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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

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

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APPENDIX

Exhibit "1"	Debtor's Plan of Reorganization
Exhibit "2"	Appraisal of Remaining Real Property
Exhibit "3"	Kimball Settlement
Exhibit "4"	Liquidation Analysis

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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 its proposed *Third Amended Plan of Reorganization* (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 for the United States Bankruptcy Court for the District of Nevada, Foley Federal Building, 300 Las Vegas Boulevard South, 4th Floor, 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,

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including but not necessary limited to section 1129 of the Bankruptcy Code. The Bankruptcy 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, BUT RATHER ONLY OF THE HOLDERS OF EQUITY INTERESTS. ALL REFERENCES AND INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT REGARDING IMPAIRMENT OF CREDITORS, 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.
Class 2	Priority Non-Tax Claims	Unimpaired. No solicitation required.
Class 3	General Unsecured Claims	Unimpaired. No solicitation required.
Class 4	Equity Interests	Impaired. Solicitation required.

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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 estimated amount of Administrative Claims that will be incurred as of the Confirmation Hearing is estimated to be approximately $376,000, and are comprised of the following: (i) approximately $160,000 incurred by Debtor's manager, Asgaard Capital, LLC ("Asgaard"), less its retainer on hand of $888.00; (ii) approximately $160,000 incurred by Debtor's general bankruptcy counsel, Larson & Zirzow, LLC, less its retainer on hand of $50,000; (iii) approximately $30,000 for David R. Black, CPA, the Debtor's accountant; (iv) approximately $8,300.00 incurred by the Debtor's tax professional, Lucarelli & Lucarelli, to prepare federal tax returns and associated documents; (v) approximately $15,000.00 for other expenses including principally U.S. Trustee's fees; (vi) a fee of $2,500.00 incurred by Asset Insight of Nevada, the Debtor's real property appraiser. The foregoing does not include post-Effective Date wind-down expenses, which are projected to be another $15,000.00.

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 an Allowed 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 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, and thus are not entitled to vote to accept or reject the Plan, but rather are 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

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an Allowed Priority Non-Tax Claim agrees 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.

Holders of Allowed Priority Non-Tax Claims in Class 2 are Unimpaired under the Plan, and thus are not entitled to vote to accept or reject the Plan, but rather are 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 be paid in full in cash on the Effective Date, together with interest at either the rate as provided in their applicable contract, or if none is specified, at the federal judgment rate of interest provided in 28 U.S.C. § 1961.

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

F. Class 4: Equity Interests.

Class 4 consists of Holders of Equity Interests in Debtor. Except to the extent that a Creditor with an Allowed Equity Interest agrees to less favorable treatment, Holders of Class 4 Allowed Equity Interests shall retain their interests in the Debtor, subject to the terms and conditions of the Plan and the Confirmation Order.

Holders of Class 4 Equity Interests are Impaired under the Plan, and thus are entitled to vote to accept or reject the Plan.

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

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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 party must first have an Allowed Claim or Allowed Equity Interest.

Since none of the Allowed Claims addressed in the Plan are Impaired, Debtor is only soliciting votes on the Plan from the holders of Allowed Equity Interests. As explained more fully below, to be entitled to vote, a Claim or Equity Interest 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) applies only to classes of claims, not equity interests. Because there are no impaired Classes of Claims in the Plan, but rather only equity interests that are impaired, 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; RATHER, DEBTOR IS ONLY SOLICITING VOTES FROM THE HOLDERS OF EQUITY INTERESTS.

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.

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

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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 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" or "Wachovia"). 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 a trio of guaranties including Continuing Guaranties, Repayment Guaranties, and Limited Guaranties

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(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, among other matters. 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 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 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 Deficiency Litigation Post-Foreclosure.

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

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Confidential Release, Covenant Not to Sue, Indemnity and Settlement Agreement (the "2011 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 2011 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.

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 Equity Interests in 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.

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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, as amended, the "Focus 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 Focus 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 Litigation and Disposition.

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 (the "Water Deposit"). 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 Water Deposit.

On July 11, 2011, the District Court entered a Judgment granting the Company all right, title and interest to the Water 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

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held that pursuant to the 2011 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 Water 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 in partial satisfaction of the foregoing claims.

On December 24, 2014, after the appeal was remanded back to the District Court, that 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 (*e.g.*, for a total of $2,026,954.20) 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.

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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 Debtor's Chapter 11 Case.

1. 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.

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. Mr. Reardon holds a B.A. with highest distinction from the University of Virginia and a J.D. from Yale Law School.

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2. Employment and Interim Compensation of Professionals.

In addition to Asgaard, the Court has also approved the retention of the following professionals for the Debtor's estate: (a) Larson & Zirzow as general bankruptcy counsel; (b) Asset Insight of Nevada as real property appraiser for the Remaining Real Property; (c) David R. Black, CPA as accountant; and (e) Lucarelli & Lucarelli as the Debtor's tax accountants.

On August 14, 2015, the Bankruptcy Court entered orders approving, on an interim basis the following fees and costs for the Debtor's professionals: (a) Asgaard in the total of $114,910.86 for the period from the Petition Date through July 10, 2015; (b) Larson & Zirzow in the total amount of $87,587.75 for the period from the Petition Date through June 30, 2015; and (c) David R. Black, CPA in the total amount of $10,893.63 for the period from the Petition Date through June 30, 2015.

On February 12, 2016, the Bankruptcy Court entered orders approving, on an interim basis, the following fees and costs for the Debtor's professionals: (a) Asgaard in the total of $24,694 for the period from July 11, 2015 through December 31, 2015; (b) Larson & Zirzow in the total amount of $47,160.05 for the period from July 1, 2015 through December 31, 2015; and (c) David R. Black, CPA in the total amount of $7,239.00 for the period from July 1, 2015 through December 31, 2015.

Separately, on January 22, 2016, the Bankruptcy Court entered an order approving, on an interim basis, the fees and costs of Lucarelli & Lucarelli in the amount of $3,275.47 for its work in preparing the Debtor's 2014 tax return, and on June 23, 2017, the Bankruptcy Court entered an order approving a second interim fee application in the total amount of $5,000.00 for its work in preparing the Debtor's 2015 and 2016 tax returns.

Fees and costs of the estate's professionals continue to accrue from and after the foregoing time periods, and are all fees and costs subject to final allowance by the Bankruptcy Court at a later date.

3. 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; and (c) claims against the Kimball Hill Trusts with an unknown value. As of April 30, 2017, and after the payment of certain interim professional fees as permitted by orders of the Bankruptcy Court and other post-petition ordinary course administrative claims, the Debtor has remaining cash on hand in the approximate amount of $480,766.

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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 confirmed that such property has no value. A copy of the foregoing appraisal is attached hereto as **Exhibit "2."**

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.

Additionally, 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 "Kimball Hill 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 Kimball Hill Debtors' proposed chapter 11 plan of reorganization on the grounds that, among other things, the Pre-Confirmation Claims were not correctly classified in the Kimball Hill 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 Kimball Hill Debtors' plan of reorganization, which provided, in relevant part, that within 30 days of the effective date of the Kimball Hill 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 Bankruptcy Court entered an order confirming the Kimball Hill Debtors' plan. Pursuant to the confirmation order and the plan for the Kimball Hill 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 Kimball Hill Debtors' Plan occurred.

On or about April 23, 2009, the Company filed amended proofs of claim in the Kimball Hill 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 Kimball Hill Debtors and/or the KHI Liquidation Trust may assert against the Company. The Pre-Confirmation Claims and the Amended Claims are hereinafter collectively, referred to as the "NW Valley Claims."

On December 21, 2009, the Kimball Hill 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 seek setoff or offset to the extent the Kimball Hill Trusts seek to recover on any alleged claims they may have against the Company.

4. 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; and (b) disputed deficiency claims held by the Lender, acting through Kyle

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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. The foregoing sums are both exclusive of any interest, attorneys' fees, costs and other charges that may be due and owing under the applicable documents. The foregoing claims were scheduled in the Company's Schedules prior to certain rulings of the Bankruptcy Court with respect to the allowance *(or disallowance) of those claims as hereinafter described in Section V.J.6 herein, and, to the extent the Bankruptcy Court has ruled on such claim, the Court's ruling govern the ultimate disposition of the claims.

KEH's indemnity and contribution claims have been the subject to a claim objection and decision of the Bankruptcy Court, which is discussed hereinafter in Section V.J.6. Such ruling remains disputed by KEH.

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. Such assertions are disputed by KEH. Such positions remain disputed by KEH.

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.

5. The Debtor's First Plan.

On April 1, 2015, the Debtor filed its proposed *Chapter 11 Plan of Reorganization* (as modified, the "First Plan") and its proposed *Disclosure Statement to Accompany Chapter 11 Plan of Reorganization* (the "First Disclosure Statement").

KH Home, KB Home Nevada Inc. and KB Kyle Home, Inc. (collectively, "KB Home") filed a limited objection to confirmation of the Debtor's First Plan, which objected to the scope of the exculpation provision in the First Plan. The Kimball Hill Trusts filed their own objection to confirmation of the Debtor's First Plan on numerous grounds, and May 13, 2015, filed a proof of claim (the "Kimball Hill Trusts' Proof of Claim") and asserting that it was contingent and unliquidated, and for an unknown amount allegedly owing as a result of reimbursement, indemnification, contribution and subrogation under applicable law, including without limitation, NRS §§ 86.411 through 86.451, and applicable agreements, including without limitation the Debtor's articles of organization, operating agreement, and related documents.

On May 21, 2015 (the "First Confirmation Hearing"), the Bankruptcy Court held a contested evidentiary hearing on confirmation of the Debtor's First Plan. At this First Confirmation Hearing, KB Home's objection was resolved by way of an amendment to the proposed exculpation clause providing, for the avoidance of doubt, a specific carveout of the provision's effect as to KB Home, thus leaving only the objection of the Kimball Hill Trusts to

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confirmation of the Plan. After the conclusion of the First Confirmation Hearing, the Court accepted post-hearing briefing from the parties.

On July 6, 2015, the Bankruptcy Court rendered its oral ruling on the record denying confirmation of the Debtor's First Plan without prejudice, which oral ruling was later incorporated into a written order entered by the Court on July 10, 2015. Specifically, the Bankruptcy Court denied confirmation of the First Plan for numerous reasons. First, the Court held that the Debtor failed to satisfy section 1129(a)(1) of the Bankruptcy Code, because it improperly classified unsecured creditors as unimpaired, when in fact the Court found that they were impaired by the proposed treatment in the First Plan. As a result, the Court also found that the First Plan failed to satisfy section 1129(a)(7) of the Bankruptcy Code, which requires that at least one class of claims that is impaired vote to accept the Plan and without regard to the vote of any insiders, and at the time it was asserted that KEH, an insider, had the only allowed general unsecured claim.

Second, the Bankruptcy Court held that the proposed exculpation provision in the First Plan was overbroad because it applied to third parties, which the Court held violated section 524(e) of the Bankruptcy Code, and thus also resulted in the First Plan violating section 1129(a)(1) of the Bankruptcy Code. In denying confirmation, the Bankruptcy Court also noted that it was not specifically reaching, because it did not need to reach, certain other confirmation requirements and arguments made by the parties with respect to the First Plan.

6. The Claims Proceedings and the Court's Rulings.

On May 21, 2015, KEH and the Debtor jointly objected to the Kimball Hill Trusts' Proof of Claim, and on June 5, 2015, the Kimball Hill Trusts objected to the scheduled claim of KEH. After the foregoing objections were fully briefed and argued by the parties, on July 31, 2015, the Bankruptcy Court rendered an oral ruling with respect to each of the respective claim objections, which were thereafter incorporated into written orders entered by the Bankruptcy Court.

First, the Bankruptcy Court disallowed KEH's scheduled claim because it was the recipient of a potentially avoidable preference in the form of the water deposit, and thus the Court held that its claim should be disallowed pursuant to section 502(d) of the Bankruptcy Code. Second, the Bankruptcy Court disallowed the Kimball Hill Trusts' Proof of Claim because no amount was specified and the amount was contingent and unliquidated as of the Petition Date. On August 5, 2015, the Court entered its written order sustaining the Kimball Hill Trusts' objection to KEH's scheduled claim, and on August 18, 2015, the Bankruptcy Court entered its written order disallowing the Kimball Hill Trusts' Proof of Claim.

On August 19, 2015, KEH filed a motion with the Bankruptcy Court requesting that the Court alter or amend its decision disallowing KEH's claim because: (a) the order did not provide a mechanism to reinstate the KEH claim upon KEH turning over the alleged preference to the Debtor as required by section 502(d) of the Bankruptcy Code; and (b) the Court did not find the required elements for an avoidable preference pursuant to section 547(b) of the Bankruptcy Code and did not require the Kimball Hill Trusts to meet their burden pursuant to section 547(g) of the Bankruptcy Code. Pursuant to an oral ruling on the matter on January 5, 2016 and a written order entered on January 11, 2016, the Court denied the foregoing reconsideration motion. On January 25, 2016, KEH appealed the Bankruptcy Court's decision,

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which appeal is presently pending before the U.S. District Court for the District of Nevada as Case No. 2:16-cv-00168-RFB. Briefing on the appeal has been stayed pending the parties' settlement discussions.

On August 31, 2015, the Kimball Hill Trusts filed a notice of appeal with the Bankruptcy Court, thereby appealing the Bankruptcy Court's decision disallowing its claim, which appeal is pending before the U.S. District Court for the District of Nevada as Case No. 2:15-cv-01902-RFB. Briefing on the appeal is concluded and the matter has been argued and submitted to the District Court for decision.

7. The Proposed KEH Settlement and the Debtor's Second Plan.

After the Court's rulings on the various claim objections, the Debtor assessed the estate's options, including the possibility of a further revised plan of reorganization, and a possible resolution of certain of the claims matters given the pendency of the appeals. After lengthy discussions, the Debtor and KEH tentatively agreed, subject to court approval, to the terms of a proposed settlement, the general terms of which are as follows (the "KEH Settlement"):

(a) KEH shall return to the bankruptcy estate the Water Deposit in the amount of $2,026,954.20, plus pay $100,0000 for the Remaining Real Property;

(b) KEH shall be entitled to an allowed general unsecured claim against the bankruptcy estate in the amount of $2,150,000.00;

(b) KEH shall receive a full and unconditional release of any and all claims by or on behalf of the estate, including but not limited to any potential avoidance actions; and

(c) KEH shall waive or release any claims it allegedly may have against the estate in excess of the $2,150,000.00 allowed claim, including but not limited to any alleged deficiency claim arising from the Credit Agreement, any indemnity or contribution claims arising from either the 2011 Settlement Agreement, the Focus Settlement Agreement, and any claim to the recovery of interest, attorneys' fees and costs on any of the foregoing claims.

On December 18, 2015, the Debtor filed a *Motion to Approve Settlement* (the "Settlement Approval Motion"), thereby seeking approval of the KEH Settlement, which the Trusts opposed. On December 22, 2015, the Debtor also filed its proposed *Second Amended Chapter 11 Plan of Reorganization* (the "Second Plan") and an accompanying *Disclosure Statement to Accompany Second Amended Chapter 11 Plan of Reorganization* (the "Second Disclosure Statement"). Prior to the hearings on the foregoing, the parties entered into a series of stipulations to continue the hearings on the Settlement Approval Motion and approval of the Second Disclosure Statement for more than eighteen months pending settlement discussions to try and resolve no only matters in the Debtor's Chapter 11 Case, but also more globally with respect to the various claims asserted in the Kimball Hill Debtors' Bankruptcy Cases as well.

On or about January 9, 2017, the Debtor entered into a Tolling Agreement with KEH, thereby tolling the deadline to commence any chapter 5 avoidance actions against it.

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8. The Kimball Settlement and the Debtor's Third Plan.

On or about June 7, 2017, the KHI Trusts and the Kyle Parties,[1] among others, entered into a *Stipulation Resolving Claims Concerning Inspirada and Kyle Canyon Developments and Reclassifying Class C-1 Claims* (the "Kimball Settlement") in the Kimball Hill Bankruptcy Cases. The Illinois Bankruptcy Court presiding over the Kimball Hill Bankruptcy Cases is anticipated to approve the matter. Unless already defined herein, any undefined terms in this section shall have the same meanings as set forth in the Kimball Settlement, which is attached to the Disclosure Statement as **Exhibit "3**." The Debtor was not a party to the Kimball Settlement, however, it was an express intended third party beneficiary thereof because it effectively eliminated the disputes between KEH and the Kimball Hill Trusts for purposes of the Debtor's Chapter 11 Case as well, thereby greatly simplifying what remains to do be done to complete the Debtor's Chapter 11 Case. In particular, the Kimball Settlement provides, among other matters, as follows:

(a) Claim No. 2291 originally asserted by South Edge, LLC in the Kimball Hill Bankruptcy Cases (the "Allowed Inspirada Claim") and Claim No. 742 originally asserted by Wachovia in the Kimball Hill Bankruptcy Cases (the "Allowed Kyle Claim" and, together with the Allowed Inspirada Claim, the "Allowed Joint Claim") were allowed as Class C-2 General Unsecured Claims under the Kimball Hill Debtors' confirmed Plan in the total aggregate amount of $72,000,000, which total aggregate amount for the Allowed Joint Claim shall not be subject to reconsideration under section 502(j) of the Bankruptcy Code or other applicable law.

(b) Except for the Allowed Inspirada Claim, all of the Inspirada Claims asserted in the Kimball Hill Debtors' Bankruptcy Cases are disallowed and shall not be subject to reconsideration under section 502(j) of the Bankruptcy Code or other applicable law. Except for the Allowed Kyle Claim, all of the Kyle Claims asserted in the Kimball Hill Debtors' Bankruptcy Cases are disallowed and shall not be subject to reconsideration under section 502(j) of the Bankruptcy Code or other applicable law.

(c) Unless otherwise instructed in writing by both the Inspirada Parties and the Kyle Parties, (i) each distribution on account of the Allowed Joint Claim shall be made as a single, joint distribution in accordance with written instructions to be provided by the Inspirada Parties and the Kyle Parties, and (ii) any amounts payable on account of the Supplemental Chase Distribution or the Supplemental Inland Distribution shall be allocated to, and upon payment thereof reduce the amount of, the Allowed Joint Claim.

(d) Except for the right to payment pursuant to the Kimball Hill Debtors' Plan and the Kimball Stipulation with respect to the Allowed Inspirada Claim and the Allowed Kyle Claim, for the rights and interests being transferred by the Kimball Hill Debtors to Kyle Agent pursuant to the Stipulation, and for any other rights and obligations to be performed by the Kimball Hill Debtors, the KHI Trusts or the Administrator under the

[1] Of relevance to the Debtor's Chapter 11 Case, the "Kyle Parties" include Kyle Agent, as successor to Wachovia for itself and as agent for Kyle's lenders with respect to their claims against the Kimball Hill Debtors relating to the Kyle Canyon development, and KEH, as successor to Focus Kyle.

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Kimball Settlement after the Execution Date, each of the Inspirada Parties and the Kyle Parties waived and are forever barred, estopped, and enjoined from asserting any claims relating to the Kimball Hill Debtors, the Kimball Hill Debtors' Cases, the Inspirada development, or the Kyle development, whether known or unknown, against, directly or indirectly, against (a) the Kimball Hill Debtors and their property, (b) the KHI Trusts and their property, (c) the Administrator, or (d) any of their officers, directors, owners, shareholders, parents, subsidiaries, affiliates, members, partners, managers, employees, personal representatives, clients, attorneys, agents, executors, successors, or assigns.

(e) An interim cash distribution of no less than $40,000,000 in the aggregate shall be made on account of the Allowed Joint Claim no later than 30 days after the Execution Date.

(f) The Kimball Stipulation fully and completely resolves the Inspirada Claims and the Kyle Claims.

(g) The Kyle Parties shall use commercially reasonable efforts to cause the Debtor to withdraw the NW Valley Claims in the Kimball Hill Bankruptcy Cases. In the event that the Debtor does not withdraw the NW Valley Claims in the Kimball Hill Bankruptcy Cases, then the Kyle Parties agree that the Kyle Parties shall not, either directly or indirectly (including through any affiliate thereof), receive or retain any value on account of the NW Valley Claims or any proceeds or distributions paid upon account of any of the NW Valley Claims (the "NW Valley Claims Proceeds") in excess of the amount the Kyle Parties would be entitled to upon distributions paid on the Allowed Kyle Claim if such NW Valley Claims or NW Valley Claims Proceeds were treated as part of the Allowed Kyle Claim (including, but not limited to, any value based upon enhanced creditor distributions or equity value in the Kyle Bankruptcy Case), and the Kyle Parties shall promptly tender any such value to the Inspirada Parties and indemnify and hold harmless the Inspirada Parties for the same.

(h) The Chase Class C-1 Claim is hereby reclassified and shall be treated as an allowed Class C-2 General Unsecured Claim under the Plan in the amount of $3,000,000; provided, however, in addition to its *pro rata* distributions as the holder of an allowed Class C-2 General Unsecured Claim, the Administrator shall distribute to Chase the following supplemental distribution (collectively, the "Supplemental Chase Distribution"): (i) the sum of $510,000, plus (ii) up to $7,500 of Chase's reasonable attorneys' fees and costs incurred in connection with the reclassification of the Chase Class C-1 Claim pursuant to this Stipulation. The Supplemental Chase Distribution shall be payable entirely from, and shall accordingly reduce, the initial distributions from the LT on account of the Allowed Joint Claim.

(i) The Inland Class C-1 Claim is hereby reclassified and shall be treated as an allowed Class C-2 General Unsecured Claim under the Plan in the amount of $2,525,000; provided, however, in addition to its pro rata distributions as the holder of an allowed Class C-2 General Unsecured Claim, the Administrator shall distribute to Inland the following supplemental distribution (collectively, the "Supplemental Inland Distribution"): (i) the sum of $429,250, plus (ii) up to a certain amount of Inland's reasonable attorneys' fees and costs incurred in connection with the reclassification of the

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Inland Class C-1 Claim pursuant to the Trusts-KEH Stipulation. The Supplemental Inland Distribution shall be payable entirely from, and shall accordingly reduce, the initial distributions from the Liquidating Trust on account of the Allowed Joint Claim.

(j) Upon execution of the KHI Trusts-KEH Stipulation, the Administrator, on behalf of the KHI Trusts and the Kimball Hill Debtors, waives and releases any and all claims and interests the Kimball Hill Debtors, their estates, or the KHI Trusts had, have, or may have against or in, whether known or unknown, Chase, Inland, the Inspirada Parties, the Kyle Parties, Kyle, KAG Property, Stonehill Capital Management, Stonehill Institutional Partners L.P., or Kyle Partners, or any of their officers, directors, owners, shareholders, parents, subsidiaries, affiliates, members, partners, managers, employees, personal representatives, clients, attorneys, agents, executors, successors, or assigns relating to the Debtors, the Cases, the Inspirada development, or the Kyle Canyon development. Additionally, and among other terms and conditions, and of critical import to the Debtor's Chapter 11 Case, the Kyle Agent received a transfer of all of the Kimball Hill Debtors' 9.59% Kyle Equity Interest. The Administrator also transferred to Kyle Agent all of the Kimball Hill Debtors' rights and interest as a creditor or equity holder in the Debtor's Chapter 11 Case.

(k) The Administrator, on behalf of the KHI Trusts and the Kimball Hill Debtors, further agreed that no distributions would be made to the Administrator, on behalf of the KHI Trusts and the Kimball Hill Debtors, for the 9.59% Kyle Equity Interest being transferred to Kyle Agent, nor shall the Kimball Hill Debtors be entitled to any distributions made on the Allowed Kyle Claim with respect to the 9.59% Kyle Equity Interest being transferred to Kyle Agent. Furthermore, the Administrator, on behalf of the KHI Trusts and the Kimball Hill Debtors, agreed to vote in favor of any plan or any supplement to the Plan that provides for the distributions as set forth in the Kimball Settlement and for the treatment of Kimball Hill Debtors' rights and interests in the Debtor's Chapter 11 Case, including without limitation, the 9.59% Kyle Equity Interest, consistent with the Kimball Stipulation.

The net effect of the foregoing for purposes of the Debtor's instant Chapter 11 Case was to consolidate all alleged claims against the Debtor and all equity security interests in the Debtor with the Kyle Parties (*e.g.*, Kyle Agent and KEH), and to the exclusion of the Kimball Hill Trusts, thereby also effectively resolving the previous disputes between the creditor and equity holder parties in this Chapter 11 Case as well greatly simplifying what remains to be done in this Chapter 11 Case. KB Home was also a party to the Kimball Settlement as well.

The foregoing description of the Kimball Settlement is for summary purposes only. For the avoidance of doubt, nothing herein, or in the Plan accompanying this Disclosure Statement, or any Confirmation Order approving the Plan, is intended or should be construed as altering or amending the terms and conditions of the Kimball Settlement. In the event of any conflict between the terms and conditions of this Disclosure Statement, the Debtor's Second Plan, or the Confirmation Order, and the terms and conditions of the Kimball Stipulation shall control.

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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 remaining assets, including without limitation the Litigation Claims, 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 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. Effectuation of the Kimball Settlement.

The Kimball Settlement is incorporated into the Plan without change and is effectuated as of the Effective Date as between the Debtor, on the one hand, and KEH, Kyle Agent, and their Affiliates, designees, and assigns, on the other hand. To the extent any provisions of the Plan conflicts with the Kimball Settlement, the terms of the Kimball Settlement shall control. For the avoidance of doubt, for purposes of this Chapter 11 Case, the effectuation of the Kimball Settlement shall include, but not be limited to (and to the extent not already effectuated previously): (a) the transfer of any Equity Interests in the Debtor from the KHI Trusts (or Kimball Hill Homes Nevada, Inc.), including an alleged 9.59% interest in the Debtor, to KEH, or its designee, thereby vesting 100% of the Equity Interests in the Debtor in KEH, or its designee; (b) the transfer of any creditor claim held by the KHI Trusts against the Debtor to KEH, or its designee; (c) the withdrawal with prejudice of the Debtor's claims asserted in the Kimball Bankruptcy Case, being Claim Nos. 1504, 1508, 2298 and 2299, and the Debtor waiving, releasing and forever being barred, estopped, and enjoined from asserting any claims related to the KHI Trusts or the Kimball Bankruptcy Case. Additionally, although not provided for in the Kimball Settlement, the effectuation of the foregoing, will result in KEH, or its designee holding 100% of the asserted claims in this case, and thus result in the dismissal with prejudice of any appeals from any decisions of the Bankruptcy Court in the Chapter 11 Case with respect to the claims asserted by KEH and the KHI Trusts against the Debtor, including appeal nos. 2:16-cv-00168-RFB and 2:15-cv-01902-RFB, thereby allowing the existing decisions of the Bankruptcy Court disallowing the asserted claims to stand.

3. Establishment of Post-Confirmation Reserve and Distribution of Remaining Available Cash.

On or prior to the Effective Date, the Debtor shall establish a cash reserve from Available Cash in its bank account (the "Post-Confirmation Reserve") in an amount sufficient to provide

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for the payment of any: (a) Allowed Claims, including projected Allowed Administrative Claims, as may be allowed by the Court; (b) any United States Trustee Fees; (c) windup expenses of the Estate and the Chapter 11 Case in the sum $15,000.00 for any remaining work that may need to be done post-Effective Date to effectuate the Plan and provide for the finalization of any reporting, including tax returns, and any and all other appropriate windup issues. On the Effective Date, to the extent there is any Available Cash in excess of the Post-Confirmation Reserve, that amount shall be immediately transferred to KEH, or its designee, and in accordance with any delivery instructions for such payment as KEH may provide in writing.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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

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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.

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 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.

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.

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VII. RISK FACTORS

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

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.

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 Other Outside Representations 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 remaining assets, 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.

. . .

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3. Discharge.

The Debtor shall not 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 remaining 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.

Except as stated in the last sentence of this Article, neither the Debtor nor any of its Representatives (as defined in the Plan), including any of their Representatives' 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 of the Exculpated Parties for any acts, omissions, transactions, events or other occurrences taking place after the Effective Date, unless they were done pursuant to,

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consistent with, in accordance with, and in effectuation of the Plan.

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 the Exculpated Parties 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 the Reorganized Debtor or the Exculpated Parties for which exculpation is granted pursuant to the Plan, or (iii) creating, perfecting, or enforcing any lien or encumbrance of any kind against the Reorganized Debtor or the Exculpated Parties in respect of any potential liability for which exculpation is granted pursuant to the Plan. For the avoidance of doubt, 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 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. 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.

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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 **August 16, 2017 at 1:30 p.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 per the deadline as set forth in the order approving the Disclosure Statement and served upon counsel for the Debtor at the following address:

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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 believes 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 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

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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 "4,"** Debtor has determined that confirmation of the Plan will provide each Holder of an Equity Interest with no less of a recovery than would be received 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 contemplates a 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 sixty (60) 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

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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, Debtor believes that the Plan serves the best interests of all Creditors and parties-in-interest in the Chapter 11 Case. Debtor believes not only that the Plan, as described herein, enables 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 this Plan after expiration of the exclusive period, and thus any other party in interest is also free to propose its own plan.

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 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. Overview.

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

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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. An abbreviated analysis of certain transfers follows for the benefit of applicable parties in interest.

B. Potential Avoidance Actions.

First, within the one year preference period for insiders pursuant to section 547(b)(4)(B) of the Bankruptcy Code, the Debtor made total payments to KEH of $2,026,954.20. Notwithstanding the foregoing transfers, however, if the estate brought a preference claim pursuant to section 547 of the Bankruptcy Code against KEH, it would only result in the Debtor suing KEH for the benefit of KEH or its affiliate, Kyle Agent, as successor to the KHI Trusts pursuant to the Kimball Agreement, and thus be of no benefit.

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 made certain 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/or contribution claims of those parties arising from the 2011 Settlement Agreement. Such transfers were made to parties that KEH has since purchased their interests and claims. As a result, it would only result in the Debtor suing KEH for the benefit of KEH or its affiliate, Kyle Agent, as successor to the KHI Trusts pursuant to the Kimball Agreement, and thus also be of no benefit.

Third, avoidance actions generally can only be maintained for the benefit of creditors, not holders of equity interests, and thus to the extent the unsecured creditors of this estate are satisfied in full, then there is no standing to commence such actions as there are no other unsatisfied unsecured creditors.

Dated: July 7, 2017.

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