Agent") as successor administrative agent. Kyle Agent owns KEH and holds an indirect ownership in KAG Property for the benefit of the lenders. Kyle Partners owns approximately 89% of the beneficial interest of any remaining amounts owing, if any, under the Credit Agreement and related loan documents.

On May 16, 2014, Kyle Agent, as successor administrative agent to the Lender, entered into a Confidential Release, Covenant Not to Sue, Indemnity and Settlement Agreement with Focus Kyle and Mr. Ritter (such agreement was later amended on November 10, 2014) (the "Ritter Settlement Agreement"), whereby they settled their disputes with the Lender under the Guaranties by making certain confidential settlement payments and tendering their interests in and rights to the Company to KEH. As a result of the foregoing, Holdings Manager resigned as General Manager of the Company and Focus Kyle and Mr. Ritter's involvement in the Company terminated.

On or about November 10 and 11, 2014, KEH entered into various Purchase and Sale Agreements with the Original Homebuilders (the "KEH Purchase Agreements"), thereby purchasing all of their interests in, rights to and claims against the Company, including but not limited to their claims of indemnity and contribution against the Company, among others (the "Original Homebuilder Claims").

As a result of all of the Ritter Settlement Agreement and the KEH Purchase Agreements,

foregoing transactions, KEH acquired an aggregate 90.41% of the membership interests in the Company as sole voting member, as well as all of the associated rights to and claims of such members against the Company and any other non-settling parties. The Kimball Hill Trusts hold the remaining 9.59% interest in the Company as a defaulted and non-voting member. The foregoing ownership in the Company continued through the Company's Petition Date on January 10, 2015.

G. The Water Deposit Interpleader Litigation and Disposition of Those Funds.

On April 20, 2009, the Las Vegas Valley Water District (the "LVVWD") filed a *Complaint in Interpleader* in the Eight Judicial District Court, Clark County, Nevada, Case No. A588184 (the "LVVWD Litigation"), against the Company, KAG Property, and others concerning the rightful ownership of a deposit in the amount of $2,024,200 that was placed with the LVVWD. Specifically, the foregoing Complaint alleged that on May 1, 2007, the Company entered into a 2860 Zone North Water Facility Improvements Design and Construction Agreement No. OVA-112251 with the LVVWD, which included the funding of the foregoing deposit. The Complaint further alleges that certain parties claiming an interest to the foregoing deposit had opted to rescind the foregoing agreement, thereby triggering a right to the deposit being refunded. Because of uncertainty as to whom the deposit rightfully belonged to, the LVVWD commenced the interpleader action to deposit such funds with the Court and have the alleged parties in interest participate and for the state court to decide the proper party entitled to the funds from the deposit.

On July 11, 2011, the District Court entered a Judgment granting the Company all right, title and interest to the funds on deposit. Lender and KAG Property thereafter appealed the District Court's decision to the Nevada Supreme Court, being Appeal No. 58851. On or about August 11, 2011, pursuant to a sealed order entered by the District Court, funds comprising the water deposit were placed into a blocked account pending a decision and disposition of the appeal.

On December 18, 2013, the Nevada Supreme Court entered an order affirming the District Court's decision in the LVVWD Litigation. Specifically, the Nevada Supreme Court held that pursuant to the Confidential Settlement Agreement and the Nevada Litigation Dismissal, Lender and KAG Property had released the Company and abandoned any rights it had to the refund of the deposit from the LVVWD.

On December 16, 2014, KEH sent a letter to the Company stating that it had acquired all of the membership interests in and to the Company (other than the small percentage still held by the Kimball Hill Trusts), as well as the Original Homebuilders Claims (which include, among other things, claims of indemnity and contribution against the Company arising from the payments by the Original Homebuilders on account of the Guaranties). In its capacity as a creditor of the Company (as the holder of the Original Homebuilder Claims), KEH demanded indemnity and contribution from the Company in the amount of not less than $30,000,000.00. Further, in partial satisfaction of the Original Homebuilder Claims, KEH demanded that the Company assign to it all of the Company's interest in and to the water deposit with the LVVWD in partial satisfaction of the foregoing claims.

On December 24, 2014, after the appeal was remanded back to the District Court, that

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Court approved a *Stipulation and Order for Release of Funds from Blocked Account* between the Company on the one hand, and Kyle Agent and KAG Property on the other hand, which provided for the release of the funds being held in the blocked account to the Company or its assignee. Further, the foregoing stipulation and order provided that the Company had agreed to assign all right, title and interest in and to the blocked account to KEH. On or about December 31, 2014, and pursuant to and consistent with the foregoing, the sum of approximately $2,026,915.90 was transferred to KEH from the blocked account, and an additional payment on or about January 5, 2015 in the amount of $38.30 was also transferred to KEH from the blocked account, thereby leaving it with a zero balance as of the Petition Date.

H. The Company's Current Management.

On November 25, 2014, the Company, acting through KEH as its majority and sole voting member, enacted an Amended and Restated Operating Agreement (the "A&R Operating Agreement"), thereby amending and restating the Original Operating Agreement. Among other matters, the A&R Operating Agreement provided that the Company's day-to-day business and affairs shall be managed by Asgaard, who was designated as the manager of the Company, and that there would no longer be a "General Manager" of the Company as provided in the Original Operating Agreement. The Company opted to appoint Asgaard to bring in an independent manager to assess the need for the Company's continued operation and to conduct an orderly wind-down of its operations if necessary.

Additionally, the A&R Operating Agreement provided that with respect to any dissolution or windup of the Company, the manager would be responsible for overseeing the windup and dissolution of the Company, and that the property of the Company or the proceeds from the sale thereof would be distributed first to creditors (including the manger and members who are creditors) in satisfaction of all of the Company's debts, with the balance, if any, thereafter paid to the members of the Company in accordance with their percentage interests, after giving effect to all contributions, distributions and allocations for all periods.

On December 19, 2014, the Company, acting through KEH as majority and sole voting member, filed an amendment to its Articles, thereby changing the Company's name to NW Valley Holdings, LLC.

The Company has no ongoing operations or employees, and only holds various legacy assets in the form of cash and the Remaining Real Property. For the last three years, the Debtor has had income from its business of $-1,561.00 in 2012, $-1,075.00 in 2013, and $-1,051.47 in 2014, and small amounts of interest income for each of the same years of approximately $1,000.00 per year. Given the foregoing, including the lengthy and involved history of the Company, and in an effort to bring finality to the situation, the Company resolved to conduct an orderly liquidation of the remaining legacy assets under the control of a neutral, independent manager and under the supervision of the Bankruptcy Court. The Company believes that the bankruptcy process will allow it to provide a forum for the adjudication of any claims and interest in and to the remaining legacy assets, in particular the Remaining Real Property, and provide an organized process for the distribution of such remaining assets to the appropriate creditors and parties in interest.

I. The Indemnification Provisions in the Company's Articles, Operating Agreement, and Pursuant to Nevada Law.

Section 13 of the Company's Original Operating Agreement provides the following indemnity provision: "The Company shall indemnify and advance expenses to the General manager, any Manager, any Member, and Person formerly in any such position, and any other Person, including, without limitation, any officer, director, member, manager, employee, agent or Affiliate of such current or former General Manager, Manager, Member or other Person (collectively, "indemnified parties"), to the extent such indemnified party or parties at any time acted on behalf of the Company, to the fullest extent permitted under the Articles or the NRS on and subject to the following limitations. Said indemnity shall not be applicable to any act or omission by the indemnified parties covered by the Cross Indemnity Agreement or which constitutes intentional misconduct, fraud, gross negligence or a knowing violation of the law, or material breach of this Agreement or any other agreement with the Company by such indemnified part or Affiliate, and was material to the matter which is the subject of the claim for indemnification. Without limitation of the foregoing, the Management Committee shall cause the Company to purchase insurance covering such indemnified persons reasonably acceptable to the General Manager."

Article 9 of the Company's original Articles provides for the following indemnification and payment of expenses: "In addition to any other rights of indemnification permitted by the laws of the State of Nevada as may be provided for by the company in its operating agreement or by any other agreement, the expenses of members, managers and officers incurred in defending a civil or criminal action, suit or proceeding, involving alleged acts or omissions of such member, manager, or officer in his or her capacity as a member, manager or officer of the company must be paid by the company, or through insurance purchased and maintained by the company or though other financial arrangements made by the company permitted by the laws of the State of Nevada, as they are incurred and in advance of the final disposition of the action, suit or proceeding upon receipt of an unsecured undertaking by any of the member, manager or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he or she is not entitled to be indemnified by the company. [paragraph]. Any repeal of modification of this Article 9 approved by the members of the company shall be prospective only. In the event of any conflict between Articles 9 and any other article of the company's articles of organization or operating agreement, the terms and provisions of this Article 9 shall control."

NRS §§ 86.411 through 86.451 govern the indemnification of managers and members of a limited liability company formed under the laws of the State of Nevada. With respect to proceedings other than by the company against a manager, member employee or agent of the company, NRS 86.411 provides as follows regarding the ability of a limited liability company to indemnify person: "A limited-liability company may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the company, by reason of the fact that the person is or was a manager, member, employee or agent of the company, or is or was serving at the request of the company as a manager, member, employee or agent of another limited-liability company, corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorney's fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by the person

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in connection with the action, suit or proceeding if the person acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the limited-liability company, and that, with respect to any criminal action or proceeding, he or she had reasonable cause to believe that the conduct was unlawful."

With respect to a proceeding by the limited liability company itself against one of its own managers, members, employees or agents, NRS § 86.421 provides as follows regarding the ability of a limited liability company to indemnify person: "A limited-liability company may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the company to procure a judgment in its favor by reason of the fact that the person is or was a manager, member, employee or agent of the company, or is or was serving at the request of the company as a manager, member, employee or agent of another limited-liability company, corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by the person in connection with the defense or settlement of the action or suit if the person acted in good faith and in a manner in which he or she reasonably believed to be in or not opposed to the best interests of the company. Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the company or for amounts paid in settlement to the company, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper."

With respect to the actual scope and authorization of a limited liability company's indemnification of its manager, member, employee or agent, NRS § 86.431 provides as follows: 1. To the extent that a manager, member, employee or agent of a limited-liability company has been successful on the merits or otherwise in defense of any action, suit or proceeding described in NRS 86.411 and 86.421, or in defense of any claim, issue or matter therein, the company shall indemnify him or her against expenses, including attorney's fees, actually and reasonably incurred by him or her in connection with the defense. 2. Any indemnification under NRS 86.411 and 86.421, unless ordered by a court or advanced pursuant to NRS 86.441, may be made by the limited-liability company only as authorized in the specific case upon a determination that indemnification of the manager, member, employee or agent is proper in the circumstances. The determination must be made: (a) By the members or managers as provided in the articles of organization or the operating agreement; (b) If there is no provision in the articles of organization or the operating agreement, by a majority in interest of the members who are not parties to the action, suit or proceeding; (c) If a majority in interest of the members who are not parties to the action, suit or proceeding so order, by independent legal counsel in a written opinion; or (d) If members who are not parties to the action, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion."

With respect to the indemnification of a manager or member of a limited liability company and the advancement of expenses by the company, NRS § 86.441 provides as follows: "The articles of organization, the operating agreement or a separate agreement made by a limited-liability company may provide that the expenses of members and managers incurred in defending a civil or criminal action, suit or proceeding must be paid by the company as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the manager or member to repay the amount if it is ultimately determined by a court of competent jurisdiction that the member or manager is not entitled to be indemnified by the company. The provisions of this section do not affect any rights to advancement of expenses to which personnel of the company other than managers or members may be entitled under any contract or otherwise by law."

Section 11 of the Company's A&R Operating Agreement, as in effect from and after November 25, 2014, provides a similar indemnification provision as the Original Operating Agreement, albeit modified and shortened to only the following: "The Company shall indemnify and advance expenses to the Manager and any Member and all affiliates, employees, and representatives of such persons (collectively, "indemnified parties") to the extent such indemnified party or parties at any time acted on behalf of the Company, to the fullest extent permitted under the Act, subject to the following limitations. Said indemnity shall not be applicable to any act or omission by the indemnified parties which constitutes intentional misconduct, fraud, gross negligence or a knowing violation of the law, or material breach of this Agreement or any other agreement with the Company by such indemnified part or its affiliate, and was material to the matter which is the subject of the claim for indemnification."

J. Commencement of the Chapter 11 Case and Significant Events Therein.

1. No "First Day" or Initial Proceedings.

The Debtor did not file any "first day" or initial pleadings in its Chapter 11 Case because it had no need to as it is principally a holding company with no employees or operations, and owns only limited legacy assets requiring distribution after the reconciliation of any and all remaining claims and entitlements thereto. Further, no creditor has a perfected security interest in or to any of the Debtor's Cash, and thus there are no cash collateral issues.

2. Continuation of the Employment of Debtor's Manager.

On February 27, 2015, the Court entered an order approving the Debtor's application seeking to continue the employment of Asgaard as its manager, *nunc pro tunc* to the Petition Date. Asgaard is a boutique, middle-market financial advisory firm based in Tysons Corner, Virginia. Charles C. Reardon ("Mr. Reardon") is the founder and Senior Managing Director of Asgaard, and he is an investment banker and business executive specializing in distressed M&A and turnaround transactions. Mr. Reardon has more than 25 years of expertise in directing operational and financial restructurings, healthy and distressed M&A, debt and equity capital financing and real estate development. His extensive experience includes conceptualizing and executing complex commercial, legal and financial transactions with multiple stakeholders and changes in control and capital structures. He has advised public and private companies across a broad spectrum of industries including defense, financial services, hospitality, manufacturing, mining, technology, telecommunications, real estate and retail.

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Asgaard recently served as financial advisor to the Official Committee of Unsecured Creditors of Velti, Inc., *In re Velti, Inc., et al.*, Case No. 13-12878 (PJW), Bankr. D. Del. Following the successful sale of those debtors' assets and confirmation of a consensual plan of reorganization, Mr. Reardon was appointed as "Responsible Person" for the remaining Velti estates, as well as Litigation Trustee to pursue various claims against former insiders and third parties, on behalf of all unsecured creditors.

Mr. Reardon holds Series 7, Series 79 and Series 63 licenses with FINRA. He is a member of both the Turnaround Management Association and the American Bankruptcy Institute, and has served on the boards of a number of public and privately held companies. As set forth below, he is also currently serving as a board member for WCI Communities, Inc., a publicly-traded (Ticker: WCIC) Florida-focused home builder. Mr. Reardon holds a B.A. with highest distinction from the University of Virginia and a J.D. from Yale Law School.

3. Employment of Various Estate Professionals.

On February 26, 2015, the Court approved the Debtor's application seeking to employ Larson & Zirzow, LLC as its general bankruptcy counsel *nunc pro tunc* to the Petition Date.

On March 17, 2015, the Court approved the Debtor's application seeking to employ Asset Insight of Nevada as real property appraiser to provide an appraisal of the Remaining Real Property. The Court also authorized the immediate payment of this appraiser given the limited cost involved.

On March 23, 2015, the Debtor filed an application seeking to employ David R. Black, CPA as its accountant *nunc pro tunc* to the Petition Date, which has been set for hearing on April 14, 2015.

Debtor may seek the retention of other professionals in the Chapter 11 Case, including but not necessarily limited to the employment of a tax accountant for its TY 2014 federal tax return. Debtor reserves the right to retain such other and further professionals as maybe necessary and appropriate based upon the specific facts and circumstances presented or as may arise in its Chapter 11 Case.

4. The Debtor's Principal Assets.

After assuming management of the Debtor, and continuing during the pendency of the Debtor's Chapter 11 Case, Asgaard, with the assistance of the other estate professionals, has engaged in a review of the Debtor's financial affairs. Such diligence efforts include, but are not limited to, telephone conferences and e-mails with the Company's various members, parties in interest and/or their counsel, the review of numerous documents provided by various parties in interest, preparation and review of financial statements, and independent public record searches to review and verify the Company's assets, liabilities and financial condition. Each of the principal assets is discussed separately hereinafter.

The Debtor's bankruptcy Schedules, as amended, list the following three (3) principal assets as of the Petition Date: (a) the Remaining Real Property with a $0.00 value; (b) $722,344 in cash held in a bank account; and (c) claims against the Kimball Hill Trusts with an unknown

value.

a) The Remaining Real Property.

Given the Remaining Real Property's location directly under the highway, and that such property is also subject to a permanent right of way in favor of both the Federal Highway Administration (the "FHA") and the Nevada Department of Transportation ("NDOT"), the Debtor doubted that the Remaining Real Property had value. In order to confirm the foregoing, however, the Debtor obtained an appraisal of the Remaining Real Property from Asset Insight of Nevada, which is attached hereto as **Exhibit "3"** and which confirms that such property has no value.

In late January 2015, the Debtor also conferred with a commercial real estate broker with Commerce Real Estate Solutions, a Member of the Cushman & Wakefield Alliance, about the possibility of listing the Remaining Real Property for sale, but the broker declined the engagement given the perceived lack of value in such property and the resulting inability to market it for sale. In late January 2015, the Debtor also contacted legal counsel with the NDOT about a possible purchase of some or all of the Remaining Real Property by such agency, however, as of the filing of this Disclosure Statement, it has not received any expression of interest. The Debtor has also regularly included both the FHA and NDOT on all relevant filing in the Chapter 11 Case to ensure that they remain fully apprised of the case and its developments.

Finally, the Debtor also contacted at least four (4) different insurance brokers about potentially trying to insure the Remaining Real Property, however, all of them declined to provide coverage given, among other matters, the apparent lack of an insurable interest. Although there may be a right of indemnity from the FHA and/or NDOT as a result of the rights of way granted on the Remaining Real Property, the Debtor cannot provide an absolute assurance that it is completely insulated from any and all potential liability resulting from any incidents on the Remaining Real Property.

b) Claims Against the Kimball Hill Trusts.

In 2005, KHHN became a member of the Company to purchase and develop the Property and entered into the Original Operating Agreement. In addition, Kimball Hill entered into several additional agreements relating to and defining its relationship with the Company, including, but not limited to, the (1) Purchase and Sale Agreement and Joint Escrow Instructions among the Company and Kimball Hill, dated July 15, 2005 (as amended from time to time the "Acquisition Agreement"), and (2) Cross-Indemnity Agreement. The Operating Agreement, the Acquisition Agreement and the Cross-Indemnity Agreement and all other related agreements are hereinafter referred to as the "Kyle Agreements."

On April 23, 2008, Kimball Hill and related affiliates (collectively, the "KH Debtors") filed a voluntary petition for relief in the United States Bankruptcy Court for the Northern District of Illinois (the "Illinois Bankruptcy Court") under chapter 11 of title 11 of the Bankruptcy Code. On or about August 1, 2008, the Company filed proofs of claim [Claim Nos. 1504 and 1508] against Kimball Hill in unliquidated and contingent amounts (the "Pre-Confirmation Claims") asserting claims for obligations arising under the Kyle Agreements.

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On February 27, 2009, the Company objected (the "Kyle Objection") to the confirmation of the KH Debtors' proposed chapter 11 plan of reorganization on the grounds that, among other things, the Pre-Confirmation Claims were not correctly classified in the KH Debtors' proposed plan and that the plan did not establish an adequate reserve for the Pre-Confirmation Claims. To resolve the Kyle Objection, the parties included paragraphs in the order confirming the KH Debtors' plan of reorganization, which provided, in relevant part, that within 30 days of the effective date of the KH Debtors' plan, the Company would file a proof of claim amending the Pre-Confirmation Claims to assert the specific monetary amounts of its claims (the "Amended Claims," and together with the Pre-confirmation Claims, the "Kyle Claims"), and the KHI Liquidation Trust would file a motion to estimate the Kyle Claims for the sole purposes of establishing a reserve for distributions (the "Estimation Motion") if the Company and the KHI Liquidation Trust were unable to agree on the amount and/or classification of the Pre-Confirmation Claims for reserve purposes within a certain time period.

On March 12, 2009, the Illinois Court entered an order confirming the KH Debtors' plan. Pursuant to the confirmation order and the plan for the KH Debtors as approved by the Illinois Bankruptcy Court, the Kyle Agreements, to the extent each is an executory contract, were deemed rejected as of that plan's effective date. On March 24, 2009, the effective date per the KH Debtors' Plan occurred.

On or about April 23, 2009, the Company filed amended proofs of claim in the KH Debtors' bankruptcy cases (the "Amended Claims") [Claim Nos. 2298 and 2299]. The Amended Claims did not seek any positive recovery, but rather only asserted claims in setoff or offset to any claims that the KH Debtors and/or the KHI Liquidation Trust may assert against the Company.

On December 21, 2009, the KH Debtors and the Company entered into a *Stipulation Regarding Establishment of a Reserve for Claims Filed by Kyle Acquisition Group, LLC* (the "Kyle Claims Stipulation"), which provided that the Kimball Hill Trusts and the Company had since agreed that there was no need to establish a reserve for the Company's Kyle Claims. The Kyle Claims Stipulation further provided that the Estimation Motion would not be filed, and the parties intend to resolve any issues pertaining to and arising out of the claims consensually, subject to resolution by the Bankruptcy Court if the parties could not agree. The Kyle Claims Stipulation further provided that the Kimball Hill Trusts and the Company reserved all rights in connection with the resolution of the Kyle Claims and with respect to any issues otherwise pertaining to or arising out of the Kyle Claims. Further, the Kyle Claims Stipulation provided that by entering into that Stipulation, neither the Kimball Hill Trusts, Kimball Hill, nor the Company were waiving any defenses pertaining to or arising out of the Kyle Claims at law or in equity. The Company's amended claims filed therein [Claim Nos. 2298 and 2299] seek setoff or offset to the extent the Kimball Hill Trusts seek to recover on any alleged claims they may have against the Company.

5. The Debtor's Principal Liabilities.

The Company's Schedules, as amended, list the following two (2) principal liabilities: (a) indemnity and contribution claims owed to KEH in the aggregate principal amount of $24,807,384.00, exclusive of any interest, attorneys' fees, costs and other charges that may be

due and owing under the applicable provisions governing such claims; and (b) disputed deficiency claims held by the Lender, acting through Kyle Agent as administrative agent, and on behalf of the current lender-beneficiaries under the Credit Agreement, in the aggregate principal amount of $399,883,732.07, and also exclusive of any interest, attorneys' fees, costs and other charges that may be due and owing under the Credit Agreement and related loan documents.

The Debtor does not believe that the asserted indemnity and contribution claims now owned by KEH, as creditor, are subject to disallowance pursuant to section 502(e)(1) of the Bankruptcy Code. Specifically, that section provides for the disallowance of claims asserted against a debtor if all three (3) of the following conditions are met: (i) the claims must be contingent; (ii) the claims must be for reimbursement or contribution; and (iii) the debtor and the claimant must be co-liable on the claims. As applied in the case at hand, however, in light of the various confidential settlements and judgments as previously described herein, the claims are no longer contingent, and the Debtor is no longer co-liable thereon. As such, it does not appear that such claims are subject to disallowance pursuant to section 502(e)(1) of the Bankruptcy Code. For the avoidance of doubt, however, as of the filing of this Disclosure Statement, such issues have not been raised or adjudicated before the Bankruptcy Court.

The Debtor scheduled the Lender's deficiency claim against it as disputed, contingent and unliquidated because, among other matters, the Debtor asserts that any such claims have been satisfied and released pursuant to a confidential settlement agreement, the Nevada Litigation Dismissal, and as further confirmed by the decisions in the LVVWD litigation. Additionally, the Debtor asserts that the Lender's right of recovery is also barred by the applicable provisions of NRS Chapter 40 and/or the expiration of the applicable statutes of limitations.

The Debtor does not believe it has any Administrative Claims (other than for the Professionals), Priority Tax Claims, Secured Claims or Priority Non-Tax Claims. Any Classes with no Claims in them will be disregarded. The Debtor reserves the right to amend or supplement its bankruptcy Schedules and Statement of Financial Affairs from time to time as necessary and appropriate and without further updating this Disclosure Statement.

6. The KEH Restructuring Letter.

As previously noted, in mid-December 2014, KEH's counsel sent a letter to the Company making demand for indemnification and contribution from the Company in the amount of not less than $30 million. In the Debtor's Schedules, as amended, the Debtor asserts that the amount of KEH's indemnity and contribution claims against it is only the principal sum of approximately $24,807,384.00, exclusive of any interest, fees or other charges that may be collected in accordance with such indemnification rights and remedies.

On or about March 26, 2015, KEH's counsel sent a letter to the Debtor (the "KEH Restructuring Letter"), which provided an agreement as to the terms and conditions upon which it would support the Debtor's restructuring, subject to the application provisions of the Bankruptcy Code and the Bankruptcy Rules. A true and correct copy of the KEH Restructuring Letter is attached hereto as **Exhibit "4"**. Among other matters, the KEH Restructuring Letter provided a resolution of its claims, subject to various terms and conditions, including but not limited to with respect to the classification and treatment of KEH's claims under a proposed plan, and various deadlines by which the Debtor was required to act and/or obtaining approvals

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therefor. Importantly, the KEH Restructuring Letter, as amended, provided that if the Debtor proposed and confirmed a plan consistent therewith, then the entire claim of KEH as against the Debtor would be satisfied in full thereby, and thus be unimpaired.

VI. DETAILED DESCRIPTION OF THE PLAN

A. Means of Implementing the Plan.

1. Revesting of Assets.

On and after the Effective Date, except as provided in the Plan, all of Debtor's assets, including without limitation the Litigation Claims and the Remaining Real Property, shall revest in Reorganized Debtor and Reorganized Debtor shall continue to exist as a separate entity in accordance with applicable law. Debtor's existing Articles, by-laws, and operating agreement (as amended, supplemented, or modified) will continue in effect for Reorganized Debtor following the Effective Date, except to the extent that such documents are amended in conformance with the Plan or by proper corporate action after the Effective Date. As permitted by section 1123(a)(5)(B) of the Bankruptcy Code, on the Effective Date, all of Debtor's Assets, including for the avoidance of doubt, the Remaining Real Property and the Litigation Claims, shall vest in Reorganized Debtor. Thereafter, Reorganized Debtor may operate its business and may use, acquire, and dispose of such property free and clear of any restrictions of the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Court. Except as specifically provided in the Plan or the Confirmation Order, as of the Effective Date, all property of Reorganized Debtor shall be free and clear of all Claims and Interests.

2. Corporate Documentation.

The Articles, by-laws, and/or A&R Operating Agreement, as applicable, of Debtor shall be amended as necessary to satisfy the provisions of the Plan and the Bankruptcy Code and shall include, among other things, pursuant to section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity interests, but only to the extent required by section 1123(a)(6) of the Bankruptcy Code.

3. Effectuation of Transactions.

On and after the Effective Date, Asgaard is authorized to issue, execute, deliver, and consummate the transactions contemplated by or described in the Plan in the name of and on behalf of Debtor or Reorganized Debtor, as the case may be, without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, rule, or any requirements of further action, vote, or other approval or authorization by any Person.

4. Notice of Effectiveness.

When all of the steps for effectiveness have been completed, Reorganized Debtor shall file with the Bankruptcy Court and serve upon all Creditors and all potential Holders of Administrative Claims known to Reorganized Debtor (whether or not disputed), a notice of Effective Date of Plan. The notice of Effective Date of Plan shall include notice of the Administrative Claim Bar Date.

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5. No Governance Action Required.

As of the Effective Date: (i) the adoption, execution, delivery, and implementation or assignment of all contracts, leases, instruments, releases, and other agreements related to or contemplated by the Plan; and (ii) the other matters provided for under or in furtherance of the Plan involving corporate action to be taken by or required of Debtor shall be deemed to have occurred and be effective as provided herein, and shall be authorized and approved in all respects without further order of the Bankruptcy Court or any requirement of further action by the members or managers of Debtor.

6. Filing with the Nevada Secretary of State.

To the extent applicable and required, in accordance with NRS chapter 86, on or as soon as practical after the Effective Date, a certified copy of the Plan and the Confirmation Order shall be filed with the Nevada Secretary. Further, to the extent applicable, the Debtor, from the Confirmation Date until the Effective Date, is authorized and directed to take any action or carry out any proceeding necessary to effectuate the Plan pursuant to NRS chapter 86.

7. Proposed Post-Effective Date Management of Reorganized Debtor.

From and after the Effective Date, Reorganized Debtor will continue to be managed by Debtor's pre-petition manager, Asgaard, which will also act as the distribution agent for the Plan. The continuation of existing management post-confirmation is consistent with the interests of Creditors, Holders of Equity Interests, and public policy pursuant to section 1129(a)(5) of the Bankruptcy Code because Asgaard has the qualifications, is independent of the existing members, and has a working familiarity with Debtor's assets, liabilities and financial affairs.

On and after the Effective Date, Asgaard is authorized to issue, execute, deliver, and consummate the transactions contemplated by or described in the Plan in the name of and on behalf of Reorganized Debtor without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, rule, or any requirements of further action, vote, or other approval or authorization by any Person.

B. Executory Contracts and Unexpired Leases.

All Executory Contracts and Unexpired Leases that exist on the Confirmation Date, if any, shall be deemed rejected by the Debtor on the Effective Date. Entry of the Confirmation Order shall constitute, as of the Effective Date, a rejection by the Debtor of each Executory Contract and Unexpired Lease to which Debtor is a party. All proofs of Claims with respect to Claims arising from the rejection of any Executory Contract or Unexpired Lease shall be filed no later than thirty (30) days after the Effective Date. Any Claim not filed within such time shall be forever barred.

C. Manner of Distribution of Property Under the Plan.

Asgaard shall be responsible for making the distributions described in the Plan on behalf of the Reorganized Debtor. Except as otherwise provided in the Plan or the Confirmation Order, the Cash necessary for Reorganized Debtor to make payments pursuant to the Plan will be

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obtained from existing cash balances.

Reorganized Debtor shall maintain a record of the names and addresses of all Holders of Allowed General Unsecured Claims as of the Effective Date. Reorganized Debtor may rely on the name and address set forth in Debtor's Schedules and/or proofs of Claim as being true and correct unless and until notified in writing. Reorganized Debtor may require that any party receiving a distribution first provide its tax identification number if so requested prior to any distribution being sent, and may withhold such distribution unless and until such information is provided.

Reorganized Debtor anticipates that distributions will not commence until after expiration of the applicable Bar Dates, including expiration of the Bar Date for governmental claimants on July 9, 2015. Additionally, Reorganized Debtor anticipates that there will be multiple distributions with the first distribution occurring shortly after expiration of the Bar Date for governmental claimants on July 9, 2015, and subject to an appropriate holdback for wind down expenses, and then potentially a second and final distribution upon case closure and entry of a final decree and order closing case should any monies remain from such holdback for wind down expenses.

D. Conditions to Confirmation of the Plan.

1. Conditions to Confirmation.

The Confirmation Order shall have been entered and be in form and substance acceptable to Debtor.

2. Conditions to Effectiveness.

The following are conditions precedent to occurrence of the Effective Date: (1) the Confirmation Order shall be a Final Order, except that the Debtor reserves the right to cause the Effective Date to occur notwithstanding the pendency of an appeal of the Confirmation Order; (2) no request for revocation of the Confirmation Order under section 1144 of the Bankruptcy Code shall have been made, or, if made, shall remain pending, including any appeal; and (3) all documents necessary to implement the transactions contemplated by the Plan shall be in form and substance acceptable to Debtor.

3. Waiver of Conditions.

Debtor, in its sole discretion, may waive any and all of the other conditions set forth in the Plan without leave of or order of the Bankruptcy Court and without any formal action.

VII. <u>RISK FACTORS</u>

In addition to risks discussed elsewhere in this Disclosure Statement, the Plan involves the following risks, which should be taken into consideration.

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A. Debtor Has No Duty to Update.

The statements in this Disclosure Statement are made by Debtor as of the date hereof, unless otherwise specified herein. The delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. Debtor has no duty to update this Disclosure Statement unless ordered to do so by the Bankruptcy Court.

B. Information Presented is Based on Debtor's Books and Records, and is Unaudited.

While Debtor has endeavored to present information fairly and accurately in this Disclosure Statement, there is no assurance that Debtor's books and records upon which this Disclosure Statement is based are complete and accurate. The financial information contained herein has not been audited.

C. Projections and Other Forward-Looking Statements are Not Assured, and Actual Results Will Vary.

Certain information in this Disclosure Statement is, by nature, forward looking, and contains estimates and assumptions which might ultimately prove to be incorrect, and projections which may differ materially from actual future results. There are uncertainties associated with all assumptions, projections, and estimates, and they should not be considered assurances or guarantees of the amount of Claims in the various Classes that will be allowed. The allowed amount of Claims in each Class, as well as Administrative Claims, could be significantly more than projected, which in turn, could cause the value of Distributions to be reduced or to be tendered over a longer period of time than anticipated.

D. No Legal or Tax Advice is Provided to You by this Disclosure Statement.

The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each Creditor or Holder of an Equity Interest should consult his, her, or its own legal counsel and accountant as to legal, tax, and other matters concerning his, her, or its Claim or Equity Interest.

E. No Admissions Made.

Nothing contained herein shall constitute an admission of any fact or liability by any party (including Debtor) or shall be deemed evidence of the tax or other legal effects of the Plan on Debtor or on Holders of Claims or Equity Interests.

F. No Waiver of Right to Object or to Recover Transfers and Estate Assets.

A Creditor's vote for or against the Plan does not constitute a waiver or release of any claims or rights of Debtor (or any other party in interest) to object to that Creditor's Claim, or recover any preferential, fraudulent, or other voidable transfer or Estate assets, regardless of whether any claims of Debtor or its Estate is specifically or generally identified herein.

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G. Bankruptcy Law Risks and Considerations.

1. Confirmation of the Plan is Not Assured.

Confirmation requires, among other things, a finding by the Bankruptcy Court that it is not likely there will be a need for further financial reorganization or liquidation (unless the liquidation is contemplated in the plan).

Confirmation also requires that the value of distributions to dissenting members of impaired classes of creditors and holders of equity interests cannot be less than the value of distributions such creditors and holders of equity interests would receive if a debtor were liquidated under chapter 7 of the Bankruptcy Code. Creditors with allowed claims are unimpaired under the Plan. As for Holders of Equity Interests, while they will receive no distribution in consideration for the cancellation and extinguishment of their Equity Interests, they would not receive any distribution in liquidation under chapter 7 in any event. There is no assurance that the Bankruptcy Court will conclude that such requirements have been met.

Although Debtor believes the Plan satisfies all additional requirements for Confirmation, the Bankruptcy Court might not reach that conclusion. It is also possible that modifications to the Plan will be required for confirmation and that such modifications would necessitate a resolicitation of votes if the modifications are material.

2. The Effective Date Might Be Delayed or Never Occur.

There is no assurance as to the timing of the Effective Date or that it will occur. If the conditions precedent to the Effective Date have not occurred or been waived within the prescribed time frame, the Confirmation Order will be vacated. In that event, the Holders of Claims and Equity Interests would be restored to their respective positions as of the day immediately preceding the Confirmation Date, and Debtor's obligations for Claims and Equity Interests would remain unchanged as of such day.

3. Allowed Claims in the Various Classes May Exceed Projections.

Debtor has projected the amount of Allowed Claims in each Class in the Best Interests Analysis. Certain Classes, and the Classes below them in priority, could be affected by the allowance of Claims in an amount that is greater than projected.

4. No Representations Outside of this Disclosure Statement Are Authorized.

No representations concerning or related to Debtor, the Chapter 11 Case, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with this Disclosure Statement should not be relied upon by you in arriving at your decision.

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VIII. POST EFFECTIVE DATE OPERATIONS

A. Summary of Title to Property and Dischargeability.

1. Vesting of Assets.

Subject to the provisions of the Plan, pursuant to Articles 4.1 and 10.6 of the Plan and as permitted by section 1123(a)(5)(B) of the Bankruptcy Code, all of Debtor's assets, including for the avoidance of doubt, the Remaining Real Property, shall be transferred to Reorganized Debtor on the Effective Date. As of the Effective Date, all such property shall be free and clear of all Liens, Claims, and Equity Interests except as otherwise provided herein. On and after the Effective Date, the Reorganized Debtor may operate its business and may use, acquire, and dispose of property and compromise or settle any Claim without the supervision of or approval of the Bankruptcy Court and free and clear of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than restrictions expressly imposed by the Plan or the Confirmation Order.

2. Preservation of Litigation Claims.

In accordance with section 1123(b)(3) of the Bankruptcy Code, and except as otherwise expressly provided in the Plan, all Litigation Claims shall revest in Reorganized Debtor pursuant to Articles 4.1 and 10.7 of the Plan. Notwithstanding the foregoing, on and after the Effective Date, the prosecution of the Litigation Claims lies in the sole and absolute discretion of Reorganized Debtor.

There may also be other Litigation Claims that currently exist or may subsequently arise that are not set forth in this Disclosure Statement because the facts underlying such Litigation Claims are not currently known or sufficiently known by the Debtor. The failure to list any such unknown Litigation Claim in the Disclosure Statement is not intended to limit the rights of the Reorganized Debtor to pursue any unknown Litigation Claim to the extent the facts underlying such unknown Litigation Claim become more fully known in the future. Furthermore, any potential net proceeds from Litigation Claims identified in the Disclosure Statement or any notice filed with the Bankruptcy Court, or which may subsequently arise or otherwise be pursued, are speculative and uncertain.

Unless Litigation Claims against any individual or entity are expressly waived, relinquished, released, compromised, or settled by the Plan or any Final Order, the Debtor expressly reserve for their benefit, and the benefit of Reorganized Debtor, all Litigation Claims, including, without limitation, all unknown Litigation Claims for later adjudication and therefore no preclusion doctrine (including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches) shall apply to such Litigation Claims after the confirmation or consummation of the Plan.

In addition, the Debtor expressly reserves for its benefit, and the benefit of Reorganized Debtor, the right to pursue or adopt any claims alleged in any lawsuit in which Debtor is a defendant or an interested party, against any individual or entity, including plaintiffs and co-defendants in such lawsuits.

3. Discharge.

The Debtor shall receive a discharge.

4. Binding Effect of Plan/Injunction.

Upon the Effective Date, section 1141 of the Bankruptcy Code shall become applicable with respect to the Plan and the Plan shall be binding on all parties to the fullest extent permitted by section 1141(a) of the Bankruptcy Code. In accordance with section 1141 of the Bankruptcy Code, all of the Debtor's property shall be vested in the Reorganized Debtor free and clear of all Claims, Liens and interests of Creditors and Equity Interest Holders. Upon the Effective Date, except as provided in the Plan, all Persons shall be permanently enjoined by the Plan from (i) commencing or continuing any action, employing any process, asserting or undertaking an act to collect, recover, or offset, directly or indirectly, any Claim, rights, Causes of Action, liabilities, or interests in or against any property distributed or to be distributed under the Plan, or vested in the Reorganized Debtor, based upon any act, omission, transaction, or other activity that occurred before the Effective Date, (ii) creating, perfecting or enforcing any lien or encumbrance against any property distributed or to be distributed under the Plan other than as permitted under the Plan, and (iii) without limiting the generality of the foregoing, asserting any Claims against the Reorganized Debtor based on successor liability or similar or related theory, except to the extent a Person holds an Allowed Claim under the Plan and is entitled to a distribution and/or Lien under the Plan in accordance with its terms, and to enforce its rights to distribution under the Plan. On and after the Effective Date, each Holder of any Claim against or Equity Interest in the Debtor is permanently enjoined from taking or participating in any action that would interfere or otherwise hinder the Debtor or the Reorganized Debtor from implementing the Plan, the Confirmation Order or any operative documents in accordance with the terms thereof.

B. Exculpation.

Neither the Debtor and any of its Representatives, including any present of former members, directors, officers, managers, employees, advisors, attorneys, or agents, nor KEH and any of its present or former members, directors, officers, managers, employees, advisors, attorneys or agents (collectively, the "Exculpated Parties") shall have or incur any liability to any Holder of a Claim against or Equity Interest in the Debtor, or any other party-in-interest, or their successors or assigns, for any act, omission, transaction or other occurrence in connection with, relating to, or arising out of the Chapter 11 Case, the pursuit of confirmation of the Plan, or the consummation of the Plan, except and solely to the extent such liability is based on fraud, gross negligence or willful misconduct. The Exculpated Parties shall be entitled to reasonably rely upon the advice of counsel with respect to any of their duties and responsibilities under the Plan or in the context of the Chapter 11 Case. No Holder of a Claim against or Equity Interest in the Debtor, or any other party-in-interest, including their respective representatives, shall have any right of action against the Exculpated Parties, for any act, omission, transaction or other occurrence in connection with, relating to, or arising out of, the Chapter 11 Case, the pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan, except to the extent arising from fraud, gross negligence or willful misconduct. Nothing in this Article shall be deemed an exculpation by the Debtor or any of its Representatives for any acts, omissions, transactions, events or other occurrences taking place after the Effective Date.

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Notwithstanding anything herein to the contrary, nothing herein is intended or should be construed as an exculpation, waiver or release of any of the Debtor's claims or potential claims, including but not limited to any against Kimball Hill Homes Nevada, Inc., Kimball Hill, Inc., the KHI Post-Consummation Trust, or the KHI Liquidation Trust.

C. Injunction Protecting Exculpation.

All Holders of Claims against or Equity Interests in the Debtor and any other parties-in-interest, along with any of their present or former members, directors, officers, managers, employees, advisors, attorneys or agents, and any of their successors or assigns, are permanently enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind against Reorganized Debtor or any of its present or former members, directors, officers, managers, employees, advisors, attorneys or agents, in respect of any potential liability for which exculpation is granted pursuant to the Plan, (ii) enforcing, attaching, collecting or recovering by any manner or means of any judgment, award, decree or order against Reorganized Debtor or any of its present or former members, directors, officers, managers, employees, advisors, attorneys or agents in respect of any potential liability for which exculpation is granted pursuant to the Plan, (iii) creating, perfecting, or enforcing any lien or encumbrance of any kind against Reorganized Debtor or any of its present or former members, directors, officers, managers, employees, advisors, attorneys or agents in respect of any potential liability for which exculpation is granted pursuant to the Plan, or (iv) asserting any right of setoff, subrogation or recoupment of any kind against the Reorganized Debtor or any of its present or former members, directors, officers, managers, employees, advisors, attorneys or agents or against the property or interests in property the Reorganized Debtor or any of its Representatives, in respect of any potential liability for which exculpation is granted pursuant to the Plan; *provided, however*, that nothing contained herein shall preclude any Holder or other party-in-interest from exercising its rights pursuant to and consistent with the terms of the Plan.

D. Injunction Against Interference With Plan.

Upon the Effective Date, all Holders of Claims against or Equity Interests in the Debtor and their respective present or former members, directors, officers, managers, employees, advisors, attorneys or agents, and any of their successors or assigns, shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

E. Post-Confirmation Reporting and Quarterly Fees to the U.S. Trustee.

Prior to the Effective Date, the Debtor, and after the Effective Date, the Reorganized Debtor, shall pay all quarterly fees payable to the U.S. Trustee consistent with the sliding scale set forth in 28 U.S.C. § 1930(a)(6) and the applicable provisions of the Bankruptcy Code and Bankruptcy Rules. These fees accrue throughout the pendency of the Chapter 11 Case, until entry of a final decree. U.S. Trustee fees paid prior to confirmation of the Plan will be reported in operating reports required by sections 704(8), 1106(a)(1), and 1107(a) of the Bankruptcy Code, as well as the U.S. Trustee Guidelines. All U.S. Trustee quarterly fees accrued prior to confirmation of the Plan will be paid on or before the Effective Date pursuant to section 1129(a)(12) of the Bankruptcy Code. All U.S. Trustee fees accrued post-confirmation will be timely paid on a calendar quarterly basis and reported on post-confirmation operating reports.

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Final fees will be paid on or before the entry of a final decree in the Chapter 11 Case.

F. Certain Federal Income Tax Consequences.

THE FOLLOWING SUMMARY DOES NOT CONSTITUTE EITHER A TAX OPINION OR TAX ADVICE TO ANY PERSON. NO REPRESENTATIONS REGARDING THE EFFECT OF IMPLEMENTATION OF THE PLAN ON INDIVIDUAL CREDITORS ARE MADE HEREIN OR OTHERWISE. RATHER, THE TAX DISCLOSURE IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL CREDITORS ARE URGED TO CONSULT THEIR RESPECTIVE TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE PLAN.

Creditors, Holders of Equity Interests, and any Person affiliated with the foregoing are strongly urged to consult their respective tax advisors regarding the federal, state, local, and foreign tax consequences which may result from the confirmation and consummation of the Plan.

This Disclosure Statement shall not in any way be construed as making any representations regarding the particular tax consequences of the confirmation and consummation of the Plan to any Person. This Disclosure Statement is general in nature and is merely a summary discussion of potential tax consequences and is based upon the Internal Revenue Code of 1986, as amended (the "IRC"), and pertinent regulations, rulings, court decisions, and treasury decisions, all of which are potentially subject to material and/or retroactive changes. Under the IRC, there may be federal income tax consequences to Debtor, its Creditors, Holders of Equity Interests, and/or any Person affiliated therewith as a result of confirmation and consummation of the Plan.

Upon the confirmation and consummation of the Plan, the federal income tax consequences to Creditors and their affiliates arising from the Plan will vary depending upon, among other things, the type of consideration received by the Creditor in exchange for its Claim, whether the Creditor reports income using the cash or accrual method of accounting, whether the Creditor has taken a "bad debt" deduction with respect to its Claim, whether the Creditor received consideration in more than one tax year, and whether the Creditor is a resident of the United States. If a Creditor's Claim is characterized as a loss resulting from a debt, then the extent of the deduction will depend on whether the debt is deemed wholly worthless or partially worthless, and whether the debt is construed to be a business or nonbusiness debt as determined under the 26 U.S.C. § 166, and/or other applicable provisions of the Internal Revenue Code.

CREDITORS SHOULD CONSULT THEIR TAX ADVISOR REGARDING THE TAX TREATMENT (INCLUDING FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES) OF THEIR RESPECTIVE ALLOWED CLAIMS. THIS DISCLOSURE IS NOT A SUBSTITUTE FOR TAX PLANNING AND SPECIFIC ADVICE FOR PERSONS AFFECTED BY THE PLAN.

IX. CONFIRMATION OF THE PLAN

A. Confirmation of the Plan.

Pursuant to section 1128(a) of the Bankruptcy Code, the Bankruptcy Court will hold

hearings regarding confirmation of the Plan at the U.S. Bankruptcy Court, 300 Las Vegas Blvd. South, Las Vegas, Nevada 89101, on **May 21, 2015 at 9:30 a.m.** To the extent necessary, the Bankruptcy Court will schedule additional hearing dates.

B. Objections to Confirmation of the Plan.

Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of a plan. Any objections to confirmation of the Plan must be in writing, must state with specificity the grounds for any such objections, and must be timely filed with the Bankruptcy Court and served upon counsel for the Debtor at the following address:

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Las Vegas, Nevada 89101
(702) 382-1170 Telephone
(702) 382-1169 Facsimile
Email: mzirzow@lzlawnv.com

For the Plan to be confirmed, the Plan must satisfy the requirements stated in section 1129 of the Bankruptcy Code. In this regard, the Plan must satisfy, among other things, the following requirements.

1. Best Interest of Creditors and Liquidation Analysis.

Pursuant to section 1129(a)(7) of the Bankruptcy Code, for the Plan to be confirmed, it must provide that Creditors and Holders of Equity Interests will receive at least as much under the Plan as they would receive in a liquidation of Debtor under chapter 7 of the Bankruptcy Code (the "Best Interest Test"). The Best Interest Test with respect to each impaired Class requires that each Holder of an Allowed Claim or Equity Interest of such Class either: (i) accepts the Plan; or (ii) receives or retains under the Plan property of a value, as of the Effective Date, that is not less than the value such Holder would receive or retain if Debtor were liquidated under chapter 7 of the Bankruptcy Code.

The only Class that is impaired under the Plan is that of the Holders of Equity Interests. As such, the Bankruptcy Court will determine whether the value received under the Plan by the Holders of Equity Interests equals or exceeds the value that would be allocated to such Holders in a liquidation under chapter 7 of the Bankruptcy Code. Debtor believe that the Plan meets the Best Interest Test and provides value which is not less than that which would be recovered by each such Holder of Equity Interests in a chapter 7 bankruptcy proceeding.

Generally, to determine what Holders of Equity Interests would receive if Debtor were liquidated, the Bankruptcy Court must determine what funds would be generated from the liquidation of Debtor's Assets and properties in the context of a chapter 7 liquidation case. Such Cash amounts would be reduced by the costs and expenses of the liquidation and by such additional Administrative Claims and Priority Claims as may result from the termination of Debtor's businesses and the use of chapter 7 for the purpose of liquidation. The remaining cash would then be paid in accordance with the priorities set forth in section 726 of the Bankruptcy

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court which would provide first pro rata to Creditors with Allowed General Unsecured Claims. Only after all such Allowed Claims would be paid in full would Holders of Equity Interests then be entitled to distributions; and there would be cash or other Assets left for distribution to Holders of Equity Interests.

It is further anticipated that a chapter 7 liquidation would result in significant delay in the payment, if any, to Creditors. Among other things, a chapter 7 case could trigger a new bar date for filing Claims that would be more than ninety (90) days following conversion of the Chapter 11 Case to chapter 7. Hence, a chapter 7 liquidation would not only delay distribution but raises the prospect of additional claims that were not asserted in the Chapter 11 Case. Moreover, Claims that may arise in the chapter 7 case or result from the Chapter 11 Case would be paid in full from the Assets before the balance of the Assets would be made available to pay pre-chapter 11 Allowed Priority Claims, Allowed General Unsecured Claims, and Equity Interests.

As set forth in the Liquidation Analysis and accompanying notes attached hereto as **Exhibit "5,"** Debtor has determined that confirmation of the Plan will provide each Holder of an Equity Interest with no less of a recovery than he/she/it would receive if Debtor were liquidated under a chapter 7. The Liquidation Analysis sets forth Debtor's best estimate as to value and recoveries in the event that the Chapter 11 Case is converted to a case under chapter 7 of the Bankruptcy Code and Debtor's Assets are liquidated. Therefore, the Plan meets the Best Interest Test.

2. Feasibility.

The Bankruptcy Code requires that in order to confirm the Plan, the Bankruptcy Court must find that Confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of Debtor (the "Feasibility Test"), unless that liquidation is expressly contemplated in the Plan. For the Plan to meet the Feasibility Test, the Bankruptcy Court must find by a preponderance of the evidence that Debtor will possess the resources and working capital necessary to meet its obligations under the Plan.

In the case at hand, the proposed Plan expressly contemplates an immediate liquidation of any and all assets, and thus the Feasibility Test has little meaning as a practical matter. As a result of the foregoing, the Debtor is confident that it can establish, and that the Bankruptcy Court will find, that the Plan is feasible within the meaning of section 1129(a)(11) of the Bankruptcy Code.

3. Acceptance of Plan.

For an Impaired Class of Claims to accept the Plan, those representing at least two-thirds (2/3) in amount and a majority (1/2) in number of the Allowed Claims voted in that Class must be cast for acceptance of the Plan. If a Class of Claims is Unimpaired, however, they are exclusively presumed to have accepted the Plan.

C. Allowed Claims.

You have an Allowed Claim if: (i) you or your representative timely file a proof of Claim and no objection has been filed to your Claim within the time period set for the filing of such

objections; (ii) you or your representative timely filed a proof of Claim and an objection was filed to your Claim upon which the Bankruptcy Court has ruled and Allowed your Claim; (iii) your Claim is listed by the Debtor in its Schedules or any amendments thereto (which are on file with the Bankruptcy Court as a public record) as liquidated in amount and undisputed and no objection has been filed to your Claim; or (iv) your Claim is listed by the Debtor in its Schedules as liquidated in amount and undisputed and an objection was filed to your Claim upon which the Bankruptcy Court has ruled to Allow your Claim.

Under the Plan, the deadline for filing objections to Claims is ninety (90) calendar days following the Effective Date. If your Claim is not an Allowed Claim, it is a Disputed Claim and you will not be entitled to vote on the Plan unless the Bankruptcy Court temporarily or provisionally allows your Claim for voting purposes pursuant to Bankruptcy Rule 3018. If you are uncertain as to the status of your Claim or Equity Interest or if you have a dispute with Debtor, you should check the Bankruptcy Court record carefully, including the Schedules of Debtor, and you should seek appropriate legal advice. The Debtor and its professionals cannot advise you about such matters.

X. ALTERNATIVES TO THE PLAN

A. Debtor's Considerations.

The Debtor believes that the Plan provides Creditors with the best and most complete form of recovery available. As a result, the Debtor believes that the Plan serves the best interests of all Creditors and parties-in-interest in the Chapter 11 Case. The Debtor believes not only that the Plan, as described herein, enables the Creditors to realize the greatest sum possible under the circumstances, but also that rejection of the Plan in favor of some theoretical alternative method of reconciling the Claims and Equity Interests of the various Classes will not result in a better recovery for any Class.

B. Alternative Plans of Reorganization.

Under section 1121 of the Bankruptcy Code, a debtor has an exclusive period of one hundred twenty (120) days and an additional vote solicitation period of sixty (60) days from the entry of the order for relief during which time, assuming that no trustee has been appointed by the Bankruptcy Court, only a debtor may propose and confirm a plan. After the expiration of the initial one hundred eighty (180) day period, and any extensions thereof, Debtor, or any other party-in-interest, may propose a different plan provided the exclusivity period is not further extended by the Bankruptcy Court. In the case at hand, Debtor filed their Plan prior to the expiration of the exclusive period.

C. Liquidation Under Chapter 7.

If a plan cannot be confirmed, a chapter 11 case may be converted to a case under chapter 7, in which a chapter 7 trustee would be elected or appointed to liquidate the assets of debtor for distribution to their creditors and Holders of Equity Interests in accordance with the priorities established by the Bankruptcy Code.

As previously stated, the Debtor believes that a liquidation under chapter 7 would result

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in a substantially reduced recovery of funds by its Creditors because of: (i) additional Administrative Expenses involved in the appointment of a chapter 7 trustee for the Debtor and attorneys and other professionals to assist such chapter 7 trustee; (ii) additional expenses and Claims, some of which may be entitled to priority, which would be generated during the chapter 7 liquidation. Accordingly, the Debtor believes that all Holders of Claims will receive a smaller distribution under a chapter 7 liquidation.

XI. AVOIDANCE ACTIONS

A bankruptcy trustee (or the entity as debtor-in-possession) may avoid as a preference a transfer of property made by a debtor to a creditor on account of an antecedent debt while a debtor was insolvent, where that creditor receives more than it would have received in a liquidation of the entity under chapter 7 of the Bankruptcy Code had the payment not been made, if: (i) the payment was made within ninety (90) days before the date the Chapter 11 Case were commenced; or (ii) if the creditor is found to have been an “insider” as defined in the Bankruptcy Code, within one (1) year before the commencement of the Chapter 11 Case. A debtor is presumed to have been insolvent during the ninety (90) days preceding the commencement of the case.

A bankruptcy trustee (or the entity as debtor-in-possession) may avoid as a fraudulent transfer a transfer of property made by a debtor within two (2) years (and under applicable Nevada law, four (4) years) before the date the Chapter 11 Case were commenced if: (i) debtor received less than a reasonably equivalent value in exchange for such transfer; and (ii) was insolvent on the date of such transfer or became insolvent as a result of such transfer, such transfer left debtor with an unreasonably small capital, or debtor intended to incur debts that would be beyond debtor’s ability to pay as such debts matured. In addition, this reachback may be extended further to within one (1) year of reasonable discovery of the facts underlying the transfer and its actual fraudulent nature.

All of the foregoing actions are collectively known as avoidance actions and may be pursued pursuant to chapter 5 of the Bankruptcy Code. In the case at hand, the Debtor has reviewed, among other matters, the last four (4) years of the Debtor’s bank records to ascertain potential avoidance actions and, based upon that review, does not believe that any colorable or beneficial avoidance actions exist. Notwithstanding the foregoing, an abbreviated analysis of certain transfers follows for the benefit of applicable parties in interest.

First, on or about December 31, 2014, the Debtor made a payment to KEH of $2,026,915.90, and an additional payment on or about January 5, 2015 in the amount of $38.30, both of which were within the one year preference period for insiders pursuant to section 547(b)(4)(B) of the Bankruptcy Code. Notwithstanding the foregoing transfers, however, if a preference claim pursuant to section 547 of the Bankruptcy Code were pursued, it would only result in the Debtor suing KEH for the benefit of KEH, because, based on the current claims as known by the Debtor, KEH is the only party that holds a General Unsecured Claim. As a result, the Debtor believes such transfer lacks any preferential effect pursuant to section 547(b)(5) of the Bankruptcy Code, among other possible defects, because it did not enable KEH to receive more than it is otherwise would be entitled to receive under a chapter 7 liquidation.

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Second, in September 2011, which was within the four (4) year lookback period prior to the Petition Date for fraudulent transfers under Nevada state law as made applicable pursuant to sections 544(b) and NRS chapter 112, the Debtor did a series of transfers to its existing non-defaulted managers/members totaling $3,588,416.00 and in partial payment for, among other matters, their existing indemnity and contribution claims of those parties, among other matters. Again, similar to the above, such transfers were made to parties that KEH has since purchased their interests, thus even if avoided, it would result in no actual benefit to the estate, or at least any benefit in excess of the amount of all of KEH's allowed claim(s) against the estate.

To avoid any possible issue that the Debtor is not providing full value for any potential avoidance actions, however, the Plan proposes to assign all Litigation Claims to General Unsecured Creditors for collection and in further partial satisfaction of the General Unsecured Claims.

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1 Dated: April 1, 2015.

2 NW VALLEY HOLDINGS, LLC,
a Nevada limited liability company:

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4 By: ASGAARD CAPITAL LLC
a Virginia limited liability company
5 Its: Manager

6 By: /s/ Charles C. Reardon
Charles C. Reardon
7 Its: Senior Managing Director

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